

Non-Prosecution Agreement with White Sands Technology LLC

This agreement is between the United States Attorney's Office for the Eastern District of North Carolina (USAO-EDNC) and White Sands Technology LLC, and their principals, (collectively White Sands parties). By signing this agreement, the White Sands parties are agreeing that they will comply with all conditions set forth below, in exchange for USAO-EDNC's agreement not to criminally prosecute the White Sands parties for any gambling or sweepstakes-related offense (or other offense that relies upon a gambling or sweepstakes-related offense as a predicate), relating to their manufacture, licensing, distribution, or other activity relating to their Legacy and Phoenix sweepstakes software prior to July 1, 2015. This agreement is limited to USAO-EDNC and cannot bind other federal, state, or local prosecuting authorities. This agreement expires on July 1, 2020.

1. For purposes of this agreement, the following definitions apply:
 - a. The term "entertaining display" has the meaning given in N.C. Gen. Stat. § 14-306.4(a)(3).
 - b. The term "electronic machine or device" has the meaning given in N.C. Gen. Stat. § 14-306.4(a)(1).
 - c. The terms "game play" or "simulated game play" includes all visual information other than words describing whether the entrant won the sweepstakes and how much the entrant won. The terms include any images, animation, movement, sound effects, flashing, and backgrounds other than a solid neutral background.
 - d. The term "sweepstakes" refers to all sweepstakes included in the definition in N.C. Gen. Stat. § 14-306.4(a)(5) and includes anything within that definition where chance, as opposed to skill, predominates.
2. The White Sands parties supplied "Legacy" and "Phoenix" sweepstakes software to approximately 180 internet cafes in North Carolina since at least January 2013.
3. A recent appellate decision has held that pre-reveal software violates North Carolina law. See N.C. Gen. Stat. § 14-306.4; *State v. Spruill*, 765 S.E.2d 84 (N.C. Ct. App. 2014) review denied, Case No. 465P14, 2015 WL 1822959 (N.C. April 9, 2015).
4. Under *Spruill*, USAO-EDNC has evidence that the White Sands parties may have violated 18 U.S.C. § 1955 by operating a sweepstakes business in violation of North Carolina law, including N.C. Gen. Stat. § 14-306.4.
5. The White Sands parties agree to comply with 18 U.S.C. § 1955 and all North Carolina gambling laws, including N.C. Gen. Stat. §§ 14-292 through 14-309.
6. As of July 1, 2015, the White Sands parties agree to take no part in any activities in North Carolina relating to any sweepstakes conducted through, connected with, associated with,

or otherwise related to in any way the use of an entertaining display on an electronic machine or device. This includes, but is not limited to, any game play or simulated game play that displays, shows, exhibits, or correlates with any aspect of the sweepstakes, including the number of points won, the total number of points, or the amount of points that could be won or used. The White Sands parties agree not to provide computers, software, services, or anything else or to assist anyone else in doing so through time, money, facilities, services, equipment, parts, or in any other capacity with respect with the activities described in this paragraph. This includes any related or successor business entity to the White Sands parties. In doing so, the White Sands parties do not admit that their conduct violated federal or North Carolina law. USAO-EDNC does not express any opinion whether conduct not covered by this paragraph is lawful.

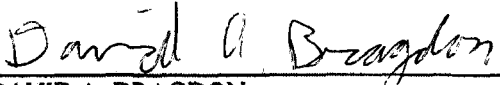
7. The White Sands parties further agree that before taking any part in any activities relating to sweepstakes or gambling in North Carolina not covered under the ban set forth above in paragraph 6, including anything that the White Sands parties believe do not constitute sweepstakes because skill predominates, the White Sands parties will provide written notice to the United States Attorney and Chief of the Criminal Division of the USAO-EDNC of: (1) the nature of the sweepstakes; (2) the official rules; (3) any associated literature, promotional, or marketing materials; (4) a demonstration if requested; (5) if requested, a list of locations where the activities will occur, and (6) any other materials relating to the sweepstakes requested by the USAO-EDNC, at least fourteen days before they take part in any activities relating to any sweepstakes. No response is required from USAO-EDNC, and the lack of any response does not condone or otherwise imply the lawfulness of the proposed activity. USAO-EDNC is free to use the materials provided pursuant to this paragraph in whatever manner it deems appropriate, including supplying them to other state or federal law enforcement entities. The White Sands parties further agree to inform the USAO-EDNC of any material changes or modifications to the activities referenced in this paragraph, including any material changes in the way the sweepstakes are conducted.
8. As indicated above, provided that the White Sands parties fully comply with all conditions set forth in this agreement, the USAO-EDNC will not prosecute the White Sands parties for any gambling or sweepstakes-related offense in North Carolina during any time period prior to July 1, 2015.
9. If the White Sands parties breach this agreement in any way, the White Sands parties will be subject to prosecution by USAO-EDNC. This agreement does not limit in any way the right or ability of the USAO-EDNC to investigate or prosecute conduct occurring after the date of this agreement.
10. This agreement shall terminate if (1) the North Carolina General Assembly or Appellate Courts legalize sweepstakes as described herein; (2) the change in law makes it clear that the White Sands parties' software is legal under North Carolina law; and (3) the White Sands parties provide written notice to the United States Attorney and Chief of the Criminal Division of USAO-EDNC of the change in law and their intent to resume

business, as well as a copy of this agreement, and the materials specified in paragraph 7, at least fourteen days before they resume any activities covered by this agreement.

11. The parties agree that this agreement and its contents may be disclosed.
12. There are no promises, agreements, or understandings between the USAO-EDNC and the White Sands parties other than those set forth herein. Future modifications of this agreement, if any, shall be executed in writing and with the same formalities as in this agreement.

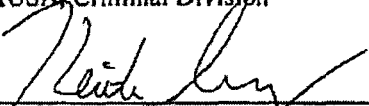
AGREED TO BY:

THOMAS G. WALKER
United States Attorney



DAVID A. BRAGDON
AUSA, Criminal Division

5/6/15
DATE



KEITH GRAY, CFO
WHITE SANDS TECHNOLOGY LLC

4-30-2015
DATE



C. COLON WILLOUGHBY
McGuireWoods LLP
Counsel for White Sands Technology LLC

5/6/15
DATE



GUY A. LEWIS
Lewis Tein PL
Counsel for White Sands Technology LLC

5/6/15
DATE