



November 26, 2008

Mr. John C Snyder, III
Union County District Attorney
PO Box 1065
Monroe, NC 28111

RE: Changes to Internet Sweepstakes

Dear Mr. Snyder:

I am writing this letter to you on behalf of my client whose name and business address is on the attached sheet. As I am sure you are aware, the North Carolina Legislature has enacted a new law that becomes effective December 1, 2008. That law was enacted to combat what the Legislature perceived as continued video poker businesses. As Senator Tony Rand, a Democrat from Cumberland stated, "The video poker business was continuing, and we had attempted to do away with it..."¹ It is clear that the legislature's intent was to outlaw any sort of video poker or other casino game.

Our clients are running software designed by International Internet Technology (IIT) under a license agreement with Hest Technologies. Those two businesses are the subject of a pending lawsuit filed in Guilford County. As part of that suit, they have been, and continue to be, protected by an Injunction that prevents the State or any of its agencies or actors from prosecuting them based on the use of their systems for any violations of 14-306 or 14-306.1A. You will find attached hereto a copy of the updated Injunction that continues the protection for our clients under those statutes, but does not prevent the State from prosecuting wrongdoers under the new section, 14-306.3.

Our clients have complied with both the letter and spirit of Section 14-306.3. Because it was obvious that the State intended to do away with any sort of slot or gambling machines, our clients have employed a new sweepstake revealing process that is no more than a video scratch off. While we have been told that many of our competitors will continue to attempt to run slot and gambling machines and simply remove the card readers, we felt it necessary for our clients to comply the intent of the

¹ "State Law Banning Sweepstakes Games About to Take Effect", Shannon Bowen, staff writer, copyright 2008 Wilmington Star-News Online (November 21, 2008).

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Legislature by removing any and all such representative gambling and/or slot games. Additionally, our client's system does not employ a database nor does it reveal entries at the point of sale terminal.

We have instructed our clients to make necessary changes in order to comply with the newly enacted statute. To this end our clients will be closed from December 1, 2008 through December 8, 2008 to implement these changes.

After December 8, 2008, our client's sweepstakes will no longer employ games in violation of North Carolina General Statutes Section 14-306.3. Specifically, and as codified by that statute, our clients will NOT be using games which:

1. Contain a database of pool entries, rather the system will employ a text file;
2. Participants will not purchase or otherwise be furnished a prepaid card;
3. There will be no entries obtained with the purchase of a card as no cards will be sold; and
4. Entries will NOT be revealed in either of the following ways:
 - a. Entries will not be revealed at a point of sale terminal; and
 - b. None of the game terminals will display any game that simulates a game ordinarily played on a slot machine regulated under G.S. 14-306 or a video gaming machine regulated under G.S. 14-306.1A.

The new games employed by IIT and its subsidiaries will simply be electronic scratch-off simulations and will not feature any of the gambling simulation games.

We will be happy to meet with you in person with a sample of the new system we are operating. So that it will be easy for law enforcement to discern our businesses from the many others that have sprung up and who may continue to operate illegally, our stores will have a designation

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at the front counter showing that they are running games provided by IIT and each of the terminals running those games will have an identifying sticker on it.

Please feel free to contact us at your convenience to discuss these matters. We thank you for your attention to this matter and hope you enjoy the holidays.

With kind regards, we remain

Sincerely,

Michael A. Grace

Michael A. Grace

Christopher R. Clifton

Christopher R. Clifton

MAG:CRC: mm

Enclosures