

700 North Tenth Street
Sacramento, CA 95811
calottery.com



November 9, 2017

Mr. Tom Spiegel
Chairman & CEO, Linq3
9101 Alta Drive, Suite 107
Las Vegas, NV 89145

Dear Mr. Spiegel:

Thank you for providing a methodological overview of Linq3's "Play-at-the-Checkout" (PATC) retailer initiative in your October 20th letter. As I have indicated in our various communications, I am always interested in learning about new innovations in the lottery industry, and more importantly, their potential to generate increased revenues to assist with our mandated mission. I also communicated that I would provide your letter to appropriate Lottery staff for further vetting, as your letter provided additional technical aspects of PATC to support your assertion that PATC is compliant with the Lottery Act.

While I certainly appreciate and understand your perspective that PATC is very similar to Play at the Pump, and therefore, complies with California law, it remains our legal opinion that the PATC program, as described in your letter, is unlawful under California statutes.

As previously communicated, California Government Code Section 8880.28 prohibits the California Lottery from making changes in the types of games or methods of delivery of the games that incorporate technologies or mediums that did not exist, were not widely available, or were not commercially feasible before 1984. The October 11, 1993 exception date cited in your letter only applies to technological changes implemented by the California Lottery prior to this date. A change in the method of delivery means "a material change in the way a consumer *directly* interacts with the game."

It is clear from the Legislative history and statutory notes that section 8880.28's author, Senator Tim Leslie, was concerned that "(e)ach living room (would) become a casino or each telephone a slot machine," and thus Senator Leslie intended the restriction of section 8880.28 to apply to technological advances that would expand either 1) the definition of permissible games beyond what was contemplated when the Lottery Act

Mr. Tom Spiegel
November 9, 2017
Page 2

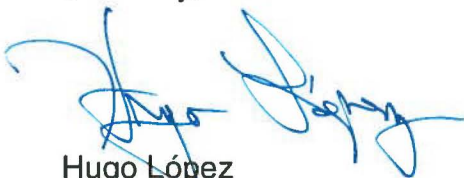
was approved in 1984, or 2) the forums in which consumers may access Lottery games.

The fact that text messaging is a *required* component of activation, thus necessitating players' use of technology that was neither widely available in 1984 nor implemented by the California Lottery before 1993, makes this concept unworkable in California. It is one thing to allow players the option to receive post-transaction draw number information on their cell phones (as with Play at the Pump); but it is another matter to require the use of a cell phone to initiate the registration of the gaming transaction. Cell phone activation via text message is a material change in the method of game delivery, allowing players to choose where to activate their tickets and when to initiate communication with the Lottery's gaming system to register their plays. This difference causes PATC to violate California Government Code section 8880.28's prohibition against the use of new technology in consumers' interactions with our games.

Given the above, Linq3's PATC retailer initiative, as currently designed, is a non-starter in California. Nevertheless, I am confident that the PATC program can find a level of success in states where it is legally allowed and approved. Since PATC has yet to be implemented, I believe it would be beneficial to launch it in other states, consider any lessons learned, and further evaluate how such a program could be modified to work under California's statutes. Additionally, I wanted to reiterate the point that I made to you during our last telephone conversation. The California Lottery is embarking upon the nation's largest and most complex gaming system conversion. As such, the redirection of staff resources to implement this critical endeavor requires that we impose a temporary moratorium on non-essential new initiatives.

Please feel free to reach out to me if you have any questions. Finally, I would like to thank you for your continued interest in partnering with the California Lottery and look forward to observing the deployment of PATC in other states.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Hugo Lopez', is written over a circular blue stamp.

Hugo López
Director

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