

Original Contract

THIS AGREEMENT entered into this 30th day of July, 2003, by and between the Government of the United States Virgin Islands, Department of Property and Procurement, on behalf of the Virgin Islands Lottery (hereinafter referred to as "Government" or "Lottery") and Southland Gaming of the Virgin Islands, Inc. (hereinafter referred to as "Contractor").

W I T N E S S E T H:

WHEREAS, the Government is in need of the services of a contractor to establish, implement and operate a video lottery gaming system and to acquire services relative thereof, which duties and responsibilities are more particularly described in Addendum I (Scope of Work); and

WHEREAS, the Government understands the Contractor will make substantial investments based upon its proposal to the Lottery representing the size, scope, configuration and acceptance of the video lottery program; and

WHEREAS, the Contractor represents that it is willing and capable of providing such services;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and intending to be legally bound by this written instrument, the parties hereto do covenant and agree as follows:

1. SERVICES

The Contractor shall design, install and operate a video lottery control system, maintain and operate entertainment centers which primarily offers video lottery games and service and maintain video lottery terminals and other related equipment in all applicable locations as described in Addendum I (Scope of Work) attached hereto and made a part of this contract.

2. TERM

This Contract shall commence upon the signature of the Governor of the United States Virgin Islands and shall terminate five (5) years thereafter, at which time, the parties shall renew the Contract for two (2) additional five (5) year periods, unless amended by the parties or the Contractor provides the Government written notice of its intent not to exercise this option at least six (6) months prior to the expiration of each five (5) year period or the Government has cause to terminate this Contract and provides the Contractor written notice of its intent to terminate pursuant to Section 22.

3. COMPENSATION

(a) The Government, in consideration of the satisfactory performance of the services as described in Addendum I (Scope of Work), agrees that the Contractor shall receive the percentages of net game revenue as indicated in the Pricing Table listed below as compensation.

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EXHIBIT A

Contract No. _____

Pricing Table

<u>Year of Net Game Revenue</u>	<u>Weekly Net Game Revenue</u>	<u>Entertainment Centers</u>	<u>Retail Locations</u>
1	A. Under \$300,000	75.0%	48.75%
	B. Between \$300,000 and \$600,000	70.0%	44.75%
	C. Over \$600,000	55.0%	41.50%
2	A. Under \$300,000	70.5%	48.75%
	B. Between \$300,000 and \$600,000	65.0%	44.75%
	C. Over \$600,000	50.0%	40.50%
3 and all years thereafter	A. Under \$300,000	67.5%	48.75%
	B. Between \$300,000 and \$600,000	62.5%	44.75%
	C. Over \$600,000	50.0%	40.50%

(b) The percentages shown in the Entertainment Centers column apply to revenue generated at the Entertainment Centers and may be amended upon review and agreement by the parties. The percentages shown in the Retail Locations column apply to revenue generated by all other video lottery terminal ("VLT") locations and may be amended upon review and agreement by the parties. The first year of Entertainment Centers Net Game Revenue will begin the first year in which an Entertainment Center opens for business.

(c) For purposes of this section, net game revenue is defined as the amount of video lottery receipts remaining after the payment of prizes only. The term "prizes" shall be construed only as payout of the video lottery to winning players thereof and shall not include any other costs or expenses.

4. **BONDS AND INSURANCE**

(a) Contractor shall post a performance bond for the first year of the Contract in a form satisfactory to the Lottery in an amount equal to \$100,000 within 15 days after the Agreement's effective date. The bond may thereafter be renewable on an annual basis provided that both parties agree a bond is required to insure performance.

(b) Contractor shall post a fidelity bond for the first year of the Agreement in the amount of \$25,000 within 15 days after the Agreement's effective date. The bond shall cover any loss to the Lottery due to any fraudulent or dishonest act on the part of the Contractor, its employees, or agents.

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(c) The Contractor shall secure, at its expense and keep in effect during the term of the Contract, the following insurance coverages:

- (1) Comprehensive or Commercial General Liability Insurance from an insurance company authorized to do business in the U.S. Virgin Islands. The limits shall not be less than one million dollars per occurrence for personal injury and property damage. This insurance shall include personal injury coverage and products completed operations liability. In addition, the insurance shall include contractual liability coverage for the Contractor's obligation to defend, protect, and hold harmless the U.S. Virgin Islands, the U.S. Virgin Islands Lottery, their officers, employees and members, from and against all claims, suits or actions arising out of the act or omission of Contractor or subcontractor, agents or employees of either while performing under this Contract. The insurance policy or policies shall name the U.S. Virgin Islands, the U.S. Virgin Islands Lottery, their officers and employees as additional insureds.
- (2) Comprehensive Auto Liability Insurance from an insurance company authorized to do business in the U.S. Virgin Islands. This coverage may be written in combination with the Comprehensive or Commercial General Liability Insurance. The limits shall not be less than one million dollars per occurrence for personal injury and property damage. The vendor shall have the U.S. Virgin Islands, the U.S. Virgin Islands Lottery, and their officers and employees as additional insureds.

There shall be no cancellation, material change, potential exhaustion of aggregate limits or intent not to renew insurance coverages without thirty (30) days' written notice from the vendor or its insurer(s) to Lottery. Any failure to comply with the reporting provisions of this insurance, except for the potential exhaustion of aggregate limits, shall not affect the coverage(s) provided to the U.S. Virgin Islands, the U.S. Virgin Islands Lottery, or their officers and employees. The selected vendor shall supply the Director with a Certificate of Insurance listing the coverage and other requirements set out above.

5. EXCLUSIVE CONTRACT

The Government shall not contract with any other party for delivery or management of video lottery terminals ("VLTs") or any other video lottery services including any equipment, machines, software or operational services and Contractor shall be the exclusive supplier to the Government of such VLTs and related services for the term of this Contract. A VLT is any machine in which coins, credits or tokens are deposited in order to play any game of chance in which the results including options available to the player are randomly and immediately determined by the machine. A VLT may use spinning reels or video displays or both and may or may not dispense coins or tokens directly to winning players. VLTs may include a progressive jackpot either individually, in a linked cluster of machines in one location, or in a linked cluster of machines in multiple locations.

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6. RECORDS

The Contractor shall maintain and present documented, precise records of the implementation and operation of the video lottery terminal program and any other records pertaining thereto to the Government upon notice.

7. PROFESSIONAL STANDARDS

The Contractor agrees to maintain the professional standards applicable to its profession and to consultants doing business in the United States Virgin Islands.

8. DOCUMENTS, PRINTOUTS, ETC.

The Government shall be entitled to inspect and copy all documents, records, instructional materials, programs, printouts, memoranda of every description, and subsidiary ledgers relating to gross and/or net gaming proceeds derived therefrom and pertaining to this Contract throughout the term of this Contract and for a period of twelve (12) months following the termination of this Contract.

9. RIGHTS OF INSPECTION

Contractor shall provide right of access to its facilities to Lottery, or any of its officers, or to any other authorized agent or official of the U.S. Virgin Islands at all reasonable times in order to monitor and evaluate performance, compliance, and/or quality assurance under this Agreement.

Such access shall be upon reasonable notice and at reasonable times, and Contractor shall have the right to have one or more of its officers, employees, agents or subcontractors present at its facilities during such access. Furthermore, Contractor agrees to comply with any reasonable security measures suggested by the Director. Contractor shall secure similar inspection rights for Lottery from each of its subcontractors.

10. CONFIDENTIAL INFORMATION

"Confidential Information" means any and all information (whether verbal or written) received by Lottery under or in connection with this Contract which pertains to Contractor or Contractor's business, products, and services. Lottery will use its best efforts to assure that neither Lottery nor any of its personnel or agents disclose to any other person or organization any Confidential Information, without permission of Contractor, unless required to do so by law.

11. SCOPE OF AUTHORITY OF INDIVIDUALS

Any alteration, amendment, modification or waiver of any clause or condition of this Contract is not effective or binding on Lottery unless stated in writing and signed by the

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Executive Director of the Virgin Islands Lottery ("Director"), subject to the written approval of the Lottery Commission, the Commissioner of the Department of Property and Procurement, the Governor of the U.S. Virgin Islands and the legal sufficiency review by the Attorney General of the U.S. Virgin Islands; or on the Contractor unless stated in writing and signed by the Contractor's President. Any materials related to the security features of the video lottery gaming system or disclosure of information concerning the Contractor shall be provided directly to the Director of the Lottery.

12. SUBCONTRACTORS AND MANAGEMENT

All direct subcontractors of the Contractor shall be subject to the approval of the Director. Contractor shall be held responsible for all actions of any of its subcontractors for work performed under this Contract. Contractor agrees that Director will have approval over any changes in its management team, which shall not be unreasonably withheld, including Operations Manager, Project General Manager, Entertainment Center Managers, Central Site Manager and Marketing/Sales Manager.

13. LIABILITY OF OTHERS

Nothing in this Contract shall be construed to impose any liability upon the Government to persons, firms, associations, or corporations engaged by Contractor as servants, agents, independent contractors, or in any other capacity whatsoever, or make the Government liable to any such persons, firms, associations or corporations for the acts, omissions, responsibilities, obligations and taxes of Contractor of whatsoever nature, including, but not limited to, unemployment insurance and social security taxes for Contractor, its servants, agents or independent contractors.

14. ASSIGNMENT

The Contractor shall not subcontract or assign any part of its services, except as provided under this Contract, without the prior written consent of the Government.

15. INDEMNIFICATION

The Contractor agrees to investigate, defend and hold harmless the Government from and against any and all loss, damage, liability, claims, demands, detriments, costs, charges and expenses (including attorney's fees) and causes of action of whatsoever character which the Government may incur, sustain or be subjected to, arising out of or in any way connected to the services to be performed by the Contractor under this Contract and arising from any cause, except for the sole negligence of the Government.

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16. INDEPENDENT CONTRACTOR

The Contractor shall perform this Contract as an independent contractor and nothing herein shall be construed to be inconsistent with this relationship or status.

17. GOVERNING LAW

This Contract shall be governed by the laws of the United States Virgin Islands and jurisdiction shall remain in the United States Virgin Islands.

18. WAIVERS AND AMENDMENTS

No waiver, modification, or amendment of any term, condition, or provision of this Contract shall be valid or of any force or effect unless made in writing, signed by the parties hereto or their duly authorized representative and specifying with particularity the nature and extent of such waiver, modification or amendment. Any such waiver, modification, or amendment in any instance or instances shall in no event be construed to be a general waiver, modification, or amendment of any of the terms, conditions, or provisions of this Contract, but the same shall be strictly limited and restricted to the extent and occasion specified in such signed writing or writings.

19. ENTIRE WRITING

This Contract constitutes the entire agreement between the parties and supersedes any and all prior written understandings or written communications with respect to the implementation of a Video Lottery Gaming System in the United States Virgin Islands pursuant to this Contract and the Request For Proposal ("RFP") authorized by the Virgin Islands Lottery Commission.

20. RIGHT TO WITHHOLD

If the services under this Contract is not performed in accordance with the terms hereof, the Government shall have the right to withhold from the Contractor's percentage of net game revenue such sums as the Government may deem ample to protect it against loss or to assure payment of claims arising therefrom, and, at its option, the Government may apply such sums in such manner as the Government may deem proper to secure itself or to satisfy such claims. The Government shall immediately notify the Contractor in writing in the event it elects to exercise its right to withhold.

No such withholding or application shall be made by the Government if and while the Contractor gives satisfactory assurance to the Government that such claims will be paid by the Contractor or its insurance carrier, if applicable, in the event that such contest is successful.

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21. **CONDITION PRECEDENT**

This Contract shall be subject to the approval of the Governor.

22. **TERMINATION**

(a) **Termination for Cause or Other Reasons**

The Government reserves the right to terminate this Contract by providing written notice by certified mail to Contractor of the occurrence of any of the following:

- (1) If the Contractor furnished any material statement, representation, warranty, or certification in, connection with this Contract that is materially false, or deceptive, and that causes detriment to the Virgin Islands Lottery as determined by the Virgin Islands Lottery Commission.
- (2) If the Contractor, any officer of the Contractor, or any owner of ten percent (10%) or more of the equity ownership in the Contractor, is convicted of a crime or a gambling related offense that the Government determines reflects on the Contractor's ability to perform honestly in carrying out this Contract.
- (3) If the Contractor jeopardizes the integrity, security, honesty, or fairness of the Virgin Islands Lottery, and fails to cure the same within ninety (90) days written notice of intent to terminate under this clause.
- (4) Except for causes outside the Contractor's control, if the Contractor fails to perform any material requirements of this Contract, or is in violation of any material provision thereof, and fails to cure the same within ninety (90) days written notice of such failure.
- (5) If any license or certificate required by law or regulation to be held by the Contractor to provide the services required by this Contract is, through the fault of the Contractor, denied, revoked, or not renewed, and fails to cure the same within ninety (90) days.

(b) **Termination for Bankruptcy**

Upon the filing of a petition for bankruptcy or in the event of insolvency of Contractor, the Government may terminate this Contract with ninety (90) days written notice. Should such petition be dismissed or such insolvency no longer exists within said days, or should adequate evidence of Contractor's ability to continue performance be provided, no termination shall result. In no event shall the Government be liable for Contractor's costs incurred in responding to any notice given Contractor under this paragraph. Termination under such conditions shall constitute default by the Contractor. The Government shall have first priority for all its claims in the event of Contractor's bankruptcy, except for claims that have statutory priority.

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23. **FORCE MAJEURE**

Contractor shall not be in default or liable for liquidated damages on account of any delay or failure to perform caused by fire, flood, earthquake, hurricane, lightning, or other act of God, nor power failure, telephone failure, strike or other labor stoppage or act of Government which are beyond reasonable control. Nor shall Contractor be in default or liable for liquidated damages on account of any failure to perform caused by acts of third parties, excluding Contractor's suppliers and subcontractors (unless they are subject to one of the events aforementioned), which are beyond reasonable control.

24. **NONDISCRIMINATION**

No person shall be excluded from participating in, be denied the proceeds of, or be subject to discrimination, in the performance of this Contract on account of race, creed, color, sex, religion, disability, or national origin.

25. **CONFLICT OF INTEREST**

(a) Contractor covenants that it has no interest and will not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Contract.

(b) Contractor covenants that it is:

- (1) not a territorial officer or employee (i.e., the Governor, Lieutenant Governor, member of the Legislature or any other elected territorial official; or an officer or employee of the legislative, executive or judicial branch of the Government or any agency, board, commission or independent instrumentality of the Government, whether compensated on a salary, fee or contractual basis); or
- (2) a territorial officer or employee and, as such, has:
 - (i) familiarized itself with the provisions of Title 3, Chapter 37, of the Virgin Islands Code, pertaining to conflicts of interest, including the provisions set forth in 1108 thereof;
 - (ii) not made, negotiated or influenced this Contract in its official capacity; and
 - (iii) no financial interest in the Contract as that term is defined in section 1101(1) of said Code chapter.

26. **EFFECTIVE DATE**

The effective date of this Contract shall be the day of execution of the Contract by the Governor.

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27. NOTICE

Any notice required to be given by the terms of this Contract shall be deemed to have been given when the same is sent by certified mail, postage prepaid or personally delivered, addressed to the parties as follows:

GOVERNMENT

Marc A. Biggs, Commissioner
Department of Property and Procurement
Sub Base, Building No. 1, 3rd Floor
St. Thomas, Virgin Islands 00802

Paul Fleming, Executive Director
Virgin Islands Lottery
75B Kronprindsens Gade
St. Thomas, Virgin Islands 00802

CONTRACTOR

Robert E. Huckabee, President
Southland Gaming of the U.S. Virgin Islands, Inc.
1611 Castle Hayne Road, Bldg. B
Wilmington, North Carolina 28401

Said notice shall become effective on the date delivered as evidenced by the return receipt. Either party may at any time change its address for notification purposes by mailing as stated above, a notice identifying the change and setting forth the new address which shall be effective on the tenth day following the date of such notice unless a later date is specified.

28. LICENSURE

The Contractor covenants that it has:

- (a) obtained all the applicable licenses or permits, temporary or otherwise, as required by Title 27 of the Virgin Islands Code; and
- (b) familiarized itself with the applicable provisions of Title 27 of the Virgin Islands Code pertaining to professions and occupations.

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29. FALSE CLAIMS

Contractor warrants that it shall not, with respect to this Contract, make or present any claim upon or against the Government of the U.S. Virgin Islands, or any officer, department, board, commission, or other agency thereof, knowing such claim to be false, fictitious, or fraudulent. Contractor acknowledges that making such a false, fictitious, or fraudulent claim is an offense under U.S. Virgin Islands law.

Contractor further acknowledges that this Contract may be funded, in whole or in part, by federal funds. If funded by federal funds, in whole or in part, the Contractor warrants that it shall not, with respect to this Contract, make or present any claim knowing such claim to be false, fictitious, or fraudulent. Contractor acknowledges that making such a false, fictitious, or fraudulent claim is a federal offense.

30. DEBARMENT CLAUSE

By execution of this Contract, Contractor certifies that it is eligible to receive contract awards using federally-appropriated funds and that it has not been suspended or barred from entering into contracts with any federal agency. Contractor shall include this provision in each of its subcontracts hereunder and shall furnish its subcontractors with the current "LIST OF PARTIES EXCLUDED FROM FEDERAL PROCUREMENT OR NON-PROCUREMENT".

In the event the Contractor or subcontractor misrepresents its eligibility to receive contract awards using federal funds, the Contractor or subcontractor agrees that it shall not be entitled to payment for any work performed under this Contract or subcontract and that the Contractor or subcontractor shall promptly reimburse the Government of the U.S. Virgin Islands for any progress payments heretofore made.

If, during the term of the Contract, Contractor becomes ineligible to receive contract awards using federal funds, this Contract shall be terminated forthwith for cause and Contractor shall not be entitled to payment for any work performed under this Contract or subcontract after the effective date of such ineligibility.

31. OTHER PROVISIONS

The addenda attached hereto are a part of this Contract and are incorporated by reference.

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IN WITNESS WHEREOF, the parties have hereunto set their hands on the day and year first above written.

GOVERNMENT OF THE VIRGIN ISLANDS

WITNESSES:

Harbert [Signature]
[Signature]

[Signature]
[Signature]

[Signature] 7/25/03
Marc A. Biggs, Commissioner Date
Department of Property and Procurement

[Signature] 7-2-03
Paul Fleming, Executive Director Date
Virgin Islands Lottery and
Acting with the Authority of the
Virgin Islands Lottery Commission

CONTRACTOR

Mark M. [Signature]
[Signature]

[Signature] 7-1-03
Robert E. Huckabee, President Date
Southland Gaming of the Virgin Islands, Inc.

APPROVED:

Charles W. Turnbull
Charles W. Turnbull
Governor
United States Virgin Islands

Date: 7/29/03

APPROVED AS TO LEGAL SUFFICIENCY
DEPARTMENT OF JUSTICE By: TMS

Date: July 28, 03

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**ADDENDUM I
(SCOPE OF WORK)**

OVERVIEW

The Contractor will introduce video lottery games in locations within the district of St. Thomas and St. John which have been approved by the Director or the Lottery Commission in accordance with the Virgin Islands Lottery rules and regulations. The parties recognize that the intent of this Contract is to have video gaming machines in locations frequented by tourists and that the Director or the Lottery Commission shall approve locations that target the tourist population.

Lottery will assist Contractor in insuring that VLTs are installed in a manner that maximizes access to the tourist population and maximizes revenue to both parties in compliance with the implementation schedule. Any establishment that meets the requirements of the Lottery's rules and regulations shall be eligible to request installation of VLTs. Contractor will implement such installations as soon as practical after such requests are approved.

The Contractor shall provide the following services:

- Provide, install and operate a Video Lottery Control System (VLCS).
- Supply and/or contract with VLT vendors to provide games for the Lottery to the full extent provided by law.
- Maintain and operate Entertainment Centers whose primary offering is video lottery games. Service and maintain VLTs and related equipment in all locations.

The Contractor shall describe the above services in an Annual Business Plan that will be submitted to the Lottery and will be subject to the approval of the Lottery.

In procuring goods and services to fulfill its responsibilities under the contract, the Contractor shall attempt to foster the economic development of the U.S. Virgin Islands. The specific goal is that at least 65 percent of staff hired by the Contractor shall be U.S. Virgin Islands residents, and, except for gaming hardware, software and machines, 65 percent of goods and services provided by the Contractor shall be purchased from U.S. Virgin Islands registered companies.

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SCHEDULE

The key dates and events for the implementation of the video lottery program are:

- | | | |
|----|---------------------------------|--|
| a. | July __, 2003 | Contract Effective Date (CED)
(CED = Date of signing) |
| b. | Preliminary Video Lottery Sales | As soon as possible after CED
subject to approval of locations
by the Director |
| c. | CED + 60 days | Draft Annual Business Plan Due |

After the start of Preliminary Video Lottery Sales, Contractor shall diligently pursue Video Lottery Control System startup as set forth below. Control System startup will occur as soon as possible, but no later than eight (8) months after the start of Preliminary Video Lottery Sales. Contractor may be subject to liquidated damages for any delay in Control System startup unless such delay can be demonstrated by Contractor to be beyond the control of Contractor.

VIDEO LOTTERY CONTROL SYSTEM (VLCS)

The Contractor shall provide at its cost a video lottery control system (VLCS) that operates with a high degree of integrity and reliability, monitors and controls all activities, and accurately records and accounts for all game play and monetary transaction activity. The VLCS shall remain the property of the Contractor and Lottery will not file any liens against it or otherwise encumber Contractor's title thereto.

- a. The VLCS shall consist of the following components:
- Fault tolerant or duplexed host computer system
 - VLT cluster controllers
 - Application and system software required to operate the equipment and gaming system
 - Communication system between the host computer system and the VLT cluster controller and/or VLTs
 - Retailer hotline and related support service
 - Security and audit control
 - Two management computer terminals or similar method for information access
 - Backup capability
- b. The Contractor shall install and operate the VLCS. The Contractor shall provide system reports that will be available to the Lottery and individual retail locations.

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- c. The Contractor shall provide necessary training for the Lottery and individual retail locations.
- d. The Contractor shall provide its recommended plan for the acceptance test of the VLCS to be approved by the Director. The VLCS supplier, in conjunction with the Director and the Contractor, shall conduct the approved acceptance test of the system. The Director and the Contractor shall jointly review and verify test results and VLCS functions.
- e. The Contractor shall locate the host computer system in the U.S. Virgin Islands.
- f. The Contractor shall have a disaster plan in place to ensure the continuity of the Lottery video lottery program, including the provision of an alternative system supplier should the initial supplier be unable to immediately deliver the VLCS in the U.S. Virgin Islands, as specified in the aforementioned SCHEDULE and VIDEO LOTTERY CONTROL SYSTEMS (VLCS). The disaster plan will be subject to the review and approval by Director, which shall not be unreasonably withheld. Contractor's selection of a VLCS supplier is subject to the approval of the Director, which shall not be unreasonably withheld. A site visit to facilities of the VLCS supplier by Lottery, if necessary, will be made at Contractor's expense.
- g. Contractor shall develop or implement VLCS software that satisfies the requirements of this Contract, subject to approval of the Director. Contractor and the Director shall mutually agree upon any changes to VLCS software. This Contract shall be used as the basis for the test scripts that will be used for acceptance of the VLCS by the Lottery.

SUPPLY AND MAINTENANCE OF VIDEO LOTTERY GAMES

The Contractor shall supply and maintain the VLTs that shall remain the property of Contractor and Lottery shall not file any liens against it or otherwise encumber Contractor's title thereto. The Director may test VLTs before or after the start of operation of the VLTs at any time. In consultation with the Lottery, and consistent with the goals of this Contract, Contractor may determine to increase or decrease the roll out of VLTs in order to maximize the long-term revenue of the Lottery.

The Contractor shall propose the video lottery games to the Director. This includes video lottery game themes, appearance, prizes, and payment structure. The games may involve bonus features such as linked progressive jackpots. The mix of games shall be intended to foster high game play and net revenue. This information will be included in the Annual Business Plan and subject to approval by the Lottery.

The VLTs shall contain audit and control mechanisms that protect the integrity of video lottery games. The activity on the VLTs will be subject to audit by Lottery.

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OPERATION OF ENTERTAINMENT CENTERS

The Contractor shall establish a minimum of two (2) Entertainment Centers in the District of St. Thomas or St. John as selected by the Contractor with approval of the Director. Each Entertainment Center shall contain not less than fifty (50) operating VLTs at the startup of the individual Entertainment Center. The Contractor agrees to act as the lessee for those Entertainment Centers and to pay the rent and other operational costs of those facilities.

SERVICE AND MAINTENANCE OF RETAIL LOCATIONS

Contractor shall be responsible for maintaining and funding a central operations center. The center will include hotline and dispatch function for VLT service. The Contractor shall be responsible for hiring, equipping and funding a field service organization that provides timely service to VLT retailers.

The expected service performance standards shall be included in the Annual Business Plan.

ANNUAL BUSINESS PLAN

The Contractor shall be responsible for submitting an Annual Business Plan to the Lottery. The first Business Plan will be due as specified in Addendum I, SCHEDULE. For subsequent contract years, the Annual Business Plan will be due from the Contractor no later than September 15 of each year.

MUTUAL COOPERATION

Contractor and Lottery each agree to cooperate with each other in good faith in all matters relating to performance and the best program for generating revenue. Each agrees to use their commercially reasonable best efforts to resolve disputes that may arise between them and/or between either of them and third parties in connection with matters that may affect the performance or potential revenue issues of either party.

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**ADDENDUM II
(ADDITIONAL PROVISIONS)**

REVENUE COLLECTION

The Contractor shall be responsible for the operation of Entertainment Centers including payment of prizes and revenue collection. The Contractor shall also collect all amounts due from retailers.

The Lottery shall set up an Electronic Funds Transfer (EFT) account for amounts due the Lottery. The Contractor will remit weekly to the Lottery the share of revenue due to the Lottery.

Net revenue due the Lottery will be reported within five working days after each week's end. The actual transfer of funds into the Lottery's account shall take place no later than seven days after the weekly report. For example, revenue from week "Saturday to Friday" must be reported by the next Friday and transferred the following Tuesday.

In order to facilitate payment of retailer commissions in non-Entertainment Center locations, the Contractor shall perform an EFT sweep of each retailer's weekly net revenue (cash in minus credits paid) minus retailer commission.

ACCOUNTING PROCEDURES AND PRACTICES

Contractor shall maintain books, records, documents, and other evidence of accounting procedures and practices. Subsidiary ledgers, records, documents, and all other evidence of accounting procedures and practices relating to gross and/or net gaming proceeds shall be subject to inspection or review. Such inspection or review may occur at reasonable times. Inspections or reviews will be performed by personnel and contractors duly authorized by Lottery in order that Lottery may conduct Independent Audits to insure full payment of all funds due to the Lottery. Audits, inspections, or reviews will be at Lottery's expense.

LIABILITY FOR INVALID TICKETS

The Contractor shall be financially responsible for all claims resulting in prizes paid on tickets that are unaccounted for in the system or duplicated or misprinted by the Contractor's system or VLTs, if determined by the Lottery to be caused by faulty Contractor equipment, programming, or other Contractor fault, after a good faith inspection and reasonable investigation.

LIQUIDATED DAMAGES

Except as excused under Section 23 of the Contract, if Contractor fails to perform certain of its obligations under this Contract, the parties agree that it will be impractical and extremely

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difficult to determine the actual damages the Lottery will sustain. Therefore, the parties agree that, at the discretion of the Director, taking into consideration all available information concerning Contractor's failure to perform, the Contractor shall pay the following amounts of liquidated damages. The parties agree that these amounts are reasonable:

- a. Failure of the VLCS to allow video lottery game plays - \$1,000 per day after five (5) business days.
- b. Failure to perform a material contract or other requirement (i.e. submission of the Annual Business Plan) - \$1,000 per day.

CONTRACTOR INTEGRITY

The Contractor is aware of the sensitive nature of this Contract. The Contractor acknowledges its responsibility for the conduct of its employees that have been assigned duties within the scope of the Contract. The Contractor shall take all prudent measures to ensure that employees assigned to this Contract possess the highest levels of personal integrity, and that such employees will perform their duties in a manner that promotes the fairness, honesty, security, and integrity of the U.S. Virgin Islands video lottery program.

DEFINITIONS

The Lottery and the Contractor agree that the definitions contained in the Video Lottery Rules and Regulations shall govern the video lottery program unless inconsistent with definitions contained in this Contract.

HEADINGS NOT CONTROLLING

The section headings used herein are for reference and convenience only and shall not enter into the interpretation of this Contract and the various exhibits, attachments and incorporated documents.

Contract No. R-VL-135-2003



Executive Director of the Virgin Islands Lottery

**SOUTHLAND GAMING OF THE
VIRGIN ISLANDS, INC.**

Sharon M. DeLoach
Sharon M. DeLoach

By:

Robert E. Huckabee, III
Robert E. Huckabee, III

Robert E. Huckabee, III
President and CEO

Southland Gaming of the Virgin Islands, Inc.

8-6-13

Date

APPROVED:

John P. deLoach, Jr.
John P. deLoach, Jr.
Governor, United States Virgin Islands

11/6/13
Date

APPROVED AS TO LEGAL SUFFICIENCY
VIRGIN ISLANDS DEPARTMENT OF JUSTICE

Vincent F. Frazer, Esq.
Vincent F. Frazer, Esq.
Attorney General, United States Virgin Islands

10/8/13
Date

PC004LOT14

Amends Contract No. PC-VIL-135-2003