

# **EXHIBIT A**

**Sign Up Now and get \$5 Free Play at  
PA iLottery!**



**\$5 FREE**

- ✓ Instant Win Slot-Style Games
- ✓ \$5 free just for signing up
- ✓ Play on any device

**PLAY NOW**

# **EXHIBIT B**

Signup Now and get \$5 Free Play at PA  
iLottery!



**\$5 FREE**

- ✓ Get \$5 Free on signup
- ✓ Casino Style Games
- ✓ VIP Rewards

**PLAY NOW**

# **EXHIBIT C**

PA ONLINE CASINOS ARE STILL NOT HERE, BUT WILL HAVE COMPETITION FOR PA LOTTERY

# ONLINE POKER REPORT

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## Why Pennsylvania iLottery Could Give Online Casinos A Run For Their Money

Steve Ruddock, Jul 10, 2018 05:32 PDT @SteveRuddock



The Pennsylvania Lottery launched instant win online tickets a little more than a month ago, and so far the games are performing well.

According to the PA Lottery, 45,000 players registered online accounts during its first month. Those players collectively wagered \$21.6 million, with the online lottery games generating \$2.9 million in revenue.

Those numbers are impressive considering the PA online lottery is still in what can best be described as a soft-launch phase.

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## Pennsylvania online lottery is ahead of schedule

The PA iLottery generated \$21.6 million in sales despite offering only a dozen or so instant-win games. For comparison, the Michigan online lottery, the current gold standard by which all other US online lotteries are measured, offers 58 instant win games, as well as online draw games, pull tabs and Keno.

But Michigan didn't come out guns blazing.

It took the MI iLottery from its launch in August 2014 until January 2015 to register 87,000 accounts and generate \$3.7 million in revenue. As one of the first states to launch an online lottery, Michigan held off on marketing until November, a decision that helps explain the slow start and subsequent growth.

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Michigan's product has grown by leaps and bounds in each of its first three years:

- **FY 2014-2015:** \$18.5 million in net online profit off of \$146,189,761 in sales.
- **FY 2015-2016:** \$48 million in net online profit off of \$384,992,537 in sales.
- **FY 2016-2017:** \$77.9 million in net online profit off of \$613,382,462 in sales.

If Pennsylvania can replicate Michigan's unfettered growth, the state could have online lottery sales of **\$100 million** per month.

## Nine-figure months for PA iLottery?

Pennsylvania has several factors working in its favor that should get it to \$100-million months:

- PA will eventually match Michigan's **robust** online lottery offerings.
- PA is a larger state with a population of around **13 million**, compared to Michigan's population of ten million.
- Michigan and the other online lottery states provide a **model**.
- The lottery has already **partnered with Income Access** to run its **affiliate program** and promote the PA iLottery.
- Several major population centers in **neighboring states** sit just over the PA borders.

That said, Pennsylvania's online lottery will have to deal with something not found in Michigan: **Competition**.

In addition to its online lottery, Pennsylvania is also preparing to roll out **online casino** games. Those games will be run by the state's **land-based casinos**.

## Casinos are unhappy with the PA online lottery

Not surprisingly, the possibility of the PA online lottery doing **\$1.2 billion** per year in online sales isn't sitting well with the state's casinos. In late June, the 12 of them banded together and **sent a letter to Gov. Tom Wolf**, asking him to shut down the state's nascent online lottery.

The casinos claim online instant win tickets are online slot machines by another name.

*"In virtually every way imaginable, Lottery's iLottery program mimics a casino operation offering simulated casino-style games in direct contravention of (the law's) express prohibition on Lottery offering 'interactive lottery games which simulate casino-style games.'"*

Per the law that legalized online lottery products, the definition of online lottery games:

*"[Does] not include games that represent physical, Internet-based or monitor-based interactive lottery games which simulate casino-style lottery games, specifically including poker, Roulette, slot machines and Blackjack."*

Based on the language of the gaming reform law, and the lottery's own use of the word slots in its marketing, the casinos have a **legitimate gripe**.

Unfortunately, the result of the letter wasn't a rollback of online lottery games, rather the lottery has simply agreed to stop using the word **"slots"** in its advertising.

What makes the resemblance more problematic for the casinos is the age requirement to play online lottery games is **18 years old**. Conversely, players will need to be 21 to play at online casinos.

CASINO

BONUS

DETAILS

PLAY



\$5 Free

when you sign-up

PA iLottery Review

- ✓ Instant win slot-style games
- ✓ \$5 free on signup!
- ✓ 100% legal in Pennsylvania

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## It all circles back to the absurd PA tax rate

This probably wouldn't be such a hot topic issue if it weren't for the onerous **54 percent tax** Pennsylvania slapped on online slots.

The hefty tax rate will ensure online slots have a **return to player (RTP)** in the same neighborhood as the online lottery's instant win games. Pennsylvania's online lottery instant win tickets had an RTP of nearly **87 percent** in June.

Even though the 87 percent RTP is low by casino slot standards (particularly **online slots**), it's extremely high for a lottery product. By comparison, slots at Pennsylvania's casinos have an average RTP in the 88-90 percent range. Online slots tend to have an RTP of **95 percent-plus**, but because of the tax burden, that might not be the case in PA.

Casinos are already concerned they can't profitably run an online casino, regardless of the RTP they offer, because of the rate.

To overcome the lottery's built-in advantages, casinos are going to need to beat the lottery's RTP by more than a **few percentage points**. The tax rate makes that highly unlikely.

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*Steve Ruddock - Steve covers nearly every angle of online poker in his job as a full-time freelance poker writer. His primary focus for OPR is the developing legal and legislative picture for regulated US online poker and gambling.*

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# **EXHIBIT D**


https://playpennsylvania.com PA Casino Poker & Huge Pr...

**Play** PENNSYLVANIA BE FIRST TO FIND OUT WHEN PA LAUNCHES ONLINE POKER AND CASINO GAMES

**The Pennsylvania Lottery has launched online instant win (slot-style) games at PAiLottery.com!**

**If you register today, get \$5 FREE\***

**No Deposit Required**



Good

**WIN \$10.00**

**YES** I would love to play!

**NO** I don't want to play.

\*\$5 in form of Bonus Money. Must be 21 years or over & located in Pennsylvania to play. Free game only. Registration required. Promotion ends and bonus code ends soon. See website.com for terms and conditions. Call 1-800-295-6644.

9:45 AM 11/10/2018

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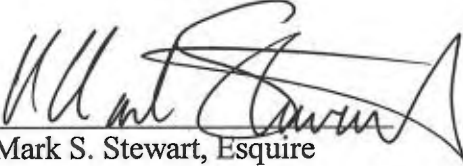
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Commonwealth of Pennsylvania  
393 Walnut Street, Revenue Tower  
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717-783-3680

Honorable Josh Shapiro  
Attorney General  
Office of Attorney General  
16<sup>th</sup> Floor, Strawberry Square  
Harrisburg, PA 17120  
717-705-3833

Date: August 22, 2018

  
Mark S. Stewart, Esquire