

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
: Chapter 11
In re : Case Nos. 01-15327 through
: 01-15328 (ALG)
eLot, Inc. and eLottery, Inc. :
: Jointly Administered
: Debtors. :
-----X

**AFFIDAVIT OF HERBERT LEMMER IN SUPPORT OF DEBTORS’
MOTION TO: (I) REOPEN CHAPTER 11 CASES, (II) EXTEND TERM
OF TRUST AGREEMENT AND WARRANT AGREEMENTS, AND (III)
CLOSE CHAPTER 11 CASES**

STATE OF NEW YORK)
) ss.:
COUNTY OF KINGS)

HERBERT LEMMER, being duly sworn, deposes and says:

1. I am a vice-president of American Stock Transfer & Trust Company (“AST”). This affidavit is submitted in support of the captioned debtors’ (individually, “Reorganized eLot” and “Reorganized eLottery” and collectively, the “Reorganized Debtors”) Motion to: (i) Reopen Chapter 11 Cases, (ii) Extend Term of Trust Agreement and Warrant Agreements, and (iii) Close Chapter 11 Cases (the “Motion”).

2. In connection with (i) the Second Amended Joint Plan of Reorganization of the Debtors and the Official Committee of Unsecured Creditors of elot, Inc. and eLottery, Inc. (the “Plan”), and (ii) that certain trust agreement, dated as of December 31, 2002, by and among the Reorganized Debtors and AST (the “Trust Agreement”), AST was appointed as trustee of that certain trust (the “Trust”) the purpose of which was to, inter alia, hold and distribute the Class A,

B & C Warrants (collectively, the “Warrants”)¹ issued by Reorganized eLot in accordance with the Plan. On June 30, 2004, 1,800,000 Class A Warrants became exercisable and were distributed to the Debtors’ prepetition creditors holding Allowed Unsecured Claims. In accordance with the Plan, the Class B Warrants and Class C Warrants will only be distributed by the Warrant Trustee to holders of Equity Interests (as defined in the Plan) upon the occurrence of a Trigger Event (as defined in the Plan).

3. As set forth in the Trust Agreement, the Trust terminates on the thirtieth day following the third anniversary of the Effective Date. As of this date, no Trigger Event has occurred.

4. As set forth in the New Class A Warrant Agreement, the New Class B Warrant Agreement and the New Class C Warrant Agreement (collectively, the “Warrant Agreements”), AST was also appointed Warrant Agent for each class of the Warrants.

5. The Reorganized Debtors have informed AST that they believe that it is unlikely that a Trigger Event will occur before the expiration date of the Class B and C Warrants or, if a Trigger Event does occur prior to such expiration, that such event will occur too near the expiration date of the Class B and C Warrants to allow the holders of such Warrants to effectively exercise their rights to purchase shares of Reorganized eLot Common Stock. As such it is the desire of Reorganized eLot to extend the expiration dates of the Class B and C Warrants and the New Class B and C Warrant Agreements for a period of two (2) years.

6. In accordance with such an extension of the Class B and C Warrants and the New Class B and C Warrant Agreements, the Reorganized Debtors are also seeking to amend the Trust Agreement to provide for a commensurate extension of the Trust Agreement. The Reorganized Debtors have filed the Motion seeking such relief because the Trust Agreement

¹ Unless defined herein, all capitalized terms retain the meanings ascribed to them in the Motion.

provides that “no . . . amendment . . . shall be effective except upon a Final Order of the Bankruptcy Court.”

7. The Reorganized Debtors have also informed AST that they desire to extend the expiration date of the Class A Warrants and the New Class A Warrant Agreement for a period of four (4) years, notwithstanding the fact that, unlike the Class B and C Warrants, the Class A Warrants have already been distributed and, therefore, are not subject to the Trust Agreement.

8. Section 9.01(a) of each of the Warrant Agreements states as follows:

This Agreement and the terms of the [Class A Warrants, Class B Warrants and Class C Warrants] may be amended by the Company and the Warrant Agent, without the consent of the holder of any [Class A Warrant Certificate, Class B Warrant Certificate or Class C Warrant Certificate], for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained herein or therein, or to effect any assumptions of the Company’s obligations hereunder and thereunder by a successor corporation under the circumstances described in Section 7.03(d) hereof or in any other manner that the Company may deem necessary or desirable and that shall not materially adversely affect the interests of the holders of the [Class A Warrant Certificate, Class B Warrant Certificate or Class C Warrant Certificate].

9. Reorganized eLot has informed AST that the extension of the expiration date of each individual class of Warrants is desirable and, with respect to each such class, does not materially adversely affect the interests of the holders of such individual class of Warrants. Accordingly, Reorganized eLot has requested that AST, as Warrant Agent, enter into an amendment of each of the Warrant Agreements extending the expiration date of the respective class of Warrants (as described in the Motion). In that connection, the Trustee and Reorganized eLot propose to enter into an amendment of the Trust Agreement extending its term. A copy of the proposed amendment to the Trust Agreement is annexed hereto as Exhibit “A”.

10. In its capacity as Trustee, pursuant to the Trust Agreement, and as Warrant Agent for each class of the Warrants, pursuant to the New Class A Warrant Agreement, the New Class B Warrant Agreement and the New Class C Warrant Agreement, respectively, AST hereby supports the relief requested by the Reorganized Debtors in the Motion.

I certify under penalty of perjury that, based upon knowledge, information and belief as set forth in this Affidavit, the foregoing, is true and correct.

/s/
HERBERT LEMMER

Sworn to before me this
_____ day of November, 2005

/s/
Notary Public