

PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT ("Agreement") is entered into as of the ___ day of August 2012 ("Effective Date), and will end on July 31, 2015, by and between the State of Delaware, Department of Finance, Division of Lottery ("LOTTERY") and Star Group Communications, Inc. ("STAR GROUP"), a Delaware Corporation with offices at Voorhees Town Center, 220 Laurel Road, Voorhees, NJ 08043, and Wilmington, Delaware ("STAR GROUP")

WHEREAS the LOTTERY desires to obtain certain services and issued Request for Proposals DSL2012-1 ("RFP") on April 22, 2012, to invite interested full-service advertising agencies to submit proposals to provide the LOTTERY with advertising and related services;

WHEREAS STAR GROUP desires to provide such services as stated in a letter dated June 11, 2012, and as identified in a responsive proposal to the RFP;

WHEREAS by letter dated July 31, 2012, the LOTTERY advised STAR GROUP that it was selected as the winning bidder in response to the RFP DSL2012-1;

WHEREAS, LOTTERY and STAR GROUP represent and warrant that each party has full right, power and authority to enter into and perform under this Agreement;

FOR AND IN CONSIDERATION OF the premises and mutual agreements herein, LOTTERY and STAR GROUP agree as follows:

1.0 SERVICES

1.1 STAR GROUP shall perform for LOTTERY the services specified in the Appendices to this Agreement, attached hereto and made a part hereof.

This Agreement includes a requirement that STAR GROUP provide the services identified herein to support all "Traditional" lottery games that are currently sold, as well as those lottery games that are currently authorized to be sold, in licensed retail businesses within the State during the term of the Agreement.

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

1.3 Failure of a party to insist upon strict adherence to any term of this Agreement shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the AGREEMENT.

1.4 LOTTERY may, at any time, by written order, make changes in the scope of this Agreement and in the services or work to be performed. No services for which additional compensation may be charged by STAR GROUP shall be furnished without the written authorization of LOTTERY. When LOTTERY desires any addition or deletion to the deliverables or a change in the Services to be provided under this Agreement, it shall notify STAR GROUP, who shall then submit to LOTTERY a "Change Order" for approval authorizing said change. The Change Order shall state whether the change shall cause an alteration in the price or the time required by STAR GROUP for any aspect of its performance under this Agreement. Pricing of changes shall be consistent with those established within this Agreement.

1.5 STAR GROUP will not be required to make changes to its scope of work that result in STAR GROUP's costs exceeding the current unencumbered budgeted appropriations for the services. Any claim of either party for an adjustment under Section 1 of this Agreement shall be asserted in the manner specified in the writing that authorizes the adjustment.

2.0 PAYMENT FOR SERVICES AND EXPENSES

2.1 The term of the initial AGREEMENT shall be from August 31, 2012, through July 31, 2015.

2.2 LOTTERY will pay STAR GROUP for the performance of services described in APPENDIX A, Scope of work. The fee will be paid in accordance with the Fees and Invoicing Schedules attached hereto as APPENDIX B.

2.3 LOTTERY's obligation to pay STAR GROUP for the performance of services described in Appendix A, Scope of Work, will not exceed the tiered annual fees identified in APPENDIX B, Fees and Invoicing Schedules.

2.4 It is expressly understood that the work defined in the Appendices to this Agreement must be completed by STAR GROUP and it shall be STAR GROUP's responsibility to ensure that hours and tasks are properly budgeted so that all services are completed for the agreed upon fixed fee. LOTTERY's total liability for all charges for services that may become due under this Agreement is limited to the total maximum expenditure(s) authorized in LOTTERY's approved estimates and purchase order(s) issued to STAR GROUP.

2.5 STAR GROUP shall submit weekly and monthly invoices to LOTTERY in sufficient detail, as defined in APPENDIX A, Scope of Services, and as specified in APPENDIX B, Fee and Invoicing Schedules. Invoice numbering, coding, terminology, and itemization must clearly identify the work and support the services provided during the previous month. LOTTERY agrees to pay those invoices within thirty (30) days of receipt. In the event LOTTERY disputes a portion of an invoice, LOTTERY agrees to pay the undisputed portion of the invoice within thirty (30) days of receipt and to provide STAR GROUP a detailed statement of LOTTERY's position on the disputed portion of the invoice within thirty (30) days of receipt. LOTTERY's failure to pay any amount of an invoice that is not the subject of a good-faith dispute within thirty (30) days of receipt shall entitle STAR GROUP to charge interest on the overdue portion at the lower of 1.0% per month. All payments should be sent to:

Star Group Communications
135 S. West Street
Wilmington, DE 19801

2.6 Unless provided otherwise in an Appendix, all expenses incurred in the performance of the services are to be paid by STAR GROUP. If an Appendix specifically provides for expense reimbursement, STAR GROUP shall be reimbursed only for reasonable expenses incurred by STAR GROUP in the performance of the services., including, but not necessarily limited to, travel and lodging expenses, communications charges, and computer time and supplies

2.6.1 Travel expenses (mileage and tolls) related to the non-routine attendance and/or supervision of promotional events and sponsorships on behalf of the LOTTERY (e.g., festivals, sporting events, guerilla marketing initiatives, etc.) shall be billable to the LOTTERY. These expenses will be limited to the usage of no more than two agency representative autos and shall not exceed the State of Delaware, Department of Finance travel policy reimbursement rates. All such travel expenses require the prior approval of the LOTTERY.

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

2.8 LOTTERY shall subtract from any payment made to STAR GROUP all damages, costs and expenses caused by STAR GROUP's negligence, resulting from or arising out of errors or omissions in STAR GROUP's work products, which have not been previously paid to STAR GROUP provided that (A) STAR GROUP shall have been notified promptly in writing by LOTTERY of any notice of such claim.

Invoices shall be submitted to:

Delaware State Lottery
Accounting Section
1575 McKee Road, Suite 102
Dover, DE 19904

3.0 RESPONSIBILITIES OF STAR GROUP

3.1 STAR GROUP shall be responsible for the professional quality, technical accuracy, timely completion, and coordination of all services furnished by STAR GROUP, its subcontractors and its principals, officers, employees and agents under this Agreement. In performing the specified services, STAR GROUP shall follow practices consistent with generally accepted professional and technical standards.

3.2 STAR GROUP shall be responsible for ensuring that all electronic, digital, software and Internet services delivered or furnished pursuant to this Agreement comply with the standards promulgated by the Department of Technology and Information ("DTI") published at <http://dti.delaware.gov/>, and as modified from time to time by DTI during the term of this Agreement. If any service, product or deliverable furnished pursuant to this Agreement does not conform with DTI standards, STAR GROUP shall, at its expense and option, either (1) replace it with a conforming equivalent or (2) modify it to conform with DTI standards. STAR GROUP shall be, and remain, liable in accordance with the terms of this Agreement and applicable law for all damages to LOTTERY caused by STAR GROUP's failure to ensure compliance with DTI standards.

3.3 It shall be the duty of the STAR GROUP to assure that all products of its effort are technically sound and in conformance with all pertinent Federal, State and Local statutes, codes, ordinances, resolutions and other regulations. STAR GROUP will not produce a work product that violates or infringes on any copyright or patent rights. STAR GROUP shall, without additional compensation, correct or revise any errors or omissions in its work products.

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

3.5 STAR GROUP is obligated to meet high standards for ethics and integrity under this AGREEMENT. STAR GROUP and its employees:

- A. shall accept no pay, remuneration, or gratuity of any value for performance on or information derived from this project from any party other than the LOTTERY as described in this AGREEMENT, or from any party under AGREEMENT to the LOTTERY or seeking to enter an AGREEMENT with the LOTTERY. ~~with respect to this project;~~
- B. shall not offer or give any gift, gratuity, favor, entertainment, loan or any other thing of material monetary value to any LOTTERY employee, or to any individual with the intent of unduly influencing the outcome of LOTTERY decisions regarding the AGREEMENT;
- C. shall not disclose any business sensitive or confidential information gained by virtue of this AGREEMENT to any party without the consent of the LOTTERY;
- D. shall take no action in the performance of this AGREEMENT to create an unfair, unethical or illegal competitive advantage for itself or others;
- E. shall not have any financial or personal interests relating to the any subsequent AGREEMENT (other than the AGREEMENT itself) without the explicit written consent of the LOTTERY.

For violation of the above provisions, the LOTTERY may terminate the AGREEMENT, receive restitution, receive liquidated damages, or take any other appropriate actions against the STAR GROUP.

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

- A. offer goods and services only of the highest standards;
- B. use its best efforts to prevent the LOTTERY from becoming embroiled in unfavorable publicity;
- C. avoid promotional activities which could be interpreted as improper and embarrassing to the LOTTERY; and
- D. comply with all laws and Rules and Regulations.

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

3.7.1 STAR GROUP has or will retain such employees as it may need to perform the services required by this Agreement. Such employees shall not be employed by LOTTERY or any other political subdivision of LOTTERY.

3.7.2 STAR GROUP will not use LOTTERY's name, either express or implied, in any of its advertising or sales materials without LOTTERY's express written consent.

3.7.3 The rights and remedies of LOTTERY provided for in this Agreement are in addition to any other rights and remedies provided by law.

4.0 Vendor Error Liability and Liquidated Damages Provisions

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

4.2 The STAR GROUP will be liable for any specific and definite financial obligations that arise as a result of errors and faults by the STAR GROUP's staff, agents, subcontractors.

Therefore, the STAR GROUP acknowledges that:

- A. if the STAR GROUP does not fulfill the obligations of the AGREEMENT, damage to the LOTTERY will result; and,
- B. establishing the precise value of such damage would be costly, difficult, and time consuming; and,
- C. the liquidated damage amounts specified herein are good faith efforts to quantify the damages that could be reasonably anticipated at the time of the making of the AGREEMENT.

The LOTTERY may, therefore, in its discretion, deduct liquidated damages from the compensation otherwise due to the STAR GROUP. All assessments of liquidated damages shall be within the discretion of the LOTTERY and shall be in addition to, and not in lieu of, the right of the LOTTERY to terminate the AGREEMENT or to pursue other appropriate remedies.

4.3 The LOTTERY shall notify the STAR GROUP in writing of the assessment of liquidated damages for any default specified herein and payment of such damages shall be initiated within thirty (30) days of receipt of the assessment notice by deducting such damages from the compensation otherwise due to the STAR GROUP. If timely payment is not made, the LOTTERY may collect such damages by any other lawful method.

Excessive liquidated damages, and events leading to such, in the sole discretion of the LOTTERY, may be grounds for termination of the AGREEMENT.

4.1 Reports

Failure to provide reports required by the LOTTERY may result in the imposition of liquidated damages in the amount of \$1,000, plus \$100 per day for each day of additional delay.

4.2 Plans

Failure to provide plans required by the LOTTERY may result in the imposition of liquidated damages in the amount of \$1,000, plus \$100 per day for each day of additional delay.

4.3 Deliverables

Failure to provide deliverables required by the LOTTERY may result in the imposition of liquidated damages in the amount of \$15,000, plus \$1,000 per day for each day of additional delay.

4.4 Unauthorized Materials

The release of unauthorized media materials for broadcast or publication prior to obtaining written approval may result in liquidated damages of \$15,000 per broadcast or publication.

5.0 LOTTERY Responsibilities

5.1 In connection with STAR GROUP's provision of the Services, LOTTERY shall perform those tasks and fulfill those responsibilities specified in the appropriate Appendices.

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

5.3 The services performed by STAR GROUP under this Agreement shall be subject to review for compliance with the terms of this Agreement by LOTTERY's designated representatives. LOTTERY representatives may delegate any or all responsibilities under the Agreement to appropriate staff members, and shall so inform STAR GROUP by written notice before the effective date of each such delegation.

5.4 The review comments of LOTTERY's designated representatives may be reported in writing as needed to STAR GROUP. It is understood that LOTTERY's representatives' review comments do not relieve STAR GROUP from the responsibility for the professional and technical accuracy of all work delivered under this Agreement.

5.5 LOTTERY shall, without charge, furnish to or make available for examination or use by STAR GROUP as it may request, any data which LOTTERY has available, including as examples only and not as a limitation:

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

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

5.6 Upon request and upon termination of the AGREEMENT, STAR GROUP shall return any original data provided by LOTTERY.

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

5.8 STAR GROUP will not be responsible for accuracy of information or data supplied by LOTTERY or other sources to the extent such information or data would be relied upon by a reasonably prudent contractor.

5.9 LOTTERY agrees not to use STAR GROUP's name, either express or implied, in any of its advertising or sales materials.

6.0 Work Product

6.1 Ownership of all data, documentary material and operating reports originated and prepared exclusively for the LOTTERY pursuant to the AGREEMENT shall belong to the LOTTERY. STAR GROUP agrees that, except as noted, all materials, documents, products, reports, data and other information, whether finished, unfinished, or draft developed, gathered or compiled under the AGREEMENT by STAR GROUP (collectively, "Workproduct") are the sole and exclusive property of the State and that they shall not be used by STAR GROUP or by any other person or destroyed without the express written permission of the LOTTERY.

6.2 Notwithstanding anything to the contrary contained herein or in any attachment hereto, any and all intellectual property or other proprietary data owned by STAR GROUP prior to the effective date of this Agreement ("Preexisting Information") shall remain the exclusive property of STAR GROUP even if such Preexisting Information is embedded or otherwise incorporated into materials or products first produced as a result of this Agreement or used to develop such materials or products. Delaware's rights under this section shall not apply to any Preexisting Information or any component thereof regardless of form or media.

6.3 To the maximum extent permitted by applicable law, all Workproduct shall constitute “work made for hire” by STAR GROUP for the State within the meaning of 17 U.S.C. §101. STAR GROUP agrees to execute any and all documents reasonably requested by the LOTTERY that are required to transfer all ownership and rights in Workproduct to the State and to cooperate with the LOTTERY, should the LOTTERY desire, at its own expense, to register or otherwise obtain protection under applicable federal copyright, trademark or patent laws for any Workproduct. Upon termination of this Agreement, and upon receipt by STAR GROUP of payment in full for services, STAR GROUP shall promptly turn over to the LOTTERY all work in progress, drafts, finished copy or other materials, research materials, data or other information, regardless of the manner or medium in which they are stored.

7.0 Title to Use and Compensation for Intellectual Property

To the extent that the STAR GROUP utilizes or relies upon the Intellectual Property Rights of a third party in fulfilling its obligations under the AGREEMENT, the STAR GROUP will provide the LOTTERY with all copies of licenses and other agreements. In addition, in the event of failure to perform or breach of AGREEMENT the STAR GROUP must ensure continued right of use of licensed intellectual property by the LOTTERY.

Intellectual Property fees for third-party products, logos, trademarks, brands or labels for which the STAR GROUP procures license under the AGREEMENT shall be negotiable. The STAR GROUP may not separately charge the LOTTERY an Intellectual Property fee for any items owned by the STAR GROUP.

8.0 Confidential Information

To the extent permissible under 29 Del. C. § 10001, et seq., the parties to this Agreement shall preserve in strict confidence any information, reports or documents obtained, assembled or prepared in connection with the performance of this Agreement.

9.0 Warranty

STAR GROUP warrants that its services will be performed in a good and workmanlike manner. STAR GROUP agrees to re-perform any work not in compliance with this warranty that is brought to its attention within a reasonable time after that work is performed.

Third-party products within the scope of this Agreement are warranted solely under the terms and conditions of the licenses or other agreements by which such products are governed. With respect to all third-party products and services purchased by STAR GROUP for LOTTERY in connection with the provision of the Services, STAR GROUP shall pass through or assign to LOTTERY the rights STAR GROUP obtains from the manufacturers and/or vendors of such products and services (including warranty and indemnification rights), all to the extent that such rights are assign-able.

10.0 Indemnification; Limitation of Liability

10.1 STAR GROUP shall indemnify and hold harmless the State, its agents and employees, from any and all liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys' fees) directly arising out of (A) the negligence or other wrongful conduct of the STAR GROUP, its agents or employees, or (B) STAR GROUP's breach of any material provision of this Agreement not cured after due notice and opportunity to cure, provided as to (A) or (B) that (i) STAR GROUP shall have been notified promptly in writing by LOTTERY of any notice of such claim; and (ii) STAR GROUP shall have the sole control of the defense of any action on such claim and all negotiations for its settlement or compromise.

10.2 If LOTTERY promptly notifies STAR GROUP in writing of a third party claim against LOTTERY that any Deliverable infringes a copyright or a trade secret of any third party, STAR GROUP will defend such claim at its expense and will pay any costs or damages that may be finally awarded against LOTTERY. STAR GROUP will not indemnify LOTTERY, however, if the claim of infringement is caused by (1) LOTTERY's misuse or modification of the Deliverable; or (2) LOTTERY's failure to use corrections or enhancements made available by STAR GROUP. If any Deliverable is, or in STAR GROUP's opinion is likely to be, held to be infringing, STAR GROUP shall at its expense and option:

- A. Procure the right for the LOTTERY to continue using the Product(s); or,
- B. Replace the product with a non-infringing equivalent that satisfies all the requirements of the AGREEMENT and related job specification; or,
- C. Alter the Product(s) to a degree that the LOTTERY agrees to and accepts the alteration in writing; or,
- D. Modify the Product(s) to render the infringing Product(s) non-infringing, provided that the modification does not:
 - i.) materially alter the functionality or efficacy of the Product(s), or;
 - ii.) cause the Product(s) or any part of the work to fail to conform to the requirements of the AGREEMENT or job specification.

11.0 Employees

11.1 10.1 STAR GROUP has and shall retain the right to exercise full control over the employment, direction, compensation and discharge of all persons employed by STAR GROUP in the performance of the services hereunder; provided, however, that it will, subject to scheduling and staffing considerations, attempt to honor LOTTERY's request for specific individuals.

11.2 The LOTTERY reserves the right to review and if perceived necessary, reject any employee of the STAR GROUP or any employee of any subcontractor who is assigned to the provide services under the AGREEMENT, either at AGREEMENT inception or during the term of any extension thereof.

11.3 The LOTTERY will require the STAR GROUP to provide minimum levels of staffing or service to meet the performance requirements as set out in the AGREEMENT. Within ninety (90) days after notification from the LOTTERY that the STAR GROUP has failed to provide minimum levels of staffing or service to meet the performance requirements as set out in the AGREEMENT, the STAR GROUP shall employ such additional resources as are necessary to meet the performance standards. If the STAR GROUP does not provide minimum levels of staffing or service to meet the performance standards as set out in the AGREEMENT, the LOTTERY, at the end of such ninety (90) day period, may terminate the AGREEMENT.

11.4 Except as the other party expressly authorizes in writing in advance, neither party shall solicit, offer work to, employ, or contract with, whether as a partner, employee or independent contractor, directly or indirectly, any of the other party's Personnel during their participation in the services or during the term of the AGREEMENT or the twelve (12) months following termination or expiration of the AGREEMENT. For purposes of this Section "Personnel" includes any individual or company a party employs as a partner, employee or independent contractor and with which a party comes into direct contact in the course of the services.

12.0 Independent Contractor

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

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

12.3 STAR GROUP shall be responsible for providing liability insurance for its personnel.

12.4 As an independent contractor, STAR GROUP has no authority to bind or commit LOTTERY. Nothing herein shall be deemed or construed to create a joint venture, partnership, fiduciary, or agency relationship between the parties for any purpose.

13.0 Suspension

13.1 LOTTERY may suspend performance by STAR GROUP under this Agreement for such period of time as LOTTERY, at its sole discretion, may prescribe by providing written notice to STAR GROUP at least 30 working days prior to the date on which LOTTERY wishes to suspend. Upon such suspension, LOTTERY shall pay STAR GROUP its compensation, based on the percentage of completion of work-in-progress and pro-rated fees earned up to the effective date of suspension, less all previous payments. STAR GROUP shall not perform further work under this Agreement after the effective date of suspension. STAR GROUP shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from LOTTERY to resume performance.

13.2 In the event LOTTERY suspends performance by STAR GROUP for any cause other than the error or omission of the STAR GROUP, for an aggregate period in excess of 30 days, STAR GROUP shall be entitled to an equitable adjustment of the compensation payable to STAR GROUP under this Agreement to reimburse STAR GROUP for additional substantiated costs occasioned as a result of such suspension of performance by LOTTERY based on appropriated funds and approval by LOTTERY.

14.0 Termination

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

- A. Not less than 30 calendar days written notice of intent to terminate;
- B. An opportunity for consultation with the terminating party prior to termination;

14.2 This Agreement may be terminated in whole or in part by LOTTERY for its convenience, but only after STAR GROUP is given:

- A. Not less than 90 calendar days written notice of intent to terminate; and
- B. An opportunity for consultation with LOTTERY prior to termination.

14.5 If termination for default is effected by LOTTERY, LOTTERY will pay STAR GROUP that portion of the compensation which has been earned as of the effective date of termination but:

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

- B. Any payment due to STAR GROUP at the time of termination may be adjusted to the extent of any additional costs occasioned to LOTTERY by reason of STAR GROUP's default.

14.6 Upon termination for default, LOTTERY may take over the work and prosecute the same to completion by agreement with another party or otherwise. In the event STAR GROUP shall cease conducting business, LOTTERY shall have the right to make an unsolicited offer of employment to any employees of STAR GROUP assigned to the performance of the Agreement, notwithstanding the provisions of Section 11.

14.7 In the event STAR GROUP does not fulfill its obligations under the terms and conditions of this AGREEMENT, the LOTTERY retains the right to purchase equivalent services from other available sources. If after termination for failure of STAR GROUP to fulfill contractual obligations it is determined that STAR GROUP has not so failed, the termination shall be deemed to have been effected for the convenience of LOTTERY.

14.8 The rights and remedies of LOTTERY and STAR GROUP provided in this section are in addition to any other rights and remedies provided by law or under this Agreement.

14.9 Gratuities

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

14.9.2 In the event this Agreement is terminated as provided in 14.7 hereof, LOTTERY shall be entitled to pursue the same remedies against STAR GROUP it could pursue in the event of a breach of this Agreement by STAR GROUP.

14.9.3 The rights and remedies of LOTTERY provided in Section 14.7 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

15.0 Severability

If any term or provision of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable, the same shall not affect the other terms or provisions hereof or the whole of this Agreement, but such term or provision shall be deemed modified to the extent necessary in the court's opinion to render such term or provision enforceable, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the parties herein set forth.

16.0 Assignment; Subcontracts

16.1 Any attempt by STAR GROUP to assign or otherwise transfer any interest in this Agreement without the prior written consent of LOTTERY shall be void. Such consent shall not be unreasonably withheld.

16.2 Services specified by this Agreement shall not be subcontracted by STAR GROUP, without prior written approval of LOTTERY.

16.3 Approval by LOTTERY of STAR GROUP's request to subcontract or acceptance of or payment for subcontracted work by LOTTERY shall not in any way relieve STAR GROUP of responsibility for the professional and technical accuracy and adequacy of the work. All subcontractors shall adhere to all applicable provisions of this Agreement.

16.4 STAR GROUP shall be and remain liable for all damages to LOTTERY caused by negligent performance or non-performance of work under this Agreement by STAR GROUP, its subcontractor or its sub-subcontractor.

16.5 The compensation due shall not be affected by LOTTERY's approval of the STAR GROUP's request to subcontract.

17.0 Force Majeure

Neither party shall be liable for any delays or failures in performance due to circumstances beyond its reasonable control.

Any such delay in or failure of performance shall not in and of itself give rise to any liability for damages; however, the LOTTERY may elect to terminate the AGREEMENT for cause should its continuing operations, in its sole judgment, be materially threatened or harmed by reason of extended delay or failure of performance.

During a period of non-performance due to Force Majeure, payments from the LOTTERY to the STAR GROUP will be suspended.

18.0 Non-Appropriation of Funds

18.1 Validity and enforcement of this Agreement is subject to appropriations by the Delaware General Assembly of the specific funds necessary for contract performance. Should such funds not be so appropriated LOTTERY may immediately terminate this Agreement, and absent such action this Agreement shall be terminated as to any obligation of the State requiring the expenditure of money for which no specific appropriation is available, at the end of the last fiscal year for which no appropriation is available or upon the exhaustion of funds.

18.2 Notwithstanding any other provisions of this Agreement, this Agreement shall terminate and LOTTERY's obligations under it shall be extinguished at the end of the fiscal year in which LOTTERY fails to appropriate monies for the ensuing fiscal year sufficient for the payment of all amounts which will then become due.

19.0 State of Delaware Business License

STAR GROUP and all subcontractors represent that they are properly licensed and authorized to transact business in the State of Delaware as provided in 30 Del. C. § 2301.

20.0 Term of AGREEMENT

The AGREEMENT will be in effect from the Effective Date until July 31, 2015. The AGREEMENT term may run a shorter period, as determined by the LOTTERY, due to causes such as AGREEMENT termination or loss of statutory authority by the LOTTERY.

The LOTTERY reserves the right to renew the AGREEMENT at its sole discretion up to a maximum of three (3) additional one (1) year renewals, provided that each single option to renew is exercised by the LOTTERY at least sixty (60) days prior to the end of the initial AGREEMENT period, or the prior renewal period thereof, or at a time mutually agreed upon by both parties.

21.0 Emergency Extension

The LOTTERY reserves the right to reactivate or further extend the initial AGREEMENT, or any renewal thereof, at the rates and upon the terms and conditions then in effect on thirty (30) days' notice for one (1) or more thirty (30) day periods if a different Vendor is chosen for a subsequent AGREEMENT and the subsequent Vendor does not meet the requirements of the LOTTERY.

Exercising these rights shall not be construed as obligating the LOTTERY to repeat the procurement process for any subsequent AGREEMENT or conferring any right or expectation for the STAR GROUP to continue providing advertising and related services after the expiration of any such period.

22.0 Complete Agreement

22.1 This agreement and its Appendices shall constitute the entire agreement between LOTTERY and STAR GROUP with respect to the subject matter of this Agreement and shall not be modified or changed without the express written consent of the parties. The provisions of this agreement supersede all prior oral and written quotations, communications, agreements and understandings of the parties with respect to the subject matter of this Agreement.

22.2 If the scope of any provision of this Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement shall not thereby fail, but the scope of such provision shall be curtailed only to the extent necessary to conform to the law.

22.3 STAR GROUP may not order any product requiring a purchase order prior to LOTTERY's issuance of such order. Each Appendix, except as its terms otherwise expressly provide, shall be a complete statement of its subject matter and shall supplement and modify the terms and conditions of this Agreement for the purposes of that engagement only. No other agreements, representations, warranties or other matters, whether oral or written, shall be deemed to bind the parties hereto with respect to the subject matter hereof.

23.0 Miscellaneous Provisions

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

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

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

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

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

23.6 STAR GROUP agrees and warrants:

That, in the performance of the AGREEMENT, Star Group will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, religious creed, age, marital status, national origin, ancestry, sex, intellectual disability, or physical disability, including, but not limited to, blindness, unless it is shown by Star Group that such disability prevents performance of the work involved, in any manner prohibited by the laws of the United States or of the State of Delaware.

23.7 It is the policy of the LOTTERY to contribute to the establishment, preservation and strengthening of small businesses and businesses owned by women and minorities in our procurement activities. Toward that end, the LOTTERY encourages STAR GROUP to provide for the participation of Delaware small businesses and Delaware businesses owned by women and minorities through partnerships, joint ventures, subcontracts, and other contractual opportunities.

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

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

23.10 STAR GROUP shall maintain all public records, as defined by 29 Del. C. § 502(7), relating to this Agreement and its deliverables for the time and in the manner specified by the Delaware Division of Archives, pursuant to the Delaware Public Records Law, 29 Del. C. Ch. 5. During the term of this Agreement, authorized representatives of LOTTERY may inspect or audit STAR GROUP's performance and records pertaining to this Agreement at the STAR GROUP business office during normal business hours.

23.11 Insurance.

STAR GROUP shall maintain the following insurance during the term of this Agreement:

- A. Worker's Compensation and Employer's Liability Insurance in accordance with applicable law, and
- B. Comprehensive General Liability - \$1,000,000.00 per person/\$3,000,000 per occurrence, and
- C. Medical/Professional Liability - \$1,000,000.00 per person/\$3,000,000 per occurrence; or
- D. Miscellaneous Errors and Omissions - \$1,000,000.00 per person/\$3,000,000 per occurrence, or
- E. Automotive Liability Insurance covering all automotive units used in the work with limits of not less than \$100,000 each person and \$300,000 each accident as to bodily injury and \$25,000 as to property damage to others.

STAR GROUP shall provide forty-five (45) days written notice of cancellation or material change of any policies. In no event shall the State of LOTTERY be named as an additional insured on any policy required under this agreement.

23.12 Assignment of Antitrust Claims.

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

23.13 Conflicts of Interest

STAR GROUP covenants that it presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of its services hereunder. STAR GROUP further covenants that, in the performance of the services under this AGREEMENT, it will not knowingly employ any person having any such interest.

23.14 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, except where Federal Law has precedence. STAR GROUP consents to jurisdiction venue in the State of Delaware.

23.15 Notices.

Any and all notices required by the provisions of this Agreement shall be in writing and shall be mailed, certified or registered mail, return receipt requested. All notices shall be sent to the following addresses:

TO LOTTERY:

Delaware State Lottery
Office of the Director
1575 McKee Road, Suite 102
Dover, DE 19904

TO STAR GROUP:

Star Group Communications, Inc.
Office of the President
220 Laurel Road
Voorhees, NJ 08043

SIGNATURE PAGE TO FOLLOW

IN WITNESS THEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

For:
STATE OF DELAWARE
DEPARTMENT OF FINANCE
DIVISION OF LOTTERY

20 SEPT 2012

VERNON A. KIRK, Director

Date

Witness

For:
STAR GROUP COMMUNICATIONS, INC.

9/7/12
Date

STEVEN BROWN, EMT
Name and Title

Witness

APPENDIX A
SCOPE OF SERVICES

1.0 SCOPE OF SERVICES

1.1 In General

This section describes the scope of services that the STAR GROUP must propose and provide to satisfy the LOTTERY's advertising, promotional, marketing, and public relations needs for the term of any AGREEMENT resulting from this RFP.

STAR GROUP will assist the LOTTERY in promoting each of the current and future Traditional lottery games, including sports lottery and keno, by developing media plans, creating advertising and promotional materials, producing broadcast commercials, placing advertisements in media, assisting in the overall marketing analysis, strategy and marketing communications planning, and other related activities to promote public awareness of the lottery games, winners and contributions to the State General Fund.

STAR GROUP will work together with the LOTTERY marketing and sales staff in efforts to motivate lottery retailers and enhance their ability to better market lottery games in cost-effective ways.

1.2 Scope of Services

The STAR GROUP will be required to meet the advertising and marketing needs of the LOTTERY for all traditional ticket products, and other corporate and brand advertising and promotional activities as they are planned and occur during the term of the AGREEMENT. The list of requirements that follows is intended to clarify the types of services to be provided, but does not represent a complete listing. STAR GROUP must consider that this list is not an all-inclusive list and that the STAR GROUP will be required to provide the listed services under the compensation of a single annual agency fee.

The STAR GROUP may be required to perform additional functions related to this scope of services over the term of the AGREEMENT. If it is mutually agreed that such LOTTERY-requested or STAR GROUP-proposed services will fall outside of this Scope of Services and the terms of this AGREEMENT, the LOTTERY may be required to, or may at its sole discretion, seek competitive bids for such services.

The STAR GROUP's responsibilities will include, but not be limited to, the following:

- A. Strategic advertising and promotional planning
- B. Print, broadcast, radio, web and promotional creative planning and execution
- C. Print, broadcast, radio, web and promotional production
- D. Print, broadcast, radio and web media planning and execution
- E. Expertise in the area of event planning

- F. Website consultation, development, and creative application
- G. Proofreading services for all advertising media publication and broadcast
- H. Research consultation and analysis
- I. Assistance in the development of the Marketing Plan
- J. Program and campaign-specific development of advertising and communications plans to support the Marketing Plan
- K. Budget control and shared responsibility for cost control
- L. Assisting with, and participating in, retailer support programs and public promotional events
- M. Public relations services including providing analysis, advice, media relations, and support for key LOTTERY initiatives.
- N. All functions normally required of a full-service advertising agency

In addition to the broad functions listed above, the STAR GROUP will provide the specific services listed below:

1.2.1 Accounting Services

All documentation related to the Accounting Services identified in this section must be retained according to the requirements identified in section 1.22, Accounting Records.

a.) Budgeting

The STAR GROUP must develop an annual budget for all advertising expenditures and other services required by this RFP and the AGREEMENT resulting from this RFP. The level of anticipated annual spending will be determined by the LOTTERY. The LOTTERY will provide the STAR GROUP with a target amount for advertising services and will expect the STAR GROUP to develop a cost-efficient plan that is responsive to the LOTTERY's marketing needs.

The initial budget will be reviewed monthly and must be revised as required by the LOTTERY. Subsequent budgets are subject to LOTTERY approval. The STAR GROUP must make no commitment on behalf of the LOTTERY without prior approval.

b.) Estimates Required

The STAR GROUP must prepare an estimate for any expenditure and obtain the LOTTERY's written approval before hiring subcontractors. Only the LOTTERY Director or a designee can give such approval. The LOTTERY will not be responsible for any expenditure for which prior written approval was not obtained.

All estimates must be segregated by fiscal year and by budget category, as defined by the LOTTERY, (TV, Radio, Public Relations, Web Development Services, Research, Sponsorships, etc.). Estimates will include a project start date and target completion date. Media estimates will include flight dates.

Estimates may provide for expenditures of plus or minus 5% of the amount indicated. The LOTTERY will not be responsible for expenditures exceeding the estimate by more than 5%. The STAR GROUP may submit revised estimates for consideration if it appears that the costs of a particular estimate will exceed the originally approved amount by more than 5%. A full written explanation for the cost differential may be required.

All estimates must be numbered. The STAR GROUP must maintain a list of all approved estimates, including the amount and description of the expenditure, and provide the LOTTERY with an updated list of all such estimates upon request.

c.) Competitive Bidding for Non-media expenditures by the STAR GROUP

The STAR GROUP must obtain at least three (3) competitive proposals/bids on any non-media expenditures. Documentation of the proposal process, including bids, must be submitted to the LOTTERY for pre-approval of all non-media expenditures.

d.) Invoices

The STAR GROUP shall prepare and deliver to the LOTTERY an itemized invoice of all production, media, research, public relations, purchases, and other billings or invoices by the 10th of each month, or as otherwise agreed. In the itemized detail of all invoices, the STAR GROUP must identify the campaign or project by name and job number. The STAR GROUP must maintain appropriate accounting records at all times.

All credits due to the LOTTERY for subcontractor discounts, "charge backs," "make good" credits and discounts, and purchase reimbursements must be itemized and deducted from an invoice issued to the LOTTERY within 30 days of the STAR GROUP's receipt of the credit.

Payment will be made only after the completion of services or delivery of goods authorized in an approved invoice.

The STAR GROUP must provide the LOTTERY a monthly summary of all approved expenditures to date for the current fiscal year. The summary must indicate the current amount billed to the LOTTERY during the year and the amount billed that has not yet been paid.

1.2.2 Routine Cost of Doing Business

The STAR GROUP must conduct its primary account management activities and perform its primary advertising agency services from commercially zoned facilities located within the State of Delaware. STAR GROUP may provide some services remotely, such as media buying, Website development programming, or studio production services. The STAR GROUP must pay for all charges incidental to the routine conduct of business, including but not limited to postage charges, overnight deliveries, phone calls, facsimile charges, copying, etc. Such obligation includes, but is not limited to, all correspondence from the STAR GROUP to the LOTTERY, suppliers, publishers, broadcasters, etc. The LOTTERY shall pay postage required for direct mass mailings to the general public or retailer network if such a program is approved.

Messenger service at the request of the LOTTERY, shall be paid by the LOTTERY.

The STAR GROUP shall pay for all routine travel-related expenses incurred by their staff while supporting the ongoing business of the LOTTERY. It is anticipated most presentations will occur at LOTTERY headquarters in Dover, Delaware or at the STAR GROUP's site. The STAR GROUP will not be reimbursed for any meals or entertainment expenses incurred.

1.2.3 Attendance at Industry Conferences

The LOTTERY will identify two (2) lottery industry conferences each year to which the STAR GROUP will send one key member of the Account Team at shared expense. The LOTTERY will approve the Account Team member nominated to attend the conference. The LOTTERY will pay only for its share of pre-approved registration fees and reasonable transportation expenses for travel to and from a conference. The STAR GROUP will not be reimbursed for any expenses for rooming, food, or entertainment; nor will the STAR GROUP be paid hourly or per diem charges for attendance at a required conference.

The LOTTERY may require additional conference or educational seminar attendance by Account Team member(s) throughout a business year. In the event the LOTTERY requires additional Account Team member attendance at a conference or educational seminar, the rules for shared expenses may be negotiated.

1.2.4 Dedicated Staff

The STAR GROUP must establish and identify individuals to serve on the LOTTERY Account Team. The Account Team should include specialists for creative direction, media analysis and buying, public promotional event support and supervision, Website development and programming, and other marketing activities related to the LOTTERY's objectives in the RFP.

The STAR GROUP must provide and dedicate at least two persons to the LOTTERY Account Services Team. One (1) position must be dedicated, full-time, to providing general, daily support and coordination of communications for all account services as an Account Executive, or similar titled position. The role of the Account Executive is exclusive of the related activities and job responsibilities of the specialists identified as members of the Account Services Team.

A second member of the LOTTERY Account Services Team must dedicate a minimum of 50% (0.5 full-time equivalent (FTE)) exclusively to supporting the general, daily support, and coordination activities and services of the Account Executive, as described above, as an Assistant Account Executive, or a similarly titled position. The 50% dedicated FTE hours of the Assistant Account Executive must be provided by a single employee who is expected to be well-versed in the LOTTERY's advertising and marketing programs.

The LOTTERY reserves the right to approve all personnel assigned to the Account Services Team. Both the Account Executive and Assistant Account Executive must be based in, and work from, the designated agency facility within the State of Delaware.

1.2.5 Advertising Planning

a.) Advertising and Communications Plans

The STAR GROUP will be required to develop campaign and program-specific advertising and communications plans that are consistent with and further the LOTTERY's Marketing Plan. Advertising and communications plans must support all lottery games and promotions and will serve as a brief for guiding and directing all programs or campaigns identified in the Marketing Plan.

Advertising and communications plans must detail all budget estimates for the campaign or program. The LOTTERY recognizes that all plans are subject to change based on current market realities. The advertising and communications plans must also provide a breakdown of proposed spending by media type and proposed production costs. It must also include sections dealing with public relations, special events, Internet, Website, interactive, promotions, sponsorships, and any other topics specified by the LOTTERY.

The advertising and communications plans shall include, but not be limited to, product positioning, strategies and objectives, promotional strategies and objectives, advertising media strategies and objectives, media plans, creative approach, new product opportunities, required research, etc.

b.) Advertising Budget

The annual advertising budget will be determined by the LOTTERY and provided to the STAR GROUP each fiscal year. The STAR GROUP and the LOTTERY shall cooperatively develop budget detail for the upcoming fiscal year for all services including media and production for all LOTTERY products. The STAR GROUP shall manage the advertising budget and provide monthly updates.

1.2.6 Agency/Client Activity and Work Status Reports

The STAR GROUP shall provide timely written reports clearly reflecting the activities, instructions, decisions and actions made at meetings, during telephone conversations or communications via email regarding the LOTTERY account.

The STAR GROUP must submit by the first workday of each month a written status report describing all work in progress and a written weekly summary report describing impending deliverables and planned near-term activities.

1.2.7 Advertising Development

The STAR GROUP must offer alternative campaigns, rather than only one creative solution to a particular campaign, program, or promotion. At least three versions of TV storyboards, radio scripts, newspaper ads, Web pages, and all other creative products should be offered when the STAR GROUP makes a creative presentation to the LOTTERY.

The STAR GROUP will be expected to obtain written approval from the LOTTERY before producing any advertisement or related material. When producing any creative work, the STAR GROUP must not vary from approved scripts, storyboards or print layouts without the LOTTERY's approval. Failure to adhere to approved scripts, storyboards, or layouts may void the LOTTERY's approval of the estimate for the project. The STAR GROUP will be liable for all costs if advertisements or collateral materials are executed in a manner not consistent with the LOTTERY's approval.

The STAR GROUP shall develop and seek approval on a project brief, creative strategy, an implementation time line, and production estimates for each advertising campaign undertaken.

The LOTTERY reserves the right to attend and oversee any or all advertising production.

1.2.8 Creative Services

The STAR GROUP will be responsible for the creation and production of LOTTERY advertising materials, including print and broadcast advertisements, outdoor/transit advertising, POS items, Web pages, direct mail and other materials that may be required by the LOTTERY. The STAR GROUP must develop multi-media campaigns in support of the games and promotions identified in the LOTTERY's Marketing Plan. The STAR GROUP may also be required to assist the LOTTERY in developing game names, game logos, trade characters, or art for other uses. The STAR GROUP may be required to design and produce interior and exterior signage, which identifies retail locations as lottery retailers. Such signage is generally intended for permanent or long-term use.

1.2.9 Production

The STAR GROUP will submit for LOTTERY approval all production estimates. Estimates must clearly indicate any subcontractors or other parties who will be involved in the production work.

1.2.10 Routine Meetings

There will be routine meetings held between the LOTTERY and the STAR GROUP. During these meetings, there will be discussion regarding schedules and planning, as well as discussion regarding concept approvals, pre-production of advertisements, POS or other agency-produced materials. Additional meetings may be held with certain LOTTERY personnel on an as-needed basis.

1.2.11 Timelines

The STAR GROUP must provide the LOTTERY with a timely response to its advertising and promotional needs. Sufficient time must be allowed for developing and presenting three creative solutions, editing and revising the LOTTERY-selected option, obtaining final approval from LOTTERY staff, producing the final product and distributing the finished product according to LOTTERY specifications.

1.2.12 Media Service, Planning and Placement

a.) Advertising Media Plans

The STAR GROUP must develop specific advertising media plans for each campaign or program that are cost-efficient and effective in providing the LOTTERY with the desired awareness for all LOTTERY products. The advertising and media plans must take into consideration all media outlets available to the residents of the State of Delaware.

b.) Media Services

The STAR GROUP will:

- i.) provide an annual media analysis for the Delaware media market;

- ii.) develop a comprehensive advertising media plan to generate effective statewide advertising reach and frequency to all of the LOTTERY's diverse consumer audiences;
- iii.) plan, negotiate, buy, traffic, and evaluate all media placement; and
- iv.) assist as needed in the evaluation of miscellaneous media opportunities offered to the LOTTERY.

c.) Media Planning

The STAR GROUP shall analyze the annual advertising budget and develop advertising media plans designed to produce maximum effectiveness for each dollar expended. The STAR GROUP shall forward each proposed media buy to the LOTTERY for approval. The proposed buy shall include all necessary scheduling details regarding the buy including the station, program and/or day part, time period, target rating points estimated for the program, number of spots, cost per spot and cost per rating point.

d.) Negotiation and Placement

The STAR GROUP will be responsible for the negotiation, purchase, and instructions for the placement of all media time and space. The STAR GROUP will not commit the LOTTERY to any such purchase without first obtaining the LOTTERY's written approval. In negotiating media purchases, the STAR GROUP shall make the LOTTERY aware of any savings that might be achieved through long-term commitments or other special programs.

The STAR GROUP must attempt to negotiate free bonus spots or print or Website advertising from all radio and TV stations and newspapers or publications included in a LOTTERY buy. Any bonus spots, print or web advertising provided by participating stations, newspapers or publications must be identified in the summary of any media buy, and the value of the bonus spots, print or web advertising must be calculated as a savings to the LOTTERY. Any such commitments must be approved by the LOTTERY and any savings achieved must be passed on to the LOTTERY.

e.) Placement Verification

The STAR GROUP must implement a system to ensure that all media is run or published according to any AGREEMENTs or placement instructions. Affidavits, tear sheets, or other documentation must be provided to the LOTTERY on demand.

The STAR GROUP must notify the LOTTERY before approving any "make goods" for ads that did not run as scheduled. All such materials shall be maintained by the STAR GROUP and must be available for inspection by authorized lottery representatives.

f.) Post-Buy Analysis

The STAR GROUP shall conduct post buy analysis and audit placement of media on a quarterly basis or on a per buy basis as directed by the LOTTERY. The audit should focus on the measure of effectiveness of media buys in terms of cost, reach, frequency, continuity and message dispersion requirements, etc. The STAR GROUP should report findings to the LOTTERY and use findings to refine current and future media plans. In addition, post-buy analyses must be provided for media buys that use new rating information for the buy period, when available.

1.2.13 Media Sponsorships and Cooperative Promotions

The STAR GROUP must research, develop, enter into agreements and implement programs that provide joint promotions, cooperative advertising and co-promotions with business entities in Delaware including lottery retailers, businesses supplying goods or services to the LOTTERY, and other major organizations and successful business operations within the State. The STAR GROUP will only enter into joint promotion, cooperative advertising or co-promotion agreements with the approval of the LOTTERY.

The STAR GROUP must make the LOTTERY aware of any possible sponsorships, the cost-efficiency of any such sponsorships and the agency's recommendation on the value of the sponsorships.

1.2.14 Research Consultation

The STAR GROUP must serve as research consultant on all research projects and manage all outside research vendors, as requested by the LOTTERY.

The STAR GROUP must recommend and analyze marketing research and research studies (both qualitative and quantitative) for the purpose of refining strategies and executable concepts, as requested by the LOTTERY.

1.3 Website Development

The LOTTERY will require the STAR GROUP to provide extensive expertise in the areas of Website development, programming, and ongoing consultation in interactive programming disciplines. The STAR GROUP must be capable of providing programming resources in the areas of HTML, jsp, asp, css, php, Macromedia Flash, JavaScript, and other emerging Internet and Website programming languages. All Website development work and software solutions must be designed, deployed and maintained at the highest reasonably achievable accessibility functionality as defined by the W3C and State of Delaware Web Presentation Standards.

1.3.1 “Ongoing” Website Development

The STAR GROUP will provide the Website Development services required to support the LOTTERY’s tactical brand, product, corporate, player relations, and retailer relations communications activities as executed, published, and otherwise accessible on established, official LOTTERY Websites and microsites (“Site(s)”). This work includes, but is not limited to:

- a.) design, programming, testing, modifying, updating, revising, and maintaining all existing code, images, databases, applications, communications routines,
- b.) No more than (5) hours per month of advanced technical consultation and related services to support LOTTERY technology projects and issues not otherwise identified or available in this Agreement.

The LOTTERY will compensate the STAR GROUP for the above Ongoing Website development services under, and inclusive in, the Annual Agency Fee. LOTTERY brand, game-related, and corporate activities included in this scope of services may include, but are not limited to:

- c.) creative development and execution of LOTTERY Website graphics and promotions;
- d.) coordinating, programming, testing, executing, and uploading weekly and monthly updates for content on <http://www.delottery.com> under the direction of LOTTERY management and I.T. staff;
- e.) coordinating, programming, testing, executing, and uploading significant Website revisions under the direction of LOTTERY management and I.T. staff;
- f.) researching, evaluating, and recommending emerging Internet technologies with potential application for the LOTTERY’s Website and social network sites, including an annual audit of North American Lottery and gaming and social networking Websites;
- g.) gaining knowledge of Lottery Website users and Lottery social network site visitors by developing, executing, and reporting the results of research and web-based surveys;
- h.) co-promotional opportunities with retailers, beneficiaries, and sponsor-affiliated Websites;
- i.) placing Internet advertising for Lottery products and promotions; and
- j.) negotiating applicable talent releases/fees for Internet use of broadcast advertising.

1.3.2 Website Development Projects

In order to fulfill its organizational mission, the LOTTERY may commission new Website development projects (“Project(s)”) typically of greater complexity and scale than Ongoing Website development activities performed to support the LOTTERY’s tactical marketing and communications activities. Website development Projects may include:

- a.) developing and implementing entirely new Sites;
- b.) major existing Site Revamp Project(s) that may change the structure and function of a Site or Site section in its entirety;
- c.) Players Club Revamp Project(s) that may include extensive database upgrades or new database development;
- d.) New Interactive Web-based Game development Project(s);
- e.) or Content Management System (CMS) implementation Project(s).
- f.) Such Projects may be deemed to be outside the scope of “Ongoing” website development work and the LOTTERY anticipates negotiating the terms and compensation of such Projects. Each Project identified will require a separate Project estimate identifying the scope of work and the cost of subcontractor services if such an arrangement would be required to complete the Project. The LOTTERY reserves the right to seek and procure alternative resources for such Projects at its sole discretion.

1.4 Internet Marketing

The STAR GROUP shall be responsible for providing the LOTTERY with specialized consultation on Internet marketing opportunities and trends. The Account Services Team specialist responsible for the work shall be experienced in designing and executing Internet marketing activities and evaluating trends in the Internet medium. Internet marketing services may include, but not be limited to:

- A. developing and executing interactive customer retention and acquisition strategies via delottery.com and its Players Club services, and social networking sites;
- B. assisting the LOTTERY in developing and executing social media strategies by campaign and on an ongoing basis;
- C. reviewing and evaluating all Internet-related media proposals;
- D. evaluating all LOTTERY brand and product activities to identify effective Internet marketing opportunities; and
- E. assisting the LOTTERY in developing and executing other business communication and retailer support Web-based solutions.

1.5 Special Event Support and Participation

The STAR GROUP shall be responsible for assisting the LOTTERY in executing certain retailer, player, and LOTTERY meetings and events throughout the AGREEMENT period. Such events could include, but are not limited to, retailer breakfast meetings, retailer marketing rallies, retailer advisory panel meetings, promotional events, second chance drawing events, fair and festival events, event sponsorships, LOTTERY meetings, etc.

1.6 Public Relations

The STAR GROUP will provide the LOTTERY with a broad range of Public Relations services compensated inclusively by the Annual Agency Fee. Public Relations activities will typically include media relations, writing for the news media, and consultation on planning and executing promotional activities and sponsorships. Public relations activities compensated inclusively by the Annual Agency Fee include:

- A. General press releases, e.g., new game announcements, winner interviews, record-high jackpots, etc.
- B. Tactical implementation of routine public relations activities, including research, press releases/media advisory development, editing, distribution, media relations, and media monitoring.
- C. Serving as a media liaison/point-of-contact at Lottery events, promotions and sponsorships.
- D. Consumer interface at promotional events, guerilla marketing programs, and at cooperative marketing sponsorship events (e.g., manning booths, street team giveaways, etc, at approximately sixteen (16), two to four hour public events per years.).
- E. Key message development and interview preparation/media training for LOTTERY managers and officers (media training sessions not to exceed six (6) total hours per year).
- F. Speech writing.
- G. Press kit development
- H. Strategic planning and idea generation.
- I. Reporting of post-event results.
- J. Reporting for all public relations activities.

The LOTTERY anticipates compensating the STAR GROUP for the following specific Public relations activities according to a job-based, negotiated hourly rate:

- K. Op-ed development and distribution.
- L. Development and distribution of editorial letters and statements for publication.
- M. By-lined article research and development.

N. Photography of events.

O. Crisis management.

The LOTTERY will require pre-approval of all Public Relations activities of the STAR GROUP.

APPENDIX B
FEES AND INVOICING SCHEDULES

1.0 FEES AND INVOICING

1.1 Annual Agency Fee

The LOTTERY will pay STAR GROUP a tiered Annual Agency Fee for each year of the three-year base term of the Agreement, as follows:

<u>Year 1:</u>	\$ 770,800
<u>Year 2:</u>	\$ 794,000
<u>Year 3:</u>	\$ 817,750

In exchange, STAR GROUP agrees to provide the services set forth in its Proposal and this Agreement.

1.2 Media at Net Cost

The LOTTERY shall pay STAR GROUP for advertising print, and outdoor space, and broadcast time, and interactive media costs at the published rate card or lower rates as negotiated by STAR GROUP, less any commissions and/or discounts allowed by the publications, broadcast station or outdoor/transit company.

This net cost for media will be invoiced by STAR GROUP to the LOTTERY after STAR GROUP has received proof of performance from the media subcontractor.

1.3 Purchases at Net Cost

The LOTTERY shall pay the expenses incurred by STAR GROUP in the purchase of goods or services on behalf of the LOTTERY for production of all media, public relations, collateral and miscellaneous projects. Such expenses that are not otherwise covered by the Annual Agency Fee shall be billed by STAR GROUP to the LOTTERY at net cost.

1.4 Invoicing Procedures

STAR GROUP must provide the LOTTERY with a monthly summary of all approved expenditures to date for the current fiscal year. The summary must indicate the current amount billed to the LOTTERY during the year and the amount billed that has not yet been paid.

All credits due to the LOTTERY for subcontractor discounts, “charge backs,” “make good” credits and discounts, and purchase reimbursements must be itemized and deducted from an invoice issued to the LOTTERY within 30 days of STAR GROUP’s receipt of the credit.

Payment will be made only after the completion of services or delivery of goods authorized in an approved invoice and within 30 days of receipt of approved invoice.

All purchases for the LOTTERY shall be invoiced by STAR GROUP at net cost.

1.4.1 Invoice Dates

Weekly

STAR GROUP shall prepare and deliver to the LOTTERY an itemized invoice of all production, media, research, purchases and other billings or invoices by Wednesday of each week. In the itemized detail of all invoices, STAR GROUP must identify the campaign or project by name and job number and include the estimate number for each invoiced item. STAR GROUP must maintain appropriate accounting records at all times.

Monthly

On the first business day of each month, STAR GROUP shall prepare and deliver to the LOTTERY an invoice for that current month equivalent to one-twelfth of the Annual Agency Fee according to the tiered Annual Agency Fee Schedule below::

<u>Year 1:</u>	\$64,233.33 billable on the first day of each month (Annual Agency Fee of \$770,800/12 = \$64,233.33)
<u>Year 2:</u>	\$66,166.67 billable on the first day of each month (Annual Agency Fee of \$794,000/12 = \$66,166.67)
<u>Year 2:</u>	\$68,145.83 billable on the first day of each month (Annual Agency Fee of \$817,750/12 = \$68,145.83)

1.5 Reimbursable Out-of-pocket Expenses

With receipts and/or other LOTTERY-approved documentation, any pre-approved out-of-pocket expenses incurred by STAR GROUP on behalf of the LOTTERY shall be invoiced within thirty (30) days of the date the expense was incurred at net cost and without the addition of a commission, interest, or mark-up.

APPENDIX C

REQUEST FOR PROPOSALS, RFP DSL2012-1