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CONCESSION CONTRACT

INVITATION TO BID OF CONCESSION PPI/PND-2019

Annex 18

CONCESSION FOR THE DELEGATION OF THE EXPLORATION OF THE EXCLUSIVE INSTANT
LOTTERY PUBLIC SERVICE - LOTEX



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CONCESSION CONTRACT

On [•], hereby, on the one hand, as contracting party:

- (1) The **Federal Government**, through the **Ministry of Economy**, an integral part of the Federal Direct Administration, with headquarters in Brasília, Federal District, at Esplanada dos Ministérios, [•], herein represented by the Minister of Economy, Mr. [•], [qualification], appointed by Decree of [•], published in the Federal Official Gazette of [•], hereinafter referred to as "**Ministry of Economy**" or "**Granting Power**"; and

on the other hand, as "**Concessionaire**", hereinafter referred to as:

- (2) [•], a corporation headquartered at [•], State of [•], in [•], registered in the National Register of Legal Entities - CNPJ, under No. [•], herein duly represented by Messrs. [qualification];

Ministry of Economy and **Concessionaire** hereinafter jointly referred to as "**Parties**" and individually as "**Party**",

WHEREAS

- (A) The **Granting Power** has decided to assign to the private sector the exploration, through Concession, of **LOTEX**, as authorized by the Federal Decree No. 9.155, of September 11, 2017;
- (B) By virtue of the decision mentioned in the previous recital, the **Ministry of Economy**, in accordance with the legal powers assigned to it, carried out the **Auction** for the privatization of **LOTEX**; and
- (C) The subject matter of the privatization was awarded to the **Concessionaire**, in accordance with act of the **Ministry of Economy**, published in the **Federal Official Gazette** of [•];



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The **Parties** resolve to enter into this **Concession Contract** (the "**Contract**"), in accordance with the following clauses and conditions:

1 Initial Provisions

1.1 Definitions

1.1.1 For the purposes of this **Contract**, and notwithstanding other definitions established herein, the following definitions apply to the following expressions:

- (i) **Annex**: each of the documents attached to the **Contract**.
- (ii) **Physical Betting**: the one performed directly by the **Bettor** when purchasing a ticket in printed form.
- (iii) **Virtual Betting**: the one performed by the **Bettor** in a virtual channel.
- (iv) **Bettor**: natural person of legal age who had performed the **Virtual Betting** and/or **Physical Betting**.
- (v) **Total Revenue**: amount corresponding to the sum of the sales of **Physical Betting** and **Virtual Betting**.
- (vi) **BNDES**: Brazilian Development Bank, located in the City of Rio de Janeiro, State of Rio de Janeiro, at Avenida República do Chile, No. 100.
- (vii) **ICC**: Arbitration Court of the International Chamber of Commerce.
- (viii) **Concession**: meaning defined in subclause 2.1.
- (ix) **Concessionaire**: meaning defined in the preamble to the **Contract**.
- (x) **Contract**: this Concession Contract.
- (xi) **Effective Date**: date of beginning of the counting of the contractual term, which will be initialized upon publication of the **Contract** summary in the **Federal Official Gazette**.
- (xii) **Federal Official Gazette**: *Diário Oficial da União (DOU)*.

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- (xiii) **Invitation to Bid:** Invitation to Bid PPI/PND-2019, including its Annexes.
- (xiv) **Issuance:** the set of **LOTEX** Series.
- (xv) **Financers:** financial institutions responsible for granting financing to the **Concessionaire** for the performance of the services subject to the **Concession**, pursuant to the provisions of clause 23 of this **Contract**.
- (xvi) **Performance Bond of the Contract:** guarantee of the faithful fulfillment of the obligations of the **Contract**, to be maintained by the **Concessionaire**, in favor of the **Ministry of Economy** in the terms of clause 8.
- (xvii) **IPCA:** National Broad Consumer Price Index, disclosed by the Brazilian Institute of Geography and Statistics - IBGE, which will be the readjustment index used for monetary adjustment of the **Performance Bond of the Contract** and of other variables defined in the **Contract**, and shall be substituted by another that will be created in its place in the event of its extinction.
- (xviii) **Auction:** Bidding process for the privatization and contracting of the **Concession**, pursuant to article 4, § 3, of Federal Law No. 9.491, of September 9, 1997.
- (xix) **LOTEX:** Exclusive Instant Lottery (Loteria Instantânea Exclusiva), a lottery modality created by means of Federal Law No. 13.155, of August 4, 2015, as amended by Federal Law No. 13.262 of March 22, 2016 and by Federal Law No. 13.756 of December, 2018, as well as regulated by Federal Decree No. 9.327 of April 4, 2018, characterizing itself as a public service to be operated under the **Concession**, both through by means of virtual channels, or by means (**PDVs**).
- (xx) **Ministry of Economy:** Ministry of Economy, headquartered in Brasília, Federal District, Brazil, in the Esplanada dos Ministérios,

Block P, CEP 70048-900.

- (xxi) **Initial Instalment for the Grant Offer:** initial fixed amount to be paid by SPC as condition to sign the contract, which will correspond to the biggest offer as judgment criteria used in the **Auction**.
- (xxii) **Annual Instalments for the Grant Offer:** 07 (seven) fixed instalments to be paid annually by SPC, after the signing of the **Contract**, pursuant to clause 4 of the **Draft of the Contract**.
- (xxiii) **Performance Parameters:** indicators and parameters defining LOTEX's public service quality, in accordance with **Annex 2**, which express the minimum quality conditions that must be implemented and maintained throughout the **Concession Term**.
- (xxiv) **Related Parties:** with respect to the **Concessionaire**, any Parent Company or Controlled Company, understood as such, in which the Parent Company, directly or through other controlled companies, holds the rights of a member that permanently assures it, a preponderance in the corporate resolutions and power to elect the majority of the managers of the Controlled Company, pursuant to art. 243, § 2, of Federal Law No. 6404, of December 15, 1976.
- (xxv) **PDVs:** physical points of sale of **Physical Betting**.
- (xxvi) **Distribution Plan:** a set of rules that defines the quantity and price of bets, the quantity and the amount of prizes, the probability of prizes, the estimated circulation term and other specifications which make up a **Series**.
- (xxvii) **Granting Power:** meaning defined in the preamble to the **Contract**.
- (xxviii) **Term of Concession:** the term of the **Concession**, fixed in 15 (fifteen) years, counted from the **Effective Date**, included in this term the necessary period to the organization and operation of LOTEX, meaning the necessary period to the effective start of the commercialization of **Physical Betting** and **Virtual Betting**.
- (xxix) **Price:** value of the **Physical Betting** or of the **Virtual Betting**,

expressed in Brazilian Reais (R\$).

- (xxx) **Integrity Program:** Program prepared based on the doctrines of Federal Law No. 12.846, of August 1, 2013, and Federal Decree No. 8.420, of March 18, 2015, internationally known as *Compliance Programs*.
- (xxxii) **Bidder:** any legal entity, investment fund, supplementary pension entity or consortium participating in the **Auction**.
- (xxxiii) **Written Economic Proposal:** amount in Brazilian Reais (R\$) offered by the **Bidder** for the payment of the **Initial Instalment for the Grant Offer** to the **Granting Power**.
- (xxxiiii) **Winning Proposal:** amount in Brazilian Reais (R\$) offered by the **Bidder** best ranked in the **Auction**, corresponding to the biggest offer for the payment of the **Initial Instalment for the Grant Offer** to the **Granting Power**.
- (xxxv) **Gross Revenue of the Concessionaire:** corresponds to 18.3% (eighteen points and three tenths percent) of the **Total Revenue** generated by the commercialization of **LOTEX**, to be received by the **Concessionaire** pursuant to Federal Law No. 13.155, of August 4, 2015, as amended by Federal Law No. 13.262 of March 22, 2016 and by Federal Law No. 13.756 of December 12, 2018..
- (xxxvi) **Extraordinary Revenues:** any additional, ancillary or alternative revenue to the **Price** of the **Physical Betting** or the **Virtual Betting**, originating from the operation of **LOTEX** and any associated projects.
- (xxxvii) **CS:** Customer Service.
- (xxxviii) **SECAP:** Evaluation, Planning, and Lottery Secretariat, specific agency of the organizational structure of the **Ministry of Economy**, responsible for supervising the **Contract**.
- (xxxix) **Series:** **LOTEX** betting set that observes the same **Distribution Plan**.
- (xl) **SPC:** Specific Purpose Company organized by the winning **Bidder**, in

the form of a corporation, which enters into this **Contract** with the **Granting Power**, represented by the **Ministry of Economy**.

1.2 Interpretation

1.2.1 Except where the context does not allow such an interpretation:

- (i) the definitions of the **Contract** shall be applied both in their singular and plural forms; and
- (ii) references to the **Contract** or to any other document shall include any amendments and additions that may be made between the **Parties**.

1.2.2 The titles of the chapters and clauses of the **Contract** and the **Annexes** shall not be used in their application or interpretation.

1.2.3 In case of divergence between the **Contract** and the **Annexes**, the provisions of the **Contract** shall prevail.

1.2.4 In case of divergence between the **Annexes**, those issued by the **Granting Power** shall prevail.

1.2.5 In case of divergence between the **Annexes** issued by the **Granting Power**, the most recent date will prevail.

1.3 Annexes

1.3.1 The **Annexes** listed in this Clause are part of this **Contract**, for all legal and contractual purposes:

- i. **Annex 1:** List of Charges
- ii. **Annex 2:** LOTEX Performance Indicators and Parameters;
- iii. **Annex 3:** Banking Guarantee Model;
- iv. **Annex 4:** Performance Bond Model;
- v. **Annex 5:** Company's Ownership and Articles of Incorporation of Concessionaire; and
- vi. **Annex 6:** Invitation to Bid and Written Economic Proposal.

2 Subject matter of the Contract

- 2.1 The subject matter of the **Contract** is the **Concession** for the exploration of **LOTEX**, within the term and under the conditions established in the **Contract** and its **Annexes**.
- 2.2 The **Concession** is remunerated through the payment of the **Price** by the **Bettors**, as well as through other sources of income, under the terms of this **Contract**.

3 Term of Concession

- 3.1 The **Term of Concession** is 15 (fifteen) years, counted from the **Effective Date** of the **Contract**, already included in this term the necessary period to organization and operation of **LOTEX**, meaning the necessary period to start the commercialization of **Physical Betting** and **Virtual Betting**.
- 3.2 The publication of its summary in the **Federal Official Gazette** is condition for the effectiveness of the **Contract**.
- 3.3 The conditions for the beginning of the commercialization of **LOTEX's Physical Betting** and/or **Virtual Betting** are (i) the preparation of the **Integrity Program** by the **Concessionaire**, as well as its approval by the **Granting Power**, and also, (ii) the contracting of the insurance referred to in clause 33, of this **Contract**.
- 3.3.1 The **Integrity Program** shall be prepared by the **Concessionaire** within a maximum term of 2 (two) months, counted from the **Effective Date**.
- 3.3.2 The **Granting Power** shall have a term of 1 (one) month to evaluate the **Concessionaire's Integrity Program**. The lack of manifestation of the **Granting Power** will lead to the tacit acceptance of the document.
- 3.3.3 Based on current domestic legislation, the **Granting Power** may request adjustments to the **Integrity Program**, and the **Concessionaire** shall have a maximum term of 1 (one) month from the request to implement them.
- 3.3.4 Any request by the **Granting Power** for the **Concessionaire** to adjust the **Integrity Program** shall suspend the one-month period provided for in

sub-clause 3.3.2, above, for approval of said **Integrity Program**.

3.3.5 After the approval of the **Integrity Program** by the **Granting Power**, the **Concessionaire** must arrange its internal approval, which must be proved by means of the submission of a corporate document to this effect, duly registered with the competent Registry of Commerce. Proof of compliance with this subclause shall occur within a period not exceeding 2 (two) months, counted from the approval of the **Integrity Program** by the **Granting Power**.

3.4 This **Contract** may be extended at the sole discretion of the **Granting Power**, under the terms of the Law, in the following cases:

- (i) by duly justified public interest;
- (ii) to recompose the economic and financial balance, inclusively when required by the **Granting Power** new investments or services not provided for in the **Contract**, or as a result of its amendment.

3.4.1 The administrative acts pertinent to the extension of the **Contract** must be adequately motivated by the **Granting Power**, including the deadline established, observing the legislation governing the matter.

3.4.2 The legally binding document for extension shall specify the respective term and the services to be performed.

4 Contract Amount and Grant Offer Payment

4.1 The estimated amount of the **Contract** is R\$ 14,431,580,703.73 (fourteen billion, four hundred and thirty one million, five hundred and eighty thousand, seven hundred and three Brazilian Reais and seventy-three cents), which corresponds to the estimated real value of the sum of the **Gross Revenue of the Concessionaire** over the **Concession Period**.

4.2 Under the terms of subclause 15.3, II, of the **Invitation to Bid**, the **SPC** paid to **Granting Power** the **Initial Instalment for the Grant Offer** on the [●] of [●], [●],

according to the **Winning Proposal**, as a condition to sign the **Contract**.

4.3 The **Annual Instalments for the Grant Offer**, corresponding 07 (seven) fixed instalments, shall be payed in the following terms:

- (i) R\$ 103,041,695.97 (one hundred and three million, forty one thousand, six hundred ninety five Brazilian Reais and ninety seven cents) until 12 (twelve) months from the signature of the **Contract**;
- (ii) R\$ 103,041,695.97 (one hundred and three million, forty one thousand, six hundred ninety five Brazilian Reais and ninety seven cents) until 24 (twenty-four) months from the signature of the **Contract**;
- (iii) R\$ 103,041,695.97 (one hundred and three million, forty one thousand, six hundred ninety five Brazilian Reais and ninety seven cents) until 36 (thirty-six) months from the signature of the **Contract**;
- (iv) R\$ 103,041,695.97 (one hundred and three million, forty one thousand, six hundred ninety five Brazilian Reais and ninety seven cents) until 48 (forty-eight) months from the signature of the **Contract**;
- (v) R\$ 103,041,695.97 (one hundred and three million, forty one thousand, six hundred ninety five Brazilian Reais and ninety seven cents) until 60 (sixty) months from the signature of the **Contract**;
- (vi) R\$ 103,041,695.97 (one hundred and three million, forty one thousand, six hundred ninety five Brazilian Reais and ninety seven cents) until 72 (seventy-two) months from the signature of the **Contract**; and
- (vii) R\$ 103,041,695.97 (one hundred and three million, forty one thousand, six hundred ninety five Brazilian Reais and ninety seven cents) until 84 (eighty-four) months from the signature of the **Contract**.

4.4 The amount of the **Annual Instalments for the Grant Offer** described in subclause 4.3, above, shall be adjusted by the **IPCA**, *pro rata*, since August 01, 2019 until the due date provided for in this **Contract**.

4.5 In case the **Concessionaire** does not pay the **Annual Instalments for the Grant Offer**, total or partially, in accordance to subclause 4.3, above, it shall be applied a fine correspondent to 0,33% (thirty-three hundredths percent) of the amount owed,

per day of delay, limited to 20% (twenty percent), increased of default interest equal to Special Clearance and Escrow System (SELIC), being such interest applicable until the full receipt of the amount due.

- 4.6 Confirmed the non-payment on the due date, the **Granting Power** will adopt the necessary measures for the execution of the **Performance Bond of the Contract**, without prejudice of adopting other measures established in the **Contract**.
- 4.7 The difference between the amount received from the execution of the **Performance Bond of the Contract** and the amount effectively due shall be payed, by the **Concessionaire**, observed the monetary charges provided for in subclause 4.5, above.
- 4.8 In case this default exceeds the term of 60 (sixty) days, the **Granting Power** may declare the caducity of **Contract**, adopting the necessary measures for the procedure.

5 Concession Assets

- 5.1 There are no reversible assets and/or assets tied to the **Concession** under this **Contract**, and the **Concessionaire** shall be free to acquire / manage / dispose of the assets it deems necessary for the execution of its scope. Therefore, at the end of the contractual term, there will be no reversion of assets to the **Granting Power**.

6 Government Authorizations

- 6.1 The **Concessionaire** shall:
 - 6.1.1 obtain all licenses, permits, certifications and authorizations necessary for the full exercise of the activities subject matter of the **Concession**, including the homologation of the **LOTEX Series** by the **Granting Power**; and
 - 6.1.2 adopt all measures required by the competent agencies, in accordance with current legislation, to obtain the licenses, permits, certifications and

authorizations necessary for the full exercise of the activities subject matter of the **Concession**, bearing the corresponding expenses and costs.

6.2 The **Granting Power** shall approve the **LOTEX Series** under the terms and deadlines set forth in the **LOTEX Regulatory Decree**.

7 LOTEX Public Service

7.1 Implementation Guidelines of LOTEX Public Service

7.1.1 The **Concessionaire** shall perform the subject matter of the **Contract** in full compliance with **Annexes 1** and **2**, namely, the Bidding Documents and Quality Indicators and Parameters of **LOTEX**, as well as the other requirements established in this instrument and its **Annexes**.

7.1.2 The **Concessionaire** shall obtain, under the terms and deadlines set forth in **Annex 2**, the following certifications, or others that may update and/or replace such certifications:

- i. Certification of Security Control Standard issued by the World Lottery Association (WLA-SCS);
- ii. Certification of Responsible Gaming Framework issued by the World Lottery Association (WLA-RFG)- level 4;
- iii. ISO 27.001 certification related to the standard of the *Information Security Management System* (ISMS).

7.1.3 Notwithstanding the terms and deadlines established in **Annex 2**, the certification plan indicated in this clause shall be initiated no later than 6 (six) months after the beginning of the commercialization of the **Physical Betting** and/or the **Virtual Betting** of **LOTEX**.

7.1.4 In addition to the previous subclause, the certifications provided for in items (i) and (iii) of sub-clause 7.1.2, above, shall be obtained by the **Concessionaire** within a period not exceeding three (3) years, counted from the **Effective Date**, and the certification provided for in item (ii), from the same subclause, shall be obtained within a period not exceeding five (5)

years, counted from the **Effective Date**.

7.1.5 After initiating the process related to the certification plan, the **Concessionaire** shall make such evidence to the **Granting Power** within 15 (fifteen) days. Likewise, once the certification plan has been completed, the **Concessionaire** must submit the certifications to the **Granting Power**, or equivalent supporting documents, within 15 (fifteen) days.

7.1.6 The **Concessionaire** declares and guarantees to the **Granting Power** that the quality of the execution of the service subject matter of the **Concession** is, and will be, during the term of the **Concession**, sufficient and adequate to comply with the **Contract**, being fully responsible for any nonconformity with the **Performance Parameters**.

8 Performance Bond of the Contract

8.1 The **Concessionaire** shall maintain in favor of the **Granting Power**, as a guarantee of the faithful fulfillment of the contractual obligations and throughout the **Term of Concession**, a **Performance Bond of the Contract**, observed the following amounts:

- (i) R\$ 52,000,000.00 (fifty two million Brazilian Reais) until the full payment of the **Annual Instalments for the Grant Offer**, according to clause 4 of this **Contract**; and
- (ii) R\$ 50.000.000,00 (fifty million Brazilian Reais) after the proof of payment of the **Annual Instalments for the Grant Offer**, according to clause 4 of this **Contract**.

8.1.1 The **Performance Bond of the Contract** will be adjusted annually by the **IPCA** index, and the **Effective Date** is the base date.

8.1.2 In case of extinction of the index of readjustment foreseen in this **Contract**, the index to be used should be the one substituting it. If no index automatically substitutes the extinct index, the **Parties** shall determine by agreement the new index to be used. Should the **Parties** fail to reach an

agreement within 45 (forty-five) days after the extinction of the said adjustment index, the **Granting Power** shall determine the new index of readjustment.

- 8.2 The **Concessionaire** shall remain responsible for the fulfillment of the contractual obligations, including the payment of any fines and indemnities, regardless of the execution of the **Performance Bond of the Contract**.
- 8.3 The **Performance Bond of the Contract**, at the discretion of the **Concessionaire**, may be provided in one of the following modalities:
- 8.3.1 Security deposit, in cash or Government bonds;
 - 8.3.2 Bank Guarantee, in the form of the model included in **Annex 3**; or
 - 8.3.3 Performance Bond, whose policy must observe at least the content of **Annex 4**.
- 8.4 Letters of guarantee and the Performance Bond policies shall be valid for at least 1 (one) year from the date of their issuance, and the **Concessionaire** shall be responsible for keeping them in full force in an uninterrupted manner throughout the **Term of Concession**, and to do so, to promote the necessary renewals and updates in the term of at least 30 (thirty) days before the expiration of the guarantees.
- 8.4.1 Any modification in the contents of the letter of guarantee or in the Performance Bond shall be previously submitted to the approval of the **Granting Power**.
 - 8.4.2 The **Concessionaire** shall forward to the **Granting Power** a document certifying that the bank letter of guarantee or performance bond policies have been renewed and their values readjusted in accordance with sub-clause 8.1.1.
- 8.5 Notwithstanding the other cases provided for in the **Contract**, the **Performance Bond of the Contract** may be executed in the following cases:
- 8.5.1 When the **Concessionaire** fails to pay the fines imposed on it, in the manner and within the term specified in the **Contract**; or
 - 8.5.2 When the **Concessionaire** does not make the payment, in due time, of any

indemnities or other financial obligations of the **Concessionaire**, related to the **Concession**.

- 8.6 Whenever the **Granting Power** uses the **Performance Bond of the Contract**, the **Concessionaire** shall return the full amount within 30 (thirty) business days from the date of its execution, during which time the **Concessionaire** shall not be exempted from the responsibilities assigned to it by the **Contract**.

9 Obligations of the Parties

- 9.1 In addition to those provided for in the **Contract**, in the Bidding Documents and other **Annexes**, constitute **Concessionaire's** obligations, during the **Term of Concession**, to:
- 9.1.1 Keep, throughout the implementation of the **Contract**, all eligibility and qualification conditions required in the bidding process;
 - 9.1.2 Obtain and maintain the certification plan referred to in this **Contract**;
 - 9.1.3 Receive, determine and resolve any complaints, duly substantiated, of the **Bettors**;
 - 9.1.4 Complete and enforce the **Contract** in full, in accordance with the legal and regulatory provisions applicable, as well as with the determinations of the **Granting Power** issued at any time;
 - 9.1.5 Respond, before the **Granting Power** and third parties, for all acts and events within the **Concessionaire's** competence;
 - 9.1.6 Indemnify to the **Granting Power** all disbursements arising from judicial determinations of any kind to satisfy obligations originally attributable to the **Concessionaire**, including labor claims, filed by employees or third parties linked to the **Concessionaire**, as well as damages to **Bettors** and the regulatory and inspection agencies;
 - 9.1.7 Comply with legal determinations with respect to labor, social security, and occupational health and safety legislation regarding its employees;
 - 9.1.8 Comply with the legislation and with the **LOTEX** Regulatory Decree;

- 9.1.9 Submit to the **Granting Power** the information, documents and reports indicated in this **Contract**;
- 9.1.10 Observe the practices in corporate governance and management set forth in the Code of Best Practices on Corporate Governance of the Brazilian Institute of Corporate Governance - IBGC;
- 9.1.11 Comply with the Brazilian accounting legislation;
- 9.1.12 Inform to the authorities any unlawful or illegal acts or facts of which it is aware because of the activities subject matter of the **Concession**;
- 9.1.13 Maintain a **CS** with sufficient structure to support the **Bettors'** demands, in accordance with the legislation applicable to the consumer defense;
- 9.1.14 Be responsible for labor, social security, tax and commercial charges resulting from the execution of this **Contract**;
- 9.1.15 Prepare the **Integrity Program**, which shall comply with the pertinent legislation, especially Article 42 of Federal Decree No. 8.420, of March 18, 2015 and Ordinance No. 909, of April 7, 2015, which provides for rules regarding the evaluation of integrity programs of legal entities;
- 9.1.16 Ensure the privacy of the **Bettors'** personal data, understood as all those data physically or virtually provided to the **Concessionaire** to enable the purchase of the **Physical Betting** and/or of the **Virtual Betting**;
- 9.1.17 Not offer, promise, give, authorize, request or accept, directly or indirectly, any improper advantage, pecuniary or of any nature, related in any way for the purpose of this **Contract**, as well as not practice injurious acts, infractions or crimes against the economic or tax system orders, the financial system, the capital market or the national or foreign public administration, of "washing" or concealment of goods, rights and values, terrorism or financing of terrorism, provided for in applicable national and/or foreign legislation;
- i. For the purposes of the obligation referred to in sub-clause 9.1.17, above, measures to prevent the practice of corrupt conducts are considered, among others, the implementation, maintenance

and/or improvement of internal control practices and/or systems, including standards of conduct and policies to ensure faithful compliance with the applicable laws of the **Concessionaire**, including, in this context, the **Integrity Program**.

9.1.18 Operate **LOTEX**, necessarily, by virtual channels or physical means, being the **Concessionaire** responsible, however, to define and adopt the forms, types and volumes of distribution channels to be used in the commercialization of **Physical Betting** and **Virtual Betting**.

9.1.19 When summoned or intimated of any legal action or administrative procedure that may result in the responsibility of the **Granting Power**, immediately report such situation to the **Granting Power**, including procedural terms and deadlines, as well as use its best efforts in defense of common interests, practicing all appropriate procedural acts for this purpose. The **Granting Power** is entitled to use any procedural instrument of third-party intervention.

9.1.20 Perform the payments of the **Annual Instalments for Grant Offer** in accordance with subclause 4.3, of this **Contract**.

9.2 The **Granting Power** is responsible for:

9.2.1 Publishing an act authorizing **SECAP**, or a contracted entity, if applicable, to supervise the **Contract**;

9.2.2 Approving, in compliance with the deadlines set forth in the **LOTEX** Regulatory Decree, the **Series**;

9.2.3 Allocating the funds deposited in the Treasury Single Account to the entities provided for in article 20, I from V, of Federal Law No. 13.756, of December 12, 2018;

9.2.4 Allow the **Concessionaire** to use the name "Exclusive Instant Lottery" and/or its abbreviation "**LOTEX**", during the **Term of Concession**, for the exploration of the subject matter of the **Concession**;

9.2.5 Recompose the economic and financial balance of the **Contract**, when applicable;

- 9.2.6 Demand that **SECAP**, within the scope of its powers of supervision, or of those who assume the exercise of this function, maintains confidentiality regarding the confidential information of the **Concessionaire** to which it has access, for a period not inferior to 100 (one hundred) years counted from the production of said confidential information, so understood as those that cannot be shared without causing damages to the **Concessionaire**, provided that such information are expressly identified and labeled in this way.
- 9.3 In addition to complying with the express provisions of the **Contract** and within the limits of its institutional performance, the **Granting Power** will collaborate with the financing entities of the **Concessionaire** to contribute to the feasibility of the financing, to enable the full execution of the subject matter of the **Concession**.
- 9.4. The **Parties** hereby agree that the **Concessionaire** shall have total liberty to select and enter into agreements with **PDVs** for the commercialization of **LOTEX**, as well as to determine, by any means, the necessary structure for the payment of prizes to **Bettors**, observing the applicable legislation.

10 Rights and Obligations of Bettors

- 10.1 Notwithstanding other rights and obligations provided for by law, in the **LOTEX** Regulatory Decree and in other applicable legal and regulatory texts, the following are the rights and obligations of the **Bettor**:
- (i) Purchase **Physical Betting** or wage a **Virtual Betting**, provided that the normative and contractual requirements are fulfilled;
 - (ii) Receiving the prize to which he/she is entitled;
 - (iii) Informing the **Granting Power** and the **Concessionaire** the irregularities of which it has knowledge, regarding the service rendered;
 - (iv) Reporting to the competent authorities any illegal acts committed by the **Concessionaire** in the provision of the service; and
 - (v) Paying the **Price**.

11 Provision of Information

11.1 In the **Term of Concession**, and notwithstanding the other obligations to provide information established in the **Contract**, the **Concessionaire** shall:

- 11.1.1 Immediately notify the **Granting Power** of all facts that significantly change the normal development of the **Concession**, presenting, in writing and within a maximum period of 30 (thirty) days from the acknowledgeable of the occurrence, a detailed report on this fact, including, where appropriate, technical advice, with the measures taken to remedy the problem;
- 11.1.2 Provide to the **Granting Power**, within the term established by it, additional or complementary information that the latter may formally request regarding **LOTEX**;
- 11.1.3 Insert, in the **Physical Betting** and/or in the **Virtual Betting** channel, the information and warnings required in the **LOTEX** Regulatory Decree;
- 11.1.4 Deliver to the **Granting Power**, annually and prior to its commercialization, the **Distribution Plan** of **LOTEX**, under the terms of the **LOTEX** Regulatory Decree;
- 11.1.5 Grant to the **Granting Power**, throughout the **Term of Concession**, electronic access to its operational platform, providing in this channel, always on the 10th day of each month, management reports that allow monitoring of the commercial, financial and accounting performance of the **LOTEX Series**;
- 11.1.6 Deliver to the **Granting Power**, on a quarterly basis, its complete financial statements corresponding to the previous quarter;
- 11.1.7 Pursuant to the legislation applicable to corporations, submit to the **Granting Power** the complete Annual Financial Statements, duly audited by an independent auditing firm, in accordance with Brazilian accounting standards, with the following information for the year ended on December 31st of the previous year:

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- i. details of the transactions with **Related Parties**, except for any confidential information, in accordance with current rules and regulations, being the **Concessionaire** responsible to prove such confidentiality;
- ii. depreciation and amortization of assets;
- iii. provision for contingencies (civil, labor, social security, tax or administrative);
- iv. management report;
- v. report of the external auditors and, if any, the audit committee;
- vi. **Concessionaire's** declaration containing the amount of its paid-in capital stock and the changes in its company's ownership; and
- vii. transactions with derivatives or another financial instrument backed by indexes or rates.

11.1.8 Keep updated records of the **Concessionaire's** staff;

11.1.9 Disclose on the electronic website and, when applicable, on the **Virtual Betting** channel, the following information throughout the **Concession Term**:

- i. Current **Price** of each **Series**;
- ii. Warnings provided for in the **LOTEX** Regulatory Decree;
- iii. Notice on the closure of the commercialization of a certain **Series**, including also information on the number of **Physical Betting** and **Virtual Betting** commercialized, the amount paid to the **Bettors** as prizes, as well as the amount passed on to the **Granting Power** in the Treasury Single Account;
- iv. Clear information that the **Physical Betting** and/or the **Virtual Betting** can only be waged by a person over 18 (eighteen) years of age; and
- v. General information on the **Series**, observing the rules set forth in the **LOTEX** Regulatory Decree.

11.2 The reports, documents and information provided for in this clause shall include a

database, on an electronic basis, according to the minimum standard determined by the **Granting Power**.

11.2.1 The **Granting Power** shall be granted unrestricted and real time access to the database referred to in this subclause.

11.3 In addition to the information, documents and reports indicated in this clause, the **Concessionaire** shall submit to the **Granting Power**, at the periodicity and under the terms established by it in specific regulations, a report with detailed information on (accounting):

- (i) the execution of the service subject matter of the **Concession**;
- (ii) the performance of its activities, specifying, among other matters, financial programming and execution.

11.3.1 The non-accountability referred to in this sub-clause, or its untimely provision, shall subject the **Concessionaire**, subject to due process of law, the opportunity to be heard and adversary, to the non-authorization of new **Series**, as well as other penalties provided for in the **Contract**.

11.3.2 The result of the analysis of accounting shall be communicated to the **Concessionaire** by means of an official letter from the **Granting Power**, which may also require additions or clarifications, within a maximum period of 30 (thirty) days.

11.3.3 The accounting process shall be deemed to have been completed by homologation or filing.

12 Supervise by SECAP

12.1 **SECAP** shall be the agency responsible for supervising the execution of the **Contract**, directly or through a public pact, and shall, in the exercise of its duties, have free access at all times to data relating to administration, accounting and technical, economic and financial resources related to the **Concession**.

12.2 **SECAP** shall also be responsible for the supervision, inspection and audit of the **Contract**, as well as for the evaluation of **Concessionaire**'s performance, which

may be carried out at any time.

- 12.3** The determinations that will be issued in the scope of the inspections will be immediately applicable and bind the **Concessionaire**, notwithstanding any appeal that may be appropriate.
- 12.4** **SECAP** shall record, in its own terms, the record of occurrences verified in the inspections, formally forwarding it to the **Concessionaire** for regularization of verified faults or defects.
- 12.4.1** Failure to regularize the faults or defects within the contractual terms or as indicated by **SECAP** in the proper term, will constitute a breach of contract and will lead to the execution of an infraction notice, notwithstanding the imposition of penalties due to non-compliance with the **Contract**.
- 12.4.2** The violation by the **Concessionaire** of the legal, contractual or normative/administrative act of the **Granting Power** and/or the **SECAP** will imply in the execution of the due deficiency notice.
- 12.4.3** In case the **Concessionaire** does not comply with **SECAP** determinations in the scope of the inspection, the **Granting Power** has the right to correct the situation, directly or through a third-party, at the expense of the **Concessionaire**.
- 12.5** Upon receipt of the proper terms/notifications issued by the **SECAP**, the **Concessionaire** may exercise its right of defense within a maximum of 05 (five) business days.
- 12.6** The **Concessionaire** shall be obliged to repair, correct or replace, at its own expense, the activities performed within the scope of the **Concession** in which there are faults, defects or inaccuracies, within the periods established by the **SECAP**.
- 12.6.1** **SECAP** may require the **Concessionaire** to submit a plan of action to repair, correct or replace any service rendered in a faulty, defective or incorrect manner pertinent to the **Concession**, within a period to be established by the **SECAP**.

13 Remuneration

- 13.1** The remuneration of the **Concessionaire** corresponds to the sum of the **Gross Revenue of the Concessionaire**, of the portion of the **Extraordinary Revenues** it receives and of the financial revenues associated with the exploration of the subject matter of the **Concession**.
- 13.2** The triggering event of the **Price** will be the sale of the **Physical Betting** or of the **Virtual Betting**.
- 13.3** Under the terms of **LOTEX** Regulatory Decree, with respect to the collection of each **Issuance**, the **Concessionaire** will pass to the Treasury Single Account the percentages that are not related to (i) the prize payment, or (ii) the **Concessionaire's** operating costs and/or to **LOTEX's** net revenue, pursuant to the provisions of Federal Law No. 13.756, of December 12, 2018.
- 13.3.1** The transfer by the **Concessionaire** to the Treasury Single Account shall be effected bimonthly, having as its base date the **Effective Date**.
- (i) The transfer must refer to the bimester immediately preceding the date of payment.
 - (ii) The payment will be made until the 10th day of the month following the closure of the respective bimester.
- 13.3.2** The delay in mentioned transfer will subject the **Concessionaire** to a fine of 5% (five percent), calculated on the amount due, and the amounts shall be adjusted by the **IPCA**, *pro rata die*, plus default interest of 1% (one percent) per month, from the date of default to the effective payment date, under penalty of early termination of the **Contract**.
- 13.3.3** The **Granting Power**, through regulations of issued by **SECAP** and/or of **Contract's** amendments, may define, during the **Concession**, criteria for the recognition of the sales of **Physical Betting** and/or of **Virtual Betting** to be accounted in the bimonthly transfer described in this subclause, considering the **Concessionaire's** commercial practices and the public

interest in the revenue of **LOTEX**.

13.3.4 After the transfer to the Treasury Single Account, the **Concessionaire's** liability will cease in relation to the resources deposited on it, provided that the **Concessionaire** cannot be held accountable due to the non-destination, by the **Granting Power**, of the percentages provided for in Federal Law No. 13.756, of December 12, 2018 under its responsibility.

14 Price Adjustments

14.1 The **Concessionaire** shall proceed to freely set the **Price** based on the assumptions defined in its Business Plan, without the need to adjust in periodicity and in pre-defined percentage.

15 Allocation of Risks

15.1 Except as provided for in sub-clause 15.2, the **Concessionaire** is fully and exclusively responsible for all risks related to the **Concession**, including but not limited to the following risks:

- 15.1.1** Failure to meet projected demand regarding the selling of **LOTEX Virtual Betting** and **Physical Betting**;
- 15.1.2** Operation of **LOTEX** in **PDVs**;
- 15.1.3** **LOTEX** operation in the **Virtual Betting** channel;
- 15.1.4** Obtainment and costs related to the licenses, permissions, authorizations and certifications related to the **Concession**;
- 15.1.5** Cancellation of the **Series** due to the **Concessionaire's** fault;
- 15.1.6** Submission of the documentation to obtain the homologation of the **Series**;
- 15.1.7** Estimation of taxes and respective rates applicable to **LOTEX**;
- 15.1.8** Excess costs related to the subject matter of the **Concession**;
- 15.1.9** Incorrect estimation of the investments costs;

- 15.1.10 Increase or reduction of price in the main inputs for the execution of the service;
- 15.1.11 Losses due to risks inherent to the business activity;
- 15.1.12 Delay in meeting the deadlines established in the **Contract** and **Annexes** in relation to the **LOTEX** operation, except in the cases provided for in sub-clause 15.2, below;
- 15.1.13 Technology used in the **Concession**;
- 15.1.14 Social and/or public manifestations that affect in any way the provision of the service subject matter of the **Contract**;
- 15.1.15 Strikes by employees hired by the **Concessionaire**;
- 15.1.16 Increase in the cost of capital, including those resulting from increases in interest rates;
- 15.1.17 Change in exchange rates;
- 15.1.18 Error / misconception in the operation of the payment of the prize to the **Bettor**, including overpayment;
- 15.1.19 Fraud in **Physical Betting** or **Virtual Betting**;
- 15.1.20 Amendments to the Income Tax legislation;
- 15.1.21 Acts of God and force majeure that may be subject to insurance coverage offered at the time of its occurrence;
- 15.1.22 Risks that may be covered by insurance offered in Brazil on the date of its occurrence, but which cease to be as a direct or indirect result of the **Concessionaire's** action or omission;
 - 15.1.22.1 The rule dealt with in this sub-clause shall not be disregarded because the **Concessionaire** is unable to contract, even if temporarily, insurance for a particular asset and/or in a particular locality.
- 15.1.23 Creation and/or existence of any form of games or lotteries other than the instant lottery, including the practice of illegal games;
- 15.1.24 Losses caused to third parties, by the **Concessionaire** or its administrators, employees, agents or service providers or any other

person or entity related to it, in the performance of the activities covered by the **Concession**.

15.2 The **Concessionaire** is not liable for the following risks related to the **Concession**, which are under the responsibility of the **Granting Power**:

15.2.1 Failure, by the **Granting Power**, to comply with its contractual or regulatory obligations, including, but not limited to, non-compliance with the terms applicable to the **Granting Power** provided for in this **Contract**, the **LOTEX** Regulatory Decree, or in any other normative acts published by the **Granting Power** after the signature of the **Contract**, especially those related to the homologation of the **Series**;

15.2.1.1 It presumes as fact imputable to the **Concessionaire** each and every delay resulted from the non-delivery of the documents, studies, and information required, or their presentation with quality inferior to the one determined by the **Granting Power**, prejudicing the evaluation to be performed by it.

15.2.2 Acts of God or force majeure that may not be subject to insurance coverage offered in Brazil at the time of its occurrence;

15.2.3 Changes in the legislation and regulation of the Service Tax of Any Nature - ISS to specifically increase its rate to more than 5% (five percent);

15.2.4 Observed the provisions set forth in the previous sub-clause, changes in legislation and regulations related to the creation, modification or extinction of other taxes or charges that change the economic and financial composition of the **Concession**, except for the income tax legislation;

15.2.5 Changes in the income tax legislation that reflects in **LOTEX** prizes, affecting the economic and financial balance of the **Concession**;

15.2.6 Interpretation of the State Revenue, confirmed by an unappealable judicial decision, that the commercialization of **Physical Betting** and/or **Virtual Betting** is subject to the Tax on the Circulation of Goods and Services (ICMS);

- 15.2.7 Interpretation of the Federal Revenue, confirmed by an unappealable judicial decision, that the PIS/COFINS calculation base is not equal to the **Gross Revenue of the Concessionaire** in relation to the commercialization of **Physical Betting** and/or **Virtual Betting**;
- 15.2.8 Creation of a new federal instant lottery modality, as well as changes in the federal and/or constitutional legislation that allows the creation of a state instant lottery, or, further, a judicial decision that considers regular instant lottery operations under the aegis of the current legislation, that comes to compete with **LOTEx**;
 - 15.2.8.1 Under the terms of this subclause, the **Concessionaire** will only be entitled to the economic and financial balance of the **Concession** if the judicial decision endures for a term equal or superior to 3 (three) years, counted from its publication in the competent official gazette.
- 15.2.9 Cancellation of the **Series** due to the **Granting Power's** fault;
- 15.2.10 Legal risks arising from the failure of the **Granting Power** to pass on the amounts deposited by the **Concessionaire** in the Treasury Single Account to the beneficiary entities of those amounts, pursuant to this **Contract** and Federal Law No. 13.756, of December 12, 2018;
- 15.2.11 Change in the regulation of the technology used in the **Concession** that, in turn, has an impact on the economic and financial balance of the **Contract**;
- 15.2.12 Change of the allocation percentages provided for in article 20, of Federal Law No. 13.756, of December 12, 2018, which impacts on the percentage reserved for the award;
- 15.2.13 Change of the allocation percentages provided for in article 20, of Federal Law No. 13.756, of December 12, 2018, which affects the percentage reserved for the operation of **LOTEx**;
- 15.2.14 Unilateral amendment of the **Contract**, by the **Granting Power**, for inclusion and modification of services that affect the **Contract** economic

and financial balance;

15.2.15 *Factum principis* or fact of the administration that causes economic and financial impact on the **Contract**.

15.3 The **Concessionaire** declares:

- (i) To be fully aware of the nature and extent of the risks assumed by it in the **Contract**; and
- (ii) Have taken such risks into consideration in the formulation of its **Written Economic Proposal**.

15.4 The **Concessionaire** shall not be entitled to the recomposition of the economic and financial balance of the **Contract** if any of the risks assumed by it materializes.

16 Economic and Financial Balance

16.1 Whenever the conditions of the **Contract** are met, and the risk allocation established therein is maintained, its economic and financial balance shall be deemed maintained.

16.2 The recomposition of the economic and financial balance on the initiative of the **Concessionaire** shall only occur in the cases provided for in sub-clause 15.2, above, if the **Parties** do not opt for the termination of the **Contract**.

17 Procedure for Recovery of the Economic and Financial Balance

17.1 In order to be determined and subject to eventual economic and financial rebalancing, the **Parties** shall express their request for recomposition within 365 (three hundred and sixty-five) days as of the occurrence of the event or incident that gave rise to the request.

17.1.1 Pursuant to sub-clause 15.2 of the **Contract**, in the event of a legislative change, the aforementioned 365 (three hundred and sixty-five) days shall begin after the *vacatio legis* term, if existent.

17.2 The request for the recomposition of the economic and financial balance may be

submitted by either **Party**, by sending a reasoned request to the other **Party**.

17.2.1 The request for the recomposition of the economic and financial balance shall be accompanied by the following documents:

- i. Technical report or expert report that demonstrates the financial impact, verified or projected, as a result of the event leading to the litigation, in accordance with the provisions of this **Contract**; and
- ii. Other documents necessary to demonstrate the suitability of the case.

17.2.2 If they deem it necessary to evaluate and/or to instruct the request for the recomposition of the economic and financial balance, the **Parties** may request other documents, as well as specific economic reports, prepared by independent entities and contracted by the requesting **Party** of the request.

17.2.2.1 Under the terms of this subclause, despite the fact that the **Party** who presented the request hired the independent entity, the **Party** that demands the specific documents and/or economic reports will be responsible for reimbursing the respective costs, and the criterion of reimbursement will be determined in the own procedure of recomposition of the economic-financial balance, at the time of its conclusion.

17.2.3 Except as provided in sub-clause 17.2.2, above, all other costs with diligence and studies necessary for the full investigation of the request for recomposition of the economic and financial balance shall be bared by the **Party** who presented such request.

17.2.4 Upon receipt of the request for the recomposition of the economic and financial balance, the other **Party** shall express its accordance or not, within a maximum period of up to 45 (forty-five) days, its omission being considered as an agreement with the beginning of the procedure of recomposition of the presented economic and financial balance.

17.2.5 After the accordance, by correspondence sent to the other **Party**, or by

omission, after the expiration of the period established in previous sub-clause 17.2.4, the **Parties** shall begin the negotiations for the procedure to recompose the economic and financial balance of this **Concession**, which shall be concluded within a period not exceeding 120 (one hundred and twenty) days, except when, if duly justified, an extension of this period is necessary.

- 17.3** The decision that establishes the rebalancing of the **Contract**, in its exact terms, will be self-executing and will oblige the **Parties**, regardless of arbitration or judicial decision to confirm it.
- 17.4** The **Granting Power** shall have the prerogative of choosing the way in which the recomposition of the economic and financial balance will be implemented, always seeking to ensure the continuity of the service rendered.
- 17.5** The **Granting Power** may use, at its discretion, the measures listed below, individually or jointly, for the recomposition of the economic and financial balance of the **Concession**:
- 17.5.1** Changes in the amount of the **Annual Instalments for Grant Offer**, if is the case;
 - 17.5.2** Indemnification;
 - 17.5.3** Increase in the **Term of Concession**;
 - 17.5.4** Modification of the **Concessionaire's** contractual obligations; or
 - 17.5.5.** Another form defined by common agreement between the **Granting Power** and the **Concessionaire**.
- 17.6** The expected criterion for the recomposition of the economic and financial balance of the **Contract** will be the cash flow. This methodology consists of determining a marginal cash flow only with the flows of marginal expenditures and/or revenues of the event that gave rise to the economic and financial imbalance of the **Contract**. The **Contract** shall be deemed rebalanced when the impacts of the event are offset by the rebalancing mechanism adopted by the **Granting Power**, in such a way that the net present value of the flow is equal to zero, calculated according to the following formula:

$$VPL = \sum_{i=0}^n \frac{FCM_i}{(1+r)^{t_i}}$$

Where:

FCM_i is the i-th calculated marginal cash flow

t_i is the ith period corresponding to the FCM_i

r is the discount rate to be used to discount the flow, according to the following formula:

$$r = \text{Selic} + 5.7\%$$

Selic is a reference rate of the Special Settlement and Custody System for federal securities defined by the Central Bank of Brazil, for the projection of the rate should be used the most recent projection of the Central Bank of Brazil, in case of extinction of Selic, the rate that replaces it must be used.

- 17.7** For the purpose of determining the flows of marginal expenditures, market criteria will be used to estimate the value of the investments, costs, expenses and taxes resulting from the event that caused the rebalancing.
- 17.8** For the purpose of determining the marginal revenue flows in which it is necessary to adopt a projection of demand, the following procedure will be used in two steps:
- 17.8.1** At the moment of the recomposition of the economic and financial balance, the initial calculation for the recomposition will consider the real demand verified in previous years, and adopt the best practices to project the demand until the end of the **Term of Concession**;
- 17.8.2** Periodically, said initial calculation will be revised to replace the demand projected by the respective amounts obtained, in accordance with the provisions of the following subclauses.
- 17.9** The demand projection mentioned in sub-clause 17.8, above, shall be prepared by the **Concessionaire** and submitted to the approval of the **Granting Power**, which

may choose to use its own projection, subject to the criteria set forth in the **Contract**.

17.10 For each process of recomposition of the economic and financial balance in which a demand projection has been adopted, the **Granting Power** will periodically review the respective marginal revenue flows referred to in the previous subclauses, in order to adjust the demand-forecast data to the actual data determined during the validity of the **Concession**, of which:

17.10.1 The periodicity of the reviews shall be established by the **Granting Power**, and shall be performed at maximum intervals of 3 (three) years and at the end of the **Concession**;

17.10.2 The review to be carried out by the **Granting Power** may consider, also, other actual information determined during the term of the **Concession** to replace variables estimated in the preparation of the marginal cash flow, not being allowed to change the estimated values for the investments, costs and expenses considered in the flows of marginal expenditure; and

17.10.3 In the review to be carried out by the **Granting Power**, the discount rate originally used in the projected marginal cash flow shall be maintained.

17.11 In the event of new investments or services requested by the **Granting Power**, the **Concessionaire** shall submit, prior to the process of recomposition of the economic and financial balance and at the request of the **Granting Power**, the reference project of these services, considering that:

17.11.1 The reference project shall contain all elements necessary for the pricing of the investment and estimates of the impact of the investments and services on the **Concessionaire's** revenues, according to best practices and market criteria, all in accordance with the technical norms and directives established by the **Granting Power**.

17.11.2 The **Granting Power** shall establish the limit amount of the cost of services to be considered for the purpose of recomposing the economic and financial balance, based on the average values practiced by the

market.

18 Extraordinary Revenues

- 18.1** The Proposal for the operation of **Extraordinary Revenues** shall be presented by the **Concessionaire** to the **Granting Power**, accompanied by a legal, technical and economic and financial feasibility project, as well as proof of the compatibility of the intended commercial operation with the legal and regulatory rules applicable to the **Contract**.
- 18.2** Once approved by the **Granting Power**, the **Concessionaire** shall maintain specific accounts of each agreement generating the **Extraordinary Revenue**, detailing the revenues, costs and net results.
- 18.2.1** Once the request for exploration of **Extraordinary Revenues** is submitted, the **Granting Power** will have a term of up to 90 (ninety) days, extendable for an equal period, if necessary, to approve it.
- 18.2.2** In the event of lack of the manifestation by the **Granting Power** within the period indicated in the previous subclause, the request will be considered tacitly accepted.
- 18.3** The **Extraordinary Revenue** contract term shall be limited to the **Term of Concession**.
- 18.4** In relation to the profit arising from **Extraordinary Revenue**, (i) 10% (ten percent) will be incorporated into the **Bettor's** award plan, (ii) 60% (sixty percent) will constitute additional revenue of the **Concessionaire** and (iii) 30% (thirty percent) will be reverted to the **Granting Power**.
- 18.5** The percentage provided for in item (iii) of the previous subclause shall be passed on to the **Granting Power** annually, having as its base date the **Effective Date**.
- 18.6** In the event that the **Concessionaire** chooses to explore **Extraordinary Revenues** through contracts with **Related Parties**, it shall forward to the **Granting Power**, for the purposes of prior consent and together with the documentation set forth in subclause 18.1, above, all legal acts and deals related to such exploration.

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- 18.7** The **Granting Power** will deliberate on the approval of the contracting in the same term indicated in subclause 18.2.1, above.
- 18.8** Any contract for the exploration of **Extraordinary Revenues** concluded between the **Concessionaire** and **Related Parties** shall contain the express provision that the validity and effectiveness of the legal transaction are conditioned to the respective approval by the **Granting Power**, and all acts performed in violation of this provision shall be null and void.
- 18.9** In addition to the previous subclause, the contracts entered into between the **Concessionaire** and **Related Parties** for the exploration of **Extraordinary Revenues** shall observe the practices suggested in a specific chapter of the Code of Best Practices on Corporate Governance of the Brazilian Institute of Corporate Governance - IBGC.

19 Penalties

- 19.1** Failure to comply with the provisions of this **Contract**, its **Annexes** and the **Invitation to Bid** shall entail application of the penalties provided for in these instruments and other legal and regulatory provisions applicable to **LOTEx**.
- 19.2** For the partial or total non-performance of this **Contract**, the **Granting Power** may, in due respect of the due process of law, the opportunity to be heard and the adversary, apply the following penalties to the **Concessionaire**:
- i. Warning;
 - ii. Fine;
 - iii. Suspension of the right to participate in bids and to contract with the Federal Public Administration;
 - iv. Declaration of inability to bid or contract with the Federal Public Administration, if the reasons for the punishment remain;
 - v. Expiry.
- 19.3** A fine shall be imposed to the **Concessionaire** in the following cases, notwithstanding, as the case may be, (i) the specific execution of the defaulted

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obligation, (ii) the annulment of the prohibited operation, (iii) the repair of damages, (iv) the imposition of other penalties in the civil and/or criminal sphere, and/or (v) the recovery of the economic and financial balance as provided in this Contract:

Infringement	Fine
Act with fraud in the commercialization of Physical Betting or Virtual Betting	R\$ 120,000,000.00 per conduct
Perform acts to obtain virtual/fictitious resources for accountability, and/or to reduce amounts to be passed on to the Treasury Single Account or paid as prize money to Bettors	R\$ 60,000,000.00 per conduct
Proceed with the change (i) of stock control and/or (ii) of participation of the Concessionaire's shareholder who presented the technical qualification certificate provided for in Annex 5 , item 12.1.3, "(i)", of the Invitation to Bid , for less than 15% (fifteen percent), without the prior and express consent of the Granting Power	R\$ 30,000,000.00 per conduct
Commercialize a Series without the homologation of the Granting Power	R\$ 10,000,000.00 per conduct
Failure to comply with the Performance Parameters related to the Quality of the Services provided for in Annex 2	R\$ 1,000,000.00 per parameter not observed
Commercialize, intermediate, distribute and disclose any games other than LOTEX , as well as explore any other activity outside the subject matter of the Concession not expressly authorized by the Granting	R\$ 15,000,000.00 per conduct

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Power	
Make advertising messages in violation of the best practices issued by the instant lottery certifying entities	R\$ 1,000,000.00 per conduct
Not insert in the Physical Betting and/or in the Virtual Betting the information and warnings required by LOTEX Regulatory Decree	R\$ 1,000,000.00 per conduct
Failure to obtain the certifications provided for in the Contract within the specified terms, due to the exclusive fault of the Concessionaire	R\$ 30,000.00 per day of delay
Failure to adopt effective corporate governance and accounting practices, in accordance with current legislation	R\$ 1,000,000.00 per conduct
Prevent the supervision of SECAP	R\$ 5,000,000.00 per conduct
Failure to correct irregularities indicated by SECAP , at the time of its inspection, within 30 (thirty) days or, thereafter, within the period noted by SECAP in the term	R\$ 30,000.00 per day of delay
Failure to submit the reports, documents and information provided for in clause 11 of the Contract , as well as any contracts entered into between Related Parties , pursuant to clause 18 of the Contract	R\$ 30,000.00 per day of delay and per report, document and/or information not submitted
Failure to contract the insurance set forth in the Contract	R\$ 30,000.00 per day of delay
Failure to renew the Performance Bond of the Contract	R\$ 10,000,000.00 per conduct
Cause the caducity of the Concession	R\$ 300,000,000.00
Breach other obligations under the Contract , but	From R\$ 100,000.00 to R\$ 10,000,000.00, depending

without penalty specified in this clause	on the severity of the conduct
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- 19.4 The amounts provided for in the table of sub-clause 19.3, above, will be adjusted by IPCA since the **Effective Date** until the date of the application of the fine by the **Granting Power**.
- 19.5 In refer to the daily fines provided for in the table of sub-clause 19.3, above, the **Parties** agree that the sum of the imposed fines shall not surpass, by event, the limit of R\$ 10,000,000,00 (ten million Brazilian Reais).
- 19.6 The fines provided for in the table of sub-clause 19.3, above, may be applied cumulatively to the **Concessionaire**.
- 19.6.1 Specifically in relation to the **Performance Parameters**, notwithstanding the application of the fine provided for in sub-clause 19.3, above, the **Concessionaire** shall additionally remedy the non-compliance of the **Performance Parameters** in up to 30 (thirty) days.
- 19.6.2 When the same act falls under more than one hypothesis set forth in sub-clause 19.3, above, the fine of greater value shall be applied to the **Concessionaire**.
- 19.7 With respect to the last item of the table of sub-clause 19.3, namely non-compliance with other contractual obligations not specified in the table of sub-clause 19.3, respecting the limits established in this **Contract**, they will be applied by the **Granting Power** according to the seriousness of the infraction committed based on the following levels:
- 19.7.1 Low, when it is the result of involuntary, perfectly remediable or excruciating conduct of the **Concessionaire**, not resulting in benefits;
- 19.7.2 Medium, if it results from voluntary conduct, but remediable, or carried out for the first time by the **Concessionaire**, without resulting in any benefit or gain;
- 19.7.3 High, when the **Granting Power** establishes the occurrence of one of the following factors:
- (i) The **Concessionaire** acted in bad faith;

- (ii) The violation arises from benefit directly or indirectly for the **Concessionaire**;
- (iii) The **Concessionaire** is more than once recidivist in infraction of medium gravity;
- (iv) The **Concessionaire** impaired the performance of the **Contract** without possibility of remediation; or
- (v) The **Concessionaire** caused significant economic loss to the **Granting Power**.

19.8 The imposition of the fines referred to in the previous subclauses does not prevent the **Granting Power** from declaring the expiration of the **Contract**, observing the procedures provided for therein, or applying other penalties provided for therein.

19.9 Suspension of the right to participate in bids and to contract with the Federal **Government**, as well as the declaration of non-compliance, may be applied, at the discretion of the **Granting Power**, in the case of repeated practices of contractual or regulatory infractions, including those that imply the declaration of caducity under the terms of this **Contract**, in addition to the situations provided for in the applicable legislation and regulations, especially those provided for in article 88 of Federal Law No. 8.666, of June 21, 1993.

19.9.1 The penalty provided for in sub-clause 19.9 above shall also extend to the **Concessionaire's** controlling company, which is understood to be the shareholder or group of shareholders that holds control of the **Concessionaire**, and may not be applied for a term exceeding 2 (two) years.

19.9.2 The imposition of more than 3 (three) fines indicated in the table of sub-clause 19.3, above, within a period of 1 (one) year, considering the date of the event generating the fine, shall be considered as a repeated practice of contractual infractions.

19.10 The process for imposition of penalties begins with the issuance of the deficiency notice by the **SECAP**.

- 19.11 Once the deficiency notice has been issued, the **Concessionaire** shall be summoned to file a defense within 10 (ten) days, from which time the guarantees of opportunity to be heard and of the adversary will be granted.
- 19.12 Once the defense is received, the case will be duly instructed for decision.
- 19.13 The decision confirming the penalty will be subject to a voluntary appeal, within a period of 10 (ten) days, counted from the legal notice, to the pertinent authority. The submission of voluntary appeal shall suspend the enforceability of the fine until the respective decision is rendered.
- 19.14 Upon completion of the administrative proceeding for the application of fine, in the event that the **Concessionaire** fails to pay the penalty within 20 (twenty) days, counted from the notification to this effect, the **Granting Power** shall execute the **Performance Bond of the Contract**.
- 19.15 The debt originating from an administrative proceeding for the application of a final and unappealable fine, not paid by the **Concessionaire** and not covered by the **Performance Bond of the Contract**, may be registered with the Informative Register of credits not settled from the Federal Public Sector (Cadin) until the effective payment.

20 Hiring with Third Parties and Employees

- 20.1 Notwithstanding its responsibilities, the **Concessionaire** shall execute the service subject matter of the **Concession**, as established in this **Contract** and its **Annexes**, by itself or through third parties, at its own risk.
- 20.2 The third parties contracted by the **Concessionaire** shall be endowed with financial health and competence and technical ability, and the **Concessionaire** shall be directly liable to the **Granting Power** for any problems or losses arising from the lack of financial sanity, as well as competence and technical ability.
- 20.3 The **Granting Power** may request, at any time, information on the contracting of third parties for the execution of the subject matter of the **Concession**.
- 20.4 The fact that the existence of the agreement with third parties has been brought

to the attention of the **Granting Power** does not exempt the **Concessionaire** from the total or partial fulfillment of its obligations arising from the **Contract**.

20.5 The agreements executed by and between the **Concessionaire** and third parties shall be governed by private law, without establishing any relationship of any kind between third parties and the **Granting Power**.

20.6 Agreements between the **Concessionaire** and third parties shall also provide for a subrogation clause to the **Granting Power**, which shall be exercised at the discretion of the **Granting Power**.

20.7 The **Concessionaire** is responsible for labor, social security, tax and commercial charges resulting from the implementation of this **Contract**, as well as the hiring of third parties.

21 Capital Stock

21.1 The **Concessionaire** shall be a **SPC**, in the form of a corporation, incorporated under Brazilian law, with the exclusive purpose of exploring the **Concession**.

21.2 The **Concessionaire's** minimum capital stock will be R\$ 200,000,000.00 (two hundred million Brazilian Reais), subject to the rules established in the **Invitation to Bid**.

21.2.1 The **Concessionaire** may not, during the **Term of Concession**, reduce its capital stock below the minimum amount specified above, without previous and express authorization from the **Ministry of Economy**.

21.2.2 The paid-up capital of the **Concessionaire**, on the date of signature of the **Contract**, shall be at least R\$ 200,000,000.00 (two hundred million Brazilian Reais).

22 Transfer of Control

22.1 In any event, the transfer of the **Concession** or the corporate control of the **Concessionaire** is conditioned to the prior authorization of the **Granting Power**,

under penalty of expiration of the **Concession**, as provided for in Federal Law No. 8.987, of February 13, 1995.

22.2 Specifically with regards to the **Concessionaire's** shareholder who provided the certificate of technical qualification provided for in subclause 12.1.3, (i), of Annex 5, of the **Invitation to Bid**, related to instant lottery operation, it is already established that any change of its shareholding to less than 15% (fifteen percent) is also conditioned to the **Granting Power's** prior authorization.

22.2.1. The lack of observation of the rule set forth in this sub-clause may also result in the declaration of the **Concession's** caducity.

22.3 For other cases of corporate change, the **Concessionaire** shall inform the **Granting Power** within 05 (five) business days after the conclusion of the change.

23 Financing

23.1 The **Concessionaire** is solely and exclusively responsible for obtaining the necessary financing for the operation of the **Concession**, in order to comply fully and in a timely manner with all obligations assumed in the **Contract**.

23.2 The **Concessionaire** shall submit to the **Granting Power** a certified copy of the financing and guarantee contracts that it will execute, documents representing the securities issued by the **Concessionaire**, as well as any changes to these instruments, within 10 (ten) business days from the date of its signature and issuance, as the case may be.

23.3 The **Concessionaire** may not invoke any provision, clause or condition of the financing contracts, or any delay in the disbursement of resources, in order to exonerate, in whole or in part, the obligations assumed in the **Contract**.

23.4 With respect to financing contracted under this clause, the **Concessionaire** may guarantee the rights arising from the **Concession**, such as **LOTEX's** operating revenues, provided that it does not compromise the operation and continuity of the service.

23.4.1 Rights to receive (i) **Extraordinary Revenue** and (ii) indemnities owed to

the **Concessionaire** under the **Contract** may be committed, assigned or otherwise transferred directly to the **Financer**, subject to the limits and legal requirements.

23.5 The **Concessionaire** is prohibited from:

- (i) granting loans, financing and/or any other forms of transfer of funds to its shareholders and/or **Related Parties**, other than transfers of funds in connection with the distribution of dividends, payments of interest on the stockholders' equity, reduction of capital stock within the limits set forth in the **Contract** and services contracted on fair market conditions; and
- (ii) provide letter of guarantee, surety or any other form of guarantee in favor of its **Related Parties** and/or third parties.

24 Assumption of Control by Financers

24.1 The **Concessionaire's** financing contracts may grant to the **Financers**, in accordance with the applicable private law rules, the right of temporary administration or the assumption of control of the **Concessionaire** in case of contractual default by the **Concessionaire** of the aforementioned financing contracts or this **Contract**.

24.2 The assumption referred to in the previous sub-clause may occur in the event of default by the **Concessionaire**, of obligations of the **Contract**, in cases in which the default could prevent or put the **Concession** at risk.

24.3 After the corresponding administrative process has been carried out on a regular basis, upon request, the **Granting Power** will authorize the **Financers** to take control of the **Concessionaire**, with the purpose of promoting the **Concessionaire's** financial restructuring and ensuring the continued operation of the **Concession**.

24.4 The authorization shall be granted upon proof by the **Financers** that they meet the legal and fiscal regularity requirements set forth in the **Invitation to Bid**.

24.4.1 The **Financers** shall be exempted from showing financial suitability provided they are duly authorized to act as a financial institution in Brazil.

24.5 The assumption of control of the **Concessionaire** pursuant to this clause shall not alter the obligations of the **Concessionaire** and the Controlling **Financers** before the **Granting Power**. However, the **Financers** will not be liable for the obligations that are the direct responsibility of the former shareholders of the **Concessionaire**.

25 Intervention by the Ministry of Economy

25.1 The **Granting Power** may intervene in the **Concessionaire** in order to ensure the adequacy of the service rendered, as well as the faithful compliance with the pertinent contractual, regulatory and legal rules.

25.2 The intervention will be formalized by a decree of the **Federal Government**, duly published in the **Federal Official Gazette**, which will contain the designation of the intervener, the term of the intervention and the limits of the measure.

25.3 Being declared the intervention, the **Granting Power**, within 30 (thirty) days, shall initiate administrative procedure, which should be completed within 180 (one hundred eighty) days in order to check the causes for intervention and determine the respective responsibilities, being assured to the **Concessionaire** the opportunity to be heard and adversary.

25.4 Once the intervention is terminated, if the **Concession** does not terminate, the service subject matter of the **Contract** will be returned to the **Concessionaire**, and the intervening **Party** must be accountable for its actions.

25.5 The revenue obtained during the intervention period will be used to cover the investments, costs and expenses necessary to restore the normal operation of **LOTEX**.

25.6 If the revenues are not sufficient to cover the amount of the investments, costs and expenses arising from the **Concession** incurred by the **Granting Power**, the **Granting Power** may:

- (i) execute of the **Performance Bond of the Contract** to cover them, in whole or in part; and/or
- (ii) deduct, from the eventual future remuneration to be received by the

Concessionaire, the amount of the investments, costs and expenses incurred.

26 Cases of Extinction

26.1 The **Concession** shall be extinguished by:

26.1.1 Advent of the contractual term;

26.1.2 Takeover of **Concession** by the **Granting Power**;

26.1.3 Caducity;

26.1.4 Termination;

26.1.5 Annulment; or

26.1.6 Bankruptcy or extinction of the **Concessionaire**.

26.2 Upon termination of the **Concession**, all rights arising under the **Contract** shall cease to the **Concessionaire**.

26.3 Upon termination of the **Concession**, there will be immediate assumption of the service subject matter of the **Concession** by the **Granting Power**.

27 Advent of the Contractual Provision

27.1 Upon the termination of the **Term of Concession**, the **Concessionaire** shall be responsible for closing any contracts related to the **Concession** entered into with third parties, assuming all charges, liabilities and burden resulting therefrom.

27.2 The **Concessionaire** shall not be entitled to any indemnification as a result of the termination of the **Term of Concession**.

28 Takeover of Concession by the Granting Power

28.1 The **Granting Power** may, at any time, takeover the **Concession**, for reasons of public interest, by means of a specific authorizing law and prior payment of indemnification, to be calculated in accordance with sub-clause 28.2, below.

28.2 The indemnification due to the **Concessionaire** in case of takeover will cover:

28.2.1 **Initial Instalment for the Grant Offer** and the **Annual Instalments for the Grant Offer** paid by the **Concessionaire** in proportion to the remaining period between the time of the takeover and the closing date of the **Contract**, observing the following formula for each instalment paid:

$$\text{Indemnification} = [GO \times (\text{Date T} - \text{Date E}) / \text{Term of Concession (days)}] \times (1 + \text{IPCA})$$

Where:

GO: **Initial Instalment for the Grant Offer** or **Annual Instalments for the Grant Offer**, as the case may be

Date T: End Date of **Concession**

Date E: **Issuance** Date

IPCA: variation of the Broad Consumer Price Index, from the date of GO payment to Days E.

28.2.2 The **Concessionaire's** discharge in respect of the obligations arising from financing agreements contracted by it in order to comply with the **Contract**, as the case may be:

- i. prior assumption by the creditor financial institutions of the contractual obligations of the **Concessionaire**; or
- ii. prior indemnification to the **Concessionaire** of all remaining debts owed to the creditor financial institutions.

28.2.3 All charges and burden arising from fines, termination and indemnities that may be due to suppliers, contractors and third parties in general, including attorneys' fees, due to the consequent disruption of their contractual relationships executed pursuant to this **Contract**.

28.3 The part of the indemnity due to the **Concessionaire** which corresponds to the outstanding balance of the financing may be paid directly to the **Financers**. The remainder will be paid directly to the **Concessionaire**.

28.4 Fines, indemnities and any other amounts owed by the **Concessionaire** shall be deducted from the compensation provided for in the case of takeover, in order to comply with the investment obligations established in the **Contract**.

29 Caducity

29.1 The **Granting Power** may declare the caducity of the **Concession** in the event of total or partial non-performance of the **Contract**, subject to the provisions of the pertinent regulatory and legal standards, and especially when the **Concessionaire**:

29.1.1 provides the service subject matter of this **Contract** in an inadequate or deficient manner, based on the **Performance Parameters**;

29.1.2 failures to comply with the maximum period for obtaining the certifications referred to in this **Contract**;

29.1.3 breaches of contractual clauses or legal and regulatory provisions concerning the **Concession**;

29.1.4 loses the economic, technical or operational conditions to maintain the adequate rendering of the service granted;

29.1.5 failures to comply with penalties imposed for violations, in due time;

29.1.6 failures to comply with the notice of the **Granting Power** in order to regularize the rendering of service; or

29.1.7 is convicted in unappealable judgment due to evasion of taxes, including social security contributions.

29.2 The **Granting Power** may not declare the caducity of the **Concession** in case of the events indicated in subclause 29.1 above, result from acts of God or force majeure.

29.3 The declaration of caducity of the **Concession** must be preceded by the verification of contractual by the **Concessionaire** in an administrative proceeding, being assured the opportunity to be heard.

29.4 An administrative caducity proceeding shall not be filed without prior notice to the **Concessionaire**, and in each case, it shall be given a period to correct the

failures and transgressions mentioned above and comply with the contractual terms.

29.5 Once the administrative proceeding is established and the default is confirmed, the caducity shall be declared by the **Granting Power**, regardless of prior indemnity, calculated in the course of the proceeding and in accordance with sub-clause 29.7 below.

29.6 Once the caducity is declared and the respective indemnity has been paid, the **Granting Power** will not be liable for any kind of liability with respect to the charges, burdens, obligations or commitments with third parties or with employees of the **Concessionaire**.

29.7 Indemnification

29.7.1 The indemnification due to the **Concessionaire** in the event of caducity shall be restricted to the **Initial Instalment for the Grant Offer** and **Annual Instalments for the Grant Offer** paid by the **Concessionaire** in proportion to the period remaining between the caducity and the closing date of the **Contract**, adjusted by the **IPCA** accumulated in the period.

29.7.2 In the amount provided for in the previous clause, the following shall be discounted:

- (i) The losses caused by the **Concessionaire** to the **Granting Power**;
- (ii) Contractual fines applied to the **Concessionaire** that have not been paid by the date of payment of the amount set forth in sub-clause 29.8, above; and
- (iii) Any amounts received by the **Concessionaire** as insurance coverage related to the events or circumstances that gave rise to the declaration of caducity.

29.7.3 The part of the indemnity due to the **Concessionaire** which corresponds to the outstanding balance of the financing effectively invested in investments may be paid directly to the **Financers**, at the discretion of the **Granting Power**. The remainder will be paid directly to the **Concessionaire**.

29.7.4 The declaration of caducity may also entail:

- (i) Execution of the **Performance Bond of the Contract**, in order to reimburse fines and possible damages caused to the **Granting Power**; and
- (ii) The retention of any credits arising from the **Contract**, up to the limit of the losses caused to the **Granting Power**.

30 Termination

30.1 The **Concessionaire** shall notify the **Granting Power** of its intention to terminate the **Contract** in the event of non-compliance with the contractual rules by the **Granting Power**, and the termination shall only be effected by means of a legal action especially attempted for that purpose, under the terms established in the applicable legislation.

30.2 The service provided by the **Concessionaire** may only be interrupted or suspended after the final decision of the judicial decision that decrees the termination of the **Contract**.

30.3 Indemnification

30.3.1 The indemnification due to the **Concessionaire** in the event of termination shall be restricted to the **Initial Instalment for the Grant Offer** and **Annual Instalments for the Grant Offer** paid by the **Concessionaire** in proportion to the period remaining between the termination and the closing date of the **Contract**, adjusted by the **IPCA** accumulated in the period.

30.3.2 For the purposes of the calculation indicated in sub-clause 30.3.1, above, from the indemnity due to the **Concessionaire** it shall be deducted the amount received by it with regards to insurance coverage related to the events or circumstances that gave rise to termination.

30.3.3 The payment of the indemnity referred to in this subclause shall be made within the period determined by the court, or, then, within 5 (five) days

after the decision becomes final and unappealable, which determined the termination.

31 Cancellation

31.1 The **Granting Power** shall declare the nullity of the **Contract**, preventing the legal effects that it ordinarily should produce, in addition to deconstructing those already produced, if it is found illegal in its formalization or in the **Auction**.

31.2 Indemnification

31.2.1 The indemnification due to the **Concessionaire** in the event of cancellation shall be restricted to the **Initial Instalment for the Grant Offer** and **Annual Instalments for the Grant Offer** paid by the **Concessionaire** in proportion to the period remaining between the cancellation and the closing date of the **Contract**, adjusted by the **IPCA** accumulated in the period.

31.2.2 For the purposes of the calculation indicated in sub-clause 31.2.1, above, from the indemnity due to the **Concessionaire** it shall be deducted the amount received by it with regards to insurance coverage related to the events or circumstances that gave rise to the declaration of cancellation.

31.2.3 The payment of the indemnity referred to in this subclause shall be made within 5 (five) days after the decision which determined the cancellation becomes final and unappealable.

32 Assignment of Information to the Granting Power

32.1 Upon termination of the **Contract**, the **Concessionaire** will assign to the **Granting Power**, free of charge and on an exclusive basis, all projects, plans, documents, database, customer base and history of **Emissions** that are necessary for the execution of the scope of the **Contract**, and which have been specifically acquired or elaborated in the development of the activities integrated in the **Concession**,

either directly by the **Concessionaire** or by third **Parties** contracted by it, and the **Concessionaire** is responsible for taking all necessary measures for this purpose.

33 Insurance

- 33.1 During the **Term of Concession**, the **Concessionaire** shall contract and maintain in force, at least, civil liability insurance covering the **Concessionaire** and the **Granting Power**, as well as its administrators, employees, collaborators, agents or representatives, for the amounts with which they may be held liable for pecuniary and personal damages, pain and suffering, procedural costs and any other charges related to pecuniary and personal damages, pain and suffering arising from the activities covered by the **Concession**, including, but not limited to, involuntary personal injury, death, property damage caused to third parties and their vehicles, including the **Granting Power**.
- 33.2 Pursuant to clause 3 of the **Contract**, the **Concessionaire** must submit to the **Granting Power**, prior to the start of the commercialization of the **Physical Betting** and/or **Virtual Betting**, the insurance policy indicated in the previous subclause.
- 33.3 The service may not start and/or continue without the **Concessionaire** submitting to the **Granting Power** the proof that the insurance policy required by the **Contract** is in force and observes the conditions established herein.
- 33.4 The **Granting Power** must be listed as one of the co-insured in the insurance policy referred to in the **Contract**, and the cancellation, suspension, modification or replacement of the policy must be previously authorized by the **Granting Power**.
- 33.4.1 The insurance policy may establish the **Concessionaire's Financers** as the beneficiary of the indemnity.
- 33.4.2 The insurance policy shall provide for direct indemnification to the **Granting Power** in cases in which the **Granting Power** is liable as a result of a claim.
- 33.5 Due to failure to comply with the obligation to contract or keep the insurance policy up to date, the **Granting Power** shall impose a fine, as provided in this

Contract, until the presentation of the said policy or its endorsement, notwithstanding the other measures established in the **Contract**.

- 33.6 The amounts covered by liability insurance, including pain and suffering covered, shall meet the maximum limit of indemnity calculated based on the higher probable damage.
- 33.7 The **Concessionaire** shall inform the **Granting Power** how to calculate the maximum indemnity limit of the insurance policy.
- 33.8 The **Concessionaire** assumes all responsibility for the extent or omissions arising from the performance of the insurance covered by the **Contract**.
- 33.9 The **Concessionaire** is responsible for the full payment of the deductible in case of use of insurance provided for in the **Contract**.
- 33.10 The insurance policy shall include the obligation of the insurer to immediately inform the **Concessionaire** and the **Granting Power** of any changes to the insurance contract, especially those involving the total or partial cancellation of the contracted insurance or reduction of the insured amount.
- 33.11 The insurance policy shall be valid for at least 12 (twelve) months from the date of signature of the **Contract** and shall be renewed successively for the same period during the **Term of Concession**.
- 33.12 The **Concessionaire** shall submit to the **Granting Power**, at least 30 (thirty) days prior to its due date, a document proving that the insurance policy has been renewed or will be automatically and unconditionally renewed immediately after its expiration.
- 33.12.1 If the **Concessionaire** does not send the documents proving the renewal of the insurance within the established period, the **Granting Power** may contract the insurance and collect from the **Concessionaire** the total value of its prize at any time, or consider it for the purpose of recomposing the economic rebalancing of the **Contract**, without exempting the **Concessionaire** from the penalties provided for in this **Contract**.
- 33.12.2 No liability shall be attributed to the **Granting Power** if it chooses not to

contract the insurance.

33.13 The **Concessionaire**, with the prior authorization of the **Granting Power**, may modify coverages or other conditions of the insurance policy, in order to adapt them to the new situations that occur during the term of the **Contract**.

33.14 The **Concessionaire** shall forward annually to the **Granting Power** a copy of the insurance policy contracted and renewed.

34 Dispute Resolution

34.1 Arbitration

34.1.1 The **Parties** undertake to resolve, through arbitration, the disputes arising from or relating to the **Contract** and/or any agreements, documents, annexes or contracts related thereto.

34.1.1.1 Questions relating to unavailable rights, such as the public nature and ownership of the service granted and the power to inspect the operation of such service, may not be subject to arbitration.

34.1.2 Submission to arbitration, pursuant to this clause, does not exempt either the **Granting Power** or the **Concessionaire** from the obligation to give full compliance with this **Contract**, nor does it allow the interruption of the activities related to the **Concession**, subject to the provisions of this **Contract**.

34.1.3 The arbitration shall be administered by the **ICC**, in accordance with the rules established in its regulation in force on the date the arbitration commences.

34.1.4 The arbitration shall be conducted in Brasilia, Federal District, Brazil, using the Portuguese as the official language for the practice of any and all acts.

34.1.5 The substantive law to be applied to the merits of the arbitration shall be the Brazilian law, excluding equity.

- 34.1.6** The arbitration panel shall consist of 3 (three) arbitrators, and each **Party** shall appoint one arbitrator. The third arbitrator shall be chosen by mutual agreement by the arbitrators nominated by the **Parties**. The Presidency of the arbitration panel shall be held by the third arbitrator. In the event that the arbitration involves more than 2 (two) parties, whether as plaintiff or as defendant, the choice of the arbitrators should follow the provisions of the **ICC** rules of arbitration.
- 34.1.7** If there is no consensus among the arbitrators chosen by each **Party**, the third arbitrator shall be appointed by the **ICC**, subject to the applicable terms and conditions set forth in its arbitration regulation.
- 34.1.8** If necessary to obtain coercive or emergency measures/decisions before the constitution of the arbitration panel, or even during the arbitration procedure, the **Parties** may claim them directly to the competent authority of the Judicial Branch. Should such measures become necessary after the constitution of the arbitration panel, they should be requested and appreciated by the arbitration panel, which may, in turn, request them from the competent authority of the Judicial Branch, if deemed necessary.
- 34.1.9** Decisions and judgment of the arbitration panel shall be final and binding upon the **Parties** and their successors.
- 34.1.10** The losing **Party** in the arbitration proceedings shall bear all costs of the proceedings, including the arbitrators' fees.

35 Miscellaneous Provisions

35.1 Rules of the Granting Power and the SECAP

- 35.1.1** The **Concessionaire** shall observe and respect all resolutions and other rules of the **Granting Power** and **SECAP**, however, observing the peculiarities and specificities inherent in the rules and regulations applicable to the **Concession** and in compliance with the terms of this



This a free translation from the original draft of the Contract. In case of divergence between this version and the original version, in Portuguese language, the latter shall prevail.

Contract.

35.2 Operation of Rights

35.2.1 The non-exercise, either late or partial exercise of any right to support any of the **Parties** by this **Contract** does not mean waiver of this right, nor does it prevent its subsequent exercise, at any time, nor does it constitute novation of the respective obligation or precedent.

35.3 Partial Invalidity

35.3.1 If any provision of the **Contract** is found to be void, invalid, unlawful or unenforceable in any respect, the validity, legality and enforceability of the other provisions contained in the **Contract** shall in no way be affected or restricted by such fact. The **Parties** shall negotiate, in good faith, the replacement of invalid, unlawful or unenforceable provisions by valid, enforceable, legal provisions whose economic effect is as close as possible to the economic effect of provisions deemed to be invalid, unlawful or unenforceable.

35.3.2 Each declaration and guarantee made by the **Parties** to this **Contract** shall be treated as an independent declaration and guarantee and the liability for any failure shall be solely by the Party who performed it and shall not be changed or modified by its knowledge by either **Party**.

35.4 Governing Law

35.4.1 The **Contract** shall be governed and construed in accordance with the laws of the Federative Republic of Brazil.

35.4.2 The **Concession** shall be governed by Federal Laws No. 13.334, of September 13, 2016, No. 8.987, of February 13, 1995, No. 9.491, of September 9, 1997, as amended by Federal Laws No. 9.635, of December 15, May 1998; No. 9.074 of July 7, 1995; and, in the alternative, Federal Law No. 8.666 of June 21, 1993.

35.5 Venue

35.5.1 For the exclusive purpose of obtaining provisional and urgent measures, as well as for the forced institution of the arbitration or for the execution



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of the award, the Venue of the Judicial District of the Federal District is elected.

35.6 Communications

35.6.1 Communications between the **Parties** shall be made in writing and delivered: (i) by hand, if proven by protocol; or (ii) by registered mail, with acknowledgment of receipt; or (iii) by electronic mail.

35.6.2 Either **Party** may change its address by simple communication to the other **Party**.

35.7 Count of Terms

35.7.1 In the terms established in days, in the **Contract**, the day of commencement shall be excluded and the date of expiration shall be included, counting in consecutive days, unless reference is expressly made to business days.

35.7.2 Only the referred terms in the **Granting Power** start and expire.

35.8 Language

35.8.1 All documents related to the **Contract** and the **Concession** must be written in Portuguese, or translated into Portuguese for foreign documents. In case of any conflict or inconsistency, the Portuguese language version shall prevail.

In witness whereof, the **Parties** sign the **Contract** in 3 (three) copies of equal content and form, each of which is considered an original.

Brasilia, [•] [•], [•],

MINISTRY OF ECONOMY



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[CONCESSIONAIRE]

Annex 1

List of Charges

1 Purpose and Scope

1.1 The purpose of this document is to describe the charges and present the guidelines that must be fulfilled by the **Concessionaire** in relation to the subject matter of the **Concession**.

2 General Bidding Documents of the Venture

2.1 The **Concessionaire** shall observe, in the venture, all minimum and specific requirements of this **List of Charges** and preserve the intrinsic elements that characterize the operation of instant lotteries.

2.2 It is the responsibility of the **Concessionaire** to provide all necessary authorizations, permits and licenses to the respective agencies and entities of the Government in order to carry out the activities related to the **Concession**, all expenses with such processes being its exclusive responsibility, under the terms of the **Contract**.

2.3 The **Granting Power** may, at any time, confirming that the **Concessionaire** has failed to meet the charges established in this **Annex**, expressly indicate the necessity of making adjustments and adequacies.

2.4 In order to prevent fraud, the **Concessionaire** shall ensure that all **Physical Betting** issued are identified by a bar code and have security mechanisms in accordance with the best international practices.

2.5 The electronic site to be created for information and/or commercialization of the product to be offered by the **Concessionaire** must contain a section aimed at promoting awareness about gambling and compulsiveness, including informing associations aimed at aiding compulsive gamblers.

- 2.6 The **Concessionaire** shall include, in all promotion and sale material, a text warning about compulsive gambling.
- 2.7 The **Concessionaire** is responsible for establishing agreements with the points of sales.
- 2.8 If it considers necessary to build physical structures, the **Concessionaire** shall provide the necessary permits and authorizations to the competent Government agencies.
- 2.9 During the **Term of Concession**, the **Concessionaire** shall contract and maintain in force the insurance policy indicated in the **Contract**, under the conditions established in that instrument.
- 2.10 The **Concessionaire** shall strive to count on, in the registered network of point of sales, adequate infrastructure for the access of persons with disabilities and/or reduced mobility.

3 **Costs and Expenses under Concessionaire Liability**

- 3.1 The **Concessionaire** shall bear all costs and expenses necessary for its operation, such as:
 - 3.1.1 Salaries of the professionals hired by the **Concessionaire**;
 - 3.1.2 Expenses with outsourced services contracted by the **Concessionaire**;
 - 3.1.3 Direct and indirect taxes incurred by the **Concessionaire**;
 - 3.1.4 Expenses related to the consumption of electric energy incurred by the **Concessionaire**;
 - 3.1.5 Expenses related to the consumption or treatment of water and sewage incurred by the **Concessionaire**;
 - 3.1.6 Expenses related to land line and mobile telephony contracted by the **Concessionaire**;
 - 3.1.7 Expenses related to the acquisition of maintenance and replacement materials purchased by the **Concessionaire**;

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3.1.8 Expenses related to the acquisition of cleaning equipment purchased by the **Concessionaire**; and

3.1.9 Other expenses incurred in the acquisition of materials or services contracted by the **Concessionaire**.

4 Payment of prizes

4.1 The prizes whose amount are inferior or equal to the income tax exemption range may be paid at the **PDV**, bank branches or other accredited establishments, through the presentation of the winning **Physical Betting** and/or **Virtual Betting**.

4.2 The prizes whose amount are superior to the income tax exemption range should be paid at bank branches or other accredited establishments, through the presentation of the winning **Physical Betting** and/or **Virtual Betting**.

4.3 The **Granting Power**, through regulations of **SECAP**, may define, during the **Concession**, alternative ways of prize payments to **Bettors** regarding the **Physical Betting** and/or **Virtual Betting**, considering the commercial practices and the public interest in revenue of **LOTEX**.

4.4 The way of payment of prizes whose amount are inferior or equal to the income tax exemption range must observe, among other criteria to be established by **SECAP**, the compliance requirements related to the winner identification, to the income tax withheld in the prize payment, to the Politically Exposed People (PEP) and also the mechanisms of money laundry prevention, specially pursuant the Federal Law No. 9.613, of March 03, 1998.

Annex 2

LOTEX Performance Indicators and Parameters

1 Presentation

- 1.1 As defined in clause 7 of the **Contract**, the service provided by the **Concessionaire** shall be subject to continuous evaluation and inspection by the **Granting Power**.
- 1.2 The definition of quality indicators and parameters allows the **Granting Power** to control and ensure, in a systematized manner, the fulfillment of the purpose of the service granted.

2 Parameters to be verified

- 2.1 The purpose of this **Annex** is to define the Quality Indicators to be adopted for the service provided. To this end, 3 (three) quality indicators have been defined, which are subdivided into 10 (ten) sub-indicators:

2.1.1 Certification

- (i) Adherence to required certifications as set forth in clause 7.1.2 of the **Contract**;
- (ii) Continuous maintenance of required certifications as established in Clause 7.1.2 of the **Contract** until termination thereof.

2.1.2 Inspection

- (i) Audit of transfers to the **Granting Power** established in clause 13.3 of the **Contract**;
- (ii) Audit of prize payments to **Bettors** regarding the **Issuances** in order to certify compliance with Federal Law No. 13.155, of August 04, 2015, to be held annually.

2.1.3 Quality of Services

- (i) Resolution of 99% (ninety-nine percent) of the **Bettors'** claims regarding the payment of prizes in a maximum of 5 (five) business days from the registration of the claim.
- (ii) Resolution of 99% (ninety-nine percent) of the records of complaints of other natures, coming from **Bettors**, in a maximum of 5 (five) business days.
- (iii) Payment of 99% (ninety-nine percent) of the prizes of amounts equal or inferior to the income tax exemption range up to 02 (two) business days after the request by the **Bettor**;
- (iv) Payment of 99% (ninety-nine percent) of the prizes of amounts superior to the income tax exemption range in 5 (five) business days from the request of payment of the **Bettor**;

2.1.3.1 The abovementioned Quality Indicators shall be verified quarterly.

2.1.3.2 The **Granting Power**, through regulations of **SECAP**, may define, during the **Concession**, classification criteria for the complaints and deadlines for their solution, considering the **Concessionaire** commercial practices and the public interest in revenue of **LOTEx**.



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(Letterhead of the Guarantor Bank)

Annex 3

Banking Guarantee Model

[place], [•] [•], [•]

To

Ministry of Economy

Ref.: Banking Letter of Guarantee No. [•] ("**Letter of Guarantee**") - **Invitation to Bid** PPI/PND-2019

- 1 By this **Letter of Guarantee**, the Bank [•], headquartered at [•], enrolled with the CNPJ/MF under No. [•] ("**Guarantor Bank**"), directly, by itself and its successors, undertakes before the **Ministry of Economy** as joint and several guarantor of the [Concessionaire], headquartered at [•], enrolled with the CNPJ/MF under No. [•] ("**Secured Party**"), with express waiver of the rights provided in articles 827, 835, 837, 838 and 839 of Federal Law No. 10.406 of January 10, 2002 (Brazilian Civil Code), for the faithful fulfillment of all obligations assumed by the **Secured Party** in the **Concession Contract** of the **Invitation to Bid** PPI/PND-2019, for the provision of operation of **LOTEX** ("**Contract**"), entered into between the **Ministry of Economy** and the **Secured Party**, in [•], whose terms, clauses and conditions the **Guarantor Bank** expressly declares to know and accept.
- 2 As a consequence of this **Letter of Guarantee**, the **Guarantor Bank** is obliged to pay to the **Ministry of Economy**, in the event of non-compliance with the obligations assumed by the **Secured Party** in the **Contract**, the amount of R\$ [•] ([•]).
 - 2.1 The **Performance Bond of the Contract** will be adjusted annually by the **IPCA** index, and the **Effective Date** is the base date.
- 3 The **Guarantor Bank** is also obligated, within the scope of the aforementioned amount, to pay for the damages caused by the **Secured Party**, such as fines applied by the

- Ministry of Economy** related to the **Contract**, and undertakes to make payments from these securities when required, within a maximum period of 48 (forty-eight) hours, counted from the receipt, by the **Guarantor Bank**, of the written notification sent by the **Ministry of Economy**.
- 4 The **Guarantor Bank** shall not admit any challenge or objection from the **Secured Party** or invoked by it in order to excuse itself from the fulfillment of the obligation assumed to the **Ministry of Economy** under the terms of this **Letter of Guarantee**.
- 5 The **Guarantor Bank** and the **Secured Party** may not change any of the terms of the **Guarantee** without the prior and express authorization of the **Ministry of Economy**.
- 6 Whenever the **Secured Party** is used as part of the total amount of the **Guarantee**, the **Guarantor Bank** undertakes to immediately notify the **Concessionaire** so that it may, within 10 (ten) business days of the date of use, recompose the full amount of the **Guarantee**.
- 7 In the event that the **Ministry of Economy** enters into court to demand compliance with the obligation referred to in this **Letter of Guarantee**, the **Guarantor Bank** is obliged to pay the judicial or extrajudicial expenses.
- 8 The **Guarantee** shall be valid for a period of 1 (one) year, counted from this date, according to the conditions mentioned in Clause 8 of the **Contract**.
- 9 The **Guarantor Bank** declares:
- 9.1 this **Letter of Guarantee** is duly recorded, fully observing the regulations of the Central Bank of Brazil currently in force, in addition to complying with the provisions of the applicable banking law;
- 9.2 the signatories of this instrument are authorized to provide the **Guarantee** on their behalf and in their responsibility; and
- 9.3 its capital stock is R\$ [•] ([•]), being authorized by the Central Bank of Brazil to issue letters of guarantee, and the value of this **Letter of Guarantee**, in the amount of R\$ [•] ([•] Brazilian Reais), is within the limits authorized by the Central Bank of Brazil.



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10 Terms that have not been expressly defined in this **Letter of Guarantee** shall have the meanings assigned to them in the **Contract**.

[Signature of attorneys-in-fact with notarized signature]

Witnesses:

Name:
ID:

Name:
ID:

Annex 4

Performance Bond Model

MINIMUM TERMS AND CONDITIONS OF PERFORMANCE BOND

1 Borrower

1.1 Concessionaire.

2 Insured

2.1 Ministry of Economy

3 Subject Matter of Insurance

3.1 **Guarantee** the faithful fulfillment of all obligations contracted by the **Concessionaire** before the **Granting Power**, under the terms of the **Concession Contract** of the **Invitation to Bid** PPI/PND-2019, and the Insured shall be indemnified, for the amounts set forth in item 5 below, when there is a breach of contract, including, among others, the events of contractual noncompliance indicated in clause 19 of the **Contract**.

4 Instrument

4.1 Performance Bond Policy issued by an insurer duly constituted and authorized to operate by the Superintendence of Private Insurance - SUSEP, observing the terms of the enactments of SUSEP applicable to performance bonds.

5 Guarantee Value

The Performance Bonds Policy shall provide for the amount of indemnity, for each year of the **Contract**, corresponding to R\$ [●] ([●] Brazilian Reais).

5.1 The **Performance Bond of the Contract** will be adjusted annually by the **IPCA** index, and the **Effective Date** is the base date.

6 Term

6.1 The Performance Bonds Policy must have a minimum term of validity of 1 (one) year, renewable for an equal period.

7 Additional Provisions

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- 7.1 The Performance Bond Policy shall contain the following additional provisions:
- (i) declaration by the Insurer that it knows and accepts the terms and conditions of the **Contract**;
 - (ii) waiver of the cancellation of the Performance Bonds Policy for lack of total or partial payment of the prize;
 - (iii) confirming that the Borrower has not complied with the obligations covered by the Performance Bond Policy, the Insured shall be entitled to demand from the Insurer the indemnity due, when the notification made to the Borrower proves unfruitful.
 - (iv) that, upon expiration of the **Concession**, the **Ministry of Economy** may execute the Performance Bonds Policy to compensate for any losses; and
 - (v) any legal matters that arise between the Insurance Company and the Insured shall be resolved in the Insured's jurisdiction of domicile.
- 8 Terms that have not been expressly defined in this **Annex** shall have the meanings assigned to them in the **Contract**.



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Annex 5

Articles of Incorporation of the Concessionaire



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Annex 6

Invitation to Bid and Winning Proposal