



NOTICE OF MEETING AND AGENDA

Pursuant to the Massachusetts Open Meeting Law (G.L. c. 30A, §§ 18-25), St. 2022, c. 107, and St. 2023, c. 2, notice is hereby given of a public meeting of the **Massachusetts Gaming Commission**. The meeting will take place:

Thursday | November 21, 2024 | 10:00 a.m.
VIA REMOTE ACCESS: 1-646-741-5292
MEETING ID/ PARTICIPANT CODE: 111 047 3795
All meetings are streamed live at www.massgaming.com.

Please note that the Commission will conduct this public meeting remotely utilizing collaboration technology. Use of this technology is intended to ensure an adequate, alternative means of public access to the Commission's deliberations for any interested member of the public. If there is any technical problem with the Commission's remote connection, an alternative conference line will be noticed immediately on www.massgaming.com.

All documents and presentations related to this agenda will be available for your review on the morning of the meeting date by visiting our website and clicking on the News header, under the Meeting Archives drop-down.

PUBLIC MEETING - #540

1. Call to Order – Jordan Maynard, Chair

2. Meeting Minutes
 - a. January 5, 2023 **VOTE**
 - b. October 24, 2023 **VOTE**
 - c. October 25, 2023 **VOTE**

3. Administrative Update – Dean Serpa, Executive Director
 - a. Next Steps Regarding Commission's Discussion of Wager Limitations – Carrie Torrisi, Chief of Sports Wagering; Andrew Steffen, Compliance and Operations Manager; Todd Grossman, General Counsel; Justin Stempeck, Deputy General Counsel; Tom Mills, Chief of Communications

4. Research and Responsible Gaming – Mark Vander Linden, Director of Research and Responsible Gaming
 - a. Presentation of report, "Feasibility Study: Prospective Sports Wagering Kiosks in Massachusetts" – Joe Weinert, Executive Vice President, Spectrum



Massachusetts Gaming Commission

Gaming Group, Matthew Para, Senior Sports Betting and iGaming Adviser,
Spectrum Gaming Group, Marlene Warner, CEO, Massachusetts Council on
Gaming and Health

- b. Update on Section 97, casino player data project

5. Finance – Derek Lennon, Chief Financial and Accounting Officer

- a. FY2025 Cost of Living Adjustment (COLA) **VOTE**

6. Sports Wagering Division – Carrie Torrisi, Chief of Sports Wagering Division

- a. Seal of Approval Update – Carrie Torrisi, Chief of Sports Wagering; Andrew Steffen, Operations and Compliance Manager; Tom Mills, Chief of Communications
- b. Event Catalog Request: Tomorrow’s Golf League (TGL) **VOTE**
- c. Update to House Rules: BetMGM **VOTE**

7. Legal – Todd Grossman, General Counsel

- a. Introduction of Bally’s proposed transaction and review of proposed trust agreement **VOTE**

8. Gaming Establishment Security Measures

- a. Executive Session **VOTE**
The Commission anticipates that it will meet in executive session in accordance with G.L. c.30A, §21(a)(4), G.L. c.30A, §21(a)(7), and G.L. c. 23K, §21(a)(7) and 205 CMR 139.02 to discuss the use and deployment of security personnel or devices, or strategies with respect thereto, specifically with regard to firearms security at MGM Springfield; and to discuss the response to the Commission’s internal control related directive submitted by MGM Springfield, related to the same subject matter. The public session of the Commission meeting will reconvene at the conclusion of the executive session.

9. Executive Session Minutes

- a. Executive Session **VOTE**
The Commission anticipates that it will meet in executive session to review minutes from previous executive sessions, as their discussion at an open meeting may frustrate the intended purpose for which the executive sessions were convened pursuant to: G.L. c. 30A, §21(a)(4), c. 30A, §21(a)(7), and G.L. c. 4, §7(26)(f):
- b. July 24, 2024 **VOTE**
- c. August 1, 2024 **VOTE**



Massachusetts Gaming Commission

- d. August 29, 2024
- e. September 12, 2024
- f. October 2, 2024

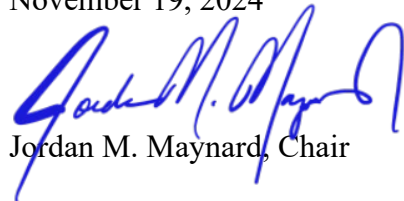
VOTE
VOTE
VOTE

10. Commissioner Updates

11. Other Business - Reserved for matters the Chair did not reasonably anticipate at the time of posting.

I certify that this Notice was posted as “Massachusetts Gaming Commission Meeting” at www.massgaming.com and emailed to regs@sec.state.ma.us. Posted to Website: November 19, 2024 | 10:00 a.m. EST

November 19, 2024



Jordan M. Maynard, Chair

If there are any questions pertaining to accessibility and/or further assistance is needed, please email Grace.Robinson@massgaming.gov.



Massachusetts Gaming Commission



Massachusetts Gaming Commission Meeting Minutes

Date/Time: January 5, 2023, 10:30 a.m.
Place: Massachusetts Gaming Commission

VIA CONFERENCE CALL NUMBER: 1-646-741-5292
PARTICIPANT CODE: 111 034 3626

The Commission conducted this public meeting remotely utilizing collaboration technology. Use of this technology was intended to ensure adequate, alternative means of public access to the Commission's deliberations for any interested member of the public.

Commissioners Present:

Chair Cathy Judd-Stein
Commissioner Eileen O'Brien
Commissioner Bradford Hill
Commissioner Nakisha Skinner
Commissioner Jordan Maynard

1. [Call to Order](#) (00:00)

Chair Judd-Stein called to order the 420th Public Meeting of the Massachusetts Gaming Commission ("Commission"). Roll call attendance was conducted, and all five commissioners were present for the meeting.

2. [Continuation of review of Category 3 sports wagering application submitted by FBG Enterprises Opco, LLC \("Fanatics"\)](#) (00:40)

Chair Judd-Stein explained that representatives from Fanatics had begun their presentation during the prior meeting. She stated that Fanatics had requested that the product demonstration of its sports wagering platform be conducted in executive session, because the platform was not yet released publicly. General Counsel Grossman stated that this topic was appropriate for an executive session as it was related to proprietary information - that if discussed publicly would place Fanatics at a competitive disadvantage.

With that, Chair Judd-Stein stated that the Commission anticipated that it would meet in executive session in conjunction with its review of the FBG Enterprises Opco, LLC (Fanatics)

application in accordance with G.L. c. 30A, § 21(a)(7), and G.L. c. 23N, § 6(i) to consider information submitted by the applicant in the course of its application for an operator license that is a trade secret, competitively-sensitive or proprietary and which if disclosed publicly would place the applicant at a competitive disadvantage.

Commissioner O'Brien moved that the Commission go into executive session for the reasons stated by the Chair and General Counsel Grossman. Commissioner Hill seconded the motion.

Roll call vote:

Commissioner O'Brien: Aye.

Commissioner Hill: Aye.

Commissioner Skinner: Aye.

Commissioner Maynard: Aye.

Chair Judd-Stein: Aye.

The motion passed unanimously, 5-0.

Chair Judd-Stein noted that the public session of the meeting would reconvene at the end of the executive session.

Transcriber's Note: The Commission entered the executive session, and a screensaver was shared in the public meeting. The Commission reconvened in public session at 11:40AM EST.

3. Presentations and Analysis Relevant to review and evaluation of Application for Category 3 sports wagering operator license submitted by FGB Enterprises Opco, LLC (1:02:42)

a. Technical Components

Chair Judd-Stein stated that Gaming Laboratories International ("GLI") was the first company to develop and set gaming technical standards which are now considered an industry benchmark. She stated that GLI continues to innovate standards and regulators rely upon these standards to preserve the integrity of the industry.

Joe Bunevith, GLI's Director of Client Solutions, noted that the Commission had approved 205 CMR 138, 205 CMR 238, 205 CMR 247 and 205 CMR 248. He stated that since those regulations were approved, the operators could now submit the code for their sports wagering system and hardware to GLI for testing.

Mr. Bunevith stated that Fanatics would submit their final submission for one or more U.S. jurisdictions and then test any required changes to the platform to comply with Massachusetts' specific rules and regulations. He stated that if a potential operator's platform was new to GLI, it would undergo an architectural review that identified and documented critical files related to compliance. He stated that after the initial review was complete, the source code could be submitted for testing in a locked-down environment.

Mr. Bunevith stated that the lab would verify changes for Massachusetts specific deployments. And once those changes were validated, a certificate would be issued to the operator. He stated that once the certificate was issued the Commission could approve the operator for operations. He stated that field verification would be finalized in the upcoming weeks and that verification of the production server and verification of critical file signatures would commence. He stated that GLI would also review internal controls and procedures.

Commissioner O'Brien asked what the timeline would be for GLI to test Fanatics' platform due to the technical posture of the applicant. Adam Berger, Fanatics' outside counsel from the law firm Duane Morris, stated that Fanatics anticipated going live around the same time all category three sports wagering operators would go live in Massachusetts. He stated that Fanatics would prefer to answer questions related to the intricacies of the timelines in an executive session.

Chair Judd-Stein asked if GLI had issued certifications in the two jurisdictions where Fanatics was licensed. Mr. Bunevith stated that GLI was familiar with the Amelco platform that was approved in Maryland and Ohio. Mr. Berger noted that Fanatics had not launched its mobile platform in either jurisdiction. Alex Smith, Fanatics' Vice President of Regulatory Affairs, stated that Fanatics was licensed in those jurisdictions, but that the platform did not have a certified technology approval.

b. [Report On Suitability Of The Applicant](#) (1:12:01)

Chief Enforcement Counsel Heather Hall explained that the Investigations and Enforcement Bureau ("IEB") submitted a report on the preliminary suitability of the applicant to the Commission. She stated that Fanatics was seeking a category three sports wagering license tethered to the category one sports wagering license granted to PPC on December 20, 2022. She stated that the IEB performed a review for preliminary suitability according to the standards set forth in 205 CMR 215.01(2). She noted that a full suitability investigation had not been conducted at this time.

Chief Enforcement Counsel Hall stated that the licensing division did a scoping review of the applicant pursuant to G.L. Chapter 23N, § 5(b). She stated that the IEB identified seven entities, and six individuals designated as qualifiers in connection with Fanatics' application. She stated that the qualifiers were listed within the IEB's report. She noted that Fanatics had some deficiencies within its application.

Chief Enforcement Counsel Hall stated that the team conducting the review was comprised of contract investigators. She stated that the review for preliminary suitability included a summary of Fanatics' licensing status in other jurisdictions, compliance history in other jurisdictions, and pending litigation valued over \$100,000. She stated that Fanatics had no compliance history or pending litigation. She stated that there was an open-source review of the applicant and individual qualifiers, but not of the entity qualifiers.

Chief Enforcement Counsel Hall stated that the Commission received an additional Washington Post article on December 20, 2022, after the IEB's report was finalized. She stated that the Commission was also made aware of a publicly available Equal Employment Opportunity Commission press release that referenced a matter in the IEB's report.

Chief Enforcement Counsel Hall stated that RSM would provide a report on the applicant's financial suitability. She noted that RSM worked closely with the Commission's financial investigation team. She stated that RSM reviewed Fanatics' disclosed financial information.

Chief Enforcement Counsel Hall explained that the Licensing Division had communicated with Fanatics regarding outstanding items. She stated that the IEB report referenced the IEB inadvertently omitting a request for tax certifications from the entity qualifiers. She stated that the Licensing Division did request those certifications and requested them again in the deficiency letter. She stated that the applicant provided those documents, and that the IEB would review the materials submitted when the full investigation proceeds.

Licensing Division Chief Kara O'Brien explained that the licensing team completed an administrative completeness review and provided Fanatics with a deficiency letter on Tuesday, January 3, 2023. She stated that Fanatics had provided a number of the items requested, but that the Licensing Division was still waiting to receive the certificate of suitability form for Mr. Ruben. Mr. Berger stated that the form would be provided within the next couple of days.

Chair Judd-Stein asked what supplemental information was received. Chief Enforcement Counsel Hall stated that an EEOC matter was sent to the IEB the previous night and that there was a Washington Post article sent on December 20, 2022. Commissioner Hill stated that he was very concerned about the EEOC press release dated April 19, 2019, and that he would like to discuss that topic further. Commissioner O'Brien stated that she had more questions related to corporate structure and questions related to the tax issue settlement in New York.

Mr. Berger stated that Fanatics would be happy to discuss the EEOC matter and the New York matter in an executive session. He noted that the EEOC press release was limited and that settlement discussions were not ripe for public discussion. General Counsel Grossman stated that there was a press release and litigation filed in the EEOC matter, which were public record and not appropriate for an executive session. He stated that the allegations described in the complaint were a public matter, but that changes to protocols would be suitable for an executive session. He stated that Fanatics should describe as much as possible publicly and determine which questions were appropriate to answer within an executive session.

Commissioner O'Brien requested further details related to a recently filed class action suit alleging violations of the Sherman Act, where Fanatics' parent company was named. She stated that the class action suit raised concerns regarding control and influence. She posited that pending litigation would be appropriate for the executive session. Commissioner Skinner stated that further information regarding this matter would be helpful.

Commissioner O'Brien requested a basic overview of Fanatics' corporate structure. Mr. Berger stated that Fanatics was not a publicly traded company and offered to go through the corporate structure in executive session. He noted that the entity named in the litigation was related to the commerce structure of the parent company, Fanatics Holding Inc. ("FHI"). He stated that any ongoing litigation should be discussed in an executive session.

Commissioner O'Brien noted that the application had heavy reliance upon the history and posture of the parent company. She stated that there was a concern related to the product plan and marketing plans of Fanatics due to the intertwined nature of the companies. She also noted that FHI was an entity qualifier.

Mr. Berger offered explanation that the defendant in the litigation was Fanatics LLC, which was the commerce side of the structure, and that FHI was not named. Commissioner O'Brien stated that the commerce structure was integral to Fanatics' financing and marketing pitch. Mr. Berger stated that there was some integration, but that the information was competitively sensitive.

Chair Judd-Stein stated that the Commission would get clarity on corporate governance when reviewing the application response and the IEB's suitability report. Commissioner O'Brien stated that the corporate structure might clarify some of her questions, but that she wanted more information regarding customer reviews of the commerce company and its bearing on the reputation of the applicant.

Commissioner Skinner stated that she had questions regarding the tax certifications the IEB had yet to review. Chief Enforcement Counsel Hall stated that the IEB does not review tax certifications until the full suitability investigation proceeds.

c. [Financial and Economic Impact Analysis](#) (1:32:20)

RSM US, LLP's ("RSM") Strategic Finance Practice Leader Jeff Katz stated that RSM had reviewed sections of the application related to finance. He stated that his presentation was based on the information received as of November 21, 2022. He stated that discussion based on preliminary research was subject to change if there was new information.

Mr. Katz stated that much of the information in RSM's report was likely confidential and that details would have to be discussed in an executive session. He stated that the evolving nature of the industry made it difficult to predict the composition of the marketplace. He stated that sports wagering was anticipated to be a lucrative long-term growth market.

Mr. Katz explained that the applicant had provided five years of financial information for its parent company, FHI. He stated that the financials provided were related to the organization's current primary business of merchandise retailing. He noted that Fanatics had yet to launch its

sports wagering platform, so there was no financial operational data provided related to sports wagering at this time.

Mr. Katz explained that the five-year operating projections provided by the applicant provided a nationwide forecast that was not entirely Massachusetts focused. He stated that he compared the applicant's revenue projections to the Deutsche Bank Equity Research Report and Truist Securities Equity Research Reports issued in October 2022. He stated that the revenue projections may warrant discussion in an executive session as it included details related to Fanatic's market share estimates.

Mr. Katz stated that two components of a Massachusetts specific forecast were included elsewhere in the application, the handle size and taxable revenue projections in Massachusetts. He stated that RSM derived a more wholesome forecast view for Massachusetts. He stated that this information would be shared in an executive session.

Mr. Katz noted that Fanatics was a privately held company, and that RSM could not speak to the liquidity of the parent company in a public setting. He stated that the applicant disclosed that Fanatics was planning a nationwide simultaneous launch in each jurisdiction Fanatics was licensed in. He stated that Fanatics was preparing financial resources for the launch, and that he could provide more details in an executive session. He stated that Fanatics had the current resources to support sports wagering in Massachusetts. Chair Judd-Stein requested that a more fulsome report be provided in the executive session. Commissioner O'Brien stated that any derivative questions regarding revenue projections should also be discussed in the executive session.

5. Review and evaluation of Application for Category 3 sports wagering operator license submitted by FBG Enterprises Opco, LLC (Fanatics) in accordance with 205 CMR 218.00 including, but not limited to consideration of the following criteria (1:58:32)

a. Experience and Expertise related to Sports Wagering (205 CMR 218.06(5)(a))

Commissioner O'Brien stated that she had questions regarding how Fanatics planned to leverage the commerce company's database. She stated that she needed information regarding whether those in the database opted-in to receive sports wagering marketing, and whether responsible gaming was considered when choosing to leverage the database. She asked if Fanatics could separate out those who were not of legal age to wager and whether the customers could opt-in or opt-out of the database. She noted that marketing for product sales and marketing for wagering were different. Chair Judd-Stein stated that she shared Commissioner O'Brien's concerns about underage people in the database.

Alex Smith, Fanatics' Vice President of Regulatory Affairs, stated that Fanatics had developed tools to address responsible gaming risks. He stated that any gaming messaging based on the

commerce database would have an opt-out feature. He stated that marketing would not be sent to any customer known to be under twenty-one years old.

Ari Borod, Fanatics' Chief Business Officer, stated that Fanatics would comply with all applicable regulations. Commissioner O'Brien stated that the database was a historic collection of customer information and questioned whether the opt-out of sports wagering marketing feature was available when the customers were added to the database. She stated that there did not appear to be a screening process of the historical information.

Mr. Smith stated that all marketing was in compliance with Fanatics' privacy policy. He explained that a third-party had been identified to help Fanatics screen the database and remove underage individuals. Commissioner O'Brien asked for further details on the screening process. Mr. Smith stated that further details could be provided in the executive session.

Commissioner Skinner noted that Fanatics had listed Salesforce as a partner. She explained that a Wall Street Journal article had recently revealed that Salesforce was laying off 8,000 employees, which was 10% of its workforce. She asked if this would impact Fanatics' operations. Mr. Borod stated that there was no anticipated impact from this action. He stated that Salesforce was largely used for customer relationship management and email purposes. Fanatics' CEO, Matt King, explained that Salesforce was used for software, not staffing.

Commissioner Skinner asked if Fanatics planned to open a retail sportsbook in another jurisdiction. Mr. Smith stated that Fanatics would open a standalone sportsbook at FedEx Field. Commissioner Skinner noted that some of the sample promotions listed included the term "risk-free". She stated that the term "risk-free" was given scrutiny for being predatory and asked if Fanatics intended to continue offering that promotion. Mr. King stated that Fanatics' advertising would align with the highest standards in the industry in terms of promotions.

Commissioner O'Brien noted that the application stated that Fanatics' platform would aggressively compete with both legal and illegal sports wagering markets and asked how Fanatics intended to do so. Mr. Borod stated that Fanatics' reach and differentiated offerings would draw those in the black market back to the regulated market. Fanatics' Chief Marketing Officer Jason White stated that the comment came from insights as to why people would seek the black market and the shortcoming of available products.

Commissioner O'Brien stated that the commerce database numbers were substantial, and asked how many customers in the database were from Massachusetts. Mr. Borod stated that over two million customers were located in Massachusetts.

Chair Judd-Stein stated that many of her questions were answered, but that some topics would be discussed further in the executive session. Commissioner Hill recommended that the Commission hold its discussion as to whether this section of the application met the Commission's expectations until after the executive session.

b. Economic impact and other benefits to the Commonwealth if applicant is awarded a license (205 CMR 218.06(5)(b)) (2:17:18)

Commissioner Skinner inquired if the eight employees at the Greenfield location were anticipated to be sports wagering employees. Fanatics' Lead People Officer, Kristen Lachtman, stated that the eight employees at that location were gaming employees. Commissioner Skinner asked if those employees were focused on servicing Massachusetts or other jurisdictions. Mr. King stated that those employees were working on the Fanatics wagering platform as a whole. He stated that additional employment opportunities in Massachusetts may arise in marketing or technology staffing roles. He stated that Fanatics did not have a plan of exactly how many new positions would be added as a result of this license.

Commissioner Skinner requested a breakdown of whether the eight employees in Massachusetts were line staff, supervisors, or directors. She also requested a diversity breakdown of those eight employees.

Commissioner O'Brien stated that there was an expectation that all licensees would put active effort into cooperating with the Massachusetts Lottery. Mr. King confirmed that Fanatics was open to collaborating with the Lottery.

Commissioner O'Brien noted that the application stated that Fanatics' involvement with local sports could increase advertising revenue and asked for further clarification. Mr. King stated that sports wagering increased interest in sports viewership, and that more viewers translated to more advertisement opportunities. He stated that engagement with sports wagering would lift the overall advertising market in the Commonwealth. He stated that Fanatics' paid media in local advertising channels would be done with discretion to ensure the messaging reached its target audience.

Commissioner Maynard stated that his questions were related to handles, projections, and potential tax revenues. He stated that RSM could provide more detail on those topics in the executive session. Chair Judd-Stein stated that she looked forward to the continued community engagement work should Fanatics be licensed.

c. Applicant's willingness to foster racial, ethnic, and gender diversity, equity, and inclusion (205 CMR 218.06(5)(d)) (2:26:30)

Commissioner Skinner requested more information regarding Fanatics' intentions and progress towards workforce diversity and diverse vendor spend. Ms. Lachtman stated that Fanatics was benchmarking current diversity so that it could create goals. She stated that in Quarter 1 of 2023 Fanatics was implementing data collection and reporting on applicants. She stated that benchmarks could be created for new applicants in the applicant tracking system. She stated that

strong diversity at the director-level led to a significant boost in creating diversity throughout the business.

Ms. Lachtman stated that an anonymous poll in 2022 regarding safety, inclusion, belonging, and diversity had received over 80% positive feedback from staff. She stated that Fanatics was recruiting with various sources including Minorities in Sports Network, Power to Fly, National Black Engineers, Women in Tech, and Out in Tech. She stated that Fanatics was targeting 3% annual growth in diverse supplier spend.

Commissioner Skinner asked if the partner groups mentioned were included among the ten groups listed in the application. Ms. Lachtman stated that most of those organizations were new, but there was some crossover. Commissioner Skinner asked if any of those organizations were Massachusetts based. Ms. Lachtman stated that she would follow up with the Commission regarding that information.

Commissioner Skinner stated that it was hard to quantify the 3% annual growth, as the Commission did not have Fanatics' existing diversity spend numbers. Fanatics' Chief Financial Officer Andrea Ellis stated that Fanatics' executives had a track record in building diverse teams. Mr. White stated that FHI was engaged with increasing diversity. He noted that he was an advisor to AdColor, the largest diversity-driven acknowledgement body in the advertising industry.

Commissioner Hill inquired if there were programs where Fanatics worked with employees to assist in their advancement. Ms. Lachtman stated that Fanatics was building that program and had hired a team member to develop it.

Chair Judd-Stein stated that FHI had a great deal of success with its five employee-led resource groups. She expressed that she would like to see the resource groups replicated within Fanatics. She asked if the diversity numbers provided were from FHI or Fanatics. Mr. King stated that for Fanatics, 52% of employees identified as women or from a diverse background. He stated that Fanatics leveraged the work done by FHI and supplemented it where relevant.

The Commission reached a consensus that Fanatics had met the Commission's expectations with respect to Section D of the application.

Commissioner Skinner stated that she would like to impose a condition on Fanatics' license that they be required to provide goals related to employment diversity and supplier diversity. Commissioner Maynard stated that he believed the 3% growth for supplier spending was sufficient. He stated that the Commission needed context of what the current diverse supplier spending was but noted that he agreed with Commissioner Skinner regarding employee diversity goals.

Chair Judd-Stein stated that she wanted to ensure conditions on licensure were consistent. She stated that Fanatics had provided a supplier diversity goal. Commissioner Skinner stated that a 3% increase could not be understood without relevant data such as a total dollar amount. Mr. Berger stated that Fanatics would provide the data to the Commission. He stated that Fanatics was newly formed and would not have the historical figures that other more established companies would be able to provide.

Ms. Lachtman stated that she looked into the data regarding Massachusetts employees. She noted that Fanatics had expanded in Massachusetts and now had nine employees. She stated that 78% of the Massachusetts employees identified as women or ethnically diverse or both. She stated that 78% of the Massachusetts employees were on the engineering team. She stated that one employee was a Senior Manager on the Risk Operations Team, and that the other employee was a Director on the Strategic Partnerships Team. She stated that each employee in Massachusetts was above entry level.

Commissioner O'Brien asked for a breakdown between the percentage of women and ethnically diverse employees. Ms. Lachtman stated that 33% of the Massachusetts employees identified as women and 55% of the Massachusetts employees identified as ethnically diverse. Commissioner O'Brien asked for more details regarding the Director. Ms. Lachtman stated that the Director was an African American male.

Commissioner Skinner stated that diversity goals still needed to be identified. Chair Judd-Stein asked if diversity goals were requested in the application. Commissioner Maynard stated that the diversity goals were not requested in the application but was appropriate for a Commissioner to request. He stated that he would like to remain consistent and get diversity goal information from each applicant.

Commissioner Maynard requested information regarding current diverse supplier spending. He stated that the current diverse spending information was necessary to understand the goal of a 3% increase. Commissioner Skinner expressed an interest in having sports wagering licensees report on their employment diversity numbers on a regular basis. Chair Judd-Stein stated that the Commission had the latitude to request employment diversity numbers in quarterly reports, but that it should be consistent between all licensees.

d. [Proposed measures related to responsible gaming \(205 CMR 218.06\(5\)\(c\)\)](#) (2:48:24)

Commissioner O'Brien stated that the proposed responsible gaming programs were admirable, but that she was uncertain how realistic they were. She requested more details related to employee responsible gaming training. She noted that Fanatics' only reference to GameSense was a recitation of the question in the answer. She asked if the responsible gaming plan was still a work in progress.

Mr. Smith stated that Fanatics' responsible gaming plan was scheduled to go before the compliance committee for review and approval in quarter one of 2023. He stated that all Fanatics employees would receive responsible gaming training, and that customer-facing staff would receive additional training. He stated that Fanatics had engaged a vendor for in-person training at its operation centers. He stated that Fanatics would be happy to amend its responsible gaming plan with more specifics as to how GameSense would be incorporated. Commissioner O'Brien stated that she would appreciate supplemental information submitted regarding the responsible gaming portions of the application.

Commissioner O'Brien asked what training was given to employees to identify problem gambling behavior among users. Mr. Smith stated that there was a two-layer review system. He stated that the compliance team would develop criteria to review and escalate data reports. He stated that the operations team would review data reports and flag certain data or information to the responsible gaming team. Commissioner O'Brien asked how many team members were on the responsible gaming team. Mr. Smith stated that the responsible gaming team had two members but was anticipated to expand in 2023.

Chair Judd-Stein asked Commissioner O'Brien to provide specifics about what additional information she wanted to receive. Chair Judd-Stein noted that the application did not require the applicants to adopt the GameSense model, but to collaborate at some level. Commissioner O'Brien stated that she wanted to know how the draft responsible gaming plan would have to change relative to Massachusetts' requirements. Mr. Smith stated that Fanatics would provide that information. He noted that the responsible gaming team was planning to add two more members.

Commissioner Maynard expressed that the answers in the application were sufficient. He stated that he was satisfied with Fanatics' responses. Commissioner Hill stated that he wanted to hear more about the partnership between FHI and Fanatics related to responsible gaming. Mr. Berger stated that the information was competitively sensitive and requested that the topic be discussed in the executive session.

Commissioner Skinner stated that the supplemental information requested by Commissioner O'Brien would be helpful. Commissioner Maynard reiterated that he did not believe anything was missing from the application, and that the answers were sufficient.

Chair Judd-Stein stated that there were no deficiencies in this section of the application, and asked what further information Commissioner O'Brien was requesting. Commissioner O'Brien noted that Fanatics did not have an office-wide approved responsible gaming plan. She stated that she had concerns regarding how the commerce database would be used. She stated that some of the language in Fanatics' pitch was aggressive and counter to responsible gaming. She expressed that she had strong hesitations, and that she wanted to see Fanatics approve its responsible gaming plan at the corporate level.

Commissioner Skinner stated that she would want to discuss this topic further in the executive session before making a decision as to whether the applicant met the Commission's expectations with regard to this section of the application.

e. [Technology that the applicant intends to use \(205 CMR 218.06\(5\)\(e\)\)](#) (3:02:26)

Commissioner Skinner asked if Fanatics was using Salesforce to assist with KYC. Fanatics' Chief Product Officer Scott McClintic stated that Fanatics' initial KYC checks were performed by Socure, an identity verification platform. Mr. McClintic stated that if a customer did not pass the Socure automated identification check, they would have to upload documentation to Salesforce via the customer service team.

Commissioner Skinner asked if Fanatics had a contingency should Salesforce's layoff result in a reduction in service. Mr. McClintic stated that Fanatics intended to integrate an additional KYC provider, so that requests could cascade to the other KYC provider in case of an outage. He stated that Fanatics had multiple points of redundancy, and that the anticipated number of customers who would have to upload documents to Salesforce was low. Mr. King reiterated that Salesforce was only providing a software solution and not staffing solutions.

Commissioner Skinner asked what documentation a customer was required to upload if an individual did not pass the initial KYC check. Mr. McClintic replied that KYC could fail if an address, name, or birth date did not match what was in the KYC provider database. He stated that customers would be asked to provide a driver's license, passport, or utility bill dependent upon the reason for the failure. He stated that the document would be uploaded through the Salesforce platform, reviewed by the Fanatics' in-house team, at which point KYC could be manually approved if the documentation satisfied the KYC requirement.

The Commission reached a consensus that Fanatics had met the Commission's expectations with respect to Section E of the application.

f. [Suitability of the applicant and its qualifiers \(205 CMR 218.06\(5\)\(f\)\)](#) (3:07:23)

Commissioner O'Brien stated that all of her questions related to this section of the application were topics that would be discussed in the executive session. She stated that she wanted to hear more specifics regarding the liquidity leverage profitability ratios. Mr. King stated that a representative from FHI would be available to attend the executive session and provide up-to-date information.

Commissioner O'Brien noted that one entity in the application was not listed in the Maryland application and sought a variance to not have to be licensed in Maryland. She stated that she wanted more information regarding that qualifier. Mr. Berger stated that he would be happy to discuss that topic further in the executive session.

6. [Other Business](#) (3:10:10)

Chair Judd-Stein stated that due to timing restrictions, the Commission would not be able to enter an executive session during this meeting.

The Commission discussed scheduling and an executive session related to Fanatics' application. The Commission reached a consensus to hold the continued discussion of Fanatics' application at public meetings scheduled for Wednesday and Thursday of the following week.

Hearing no other business, Chair Judd-Stein requested a motion to adjourn.

Commissioner O'Brien moved to adjourn. The motion was seconded by Commissioner Maynard.

Roll call vote:

Commissioner O'Brien: Aye.

Commissioner Hill: Aye.

Commissioner Skinner: Aye.

Commissioner Maynard: Aye.

Chair Judd-Stein: Aye.

The motion passed unanimously, 5-0.

List of Documents and Other Items Used

1. [Notice of Meeting and Agenda dated December 28, 2022](#)



Massachusetts Gaming Commission Meeting Minutes

Date/Time: October 24, 2023, 11:00 a.m.

Place: Plainridge Park Casino, 301 Washington Street Plainville, MA 02762

Commissioners Present:

Chair Cathy Judd-Stein
Commissioner Eileen O'Brien
Commissioner Bradford Hill
Commissioner Nakisha Skinner
Commissioner Jordan Maynard

1. [Call to Order](#) (00:00)

Chair Judd-Stein called to order the 483rd Public Meeting of the Massachusetts Gaming Commission ("Commission"). Roll call attendance was conducted, and all five commissioners were present for the meeting.

2. [Cashless Wagering Demonstration \(3C's: cashless, contactless, cardless\)](#) (00:27)

Casino Regulatory Manager & Interim Sports Wagering Operations Manager Andrew Steffen stated that in 2019, the Commission was approached by Plainridge Park Casino on the topic of becoming a cashless casino. He stated that several meetings were held over the next several years. He noted that this system on display was cashless, cardless, and contactless ("CCC"). He stated that PPC representatives had offered demonstrations and expressed an interest in implementing the CCC system.

Vice President and General Manager of Plainridge Park Casino, North Grounsell, stated that gaming had evolved since he entered the industry in 2001. He stated that there used to be hurdles for patrons attempting to use their cash, and that the implementation of ticketing technology in 2003 was seen as a win for customers. He stated that when ticketing technology was implemented in 2003, approximately thirty to forty percent of all transactions were conducted in cash, but now less than five percent of transactions at the property were conducted in cash.

Mr. Grounsell stated that while CCC technology was available it was not previously pursued due to regulatory concerns and consumer concerns. He stated that those concerns could now be addressed and that implementing the CCC system would make it easier for guests to access and

use their money. He stated that it would be an option available to guests, but it was not required if patrons wanted to use cash.

Richard Primus, PENN Entertainment's Senior Vice President and Chief Information Officer, stated that the casinos did not want customers to have to wait in line. He stated that the CCC system gave customers flexibility to engage digitally. He reiterated that the CCC system was a supplemental technology, and that patrons could still pay in cash if they wished to. He stated that more industries were moving to be cashless.

Mr. Primus stated that the Covid-19 pandemic accelerated the decision to move towards less physical interactions with cash and screen. He reported that the CCC system went live in Pennsylvania in June of 2021. He added that CCC was active in ten jurisdictions, with twenty-one of twenty-seven of Penn's casinos having CCC. He stated that three more jurisdictions and four properties were planning on implementing CCC in the next few months. He stated that there was a good demographic spread adopting CCC, and that 44 to 55 year-olds were almost as likely to adopt CCC as younger customers. Primus stated that CCC was designed collaboratively with regulators, property teams, gaming operations teams, and surveillance teams.

Brian Wasilefski, Penn Entertainment's Vice President of Product, stated that CCC allowed customers to get rid of the plastic card. He explained that while customers could still use the plastic card, the slot machines now had Bluetooth functionality that allows the machines to connect to the customers' mobile devices.

Mr. Wasilefski stated that the mobile application did not provide any personal information, just the player's card number. He stated that if the patron walked away from the slot machine, the phone would be disconnected, based upon failing signal strength. Commissioner Skinner asked how far a user would have to walk away from the machine before their phone disconnected. Mr. Wasilefski replied that it was dependent upon the phones' receivers but added that the machine was programmed to disconnect between five and seven feet away from the slot machine.

Chair Judd-Stein asked if it was possible for a patron to play on another patron's card at the time before the disconnect occurs. Mr. Wasilefski stated that inputting a new card would break the connection with another patron's phone. He stated that the scenario envisioned by Chair Judd-Stein occurs very rarely and was easily remedied, as all transactions were captured. Mr. Primus stated that procedures and analytics were captured, so that surveillance could see game level details.

Samantha Haggerty, Penn Entertainment's Deputy Chief Compliance Officer and Regulatory Affairs Counsel, noted that when adopting the CCC technology, customers were trained to hit the button that severed connection. She noted that disconnecting when walking away was a backup method.

Commissioner Skinner asked if a patron could theoretically cash out winnings associated with the previous player. Mr. Primus stated that the number of incidents where patrons play on the

account of a player who had walked away was smaller than the number of players who forgot to cash out from the ticket-in ticket-out (“TITO”) system.

Commissioner Maynard asked if the CCC system could be exploited by nefarious actors. Penn Entertainment’s Chief Compliance Officer, Chris Soriano, stated that new technology always creates new information to monitor. He stated that PPC had top of the line authentication protocols, security protocols, and back of house auditing. Mr. Primus added that Penn invested a lot of time and resources on cybersecurity. He recommended that issues related to cybersecurity be addressed in an executive session, however.

Mr. Wasilefski stated that there was a digital wallet where customers could load funds. He stated that the patron goes through the know-your-customer process both when setting up their application account and setting up their digital wallet. He stated that credit card funds were prevented from entering the account in Massachusetts. He stated that once the wallet was funded, the customer could connect to the slot machine via the mobile app and transfer funds to the slot machine.

Commissioner Hill asked if new slot machines were required for CCC. Mr. Wasilefski explained that the three key components were the digital wallet, the loyalty application, and the slot machines. He replied that the phone application was simply a user interface and that a company called Acres was used to pass messages between the wallet and slot machine. Mr. Wasilefski explained that the phone application reaches out to the wallet and uses acres to transfer funds to the slot machine. He noted that the meters required for this transfer were used in all modern slot machines.

Commissioner Hill then inquired what technology was new. Mr. Wasilefski stated that the Bluetooth reader, which controls communications, and a part that connects to the slot machines’ SAS ports were new.

Commissioner Hill asked if the Commission’s staff would be presenting on the CCC system. Chair Judd-Stein stated that the team was not prepared and that they may present at a later time. General Counsel Todd Grossman noted that the presentation was meant to be an overview of the technology. Commissioner Maynard expressed an interest in learning whether it was possible to prevent a patron from logging into another patron’s account on their phone.

Ms. Haggerty stated that Penn had developed a solution to wallets funded by credit-cards in other states. She stated that patrons would be unable to use funds from credit cards in Massachusetts, including secondary sources such as Apple Pay and PayPal. She stated that this solution was in the final stages of development and would be ready within a month.

Commissioner Skinner sought clarification regarding the prohibition on credit card funding. Mr. Primus stated that geofencing prohibited the use of credit cards in Massachusetts, and that new technology would track the source of deposits in other states. He stated that any funding identified as credit card deposits will be unavailable in Massachusetts.

Ms. Haggerty stated that PlayMyWay would be available on the slot machines and that additional responsible gaming tools would be available. She noted that no self-excluded patrons would be permitted to create a digital wallet. She stated that patrons could set daily, weekly, or monthly deposit limits. She noted that PPC already had universal limits that no player could exceed.

Commissioner O'Brien asked if the predetermined limits would apply to the card system as well as the CCC system. Mr. Grounsell stated the plastic cards did not have a funding mechanism and were funded through cash.

Mr. Primus explained that a player who chose to voluntarily exclude themselves would lose access to their wallet and phone application. Mr. Grounsell stated that regulations detailed the process for refunding a patron on the voluntary self-exclusion list.

Chair Judd-Stein asked what the universal limit on velocity controls was. Mr. Wasilefski stated that customers could not deposit more than \$3,000 a day. Ms. Haggerty stated that customers could not change a limit they had set to be less restrictive until the period of time submitted was concluded.

Commissioner Maynard expressed concern about underage patrons and money-laundering through using another patron's phone or account. He asked if there were any protections that would prevent passwords being shared. Mr. Grounsell stated that the security checkpoint at the door would provide age verification before a patron entered the casino. Commissioner Maynard stated that there were also money laundering concerns that funded accounts could be passed off. Mr. Grounsell stated that all of the property's existing processes to detect money laundering would be conducted on the CCC system.

Returning to Commissioner Skinner's prior question regarding winnings going to the wrong patron, Mr. Grounsell explained that policies were in place to confirm who pressed the play button when jackpots were triggered. He stated that PPC confirmed the identity of the person the funds were supposed to go to. He stated that PPC would continue to follow the existing jackpot and anti-money laundering procedures.

Ms. Haggerty stated that the CCC system was designed so that surveillance teams could clearly see what was going on. She noted that patrons could set up email and text alerts with wagering summaries or review pending or past transactions in the application. Commissioner O'Brien asked if the email and text alerts could be set up for the Penn Sports Interactive ("PSI") sports wagering platform. Ms. Haggerty stated that she thought those notifications could be set up, and that she would follow up with the PSI team.

Ms. Haggerty explained that a patron's funds would not auto-replenish when funds run out. She stated that re-funding a wallet required a deliberate decision by a patron. Commissioner Hill asked when the customers would see the responsible gaming screen. Ms. Haggerty stated that it would be shown after the customer signs up and goes through the know-your-customer process.

Chair Judd-Stein expressed an interest in learning whether the responsible gaming text was helpful upon login. Ms. Haggerty stated that the responsible gaming messaging had been implemented for the past two years at other locations but stated that Penn would not want to share this data in a public meeting. Mr. Soriano stated that while a study had not been performed, other regulators had supported the use of limits and alerts. He stated that Penn would have a continued dialogue with the Commission's Responsible Gaming Division.

Commissioner Maynard stated that there had been studies regarding how the distance from an ATM affected a patron's psychology. He asked if that could be recreated in the application. Commissioner O'Brien stated that waiting in line might have tempered a patron's spending. Mr. Soriano noted that it took seven or eight screens to fund a digital wallet, which built in a time period for patrons. Commissioner O'Brien asked if there were wait times built in to loading money into the digital wallet. Mr. Soriano stated that there were no distinct waiting times, but that the process included a significant number of steps.

Transcriber's Note: The Commissioners then viewed a demonstration of the CCC system by PPC representatives.

Chair Judd-Stein asked when customers were trained in the CCC system. Ms. Haggerty stated that customers are trained in using the CCC system at launch. She stated that PPC staff and Commission staff would receive training prior to the launch.

Commissioner O'Brien asked if the minimum bet amount should be the default option. Mr. Wasilefski stated that the option could be looked into. Commissioner O'Brien asked if there was a minimum dollar amount that could be loaded on the slot machine. Mr. Wasilefski stated that the minimum amount was one dollar. Commissioner O'Brien asked if the patron had to cash out on the slot machine or if cashing out could occur on the patron's phone. Mr. Wasilefski confirmed that cashing out could also be done through the phone application.

Mr. Soriano stated that there was an added safety component of the CCC system because patrons would not be walking around with significant sums of cash. Chair Judd-Stein asked whether a patron who had won a large amount, but under the taxable threshold, would be able to have all funds in their digital wallet. Mr. Wasilefski stated that the funds would be transferred to the digital wallet upon cashing out. He noted that a big jackpot would still have to be processed for tax purposes.

Chief Executive Officer of the Massachusetts Counsel on Gaming and Health, Marlene Warner, asked what would happen to a patron's account if they joined the voluntary self-exclusion list. Mr. Wasilefski stated that once a patron was excluded, they would not be able to use the wallet on any of Penn's platforms. Commissioner O'Brien asked if the exclusion would apply to both gaming and the sportsbook. Ms. Haggerty confirmed that was correct.

Mr. Soriano stated that once the exclusion was entered into Penn's system, the wallet would be shut down. Director of Research and Responsible Gaming, Mark Vander Linden, noted that there

were different types of self-exclusion lists. Mr. Wasilefski stated that accounts would be locked out based upon the information sent to Penn.

Ms. Warner asked if Penn had data as to whether transactions occurred faster when using a phone rather than cash. Ms. Haggerty stated that while the data was available it would need to be processed.

a. [Executive Session](#) (1:08:20)

Chair Judd-Stein asked what questions the Commission would like answers to that might be suitable for an executive session. Commissioner Maynard raised concern about password sharing on CCC accounts. He stated that he wanted to know more about security features to prevent account and password sharing. He stated that he also wanted to know what protections were in place for the purpose of anti-money-laundering. Commissioner O'Brien stated that she would like to discuss cybersecurity due to the data breaches that have occurred in the gaming industry.

Chair Judd-Stein stated that she would like to see research regarding the responsible gaming issue centered around the ease of use for cashless systems in comparison to a cash-based system. Commissioner O'Brien expressed an interest in reviewing data to see whether the average bet changed with the switch to the CCC system. Commissioner Skinner requested information related to the instances where a patron played on another patron's account after the initial player walked away. She requested to know the number of instances where this occurred, and how it was resolved.

3. [Other Business](#) (1:13:14)

Hearing no other business, Chair Judd-Stein requested a motion to adjourn.

Commissioner O'Brien moved to adjourn. The motion was seconded by Commissioner Maynard.

Vote:

Commissioner O'Brien: Aye.

Commissioner Hill: Aye.

Commissioner Skinner: Aye.

Commissioner Maynard: Aye.

Chair Judd-Stein: Aye.

The motion passed unanimously, 5-0.

List of Documents and Other Items Used

1. [Notice of Meeting and Agenda](#) dated October 20, 2023



Massachusetts Gaming Commission Meeting Minutes

Date/Time: October 25, 2023, 11:15 a.m.
Place: Massachusetts Gaming Commission

VIA CONFERENCE CALL NUMBER: 1-646-741-5292
PARTICIPANT CODE: 111 571 2086

The Commission conducted this public meeting remotely utilizing collaboration technology. Use of this technology was intended to ensure adequate, alternative means of public access to the Commission's deliberations for any interested member of the public.

Commissioners Present:

Chair Cathy Judd-Stein
Commissioner Eileen O'Brien
Commissioner Bradford Hill
Commissioner Nakisha Skinner
Commissioner Jordan Maynard

1. [Call to Order](#) (00:00)

Chair Judd-Stein called to order the 484th Public Meeting of the Massachusetts Gaming Commission ("Commission"). Roll call attendance was conducted, and all five commissioners were present for the meeting.

2. [IEB Director Screening Committee](#) (00:48)

a. IEB Director Job Description Distribution

Commissioner Skinner stated that there was a slight mix up in the job description the IEB Director Screening Committee was working on. She stated that the issue had since been corrected. She stated that she made some edits to the description for the Commission to review and revise at the next public meeting. She stated that the IEB Director job description was distributed to each Commissioner and scheduled for discussion at the public meeting on November 2, 2023.

Chair Judd-Stein asked at what point the applicants' identity would be made known to the public. Commissioner O'Brien stated that candidate names would be made public when they were advanced from the screening committee to the full Commission for an interview.

Chair Judd-Stein asked if the screening committees would conduct interviews. Commissioner O'Brien replied that both screening committees could conduct preliminary interviews after vetting applicants' resumes. Commissioner Skinner clarified that the IEB Director screening committee had yet to determine the process it would undertake. She stated that while it was likely preliminary interviews would be conducted, the committee had yet to decide whether to do so.

Chair Judd-Stein stated that an agenda item could be added to the November 2, 2023 meeting agenda in case any further clarity regarding the screening committee process was required. Attorney Mina Makarios, outside counsel from the law firm Anderson and Krieger, stated that the committees had flexibility in their screening process. He stated that outside counsel would be present and available to help explain the process at the November 2, 2023 public meeting.

Chair Judd-Stein stated that agenda items for the November 2, 2023 meeting would include the IEB Director job description review, a vote, and a general update on the screening committees' processes.

3. [Other Business](#) (07:24)

Hearing no other business, Chair Judd-Stein requested a motion to adjourn.

Commissioner O'Brien moved to adjourn. The motion was seconded by Commissioner Skinner.

Roll call vote:

Commissioner O'Brien: Aye.

Commissioner Hill: Aye.

Commissioner Skinner: Aye.

Commissioner Maynard: Aye.

Chair Judd-Stein: Aye.

The motion passed unanimously, 5-0.

List of Documents and Other Items Used

1. [Notice of Meeting and Agenda](#) dated October 23, 2023



TO: Chair Jordan Maynard
Commissioner Eileen O'Brien
Commissioner Bradford Hill
Commissioner Nakisha Skinner
Commissioner Paul Brodeur

FROM: Carrie Torrisi, Chief of Sports Wagering Division
Andrew Steffen, Compliance & Operations Manager, Sports Wagering Division
Todd Grossman, General Counsel
Justin Stempeck, Deputy General Counsel
Tom Mills, Communications Division Chief

CC: Dean Serpa, Executive Director

DATE: November 15, 2024

RE: Next Steps Regarding Commission's Discussion of Wager Limitations

The Commission has had several discussions this year regarding the practice of sports wagering operators limiting bettors on their platforms. On May 21, 2024, the Commission held a roundtable discussion with industry experts as well as a representative from Bally Bet¹ to gather information about this practice. The Commission held a second, two-part roundtable on September 11, 2024, to dive more deeply into this topic. The Commission first spent one session in conversation with its licensed sports wagering operators and then a second session in conversation with industry experts.

As a result of those conversations, the Sports Wagering, Legal, and Communications Divisions have worked together to develop recommended next steps for the Commission.

First, we recommend circulating a detailed, but narrow, data request to the sports wagering operators related to limited patrons. We would formulate such a data request to seek specific player data from which our team could deduce (1) the percentage of their players that they limit, (2) how many players are being limited and exhibit winning behavior, and (3) how many players are being treated as VIPs and exhibit losing behavior.

Second, we will analyze that data to identify problem areas and remedies that we might recommend to the Commission.²

¹ The remaining licensed operators failed to appear at the roundtable.

² The initial data request might lead to additional data requests following receipt and analysis.



Sports Wagering Division

Finally, we will recommend regulations, where appropriate, designed to address the issue. Such regulations might include requiring that patrons be notified when and how they've been limited, implementing reporting requirements regarding patron limitations, and/or requiring that operators establish clear and defined protocols used to limit patrons.

With respect to requesting data from the operators, the best option for the Commission to receive the data and associated information it seeks and ensure its confidentiality is to make use of exemption (g) to the public records law. Exemption (g) applies to: "trade secrets or commercial or financial information voluntarily provided to an agency for use in developing governmental policy and upon a promise of confidentiality; but this subclause shall not apply to information submitted as required by law or as a condition of receiving a governmental contract or other benefit." To properly claim exemption (g), all six criteria contained in the exemption must be satisfied: (1) the information does contain trade secrets or commercial or financial information; (2) it was voluntarily provided to the Commission; (3) it was provided for use in developing government policy; (4) it was provided upon an assurance of confidentiality; (5) the information was not submitted by law (*e.g.*, in accordance with a Commission regulation); and (6) the information is not submitted as a condition of receiving a governmental benefit (meaning, it's not required as part of an application for a license or to remain in compliance with a license condition).

If the Commission is amenable to this plan, our team will move forward with a detailed data request as the first step in the process.



TO: Chair Maynard, Commissioners O'Brien, Hill, Skinner, and Brodeur

FROM: Mark Vander Linden, Director of Research and Responsible Gaming,
Bonnie Andrews, Research Manager

CC: Dean Serpa, Executive Director

DATE: November 21, 2024

RE: Feasibility Study: Prospective Sports Wagering Kiosks in Massachusetts

[Massachusetts General Laws c.23N, section 20](#), the authorization and regulation of sports wagering, requires the Massachusetts Gaming Commission (MGC) to conduct a study into the feasibility of allowing retail locations in the Commonwealth to operate sports wagering kiosks. The legislation noted that this study should address the feasibility, and the potential economic, public health, and safety impacts of such a decision.

The MGC contracted with Spectrum Gaming Group, in collaboration with the Massachusetts Council on Gaming and Health, to conduct the study. The purpose of this feasibility study is to provide the MGC with information it can provide to the legislature for use in its consideration of implementing retail kiosk sports wagering. This project was approached from a commercial feasibility perspective, determining whether retail sports kiosk wagering would, in the big picture, be financially beneficial for kiosk hosts and for the Commonwealth, then weighing any potential financial benefits against anticipated social impacts brought by the kiosks. Because Spectrum determined that kiosks would not be economically viable, the primary focus of this report is on the analysis of commercial feasibility from which that conclusion was drawn.

Attached are the final report, a research snapshot, and the presentation.



Massachusetts Gaming Commission

MGC Research Snapshot

Feasibility Study: Prospective Sports Wagering Kiosks in Massachusetts

November 2024

What you need to know

The purpose of this feasibility study is to provide the Massachusetts Gaming Commission with information it can provide to the legislature for use in its consideration of implementing retail kiosk sports wagering. This project was approached from a commercial feasibility perspective, determining whether retail sports kiosk wagering would, in the big picture, be financially beneficial for kiosk hosts and for the Commonwealth, then weighing any potential financial benefits against anticipated social impacts brought by the kiosks. Spectrum recommends that the Commonwealth not implement kiosk sports wagering because, in the big picture, they conclude that there is little to no economic upside for kiosk hosts and the Commonwealth itself while there is an increased risk of negative social impacts.

What is this research about?

As part of the legalization of sports wagering, the Massachusetts legislature required the Massachusetts Gaming Commission (MGC) to conduct a study concerning the feasibility of allowing retail locations in the commonwealth to operate sports wagering kiosks. The MGC contracted with Spectrum Gaming Group, in collaboration with the Massachusetts Council on Gaming and Health, to conduct the study.

The purpose of this feasibility study is to provide the MGC with information it can provide to the legislature for use in its consideration of implementing retail kiosk sports wagering. This project was approached from a commercial feasibility perspective, determining whether retail sports kiosk wagering would, in the big picture, be financially beneficial for kiosk hosts and for the Commonwealth, then weighing any potential financial benefits against anticipated social impacts brought by the kiosks. Because Spectrum determined that kiosks would not be economically viable, the primary focus of this report is on the analysis of commercial feasibility from which that conclusion was drawn.

What did the researchers do?

Spectrum used a multi-pronged approach to address areas of focus for this study:

- **Interviews:** Spectrum interviewed 123 people for this study, including regulators, kiosk hosts in other states, sports betting operators and suppliers, Massachusetts restaurant and bar owners and managers, public health experts, faith leaders, and 13 people in recovery from disordered gambling. Interviews elicited information on areas of focus for this study such as experiences of kiosk hosts in other states; impacts of sports wagering on MA

- establishments that serve alcoholic beverages; regulatory costs; impacts of sports wagering on public health; sustainability, compliance, and generated by kiosks; and impact of sports wagering on lottery sales.
- **Secondary research:** Spectrum sought and analyzed academic, professional and industry research related to all aspects of retail kiosk sports wagering. Secondary research provided insights on areas of focus for this study including regulatory costs; impacts of sports wagering on public health; impacts of kiosks on potential crime and black-market recapture; considerations for compliance and commercial success; and impact of sports wagering on lottery sales.
- **Data analysis:** Spectrum collected and analyzed data from relevant jurisdictions and research sources, including kiosk performance results, from state gaming and lottery regulators.
- **Online survey** of 167 Massachusetts residents age 21+ who had gambled in the past year.
- **Professional experience:** Each of the lead Spectrum professionals working on this project has multiple decades of experience in gaming-related regulation, operation, analysis, health and welfare, advisory work, gaming-related consulting, or journalism. Spectrum relied heavily on its experience as well in preparing this report.

What did the researchers find?

Experiences in other jurisdictions

- In Ohio, which would be most similar to MA if kiosk wagering were implemented, kiosks generate only a sliver of total statewide sports wagering gross gaming revenue (GGR). In 2023, the kiosks in Ohio generated only \$1.3 million in GGR from an average of 892 kiosks available throughout the state. The retailer's share of this was less than \$200,000, amounting to an average of less than \$225 in revenue per retailer annually.
- Kiosks are expected to have a de minimis impact on statewide sports wagering performance and would have varying minimal impacts on the host establishments themselves.



- Perhaps further limiting the upside potential for kiosk hosts is that digital sports wagering will have been well entrenched in consumer behavior before the first kiosk is installed.
- Despite low volumes of wagering at kiosks in the subject jurisdictions, Spectrum found that most of the 60 kiosk hosts interviewed had a favorable opinion of the devices.
- In Ohio, the regulatory costs exceeded the revenue from the kiosks.

Social and Community Impacts:

- Health and human service interviewees were unanimous in their expression that expanding gambling to sports wagering kiosks would have a negative impact on public health. The pervading sense from the experts interviewed is that the most vulnerable community members will bear the burden of expanded gaming, with any economic benefits being unlikely to reach those who are doing the helping.
- A primary concern as well was that the three subject jurisdictions had not integrated voluntary self-exclusion systems with the retail kiosks.
- Similar to lottery kiosks, sports wagering kiosks could offer easy accessibility to gambling, potentially attracting vulnerable populations like youth and those who are managing recovery from disordered gambling and other types of addiction. Kiosks in public places are likely to increase youth exposure to gambling behavior among family members and other role models. Integration of gambling kiosks in public spaces would shrink the number of gambling-free spaces for families and people in recovery, and it would increase youth exposure to gambling advertisements. These factors are understood to increase the risk of future gambling harm for those exposed youth.
- To address and prevent the risks and harms associated with gambling in public retail settings, it would be essential for the Commonwealth to consider a range of individual, socio-cultural, environmental, and industry conditions.

Impacts on Other Forms of Gambling

- **Lottery:** Thus far, the effect of sports wagering on lottery sales is neutral, or at least unclear. If sports wagering kiosks were to have a negative impact on Massachusetts Lottery sales, Spectrum believes it would be on keno at bars and restaurants. Given that keno has a lower prize payout percentage than other high-performing games such as instant tickets, the impact on the net revenue transferred to the cities and towns as unrestricted local aid could be disproportionate if retailers offering both keno and kiosk sports wagering results in a significant number of players choosing sports wagering over keno.
- **Black Market:** The amount of black-market recapture that can be expected with the introduction of sports wagering kiosks is expected to be nominal at best and likely immaterial to reducing the use of black-market operators.

About the researchers

This study was conducted by Spectrum Gaming Group, an independent consultancy founded in 1993 that specializes in the economics, regulation and policy of legalized gambling worldwide, in partnership with the Massachusetts Council on Gaming and Health. For more information about this report, please contact Joe Weinert at weinert@spectrumgaming.com.

This report also provided operational and security considerations for operating sports wagering kiosks.

Conclusions and Recommendations

Spectrum recommends the following actions to the Commonwealth of Massachusetts in its consideration of authorizing kiosk sports wagering in retail locations:

- **Spectrum recommends that the Commonwealth of Massachusetts not implement kiosk sports wagering because, in the big picture, they conclude that there is little to no economic upside for kiosk hosts and the Commonwealth itself while there is an increased risk of negative social impacts.**
- Should the Commonwealth proceed to implement kiosk sports wagering, Spectrum provides a series of recommendations related to expectations; considerations related to prompting use of kiosk vs phone wagering; rollout; licensing eligibility; the gaming system; considerations related to retailer buy-in and success; regulatory integrity and security; considerations related to competition with other sports wagering channels, including the black market; public/stakeholder engagement; and responsible gaming.

Citation

Spectrum Gaming Group and the Massachusetts Council on Gaming and Health (2024). *Feasibility Study: Prospective Sports Wagering Kiosks in Massachusetts*. Horsham, PA.

<https://massgaming.com/about/research-agenda-search/?cat=social-impact>

Key Words

Economic Impact; Social Impact; Sports Wagering

Acknowledgments

Financial support for this study comes from the Massachusetts Gaming Commission.

About this Snapshot

MGC Snapshots are intended to translate lengthy and sometimes technical reports into an easily understandable overview of the research. The findings and recommendations in the Snapshot are those of the researchers and do not necessarily reflect the position of the MGC.





IN PARTNERSHIP WITH THE MASSACHUSETTS COUNCIL ON GAMING AND HEALTH

FEASIBILITY STUDY:

Prospective Sports Wagering Kiosks in Massachusetts

Prepared for the Massachusetts Gaming Commission
May 2, 2024



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Executive Summary

The Massachusetts Gaming Commission (“Commission” or “MGC”) retained Spectrum Gaming Group (“Spectrum,” “we” or “our”) to “conduct a study into the feasibility of allowing retail locations in the commonwealth to operate sports wagering kiosks. ... As required by the new law, this study should address the feasibility, and the potential economic, public health, and safety impacts of such a decision. It should include a discussion and/or evidence-based recommendations that address whether to do so and how to do so in a way that will maximize benefits and minimize negative consequences, including ways to understand and incorporate diversity, equity and inclusion considerations for retailers, consumers, and communities.”

The purpose of this feasibility study is to provide the MGC with information it can provide to the legislature for use in its consideration of implementing retail kiosk sports wagering. Spectrum approached this project from a commercial feasibility perspective, determining whether retail sports kiosk wagering would, in the big picture, be financially beneficial for kiosk hosts and for the Commonwealth, then weighing any potential financial benefits against anticipated social impacts brought by the kiosks. Because Spectrum determined that kiosks would not be economically viable (see Recommendations chapter below), the primary focus of this report is on the analysis of commercial feasibility from which that conclusion was drawn.

A. Experiences in Other Jurisdictions

For comparative purposes in this report, Spectrum focused on the three jurisdictions where self-service sports wagering kiosks are offered in retail locations on a widespread basis – similar to what may be contemplated in Massachusetts: Montana, Ohio and Washington, DC (“the subject jurisdictions”). There are significant differences among the subject jurisdictions:

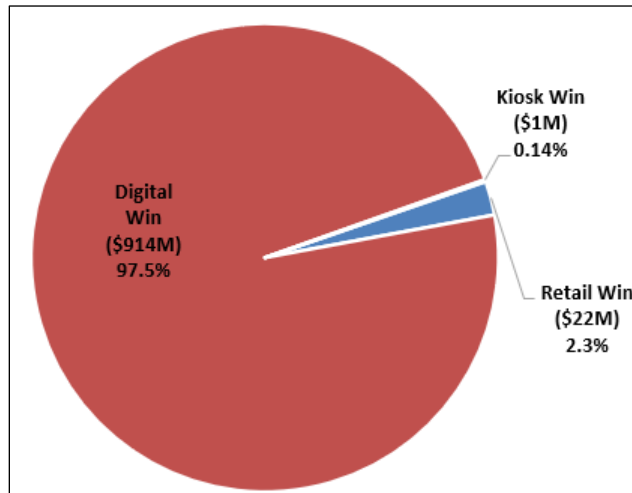
- Montana sports wagering is limited to kiosk locations; digital betting¹ is allowed only on the premises of a kiosk establishment – known as “on-site mobile.” The first approved retail sportsbook at a tribal casino has yet to open.
- Ohio sports wagering is offered at the 11 casinos throughout the state and via digital channels, as well as at retail kiosk locations.
- Washington, DC, sports wagering is offered (1) by the DC Lottery through one digital channel and at kiosks at authorized retail locations and (2) by two classes of private operators: Class A, which is limited to four major sports venues and their associated “near-site mobile” channels within a two-block radius from the sports venues via an associated third-party app, and Class B venues, which are other qualifying business that have kiosks and offer on-site mobile betting.

In Ohio – which would be most like Massachusetts if the Commonwealth were to implement kiosk wagering – kiosks generate only a sliver of total statewide sports wagering gross gaming revenue

¹ Digital = wagering that takes place via internet or mobile channels; also called “online” or “mobile.”

("GGR").² This should not be surprising, as bettors find it more convenient to use the phones in their pockets – for which they have an established wagering account via their preferred apps/providers – than go to a kiosk to place sports bets. In 2023, the kiosks in Ohio generated only \$1.3 million in GGR from an average of 892 kiosks available throughout the state. The retailer's share of this was less than \$200,000, amounting to an average of less than \$225 in revenue per retailer on an annual basis.

Figure A: Ohio sports wagering GGR by segment, 2023



Source: Ohio Lottery, Ohio Casino Control Commission, Spectrum Gaming Group

There are two critical factors about retail kiosk sports wagering to keep in mind when reading this report:

- Kiosk sports wagering is young in the United States; in two of the subject jurisdictions (Montana and DC) it is only four years old, and in the other it is less than two years old.
- Wagering via kiosks, as noted above, is a relatively minor revenue generator, with digital wagering having essentially obviated the need for, and attraction of, kiosks in those jurisdictions where digital wagering is authorized.

Accordingly, Spectrum found that kiosk wagering has generated relatively little attention among regulators, the gaming industry, law enforcement and researchers compared to other forms of gambling.

Looking ahead to potential implementation of kiosk sports wagering in Massachusetts, Spectrum expects that kiosks would have a de minimis impact on statewide sports wagering performance and would have varying minimal impacts on the host establishments themselves. Whereas in Ohio kiosks and digital sports wagering launched on the same day and the kiosks there still barely register on the statewide performance scale, in Massachusetts digital sports wagering will have been well entrenched in consumer behavior before the first kiosk is installed, perhaps further limiting the upside potential for kiosk hosts.

² Gross gaming revenue is the amount of money players wager minus the amount players win, before any expenses or taxes have been deducted. It is the amount of players' net losses.

Despite low volumes of wagering at kiosks in the subject jurisdictions, Spectrum found that most of the 60 kiosk hosts interviewed in the subject jurisdictions had a favorable opinion of the devices. The rules in the three jurisdictions vary considerably, which could impact their reception:

- In Montana, where digital sports wagering is allowed only on the premises of a kiosk establishment, 15 of 20 interviewed kiosk hosts said the kiosks have been an asset for their business and 4 of the businesses said they regretted the installation of a kiosk.
- In Ohio, digital betting is available anywhere in the state and provides a wider range of betting options compared to kiosks. Several kiosk hosts said those are among the reasons the kiosks are little used. Most hosts said they view the kiosks as an amenity to generate additional patrons or to keep their existing patrons on premises longer. Although hosts, generally, said they had not seen many more customers, they still thought the kiosks were worth keeping because they provide their guests with another amenity that may lead to some staying longer.
- In Washington, DC, 13 of the 20 interviewed hosts said the kiosks had added value to their operations. Among those regretting the kiosks, some said the machines were unreliable and take up too much space. Hosts said that the kiosks tend to attract a younger demographic, which they said is a positive.

In general, none of the hosts in the subject jurisdictions said they had hired additional employees due to the implementation of kiosks or that the kiosks had brought trouble with underage betting or customer behavior.

B. Operational Considerations

1) Eligibility

In the subject jurisdictions, eligibility to operate a sports wagering kiosk is subject to the retailer having licenses to conduct restricted sales of other products including alcohol, lottery and gaming. From a licensing and suitability perspective, any kiosk host applicant will have submitted multiple applications that have been reviewed by one or more state agencies prior to being eligible to apply for a kiosk host license.

The standards of operation governing retail lottery sales and lottery kiosks share a high level of consistency with the operation of sports wagering kiosks in terms of cash handling and the ability to aggregate the sale of the products. Considering that the controls for sports wagering kiosks have been modeled to complement existing operations from other activities, it is important to note that sports wagering is a more complex product with more variables and rules governing settlement to consider than those of standard lottery products. Therefore, retailers and their staff may require an additional level of training.

The placement of the kiosks within the retail location is important to their potential success; however, due to the differences in sports wagering vs. traditional lottery products, these kiosks would likely require more supervision and expanded physical and asset security considerations, depending on volume of sales. The IT infrastructure needs of sports wagering kiosks may be different compared to some lottery devices; however, those requirements are not recognized as net new systems or functions and are likely already available in eligible locations. The structural requirements for sports wagering kiosks are consistent with lottery kiosks and other licensed activities the retailer is already conducting.

Sports wagering redemptions are nearly identical to redeeming lottery products; however, it is a roughly 90%-payout-ratio-product that experiences spikes in sales associated with popular sporting events and subsequent spikes in redemptions at the end of such events.

In consideration of the above, Spectrum found that the suitability, operational standards, infrastructure, and cash-handling capabilities of existing lottery retailers would appear to be sufficient to handle the additional sales from sports wagering kiosks.

2) Types of Retailers Best Suited for Kiosks

Creating benchmarks for suitability to offer sports wagering kiosks should go beyond only the capacity to operate compliantly. They should also assess a retailer's suitability – with an emphasis on capacity to generate sales.

Retailer locations of the same theme can differ drastically in their ability to generate sales. As one kiosk host told Spectrum, "We have some locations doing \$50K to \$80K in handle a month and some doing \$1K to \$3K per month." Simply making the kiosks available is not enough. Last year in Ohio, more than half of all sports wagering kiosk host partnerships that ended did so due to lack of sales.

The active sports wagering demographic is narrow, and mass market interest in sports wagering has seasonal bursts, fueled by expanded media coverage and content for a few highly publicized events each year. While considered mainstream as far as availability, Spectrum does not believe sports wagering to be as applicable to a wide range of demographics as are traditional lottery products.

Lotteries and kiosk gaming system providers report that those kiosk hosts able to provide patrons with an atmosphere that incorporates social interactions with viewing sports for a duration perform better than those kiosk hosts that do not. So, a kiosk in a sports bar is likely to do better than a kiosk in a grocery store or gas station, where patron visits are short and sporadic. This is not to say that those retailers unable to replicate this experience due to location type will be unsuccessful; however, their levels of success likely will be measured to correspond with their primary purpose of business and sales of other age-gated products. Retailers that are considered successful at generating sports wagering sales actively program sports wagering into the patron's experience.

If a retailer is successful at programming sports wagering into the patron experience, it still must recognize the likelihood that patrons are wagering via digital means. In states where both digital and retail sports wagering are available, the digital channel generates roughly 90% of the total GGR. This is a challenge for the retailer that they can overcome only by leveraging their location and patron experience to create a value add to the act of betting on kiosk.

While sports wagering can be effectively used as an amenity for some retailers to encourage longer visits or incorporate into a patron's daily routine for incremental sales, it is unlikely that all current lottery retailers are suitable for sports wagering. However, the absence of sports wagering is also unlikely to be of any material consequence to the retailer's primary purpose of business.

3) Regulatory Costs

For an authorizing state, the costs associated with regulating sports wagering kiosks are confined to staffing expenses of the state’s gaming regulatory agency: employees’ salaries, pension payments, and health benefits. Other than staffing, there are no significant operating expenses to regulate sports wagering kiosks. The staffing involves the designation of specific employees to the regulation and oversight of the sports wagering kiosks and their locations. In Spectrum’s experience in gaming regulation, their respective duties and responsibilities include licensing investigations, enforcement, audit functions, administrative duties, financial reviews, technology support, and operational oversight. In addition, at the outset, the staff would draft appropriate regulations and establish relevant policies and procedures for implementing and overseeing sports wagering kiosks.

In evaluating the projected regulatory costs for Massachusetts to implement sports wagering kiosks, Spectrum examined the experience of the most comparable state, Ohio, which implemented the kiosks in January 2023. The Ohio Lottery Commission is entrusted with the responsibility of overseeing the operations of sports wagering kiosks. In this regard, the Lottery Commission is responsible for establishing rules and regulations of the program and ensuring compliance with them. The same would naturally apply to the Massachusetts Gaming Commission’s Enforcement Bureau.

In January 2023, Ohio’s statewide program went into effect. At year end, Ohio reported regulatory costs of \$650,000 – as compared to \$305,000 in state revenue realized from the kiosks. Thus, the regulatory costs exceeded the revenue from the kiosks. Spectrum believes Ohio’s regulatory costs should remain consistent in the forthcoming years.

For Massachusetts, the MGC staffing necessary to implement and oversee sports wagering kiosks would depend on the number of authorized establishments. The addition of hundreds or thousands of sports wagering kiosks into the field – which would require quarterly and intermittent audits of their cash-handling transactions – would likely require significantly more resources to effectively regulate the kiosk program than exist within the Commission today. The Commission’s Investigations and Enforcement Bureau has experienced staff with the expertise needed to oversee this operation. Based on Spectrum’s experience in gaming regulatory matters, we believe the transition from regulating casino operators to regulating wagering kiosks would be relatively seamless.

C. Impacts of Kiosks

1) Social and Community Impacts

A key purpose of this study is to consider the social and economic costs and benefits to groups historically marginalized from economic opportunities in the Commonwealth. In two interviews, it was mentioned that if there was a sincere interest in benefiting small businesses, a sports wagering kiosk program should have been considered as part of the Commonwealth’s 2011 Expanded Gaming Act or, at the very least, before the launch of sports wagering last year. Retroactively working to fit small businesses into a possibly saturated sports wagering market – when the public is not clamoring for this type of gambling – seems “too late,” according to some of the people interviewed. Spectrum observed that the most prominent group advocating for kiosks are restaurant owners in western Massachusetts – i.e., in the

area around the MGM Springfield casino – who felt overlooked during the initial efforts to expand gaming in the region.

During our one-on-one interviews with Massachusetts trade associations, the majority of those interviewed did not believe that sports wagering kiosks would receive an enthusiastic response from their members. Spectrum observed that there was an exception: A group called NE Games LLC, representing roughly 100 majority minority-owned retail establishments in the Commonwealth, wrote a letter expressing that they felt overlooked during the initial efforts to expand gaming in the region and hoped to benefit from any future expansion.

If retail kiosks were pursued, the inclusion of minority business owners could employ the models of Washington, DC, and Maryland, where businesses owned by members of communities of color were prioritized for technical assistance and licensing to become sports wagering hosts or operators. The economic benefit of these kiosks to marginalized communities is unclear, and the public health cost is even less clear.

Key informant interviews were done with 15 people representing public health and human service interests, and they were unanimous in their expression that the public health impact of expanded gambling to sports wagering kiosks would have a negative impact on public health. Despite impoverished and economically fragile communities already bearing the disproportionate burden of gambling disorder, it was noted that in Black and Latino communities, religious organizations provide many of the services in response to these gambling crises, and they are not eligible for community mitigation funds and other sources of funding collected through gaming revenues. The pervading sense from the experts interviewed is that the most vulnerable community members will bear the burden of expanded gaming, with any economic benefits being unlikely to reach those who are doing the helping. Several stated that kiosks would be beneficial only if they replaced users' digital or casino sports wagering activity.

Gambling expansion cannot be unlinked with an increase in a prevalence of gambling problems. The literature points to sports wagering as being a particularly problematic form of betting, with a higher percentage of players experiencing mental distress and gambling addiction than some other forms of gambling. Studies of problem gambling sports bettors suggested that they were more likely to experience substance use issues and face unstable housing situations, pointing to additional risk factors already present in this population. National studies have reported higher risks for problem gambling among sub-groups, including young males, ethnic minorities, veterans and individuals with mental health or substance use disorder issues.

A primary concern among the 15 people representing public health and human services interests of retail kiosks was that the three subject jurisdictions had not integrated voluntary self-exclusion systems with the retail kiosks. Ohio reported that it would be cost-prohibitive to have retailers consult a self-exclusion database. In all three states, people on the self-exclusion lists can gamble using retail sports kiosks. With the priority that the Massachusetts Gaming Commission puts on self-exclusion, this would need to be an issue that is carefully considered when weighing economic and social costs. At a time when the Commonwealth is looking to expand and streamline self-exclusion, it could be harmful to proceed with retail kiosks without this protection in place.

Similar to lottery kiosks, sports wagering kiosks could offer easy accessibility to gambling, potentially attracting vulnerable populations like youth and those who are managing recovery from disordered gambling and other types of addiction. Kiosks in public places are likely to increase youth exposure to gambling behavior among family members and other role models. Integration of gambling kiosks in public spaces would shrink the number of gambling-free spaces for families and people in recovery, and it would increase youth exposure to gambling advertisements. These factors are understood to increase the risk of future gambling harm for those exposed youth.

Furthermore, understanding the co-occurrence of gambling and alcohol consumption in retail settings such as sports bars, and its impact on public health, is also crucial for developing effective regulation and harm-minimization strategies.

To address and prevent the risks and harms associated with gambling in public retail settings, it would be essential for the Commonwealth to consider a range of individual, socio-cultural, environmental, and industry conditions. In particular, how social norms, peer influences, and immediate settings intertwine to influence risky gambling behaviors, particularly among young men, who are most likely to bet on sports.

2) Security Impacts and Considerations

There are distinct differences between lottery products and sports wagering products that current retail operators may not be familiar with and that present new considerations for cash handling, volume of transactions and wager statuses that go beyond merely win or lose. Creating more venues for cash wagering may create more risks of robbery for patrons carrying amounts of cash that could be defined as extraordinary for that location or time of day.

The introduction of additional financial instruments such as vouchers, whose use and redemption are anonymous up to a certain amount, creates increased risk of financial crimes related to money laundering. This risk is further heightened due to the mechanics involved with sports wagering and the ability to structure wager outcomes for a cost via early cash-out or wagering heavy favorites with low returns meant only to launder the risk amount. Utilizing a network of patrons to conduct such activities – with wager placement and redemption occurring in different locations – further exacerbates the potential for such activities to go undetected unless the gaming system provider’s own security team is employing sophisticated measures of detection and prevention.

These risks appear inconsequential when analyzing the responses from Spectrum interviews. However, the current process in Ohio of detecting and reporting incidents relies on multiple parties working in sync. In a retailer-supplier setting this is likely not always the case, thus it is reasonable to expect at the very least there is a failure to report 100% of such incidents.

Nearly all of the aforementioned risks can be deterred with the proper restrictions and wager/redemption limits; however, in doing so, there is an expectation that the utilization of sports wagering kiosks would deteriorate in favor of a licensed mobile or black-market operator where the experience is more convenient and increased options and products are available.

With the understanding that the intended placement of sports wagering kiosks would be at any retail location that is approved for selling lottery products (as current retailers are practiced in monitoring gaming machines), the same risks and potential for criminal activity regarding lottery sales that is present today is expected to be amplified with the introduction of sports wagering.

3) Impacts on Other Forms of Gambling

Lottery

There are no studies directly examining the effect of sport betting kiosks on lottery revenue, as the kiosk industry in the United States is in its infancy. A study published in December 2023 examined the effects of sports wagering (both digital and retail) on casino gambling and lottery, focusing on Iowa, Pennsylvania and Rhode Island for the lottery impacts. (None of those states has retail sports wagering kiosks). The study did show an insignificant association with retail sports wagering and lottery revenue while finding a positive association between digital sports wagering and lottery sales.

Thus far, the effect of sports wagering on lottery sales is neutral, or at least unclear. Based on lottery sales over the last several fiscal years, sports wagering does not appear to be having an impact on lottery sales in the three subject sports wagering kiosk jurisdictions (Montana, Ohio and Washington, DC). However, given the rapid expansion of gaming overall across the country – be it casinos, internet casino gaming, sports wagering, or new lottery channels – it difficult to attribute any change in lottery sales to a new form of gaming.

In Massachusetts, sports wagering kiosks are a potential consumer option to keno because they have similar sales locations; i.e., bars and restaurants. Keno is the second most productive game for the Massachusetts Lottery, accounting for 20% of all Lottery sales over the last two fiscal years. The strongest Massachusetts keno sales occur in bars and restaurants. If sports wagering kiosks were to have a negative impact on Massachusetts Lottery sales, Spectrum believes it would be on keno at bars and restaurants.

Over the last two fiscal years, Massachusetts keno had \$1.2 billion in sales. Given that keno has a lower prize payout percentage than other lottery products – i.e., a greater percentage is returned to the Commonwealth from keno wagers – the impact on the net revenue transferred to cities and towns as unrestricted local aid could decline if a significant number of players were to choose sports wagering over keno.

Black Market

Sports wagering kiosks and their placement in locations where lottery products are sold are often used as an opportunistic approach to drive increased revenues from sporting events that receive a high amount of publicity, such as a team rivalries, national/league championships, or pay-per-view events. Sports wagering itself is not the sole or primary purpose for the patron to be in the vicinity of a sports wagering kiosk in the first place; more likely, it is a viewing party at a sports bar or other socially driven activity.

These types of players are part-time recreational at best, likened to lottery players who buy only when jackpots reach a highly publicized amount, and these players would not necessarily need the services of the black market. Therefore, their wagering activities could be assumed to have little to no

impact on market share recapture from the black market, as these same patrons likely do not participate with black market operators today.

The premeditated nature of engaging with a black-market operator for one reason or another is unlikely to be influenced by the presence of a local sports wagering kiosk, as the players have already established a line of credit, have a funded account that does not require cash, and enjoy the convenience of using their mobile device for all wagering activities.

Sports wagering naturally attracts a younger demographic, however as the proliferation of the “Internet of Things” continues to replace in-person or tangible interactions, use of kiosks would appear to be a high barrier to entry for younger patrons accustomed to utilizing their mobile phones for everything from their wallet to placing food orders to gaming.

In short, the amount of black-market recapture that can be expected with the introduction of sports wagering kiosks is expected to be nominal at best and likely immaterial to reducing the use of black-market operators.

D. Primary Recommendation

Based on the totality of the research and analysis for this report, and based on the extensive experience of the experts contributing to this report, Spectrum recommends that the Commonwealth of Massachusetts not implement kiosk sports wagering. We conclude that, in the big picture, there is little to no economic upside for kiosk hosts and the Commonwealth itself while there is an increased risk of negative social impacts. In Ohio, which is most similar to Massachusetts among comparison jurisdictions, kiosk wagering last year generated only 0.14% of total, statewide sports wagering revenue – despite being launched at the same time as digital and in-casino retail wagering. Although kiosks could provide modest economic benefits to some small businesses, given the de minimis results in Ohio (an average of less than \$225 in direct kiosk revenue per retailer annually) it is uncertain whether kiosk program participants in Massachusetts – consumers, hosts and vendors – would experience the economic benefit needed to justify the costs and efforts that we believe would be required to support such a program and ensure its commercial viability.

Recommendations

Based on the totality of the research and analysis for this report, and based on the extensive experience of the experts contributing to this report, Spectrum recommends that the Commonwealth of Massachusetts not implement kiosk sports wagering because we conclude that, in the big picture, there is little to no economic upside for kiosk hosts and the Commonwealth itself while there is an increased risk of negative social impacts.

In Ohio, which is most similar to Massachusetts among comparison jurisdictions, kiosk wagering last year generated only 0.14% of total, statewide sports wagering revenue – despite being launched at the same time as digital and in-casino retail wagering. In Massachusetts, the introduction of kiosk wagering would likely occur two years or more after the introduction of digital wagering, which has become well entrenched; it would be the first jurisdiction to introduce kiosk wagering after digital wagering. Further, it is uncertain whether the Commonwealth’s share of kiosk revenues would even cover the associated increase in regulatory costs; in Ohio last year, they did not. Although kiosks could provide modest economic benefits to some small businesses, given the de minimis results in Ohio (an average of less than \$225 in direct kiosk revenue per retailer annually) it is uncertain whether kiosk program participants in Massachusetts – hosts, vendors and the Commonwealth – would experience the economic benefit needed to justify the costs and efforts that we believe would be required to support such a program and ensure its commercial viability.

Furthermore, the implementation of kiosk sports wagering would require additional vigilance by the Commonwealth in terms of public health (such as underage and problem gambling), societal impacts (such as crime), and regulatory burden, which may not be rationalized by the expected low participation and minimal revenues associated with kiosk wagering. The implementation of kiosks would require navigating several inherent challenges to achieve economic feasibility, particularly when balancing promotional efforts with social responsibility goals. Aggressive marketing tactics used to enhance consumer engagement and drive sales could conflict with social and ethical responsibility goals of the Commonwealth. There are specific social impacts to consider, such as the potential influence on minors and the exacerbation of problem gambling behaviors. The Commonwealth would also have to consider the broader social implications of kiosk placement and operation, such as near schools or in communities at higher risk of gambling harm. Ensuring that promotional strategies and kiosk placement and operation do not unintentionally target vulnerable groups, like minors and individuals struggling with gambling addiction, would be crucial for maintaining ethical standards.

If the Commonwealth were to proceed in implementing kiosk sports wagering, Spectrum recommends the following actions:

- Keep expectations realistic. Massachusetts residents who are interested in sports wagering will likely have had two years or more to become accustomed to wagering via their smartphones, on which they have established accounts and a wider array of betting options than kiosks in other states currently offer. Expecting them to change their habits to bet at a kiosk in a bar or restaurant is unrealistic. Sports wagering kiosks may be a modest source of direct or indirect revenue for some host establishments, but they are unlikely to generate

significant direct income. Ultimately, the public will decide with their wallets whether a kiosk program is successful.

- Consider ways to prompt retailers to encourage patrons to use the kiosks rather than their phones. This could be done by allowing a bet type that is not available on mobile devices, or by providing an incentive to use a kiosk. At the very least, do not disincentivize patrons by prohibiting kiosk bets that are available on their phones. (Ohioans, for instance, can bet on horse racing on their phones but not on a kiosk.)
- Employ a slow rollout of kiosks – perhaps in designated phases by number of locations or number of machines – to regularly measure any impact on Massachusetts Lottery sales, with a specific eye on keno sales. Such a rollout would further allow the Commission to monitor issues relating to social and community impacts.
- Retailer licensing eligibility should be dependent on existing licenses required to conduct cash sales of age-gated products, such as alcohol and lottery, and that are found to be in good standing.
- Mandate a single gaming system provider be licensed by the Massachusetts Gaming Commission to provide sports wagering hardware and wagering services to the proposed network of licensed retailers. This would ensure consistency in the settlement of all winning wagers that can be redeemed with any retailer regardless of where the wager is made within the network. The Commonwealth should create a strict set of product requirements and service-level agreements to which the selected provider would have to adhere, and may require continual investment in new product functions and features. With the provider receiving access to 100% of the market, the economics are much easier to manage from an investment in technology perspective.
- To help ensure retailer buy-in and success:
 - Establish a minimum amount of lottery and/or alcohol sales required to qualify for a sports wagering kiosk license. This is intended to ensure reasonable revenues are derived that would justify the regulatory, public health and social impacts monitoring required of such regulated products.
 - Commission the creation of a Location Viability Assessment used to profile an applicant's potential to meet minimum sales goals based on location of sports wagering kiosks within the premises, average purchase per patron per visit, retailer's physical location and infrastructure, and addressable demographics. Should a retailer not be able to generate minimum sales due to the profile and infrastructure of their location, the risk associated with making additional regulated products available in that location is likely unjustified.
 - Require each retailer to provide a marketing and business plan to support sales, including a floor plan for placement of kiosks and marketing assets with logical access to patrons.
 - Require a minimum amount of sports wagering sales for each retailer within a 90-day period that takes into consideration the seasonality of US sports wagering.
 - Require sports wagering kiosk providers to maintain multiple products and functions to curate patron engagement campaigns by retailers through the use of contests and sweepstakes promotional tools and second-chance-to-win opportunities, similar to methods used by lotteries today.

- Create a loyalty program for retailers to promote that is in line with mobile sports wagering operators to provide added value to sports kiosk wagering.
- Ensure that sports wagering kiosk gaming system providers are offering a competitive product packaged specifically for consumption in a retail setting, whether it be for consistent, sustained visits or for a short, occasional visit.
- To ensure regulatory integrity and security:
 - Create thresholds for security and surveillance requirements based on a kiosk host location's size, floor plan and maximum patron capacity.
 - Establish cash-management requirements based on wagering and settlement volumes of the individual retailer to ensure adequate anti-money-laundering procedures are in place.
 - Require detailed anti-money-laundering initiatives from the sports kiosk gaming system provider for proactively detecting and deterring potential risks of money laundering and tracking suspicious activity.
 - Commission the use of third-party data analysis to conduct detailed analysis of wagering and settlement activity among retail locations to detect potential organized betting activity among multiple individuals or retail locations.
 - Mandate sports wagering gaming system providers provide a mobile redemption method for patrons to claim winnings electronically and remove the need for cash transactions.
 - Establish operational and auditing functions required of any sports wagering kiosk gaming system provider that are consistent with the MGC's retail wagering minimal internal controls.
 - Mandate a Commonwealth-approved training program for all retailer employees designed to educate on identifying potential criminal activities that could be facilitated with the sports wagering kiosks.
- To compete with other channels of sports wagering, including the black market:
 - Ensure that sports wagering kiosk gaming system providers are offering a competitive product packaged specifically for consumption in a retail setting, whether it be for consistent, sustained visits or for a short, occasional visit.
 - Work with the Massachusetts Lottery to cross-sell lottery products with sports wagering to provide value-add opportunities that no other sports wagering operators can match.
 - Create a loyalty program for retailers to promote that is in line with mobile sports wagering operators to provide added value to sports kiosk wagering.
 - Require sports wagering kiosk providers to support mobile redemptions of winning wagers.
- Invite public/stakeholder comment regarding the potential restriction of kiosks in geographic areas around casinos that offer their own sports wagering products, given the casinos' substantial capital investment in their facilities.
- To ensure that kiosk wagering is implemented in a responsible manner:

- As the Massachusetts Lottery did in initially restricting the placement of keno near schools and allowing for local objection to the presence of the game, the Massachusetts Gaming Commission should consider developing restrictions regarding the placement of sports wagering kiosks near schools while also providing host municipalities an opportunity to object to the placement of sports wagering kiosks in certain locations. These provisions will help to protect vulnerable individuals while also fostering community involvement and investment.
- Retail kiosks should be restricted to establishments that cater to adults, such as bars and nightclubs and avoid family-friendly venues such as bowling alleys and grocery stores.
- Kiosks would need to have automated age ID verification systems and be in the line of sight of employees. Employees would require training in age verification, and we would recommend compliance checks to ensure that people under the age of 21 are not able to access these machines.
- Retail kiosks should tie into appropriate IT systems to ensure that integrity of the Massachusetts Voluntary Self Exclusion (“VSE”) Program. This would require a valid ID that can be assessed for age appropriateness, match to debit card, and VSE status.
- Kiosks should display responsible gaming and problem gaming messaging to keep players safe and offer precommitment tools such as PlayMyWay that allow players to set play and budget limits.
- Any decision that would allow kiosks in communities at higher risk of gambling harm should have additional measures put in place to ensure that burden of gambling harm on local social service systems is addressed.
- Applications for licenses, employee training and regular compliance checks for age and VSE compliance could be managed by the MGC or a vendor, and human resources capacity would be dependent on the number of venues throughout the state.
- Reassessment of the cost on the cost/benefits ratios of retail kiosks should be done annually to identify areas for improvement.
- Betting behavior using retail kiosks should be included in future Massachusetts prevalence studies.

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Introduction

The Massachusetts Gaming Commission (“Commission” or “MGC”) in January 2023 issued a request for response (“RFR”) to

... conduct a study into the feasibility of allowing retail locations in the commonwealth to operate sports wagering kiosks. For the full text, please visit <https://www.mass.gov/info-details/mass-general-laws-c23n-ss-20>. As required by the new law, this study should address the feasibility, and the potential economic, public health, and safety impacts of such a decision. It should include a discussion and/or evidence-based recommendations that address whether to do so and how to do so in a way that will maximize benefits and minimize negative consequences, including ways to understand and incorporate diversity, equity and inclusion considerations for retailers, consumers, and communities.

The Commission selected Spectrum Gaming Group (“Spectrum,” “we” or “our”) after a competitive RFR process and in August 2023 formally retained us to undertake the study.

The purpose of this feasibility study is to provide the MGC with information it can provide to the legislature for use in its consideration of implementing retail kiosk sports wagering. Spectrum approached this project from a commercial feasibility perspective, determining whether sports kiosk wagering would, in the big picture, be financially beneficial for kiosk hosts and for the Commonwealth, then weighing any potential financial benefits against anticipated social impacts brought by the kiosks. Because Spectrum determined that kiosks would not be economically viable, the primary focus of this report is on the analysis of commercial feasibility from which that conclusion was drawn.

A. Scope of Study

The RFR (#2023-MGC Kiosk) requires the kiosk study to, at a minimum, answer the following questions:

1. What is the economic impact of the existing sports wagering market on retail establishments that serve alcoholic beverages for on premises consumption, such as restaurants and bars?
2. What are the essential requirements for a retail setting to host a sports wagering kiosk?

Including but not limited to:

- Capacity to comply with social responsibility and other regulatory requirements, including monitoring and data collection requirements
 - Applicability of pre-existing licenses and related compliance infrastructure in retail locations that provide restricted products such as alcohol for on-premises consumption
 - Money-handling capacity and methods for accepting wagers and providing payouts and winnings
 - Human resources capacity and requirements, including skills and training
3. What types of retail settings may be best suited to hosting sports wagering kiosks?
 4. What are the anticipated economic impacts of sports wagering kiosks at retail locations?

- On various types of retail locations? For example, retail establishments that serve alcoholic beverages for on premises consumption, such as restaurants and bars; retail establishments that sell alcohol for off-premises consumption, such as package stores; veterans' and fraternal organizations, or retail establishments that do not sell alcohol?
 - For other population groups such as minority communities, or those living far from in-person wagering locations?
 - For minority-owned businesses?
 - For the Commonwealth?
 - For retail locations that do not offer sports wagering kiosks?
5. What are the anticipated impacts on the Massachusetts Lottery, particularly in the context that many of the potential retail locations would likely offer both lottery products and sports wagering?
 - Is there evidence indicating that cannibalization of the lottery by sports wagering kiosks may occur?
 - What is the projected impact on the Lottery's contribution to unrestricted local aid to cities and towns?
 - What are recommendations to mitigate adverse impact to the Lottery's contribution to unrestricted local aid (if adverse impact is projected)?
 6. What are the anticipated public health impacts of sports wagering kiosks at retail locations, and particularly public health impacts for populations most at-risk for problem gambling?
 - What kinds of measures should be considered to promote responsible gaming in order to minimize gambling-related harm and maximize player choice?
 - What kinds of measures should be considered to restrict access to kiosks for people on the Voluntary Self-Exclusion list?
 7. What are the anticipated security, safety, and potential crime-related impacts of sports wagering kiosks at retail locations?
 - Crime related to cash transactions both within retail locations and in the community?
 - For consumer protection and enforcement of age restrictions?
 8. What are the costs associated with regulation, monitoring, investigation, and enforcement related to sports wagering kiosks?
 - For the MGC Investigations and Enforcement Bureau?
 - For other agencies in the Commonwealth?
 9. What is the anticipated market recapture from the black market if sports wagering kiosks are available at retail locations?
 - What are the anticipated economic and public health impacts of market recapture, particularly in communities far from authorized in-person sports wagering?
 10. What is the anticipated impact on minors of sports wagering kiosks at retail locations which allow persons under the age of 21 to enter?

- What measures should be considered to prevent persons under the age of 21 accessing a sports wagering kiosk in a restaurant or bar which permits persons under the age of 21 to enter?
11. What if any, are the anticipated cannibalization effects on casino and sports wagering operators licensed by the MGC?
 12. If kiosks are implemented in retail settings, how frequently should public health, safety, and economic impacts of sports wagering kiosks be reassessed by the Commission?

Spectrum worked closely with the Massachusetts Council on Gaming and Health (“MACGH” or “Council”) to complete this study. In addition to its resident expertise in gambling-related public health, the MACGH has extensive research capabilities and has had a working relationship with the Commission for 12 years.

B. Methodology

The Spectrum project team of 10 professionals relied on the following primary methodologies and resources in undertaking this study:

- **Interviews:** Spectrum interviewed 123 people for this study, including regulators, kiosk hosts in other states, sports betting operators and suppliers, Massachusetts restaurant and bar owners and managers, public health experts, faith leaders, and 13 people in recovery from disordered gambling. We found that their insights and experiences were perhaps the most valuable results of our study.
- **Secondary research:** Spectrum sought and analyzed academic, professional and industry research related to all aspects of retail kiosk sports wagering.
- **Data analysis:** We collected and analyzed data from relevant jurisdictions and research sources, including kiosk performance results, from state gaming and lottery regulators.
- **Our experience:** Each of the lead Spectrum professionals working on this project has multiple decades of experience in gaming-related regulation, operation, analysis, health and welfare, advisory work, gaming-related consulting, or journalism. We relied heavily on our experience in preparing this report. Our expertise provides a level of depth to this study that cannot be found in studies that lack such first-hand experience.

The data used in this report are believed to be reliable. This study includes estimates, assumptions, and other information developed by Spectrum from its independent research efforts and general knowledge of the gaming industry.

Specific methodologies used in this report are as follows:

Experiences of Kiosk Hosts in Other States: Spectrum interviewed 20 kiosk hosts by telephone in each of Montana, Ohio³ and Washington, DC. We sought a mix of urban, suburban and rural hosts in Montana and Ohio and as diverse a sampling as possible in Washington. We believe that interviews with 20 hosts in each jurisdiction provided us with a sufficient range of opinions and insights. We asked each

³ Some interviews in Ohio were conducted in person.

host a set of scripted questions (see Appendix), plus follow-up questions when warranted. Our interviews were designed to elicit qualitative insights regarding how the kiosks have impacted business volumes, customer behaviors, and the cost of doing business, as well as to glean their general experiences and viewpoints regarding this gambling segment. We believe the insights that follow will prove valuable for the Commonwealth of Massachusetts and its prospective kiosk hosts as it considers implementing this sports wagering channel. Spectrum found that few kiosk hosts in the subject jurisdictions were willing to discuss their experiences on the record for this study, for whatever reason. It was not until we assured them that neither they nor their establishments would be identified in this report that we received our desired level of cooperation from kiosk hosts. The assurance of anonymity, we found, also resulted in them speaking more candidly, which is of benefit to this report. Not all hosts answered or were asked all questions – some because they chose not to, some because Spectrum sensed they were eager to end the call, and with others Spectrum abbreviated the questioning if they initially indicated that the kiosks were being little-used. Where we received at least 10 responses to yes/no questions (see Appendix for interview guides), we have quantified the responses in the narrative discussion. In Ohio, we further interviewed an additional six kiosk hosts by phone with questions of a more technical nature, using the same methodologies described above.

Impacts of Sports Wagering on Massachusetts Establishments that Serve Alcoholic Beverages:

Spectrum interviewed 20 restaurant and bar owners or managers across the state by telephone. We believe that interviews with 20 restaurants/bars provided us with a sufficient range of opinions and insights into how existing sports wagering has impacted their business. We asked each restaurant/bar a set of scripted questions (see Appendix), plus follow-up questions when warranted. Where we received at least 10 responses to yes/no questions, we quantified the responses in the narrative discussion. Our interviews were designed to elicit qualitative insights regarding how legal sports wagering has impacted business volumes and customer behaviors. To be consistent with our interviews in other states, we anonymized the responses.

Regulatory Costs: Spectrum relied on its vast experience in gaming regulatory matters to evaluate regulatory costs. In addition, Spectrum reviewed the experiences in Ohio for comparison purposes. Spectrum accessed media accounts regarding the regulatory costs in Ohio. We also contacted Ohio regulatory officials to confirm the information we had obtained.

Impacts of Sports Wagering on Public Health: Sports wagering kiosks are a new frontier in gambling expansion in the United States and because of this, a literature review was conducted that considered existing research relevant to the implementation of sports wagering kiosks in Massachusetts. To this end we considered data looking at potential harm from sports betting behaviors in the United States in general and Massachusetts in particular. We also looked at literature from countries where gambling kiosks have been legal for some time and where there is more literature available on the impact on youth, both in terms of exposure to advertising as well as the normalization of gambling in this manner. In addition, we reached out to a wide range of leadership from various sectors that might be impacted should sports wagering kiosks be authorized. This included community-health-related organizations, business and trade associations that might be impacted, and lotteries that have sports wagering kiosks as part of their gaming portfolios. We asked each executive director scripted questions plus follow-up

questions when warranted. Our interviews were designed to elicit qualitative insights regarding how the kiosks might impact the health and well-being of the communities they serve. The interviews were not presented as confidential, and those interviewed spoke as representatives of their organizations. Finally, a group interview was conducted with the Recovery Advisory Board for the MACGH. This is a group of 13 individuals who have lived experience of gambling harm. In addition to the group discussion, members submitted written responses to some key questions. No identifiers were used in collecting the written information.

Online Kiosk Survey: The Massachusetts Council on Gaming and Health conducted an online survey investigating the likelihood of use of retail-located sports wagering kiosks in Massachusetts, among those who have gambled within the past year. To obtain a quality sample, the survey utilized Symmetric, an online sampling services company that specializes in high-value representative samples with scientific sampling methods and advance fraud-detection systems.

- The total sample controlled for the following criteria:
 - 100% of the sample was residents of Massachusetts.
 - 100% of the sample was adults 21+ years of age (sports betting minimum age).
 - 100% of the sample had to have played at least one of the following activities in the past year: Lottery (scratch), Lottery (daily numbers and other drawing games), Casino (slots), Casino (table, roulette, poker), Sports betting (using an app) or Sports betting (at casino sportsbook).
 - An attempt was made to be able to collect useful samples from both genders, stratified across age groups.
- In total, 167 respondents were included in the screened sample.

Interviews with Regulators and Suppliers in jurisdictions currently offering Sports Wagering Kiosks: Using the same methodologies described in the Kiosk Host interviews, Spectrum took a similar approach to its interviews with the regulators in Ohio, Montana and Washington, DC, with a focus on sustainability, compliance, and value the kiosks generate. While Montana and Washington, DC, utilize a single supplier for all of their kiosks state-wide, Ohio is the only free market in terms of who can supply and distribute kiosks. Spectrum chose to interview the two suppliers who only serve the Ohio market to understand the economics of kiosk distribution and operational considerations that materially impact their business.

Impacts of Kiosks on Potential Crime and Black-Market Recapture: There are no verified statistics related to crime associated with sports wagering kiosks, nor the black-market penetration in Massachusetts. Instead, Spectrum professionals used their experience in the industry related to best practices, criminal detection and deterrence in gaming using standard regulations and procedures as a baseline for comparing risks associated with regulated gaming products made available outside standard regulated gaming establishments. When analyzing the anticipated black-market recapture, consumer trends and commercial viability were taken into account, along with activities that Spectrum knows to occur today in most jurisdictions despite the availability of regulated gaming products.

Considerations for Compliance and Commercial Success: Per the statements offered by Spectrum related to the reasonings for exploring expanded gaming distribution in Massachusetts, Spectrum took a strictly commercial and compliance sustainability approach. While Spectrum may not agree that all existing retailers that are eligible to offer kiosks should be allowed to, an unbiased and logical analysis was performed using what Spectrum believes to be best business practices from an operator perspective meant to ensure viability and commercial success that justifies the potential added risks they present to societal health and criminal activity.

Impact of Sports Wagering on Lottery Sales: Spectrum interviewed the Massachusetts Lottery Executive Director, the President of DC09 (operator of sports betting for the DC Lottery), and the Connecticut Lottery’s Director of Legal and Business Affairs – Sports Betting to gather information, perspective and available data on the impact of sports betting on lottery sales and operations. We also reviewed the limited studies available on the issues of the introduction of sports betting on other forms of gaming and lottery sales. We also reviewed public reports and news reports on sports betting and lottery with a focus on annual and financial reports issued by the target lotteries.

C. Definition of Terms

The following terms are used in this report:

- **Age-Gating:** Any number of methods used by the offeror of age-restricted products or activities to confirm the user’s age.
- **Digital:** Any type of gaming (casino, sports betting, poker, lottery) that takes place via internet or mobile channels; as opposed to retail gaming. Also called “online” or “mobile.”
- **Gross Gaming Revenue (“GGR”):** The amount of money players wager minus the amount players win, before any expenses or taxes have been deducted. Viewed another way, it is the amount of players’ net losses.
- **Handle:** The amount of money wagered.
- **Hold:** The percentage of money wagered “held,” or won, by the gambling device or gambling provider.
- **Igaming:** Casino-style games played via the internet, whether on a mobile device, personal computer, or other online device. For the purposes of this report, igaming excludes digital sports betting. Also called “icasino” or “online casino.”
- **Ilottery:** Lottery games offered via digital channels.
- **Kiosk:** An automated, self-service terminal that allows players to wager on sporting events. Also called a “self-service betting terminal,” or “SSBT.”
- **Kiosk Host:** As used in this report, an establishment offering one or more sports wagering kiosks. Can also refer to a proprietor with multiple kiosk establishments.
- **Kiosk Supplier:** A licensed distributor of certified gaming equipment required to conduct kiosk sports wagering.
- **Racino:** A portmanteau from “racetrack casino,” where casino games are offered in a pari-mutuel wagering facility.

- **Retail:** Gaming that takes place in person at a facility open to the public, including at a physical casino or retail outlet; as opposed to digital gaming. Sometimes called “brick-and-mortar” or “land-based.”
- **Return to Player, or Payout Percentage:** The percentage of a wager that, on average, is won by the player.
- **Sports Wagering Kiosk Provider:** State-licensed suppliers of the kiosk hardware and software solutions distributed to kiosk hosts.

D. About Spectrum Gaming Group

This report was prepared by Spectrum Gaming Group, an independent consultancy founded in 1993 that specializes in the economics, regulation and policy of legalized gambling worldwide. Our principals have backgrounds in operations, economic analysis, law enforcement, regulation, research and journalism.

Spectrum holds no beneficial interest in any casino operating companies or gaming equipment manufacturers or suppliers. We employ only senior-level executives and associates who have earned reputations for honesty, integrity and the highest standards of professional conduct. Our work is never influenced by the interests of past or potential clients.

Each Spectrum project is customized to our client’s specific requirements and developed from the ground up. Our findings, conclusions and recommendations are based solely on our research, analysis and experience. Our mandate is not to tell clients what they want to hear; we tell them what they need to know. We will not accept, and have never accepted, engagements that seek a preferred result.

Spectrum serves as Executive Director of the non-partisan National Council of Legislators from Gaming States, a testament to the credibility, quality and independence of our work

Our clients in 44 US states and territories, and in 48 countries on 6 continents, have included government entities of all types and gaming companies (national and international) of all sizes, both public and private. In addition, our principals have testified or presented before the following governmental bodies:

- Brazil Chamber of Deputies
- British Columbia Lottery Corporation
- California Assembly Governmental Organization Committee
- Connecticut Public Safety and Security Committee
- Florida House Select Committee on Gaming
- Florida Senate Gaming Committee
- Georgia House Study Committee on the Preservation of the HOPE Scholarship Program
- Georgia Joint Committee on Economic Development and Tourism
- Illinois Gaming Board
- Illinois House Executive Committee
- Indiana Gaming Study Commission
- Indiana Horse Racing Commission
- International Tribunal, The Hague

- Iowa Racing and Gaming Commission
- Louisiana House and Senate Joint Criminal Justice Committee
- Massachusetts Gaming Commission
- Massachusetts Joint Committee on Bonding, Capital Expenditures, and State Assets
- Michigan Senate Regulatory Reform Committee
- National Gambling Impact Study Commission
- New Hampshire Gaming Study Commission
- New Jersey Assembly Regulatory Oversight and Gaming Committee
- New Jersey Assembly Tourism and Gaming Committee
- New Jersey Senate Legislative Oversight Committee
- New Jersey Senate Wagering, Tourism & Historic Preservation Committee
- New York Senate Racing, Gaming and Wagering Committee
- New York State Economic Development Council
- North Dakota Taxation Committee
- Ohio House Economic Development Committee
- Ohio Senate Oversight Committee
- Pennsylvania Gaming Control Board
- Pennsylvania House Gaming Oversight Committee
- Puerto Rico Racing Board
- US House Congressional Gaming Caucus
- US Senate Indian Affairs Committee
- US Senate Permanent Subcommittee on Investigations
- US Senate Select Committee on Indian Gaming
- US Senate Subcommittee on Organized Crime
- Washington State Gambling Commission
- West Virginia Joint Standing

E. About the Massachusetts Council on Gaming and Health

MACGH serves as a private, non-profit (501c3) public health agency offering a range of services and supports to those impacted by gambling and video gaming in Massachusetts, as well as nationally and internationally. MACGH balances public health priorities, such as the operation of the GameSense program for the Massachusetts Gaming Commission with a people-first model for gambling and gaming expansion through education, treatment support, and research. Founded in 1983 by Tom Cummings, who translated his lived experience into the Council’s focus and attention on inadequacies present for people at high risk and struggling with gambling disorder, the Council also continues to serve as the primary advocate for the Commonwealth regarding safer gaming practices, legislation, and regulation.

For the purposes of this report, it is important to note that MACGH works as a subcontractor to Spectrum Gaming Group. These joint projects with Spectrum allow the Council to offer its longtime expertise through qualitative and quantitative research and data analysis, and to offer its viewpoint on policy, programs, and developments related to gambling projects nationally and abroad. In addition, MACGH has lent its knowledge to projects initiated by the National Council of Legislators from Gaming States (“NCLGS”), a non-partisan group for which Spectrum serves as executive director.

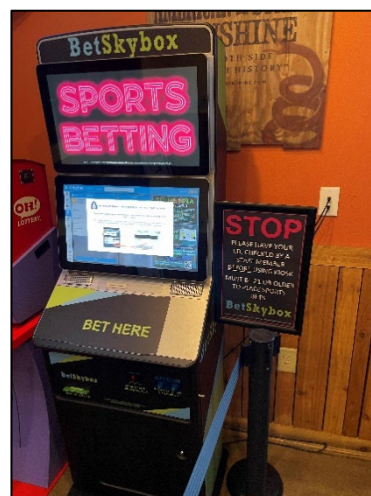
1. Overview of Sports Wagering and Kiosks

Legal sports wagering in the United States was limited to Nevada⁴ until the May 2018 US Supreme Court ruling that overturned the federal Professional and Amateur Sports Protection Act. In the six years since that decision, 37 states and Washington, DC, have joined Nevada in offering sports wagering. No other form of legal gambling in the United States has spread so wide and so quickly.

Sports wagering is offered via two primary channels: retail (at a physical location) and digital (online/mobile). Like most states, Massachusetts offers sports wagering via both channels: retail since January 31, 2023, and digital since March 10, 2023.



In some states, the retail channel has two types of outlets: casinos and non-casino locations such as sports venues, bars and taverns, and grocery stores. Sports wagers in retail locations can be placed at a full-service sportsbook window staffed by a person (common in casinos), a point-of-sale terminal staffed by a person (similar to lottery sales at a store), or at self-service kiosks placed in authorized locations. (These images of retail



kiosks were taken in Ohio taverns).

Sports betting performance is primarily measured by two key metrics:

- Handle: The amount wagered by bettors
- Win: Also called gross gaming revenue (“GGR”), it is the amount the sports wagering provider collects after all winning wagers have been paid. Viewed another way, it is the net amount of gamblers’ losses.

In this report, we focus on win/GGR because this is the net amount consumers are spending on sports wagering and it is from these amounts that host states collect their gaming tax.

In 2023, nationwide sports wagering GGR totaled \$9.6 billion in state-regulated jurisdictions (an increase of 49% over 2022); this excludes hundreds of millions more in GGR at tribal sports wagering operations (many of which are not publicly reported). In states where sports wagering is offered via both retail and digital channels, the digital channel dominates – typically accounting for between 85% and 98% of GGR.

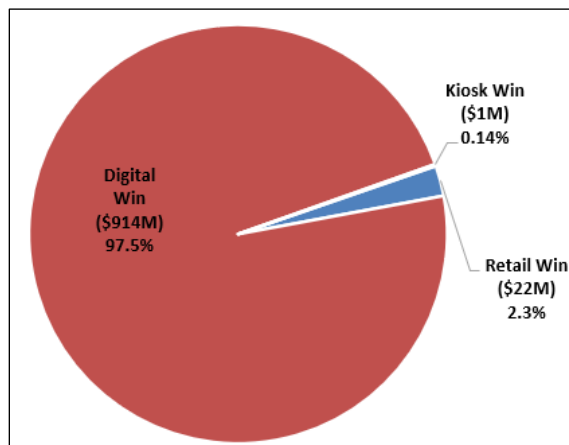
⁴ The 1992 Professional and Amateur Sports Protection Act restricted sports wagering to those states that already legalized the activity: Delaware, Montana, Nevada and Oregon. Only Nevada offered true sports wagering.

In assessing the commercial feasibility of retail kiosk wagering, Spectrum focused on the three jurisdictions where such kiosks are offered in retail locations on a widespread basis⁵ – similar to what is contemplated in Massachusetts: Montana, Ohio and Washington, DC (“the subject jurisdictions”). There are significant differences among the subject jurisdictions:

- Montana sports betting is limited to kiosk locations; digital betting is allowed only on the premises of a kiosk establishment – known as “on-site mobile.” The first approved retail sportsbook at a tribal casino has yet to open.
- Ohio sports betting is offered at the 11 casinos throughout the state and via digital channels, as well as at retail kiosk locations.
- Washington, DC, sports betting is offered (1) by the DC Lottery through one digital channel and kiosks at authorized retail locations and (2) by two classes of private operators: Class A, which is limited to four major sports venues and their associated “near-site mobile” channels within a two-block radius from the sports venues via an associated third-party app, and Class B venues, which are other qualifying business that have kiosks and offer on-site mobile betting.

In Ohio – which would be most like Massachusetts if the Commonwealth were to implement kiosk wagering – kiosks generate only a sliver of the state’s total sports wagering GGR. This should not be surprising, as bettors find it more convenient to use the phones in their pockets – for which they have an established wagering account via their preferred apps/providers – than go to a kiosk to place sports bets.

Figure 1: Ohio sports wagering GGR by segment, 2023



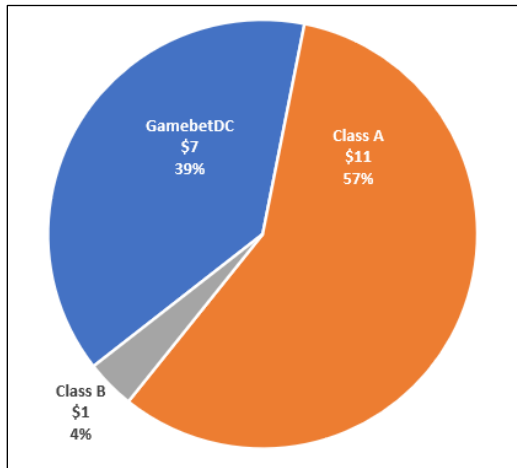
Source: Ohio Lottery, Ohio Casino Control Commission, Spectrum Gaming Group

Sports wagering kiosks and digital gaming started on the same day in Ohio – January 1, 2023 – but digital gaming was heavily promoted via television, radio and internet advertising. Would-be gamblers were welcomed with bonuses and “free money” with which to bet. There was nothing like that for the kiosks; in fact, regulations prohibit kiosk operators from offering such inducements.

⁵ Sports wagering kiosks are also found in many other states that allow sports betting, most notably at gambling facilities such as casinos. Connecticut, for instance, utilizes kiosks at off-track betting facilities. But none of the states beyond the subject jurisdictions have kiosks in widespread retail settings, as Massachusetts is considering.

In Washington, DC, the Lottery breaks out the kiosk sports betting win only by provider type, with the four sports venues and their associated digital apps grossing nearly 60% of the total GGR.

Figure 2: Washington, DC, sports wagering GGR by provider type, 2023



Source: DC Lottery, Spectrum Gaming Group. Results include digital + kiosk; result for kiosks alone are not available.

In Montana, there is no reported distinction between wagering at a kiosk itself and wagering via a mobile device at a kiosk location. Total sports wagering revenue for 2023 was \$8.4 million.

There are two critical factors about retail kiosk sports wagering to keep in mind when reading this report:

- Kiosk sports wagering is young in the United States; in two of the subject jurisdictions (Montana and DC) it is only four years old, and in the other it is less than two years old.
- Wagering on sports via kiosks, as noted above, is a relatively minor revenue generator, with digital wagering having essentially obviated the need for, and attraction of, kiosks in those states where digital sports wagering is authorized.

Accordingly, Spectrum found that kiosk sports wagering generates relatively little attention among regulators, the gaming industry, law enforcement and researchers compared to other forms of gambling.

Looking ahead to potential implementation of kiosk sports wagering in Massachusetts, Spectrum expects that kiosks would have a de minimis impact on statewide sports wagering performance and would have varying impacts on the host establishments themselves. Whereas in Ohio kiosks and digital sports wagering launched on the same day and the kiosks there still barely register on the statewide performance scale, in Massachusetts digital sports wagering will have been well entrenched in consumer behavior before the first kiosk is installed, perhaps further limiting the upside potential for kiosk hosts.

Despite the low volumes of wagering at kiosks in the subject jurisdictions, Spectrum found that the majority of interviewed kiosk hosts in the subject jurisdictions had a favorable opinion of the devices. It is therefore important to understand how this particular gaming segment is impacting gambling behavior, alcoholic beverage consumption, lottery sales (primarily keno), visitation patterns, and expenditures at the host establishments. It is also important to note the importance of the retail kiosks to

the hosts and the value they place on being able to access some of the gaming revenue for their jurisdiction.

A. States' Sports Wagering Programs

It seems that no two states offer the same sports wagering programs. As noted above, only Ohio, Montana and the District of Columbia offer sports wagering kiosks in widespread retail settings. As shown in Figure 3 below, casinos – both commercial and tribal – are the primary retail option for a customer to place a bet. It should be noted that not all forms of authorized sports wagering have been implemented. For example, the Louisiana Lottery is authorized to offer sports wagering kiosks in bars and restaurants; to date, its lottery has not and, apparently, will not soon act upon this authorization due to the unfavorable economics with potential operators.⁶

Figure 3: State-by-state overview of authorized sports wagering

State	Authorized Operators
Arizona	Ten tribal casino operators and ten professional sports venues/teams
Arkansas	Commercial casino, racino and online operators
Colorado	Commercial casino, tribal casino and online operators
Connecticut	Tribal casinos and online operators and CT Lottery through retailers and online
Delaware	DE Lottery through racetrack casinos
District of Columbia	DC Lottery online, stadium and online operators, and other brick and mortar facilities outside a two-block radius of stadiums
Florida	Seminole Tribe of Florida and online operators. Further, the Seminole Tribe is to negotiate in good faith with pari-mutuel operators to allow the operators to market and provide similar sports wagering services on behalf of the tribe
Illinois	Commercial casino, racetrack, sports arena and online operators
Indiana	Commercial casino, racino, off-track betting and online operators
Iowa	Commercial casino, tribal casino and online operators
Kansas	Casinos and online operators
Kentucky	Racetracks, OTBs and online operators that have an agreement with a racetrack
Louisiana	Commercial casino, tribal casino, racetrack and online operators. LA Lottery through online and kiosks in local bars and restaurants. If not all commercial casinos and racetracks apply for a license, licenses could also be issued to video poker, off-track betting, and fantasy sports establishments. All wagering restricted to 55 state parishes.
Maine	Casinos, off-track betting sites and online operators
Maryland	A1 and A2 Licenses: Commercial casinos, racetracks, sports arenas and online operators. B1 and B2 Licenses: State Fairgrounds, off-track betting, and commercial bingo facilities permitted to operate at least two hundred electronic bingo machines or electronic tip jar machines.
Massachusetts	Commercial casinos and online operators
Michigan	Commercial casino, tribal casino and online operators
Mississippi	Commercial and tribal casino operators
Montana	MT Lottery through bars and restaurants that hold a liquor license, through a mobile phone at licensed locations
Nebraska	Racino operators
New Hampshire	NH Lottery through online and retail agents

⁶ Pat Evans, "Why Louisiana Sports Betting Will Not See Lottery Option," *Legal Sports Report*, May 2, 2023. [Why Louisiana Sports Betting Market Will Not See Lottery Option - Legal Sports Report](#)

State	Authorized Operators
New Jersey	Commercial casino, racetrack and online operators
New Mexico	Tribal casino operators
New York	Commercial casino, tribal casino and online operators
Nevada	Casinos
North Carolina	Tribal casino operators and online operators and sports stadiums that partner with an online operator
North Dakota	Tribal casino operators
Ohio	Commercial casino and online operators, sports teams, stadiums, bars, and restaurants
Oregon	OR Lottery through kiosks, retailers and online as well as tribal casino operators
Pennsylvania	Commercial casino, racino off-track betting and online operators
Rhode Island	RI Lottery through commercial casinos and online
South Dakota	Commercial and tribal casino operators
Tennessee	Online operators
Virginia	Commercial casino and online operators
Vermont	Online operators
Washington	Tribal casino operators
Wisconsin	Tribal casino operators
West Virginia	Commercial casino, racino and online operators
Wyoming	Online operators that operate in at least three US regulated jurisdictions

Source: American Gaming Association, Spectrum research

With the exception of Nevada, all states that have legalized sports wagering also operate a lottery that offers traditional lottery games. Some state lotteries also offer ilottery games and video lottery terminals.

B. Experiences of Kiosk Hosts in Other States

The following table provides an overview of the kiosk programs in the subject jurisdictions.

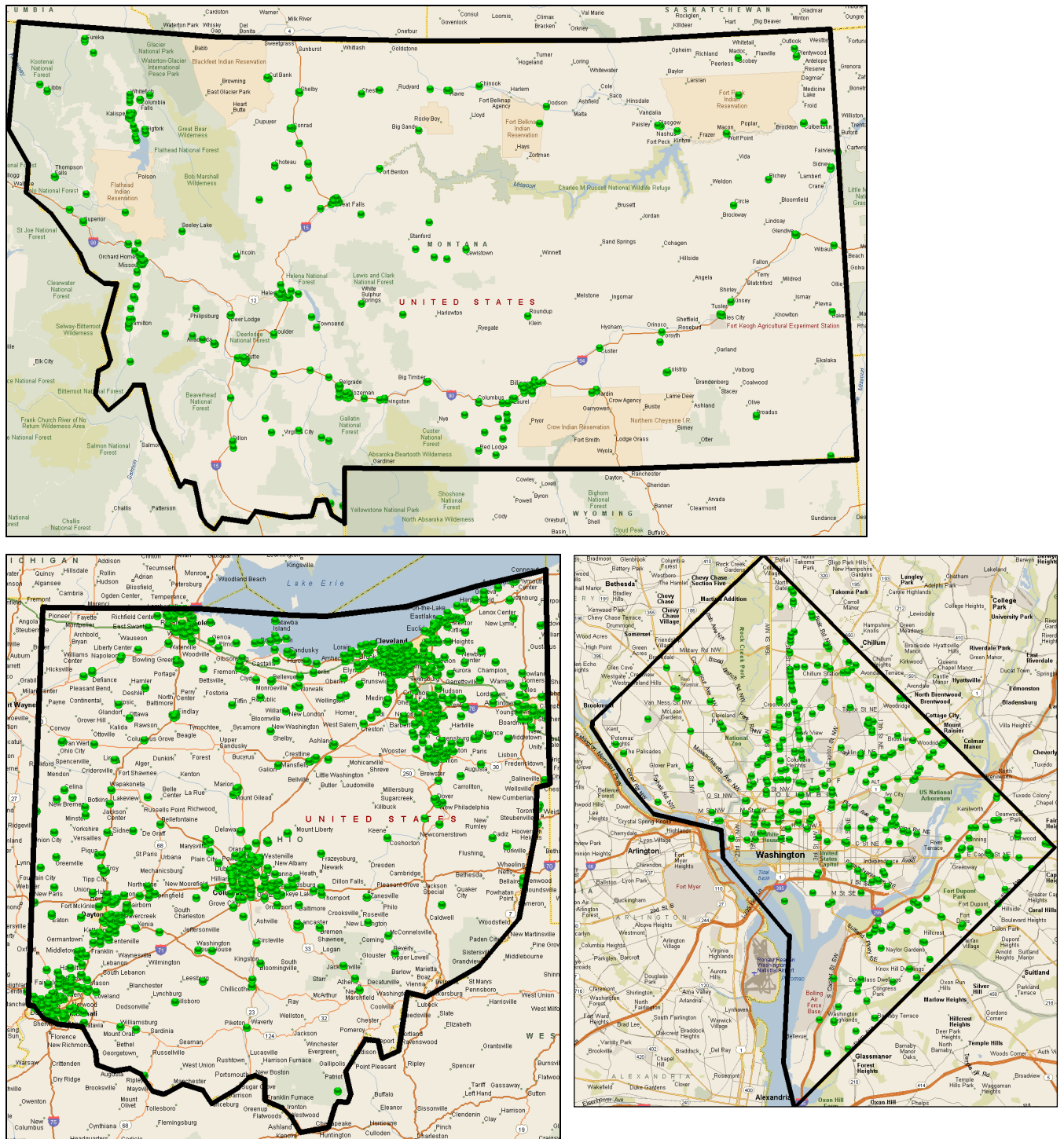
Figure 4: Overview of sports wagering kiosk programs in Montana, Ohio and Washington, DC

	Montana	Ohio	Washington, DC
Regulator	Lottery	Casino Control Commission and Ohio Lottery	Office of Lottery and Gaming
Application Fee	\$50	\$1,000	\$5,000
Revenue Retained by Kiosk Host	3% of GGR	Depends on deal between Host and Vendor. Interviews suggest 10%-25% of GGR.	5% of GGR
Types of Authorized Facilities	Car washes, casinos, bars, saloons, American legion posts and restaurants	For-profit businesses that are licensed to sell lottery tickets and that hold a liquor permit. (Bars, restaurants, gas stations, bowling alleys, convenience stores, grocery stores)	Sports bars, restaurants, gas stations, convenience stores, grocery stores
Number of Locations (as of March 2024)	995 lottery only 514 sports only 300 sports + lottery	9,000 lottery 900+ sports	300+ lottery 60+ sports
Legalization Date	May 2019	December 2021	May 2019
Launch Date	March 11, 2020	January 1, 2023	July 31, 2020
Maximum Bet	\$250 at kiosk; \$1,000 through on-site mobile app	\$700 per bettor per week	\$600 per transaction
Age / ID required?	Age 18, ID required	Age 21, ID required	Yes (18 in some; 21 in others); no ID required

Source: State regulators, Spectrum Gaming Group

Kiosks are well distributed throughout the subject jurisdictions, as shown in the following maps.

Figure 5: Locations of retail sports wagering kiosk hosts in Montana, Ohio and Washington, DC



Source: State regulators, Microsoft MapPoint; as of December 2023

Spectrum interviewed 20 kiosk hosts by telephone⁷ in each of Montana, Ohio and Washington, DC. Where we received at least 10 responses to yes/no questions, we have quantified the responses. We sought a mix of urban, suburban and rural hosts in Montana and Ohio and as diverse a sampling as possible in Washington, DC. Our interviews were designed to elicit qualitative insights regarding how the kiosks have impacted business volumes, customer behaviors, and the cost of doing business, as well as to glean their general experiences and viewpoints regarding this gambling segment. Spectrum found that the different rules, circumstances, and geography resulted in different opinions about the kiosks in the three subject jurisdictions.

1) Montana

Montana sports betting is limited to kiosk locations;⁸ digital betting is allowed only on the premises of a kiosk establishment – known as “on-site mobile.” Therefore, in effect, kiosk host establishments are the only places in the state where one can legally bet on sports.

Even before the US Supreme Court overturned a federal sports betting ban in 2018, Montana was one of only four states that had been exempt from the wagering prohibition passed by Congress in 1992. Like Delaware, Nevada and Oregon, Montana earned its exemption by enacting legislation to allow basic forms of sports betting before the federal ban went into effect. On March 11, 2020, Montana began installing sports wagering kiosks at bars, taverns, gas stations and even car washes. By the end of 2023, there were 509 kiosks at 502 locations throughout Montana. The state’s sports betting revenue rose to \$8.4 million in 2023, a 17.8% increase from 2022.

Of the 20 Montana kiosk hosts interviewed by Spectrum, 15 said sports wagering kiosks have been an asset for their business. “Absolutely, it’s been worth it just because I’ve seen different people come in that might not have before,” said a bar manager in southeastern Montana. “Once they come in; they’ll come back, you know,” she said. Or as a bartender in Great Falls said, sports wagering kiosks “make it funner. I think they’re a benefit to whoever gets them.”

Four of the businesses interviewed regretted the installation of a kiosk, and one was undecided. “If the kiosks had worked properly from the start, I would be more positive, but the state’s vendor (Intralot) had a lot of flaws in the system and our customer base was discouraged,” said a bar manager in northeastern Montana. Even so, he said, he is excited about the Montana Lottery’s efforts to develop a hybrid kiosk model that would include lottery tickets.

Except for five high-volume businesses that have two kiosks each and one business that has three, the rest of Montana’s kiosk hosts have one machine each, according to Daniel Iverson, a former content manager for the Montana Lottery who now works for Intralot.

While kiosks seem to have carved a niche for themselves in the Montana sports betting market, even kiosk supporters realize the machines are not going to produce huge amounts of revenue. “It’s just another aspect; another thing for people to do if they’re looking into sports betting,” said a bar and grill

⁷ Some interviews in Ohio were conducted in person.

⁸ The first approved retail sportsbook at a Montana tribal casino has yet to open.

manager in northwestern Montana. A bar manager in northeastern Montana estimated his kiosk adds about \$250 to \$300 a month to his bottom line.

As for the impact of kiosks on customer behavior, 14 hosts said there have been no changes. Five said they have noticed customers are more attentive to games and one declined to comment.

The use of mobile phones for sports betting has not increased because patrons use kiosks instead, according to 12 hosts. Four said mobile phones are being used more frequently. Three said they did not know and one did not respond.

Seven businesses reported longer stays by customers because of kiosks compared to five who said stays are the same or shorter. Two said they did not know, and six declined to comment.

Customers became more animated during games on television, according to 13 of the hosts interviewed. Five said the games did not increase customer engagement and two did not respond.

Thirteen hosts said televised games increased spending by customers on wagers, food and drink while four said there was no impact. Three businesses declined to comment and another said it did not know if revenue had increased or decreased.

Bars in larger towns have seen about 20 new customers per week because of the kiosk, while smaller towns are more likely to see about five new customers per week, representatives told Spectrum.

Lottery machines are frequently located next to the sports wagering kiosks in Montana's sports bars. "So, most people that walk up to the two machines – they'll see how easy it is to put \$3 into the lottery machine and try to win \$20 million as opposed to trying to figure out how to use the betting kiosk, which is not easy," said the manager of an establishment in southwestern Montana.

The Montana Lottery regulates sports wagering kiosks in Montana. The maximum bet at a kiosk in Montana is \$250. On a mobile phone, the maximum wager is \$1,000.

"Everybody just uses the kiosk. They don't do their mobile phones," said a bar manager in the central part of the state. "That's probably because the kiosk is anonymous and the mobile phone tracks you. I think that's what everybody thinks."

None of the 20 businesses interviewed said they have experienced problems with kiosk customers who show signs of gambling or alcohol problems. "We've got more issues with our video gaming than the kiosk ever brings in," said one bar manager.

Video games and keno in particular are popular among other forms of gambling offered by Montana's sports bars. Kiosk customers in Montana must be 18 years old before they can place a bet. "We have bouncers," said a manager of a fraternal organization facility in Bozeman. "Customers are carded at the front door before they even come in," he said. However, that fraternal organization appears to be an outlier. None of the other Montana businesses interviewed by said they had hired additional employees to check the ages of customers. Kiosks include software that checks the age of customers to ensure they are 18.

Businesses with kiosks receive a 3% commission on all bets, whether placed on a machine or a mobile app. Iverson, the content manager of the Montana Lottery, said a very small number of sports bars

and restaurants do not have a kiosk and are licensed to accept bets placed only on a mobile app. Those licensees receive a 1.5% commission on all wagers. Kiosk hosts are allowed to pay customers up to \$599 on winning bets. Winning wagers of \$600 or more must be collected from the Montana Lottery.

A sports wagering kiosk can take pressure off a bar's staff, according to a bar manager in Missoula. "Kiosks are really out of our control. If somebody is upset, they're going to call somebody else (like the Montana Lottery)," he said. "It really helps the staff not having to know every little thing about kiosks."

As successful as kiosks have been so far in Montana, there seems to be a yearning among the state's bars and restaurants for a more expansive law to allow the legalization of sportsbooks. The state may be headed in that direction after the US Department of the Interior in February approved the first tribal casino sportsbook in Montana. The sportsbook will be in the Silver Wolf Casino in the northeastern Montana town of Wolf Point. The casino is owned by the Assiniboine and Sioux tribes of the Fort Peck Indian Reservation.

"Up to now, all sports betting in Montana has to go through these kiosks, and that is the biggest issue because nobody likes the way they (the Montana Lottery) run it," said one bar manager. "People who bet on sports in this state would rather bet on any platform we wanted, but Montana didn't do it that way, so here we are."

What Montana Kiosk Hosts Are Saying

"People would rather buy a lottery ticket that scores \$10 million for three bucks than do a sports bet." – *Kiosk host at a bar in southwestern Montana.*

"I mean, I think (a sports wagering kiosk is) a benefit to whoever gets them. They make it funner." – *Bartender in Great Falls*

"I get \$3 out of every \$100 that goes in. That's not a bottom-line changer." – *Hotel owner in northwestern Montana*

"The way I look at it is it's free money regardless. It doesn't matter if I make \$100 or \$10,000 in a month, you know; it's free. They're (the Montana Lottery) covering everything on it, you know." – *Kiosk host in Bozeman*

"Up to now, all sports betting in Montana has to go through these kiosks, and that is the biggest issue because nobody likes the way they (the Montana Lottery) run it. People who bet on sports in this state would rather bet on any platform we wanted, but Montana didn't do it that way, so here we are." – *Kiosk host at a bar in central Montana*

"Absolutely, it's been worth it just because I've seen different people come in that might not have before." – *Kiosk host at a bar in southeastern Montana*

"It's just another nice aspect. We've got a few keno machines and (our kiosk) is another thing for people to do if they're looking into sports betting." – *Kiosk host at a bar in northwestern Montana*

“I know a lot of people were loving it because before we got (the kiosk) they would have to go outside of town (to bet). They were willing to drive to use (a kiosk). But now, it’s in town at our place, so it’s a lot better for them.” – *Kiosk host at a bar in southeastern Montana*

“About 90% of our sports betting business is kiosk-driven. I think mobile (betting) is going to go higher.” – *Kiosk host at a sports bar in Missoula*

“The Montana Lottery is considering a hybrid model that would combine a sport betting kiosk with a lottery ticket machine. I would be interested because that would probably be more efficient for space.” – *Kiosk host at a bar in northeastern Montana*

2) Ohio

Sports wagering kiosks were legalized by the Ohio Legislature in 2021 and were launched on January 1, 2023. Digital sports wagering and retail sports wagering (in casinos, racinos and at professional sports venues) were launched that same day.

Ohioans who bet on kiosks have a more limited range of betting options than those who do digital betting or those who participate in retail sports wagering. Kiosk bettors can bet only on the point spread, moneyline, over/under, and parlays of four legs or fewer. They cannot make in-game bets, futures bets or prop bets. Kiosk bettors cannot bet on horse racing. And while bonuses and promotions enticed many Ohioans into trying digital gaming, no bonuses or promotions are allowed to be offered to people betting on kiosks.

Kiosk hosts must be Ohio Lottery retailers and must have a license to sell liquor. Kiosk hosts pay a \$1,000 fee for a three-year license and can negotiate with one of the sportsbook vendors (whom Ohio identifies as “proprietors”). The vendor is responsible for installation and upkeep of the kiosks. Kiosk hosts can negotiate to get a share of the vendor’s profit; our interviews suggest many kiosk hosts get 10% to 25% of GGR. There are self-serve kiosks and clerk-operated kiosks. Most of the kiosks are of the self-serve variety.

The minimum age for betting is 21. There is a \$700 weekly limit on wagers by any individual. The Ohio Lottery oversees the operations of the sports wagering kiosks, with licenses issued by the Ohio Casino Control Commission. Winning bets of \$600 or more must be cashed out through the kiosk operator or an Ohio Lottery office. But a business that hosts a kiosk can set a limit on the amount they will pay out so as not to deplete their cash supply or necessitate keeping an excessive amount of cash on site. Players may have these options for claiming winning tickets:

- Cashing prizes at the host location where the wager was placed or at an affiliated host location of the same vendor (if offered)
- Mailing claims directly to the sportsbook vendor for payment (address on the back of each ticket)
- Claiming at an Ohio Lottery office
- Placing the winnings back on the terminal as a credit voucher to play again

- Crediting the winnings to a credit card, debit card, or electronic payment account used to place the wager (if those cashless options are offered)
- Cash winnings using the Ohio Lottery Mobile Cashing App (if offered by the select vendor)⁹

Spectrum interviewed hosts of 20 kiosk establishments in Ohio, including two who oversee multiple establishments. A few of these interviews were done in person so that Spectrum could get a better idea of how and where the kiosks were placed within the establishment. We also found interviews with kiosk hosts done by various media outlets during the kiosks' first year of operation or around the first anniversary of their launch. The general consensus was that sports wagering kiosks have had no significant effect on the bottom line of the host establishments, but they have served a role in entertaining customers. Only one kiosk host indicated that the kiosk had substantially improved the establishment's bottom line. None of the 20 hosts indicated that having the kiosks caused any problems with customer behavior.

One host we interviewed indicated that they were considering getting rid of the kiosk; that host said they would wait until after "March Madness" – the NCAA men's and women's basketball tournaments – to make that decision. A couple news stories included hosts who had decided not to keep their kiosks. Spectrum found no noticeable difference of opinion between urban and rural hosts. There was perhaps a slightly better performance at establishments where people gather to watch sports on television rather than places people go to enjoy a meal or conversation – i.e., sports bars might do better than restaurants and other bars.

"It's hit or miss. It depends on the time of year," said the manager of a sports bar in Cincinnati. "More people use it during big games," another host said. Fred Kobzowicz, vice president of Winking Lizard Tavern, which has 15 locations in northeast and central Ohio, said his chain planned to get rid of the kiosks because people prefer to bet on sports on their phones. "I thought they might be a little better," Kobzowicz said of the kiosks. "Just because of the fact that if you win, you can get your cash. But it hasn't been the case for us."¹⁰ Ed Gaughan, who owns a Columbus sports bar called The O on Lane, said he had high hopes when he installed a kiosk but he had it removed after less than a year. "If expectations were 100, it was a 0," he said. "With the apps on the phones and people betting on that and getting used to it at that point, it just never really took off." He said his agreement with the kiosk vendor allowed him to make a commission off of bets placed in his restaurant. He said when they removed the kiosk in the late summer of 2023, his commission was \$0.¹¹

Of the 20 Ohio hosts interviewed by Spectrum, 19 said the kiosks had had no substantial effect on the bottom line of their establishments. The only kiosk host who indicated that his establishment's bottom line had been substantially affected was a manager of a bar, restaurant and leisure facility in northeast Ohio. The manager estimated that the kiosk had helped the bottom line, perhaps by as much as 5%. The

⁹ Ohio Lottery, "How to Play." <https://www.ohiolottery.com/Sports-Gaming/Sports-Gaming-How-to-Play> (accessed March 14, 2024)

¹⁰ Steve Maugeri, "Impact of sports betting on casinos, bars and restaurants," spectrumnews1.com, January 16, 2024. <https://spectrumnews1.com/oh/columbus/news/2024/01/05/sports-betting-impact-on-business->

¹¹ Kyle Beachy, "Small businesses reflect on first year of legal sports betting in Ohio after failed expectations," yahoo.com, December 22, 2023. <https://news.yahoo.com/small-businesses-reflect-first-legal-041128566.html>

manager said patrons who use the kiosk are buying “a little bit” more food and alcohol. “They stay around longer if it’s a close game.” The manager said business improved during March Madness and when college and pro football games are being televised. “It was different than in past years. We got lots of business. As long as they made their bets here, we could pay them off here.” The manager said having a kiosk was worthwhile: “Absolutely. We’ve had no problems, it’s been pretty easy to have here, easy to operate, and provided a little bit of extra business. There have been no negative implications.” Tome Jolevski, kitchen manager at Patrick’s Sports Bar & Grill in Cincinnati, told wcpo.com that revenue had gone up since sports wagering was legalized, but that may or may not be related to their kiosk. “More people are coming in that didn’t come in before. ... Some people are staying longer, especially when the games are on” Jolevski said. Another Cincinnati kiosk host, Billy Watson of Kitty’s Sports Grill, told wcpo.com he had gained business from nearby Kentucky in the eight months between Ohio legalizing sports wagering and Kentucky doing the same. But he indicated that most of those who had crossed the Ohio River to visit his bar were using their phones and not his kiosk.¹²

Of the 20 hosts interviewed by Spectrum, 18 said there had been no noticeable change in food and beverage sales since the kiosks were installed; two said there had been a slight increase. No kiosk hosts said there had been any costs associated with installing, monitoring or operating the kiosks, other than the \$1,000 fee paid for a three-year license. The consensus was that the kiosks did not draw in extra business but were one more activity for their regular clientele. A few of the hosts volunteered that their customers spent a lot more time playing keno – a longstanding tradition at Ohio bars and taverns – than they did using the sports wagering kiosk.

In general, hosts indicated that there had been no change in the number or type of customers their establishment had attracted, nor was there a difference in behavior among the clientele. Other than the northeast Ohio restaurant manager’s comment about patrons sticking around longer if the score of a televised game was close, no hosts indicated that patrons were staying longer. Hosts said they assumed patrons were using their mobile phones to bet on games or monitor games, but because people use their phones to do so many things, it was hard to know. Of the 14 hosts questioned about whether the kiosks played any role in people drinking more than they should, none said they had seen any evidence of that.

People who use a self-serve kiosk in Ohio must scan a driver’s license or state ID to prove that they are at least 21 years of age. Of the 15 kiosk hosts asked, none indicated that there had been any problems with underage people trying to use the machines. One said they sometimes have to shoo underage people away from the machines who are either accompanying a parent or other legal-age patron who is placing a bet or just exploring the establishment. One establishment Spectrum visited had a sign indicating that patrons should have their ID checked by a staff member before using the kiosk. But the manager said that was mostly to keep underage patrons away from the machine and was not strictly enforced.

No kiosk host indicated that they had seen any evidence of the kiosk contributing to problem gambling. That includes a restaurant manager in northwest Ohio who offered anecdotal evidence of the

¹² Madeline Ottilie, “More people are coming in’: A look back on one year of legal sports betting in Ohio,” wcpo.com, January 3, 2024. <https://www.wcpo.com/news/local-news/more-people-are-coming-in-a-look-back-on-one-year-of-legal-sports-betting-in-ohio>

opposite. “I have two regulars who come in almost every day to place bets. It’s a form of self-control. They don’t want a betting app on their phone so they can’t be sitting at home drinking beer at 11:30 at night and making stupid bets.” One Cincinnati bettor, Mike Dasenbrock, told wcpo.com that he preferred to bet on the kiosks rather than the online apps. “I don’t have to give a debit card or credit card,” Dasenbrock said. “Keeps me in control.”

None of the 20 hosts interviewed said there had been problems with the kiosks, and none said they had to spend much time monitoring the machines. A manager or bartender will occasionally need to pay a customer who has won a bet or shoo curious youngsters away from the machine, hosts said.

The restaurant manager in northwest Ohio was the only kiosk host to report a problem, and that came because an employee stole some money from the machine. He said the kiosk was not the problem – that the now-former employee would have taken money from the cash register or someplace else if the kiosk was not there. “She thought stealing money from the kiosk was her best chance of not getting caught. She was wrong.”

None of the hosts Spectrum interviewed said they had any problems with the kiosks malfunctioning or taking up too much space. A manager at a sports bar in Cincinnati said they had switched providers “because the new company is more user-friendly.”

What Ohio Kiosk Hosts Are Saying

“It’s not something that you’re going to draw in lots and lots more people, but it is a boost for our regular clientele because it gives them something else to do while they’re here. ... Some people are keno players, some people are bettors, and some do both.” – *Kiosk host at a bar and grill southwest Ohio*

“People might be buying a little bit more food. They stay around longer if it’s a close game.” – *Manager of a bar/restaurant/leisure facility in northeast Ohio*

“We’ve talked about getting rid of it, but the past few months it has gotten more use. We’re going to wait until after March Madness to make a decision.” – *Kiosk host at a sports bar in Cincinnati*

“When it comes to sports, there are other quicker, easier ways to bet.” – *Kiosk host at a sports bar in the Columbus area*

“It hasn’t brought us any new business. Everybody can do it on their phone.” – *Kiosk host at a bar/restaurant in Cleveland*

“We don’t have as much business as we thought. Only during big games like the World Series or the Super Bowl.” – *Kiosk host at a pub in the Akron area*

“I’ve noticed more people using it during big games. But we definitely have a lot more people playing keno.” – *Kiosk host at a brewery in Youngstown*

“It hasn’t done much for us.” – *Kiosk host at restaurant in Zanesville*

“Like 95% of them are betting on their phone.”¹³ – *Billy Watson, owner of Kitty’s Sports Grill in Cincinnati*

“Honestly, it hasn’t been overly popular at our particular location. We do have a lot of lottery traffic as far as keno goes and Mega Millions and things of that nature. I wouldn’t say sports betting has taken off tremendously.”¹⁴ – *Deanna Bryant, the general manager of the Fricker’s restaurant/bar in Dayton*

3) Washington, DC

Sports wagering kiosks made their debut in Washington on July 30, 2021, and by the end of 2023, there were 101 GamebetDC machines in 67 locations. A license to operate a sports wagering kiosk in Washington, DC, costs \$5,000. But so far, the revenue produced by the poorly received GamebetDC app has been disappointing. For the fiscal year that ended September 30, 2023, wagers on GamebetDC totaled \$69.6 million compared to \$116.2 million at the five sportsbooks in Washington, DC. As a result, the city’s Office of Lottery and Gaming has decided to switch from GamebetDC to FanDuel, which is expected to almost double income from sports wagers. The contract for Intralot, the vendor for the DC Lottery, is up for renewal in July 2024, and renewal is by no means assured.

Despite this uncertainty, interviews with kiosk hosts in 20 bars, pubs, liquor stores, restaurants and one gasoline station revealed significant support for sports wagering kiosks. Thirteen of the 20 businesses interviewed said the kiosks have added value to their operations. Six said they regret the installation of the kiosks, with complaints including that they are unreliable and take up too much space. There was only one undecided response. This breaks down to a 65% vote in favor of kiosks. However, it should be emphasized that the overwhelming consensus – even among advocates of kiosks – is that sports wagering machines are not a game-changer when it comes to revenue.

Shortly before the Christmas holidays in 2023, owners of a sports bar in the upscale neighborhood of Chevy Chase in Washington, DC, asked the DC Lottery to remove three sports wagering kiosks. Repeated malfunctions by the machines infuriated customers, and the restaurant’s owners decided enough was enough. But one of the owners did not hesitate when asked if he regretted allowing the kiosks to be installed in the first place. “Absolutely not,” he told Spectrum. “Just having the license (for sports wagering kiosks in Washington, DC) increases the value of our restaurant by another \$115,000 to \$120,000 if we ever decide to sell it.” Moreover, the owner and his partners also own commercial real estate nearby that they hope to develop into a sports bar with a horse-racing theme. They can still use their license to install kiosks if and when their new sports bar opens.

¹³ Ibid.

¹⁴ Eric Schwartzberg, “Ohio sports betting revenues exceeding expectations,” *Dayton Daily News*, December 19, 2023. <https://www.daytondailynews.com/what-to-know/ohio-sports-betting-revenues-exceeding-expectations/GY4RVUGPERHGJIMCEGVOBQWIWE/>

A DC restaurant interviewed by Spectrum reported sports wagering income from its two kiosks ranges from \$5,000 to \$100,000 per week. The disparity is likely linked to mega-events such as the Super Bowl and March Madness, which usually spark a frenzy of activity on sports wagering kiosks.

The largest amount that can be wagered on a DC kiosk is \$1,000. Gamblers who win less than \$600 can pick up their winnings at the business where they purchased their ticket. Payoffs for winning bets of \$600 or more must be picked up at the office of the DC Lottery. DC sports bars and restaurants receive a 5% commission on each bet placed on one of its kiosks whether it's a winner or loser. The 5% commission is based on handle, or the total amount wagered. An additional 1% commission goes to businesses that pay off a winning ticket. "I always will pay (off winning tickets) because you get a commission off of that, so I want to take advantage of that," said the manager of a sushi restaurant. But managers of two other businesses said there have been times when they have had to tell customers they do not have enough money to pay off winning tickets, even if the total was less than \$600. "I just tell them to come back the next day or go to the DC Lottery's office to get paid," one of the managers said.

Sushi restaurant Abunai made news in September 2023 when one of its customers, a 27-year-old former data scientist, made thousands of wagers totaling more than \$1 million at the restaurant after discovering GamebetDC offered more favorable betting lines than national sportsbooks. After finding out about this, the DC Lottery took what it called "emergency action" to limit bets at kiosks in order "to curb excessive wagering and ensure responsible play at retail locations." The manager at Abunai told Spectrum the excessive betting incident was an aberration and has not happened again.

The GamebetDC sports wagering kiosks accept only cash for wagers, and the owner of a sports bar in the Chevy Chase neighborhood said he is glad he installed an automated teller machine ("ATM") near each kiosk on the three floors of his establishment. "We made \$5 almost every time somebody used that (ATM) machine and it actually gave us pretty much as much money as the gambling did," he said.

At best, kiosks appear to be merely another weapon in the marketing arsenal of sports wagering. Many sports bars in the nation's capital already have digital gaming machines, with keno being among the most common. As one sports bar manager in northwest DC put it, a sports wagering kiosk is "just one more bright screen for people to look at and play with (and) my customers appreciate having the option of putting money into the kiosk."

Of the 20 kiosk hosts interviewed by Spectrum, 13 said kiosks have not had an impact on customer behavior. Four said they have noticed customers appear to be more attentive to games shown on television at the bars and restaurants, and three did not respond.

Ten said they have not seen an increase in the use of mobile phones. Eight reported customers using their phones more frequently. One did not notice an increase or decrease and another did not respond.

When games are shown on television at their establishments, 12 hosts said they have not noticed increased animation among their customers while five said their customers appear to be more excited; three did not respond.

Televised games have led to increased revenue from bets, food and beverages at eight bars and restaurants; five reported no change. Four said they didn't know about any financial impact and three declined to comment.

Although a large majority of kiosk customers appear to be regulars, the betting machines also tend to attract a younger demographic. "The kiosks have added an extra dimension to our clientele with the younger people coming in," said a manager of a restaurant in northeast DC. Newer and younger customers seem to be more prone to leave quickly after they purchase a kiosk ticket, while regular customers tend to stay and buy drinks and food. The minimum betting age in DC is 18 while the minimum age for consuming alcohol is 21.

Managers of two liquor stores with kiosks said older customers sometimes resent young kiosk customers. "They don't like to see them come in with their backpacks," one liquor store manager said.

None of the 20 businesses interviewed by Spectrum reported any cases of kiosk customers creating problems because of gambling or alcohol excesses. There also were no reports of additional employees being hired to monitor sports wagering kiosks. One bar manager said the DC Lottery offers training to current employees on how to operate kiosks.

Enforcement of the mandatory age of 18 for sports wagering appears to be haphazard. "Most of the kiosk customers are regulars who we know, but if somebody looks like they're 16, we'll card them," one bar manager said.

What Washington, DC, Kiosk Hosts Are Saying

"We still haven't recovered from COVID, and our business is really slow here. We're in a government zone where many federal employees work from home. So I really don't know what the full potential of our sports betting kiosk can be." – *Kiosk host at a bar in northwestern Washington, DC*

"It's been worth it to have a sports betting kiosk just because it's one more bright screen for people to look at and play with and my customers appreciate the option of putting money into the kiosk." – *Kiosk host in northwestern Washington, DC*

"It depends. I mean some people come in and want to bet a lot, so it ranges from either \$5,000 a week or it could go up to even like \$100,000 a week." – *Kiosk host at a sushi restaurant in Washington, DC*

"It can cause more trouble than it's worth. Like the other thing is advertising. We have to be really careful. If we promoted it more, I'm sure we could get more of a crowd in here. But we kind of just got it, and left it as is. So, with that being said, I would probably say no, our kiosk hasn't been worth having." – *Kiosk host at a bar in northwestern Washington, DC*

"I'm not going to give you a number, but it's worth it for us." – *Kiosk host at an Irish pub in Washington, DC*

"Sometimes, there are money issues. That's the hardest part of it all. When somebody says they put a certain amount in and it doesn't pop up on the screen." – *Kiosk host at a gas station in northeastern Washington, DC*

“We do get an extra demographic of folks who come in that are strictly bettors and deal only with the Gamebet machine.” – *Kiosk host at a grill in northeastern in Washington, DC*

“If someone looks like they are underage, first we follow them and actually ask them, ‘Hey, are you 18?’ If they say, ‘Yes,’ then we check their ID. If they say, ‘No,’ we say ‘Well, you can’t play.’ It’s rare that you find someone who is not 18.” – *Kiosk host at a restaurant in northeastern Washington, DC*

“All the people that use the sports bet, they talk to each other and try to figure out what’s the best team or person to bet on. So, everybody – they talk to everybody. So, everything’s good.” – *Kiosk host at liquor store in southeastern Washington, DC*

“What a business would want is for customers to come to the bar and drink as well as gamble (at a sports wagering kiosk). But I don’t know if that is happening.” – *Kiosk host at a bar and grill near the Potomac River in Washington, DC*

4) Conclusion

Kiosk hosts in Montana were more enthusiastic about having the machines because all sports wagering must take place at a kiosk host establishment, whether on a patron’s phone or on a kiosk itself. Kiosk hosts in Ohio and Washington, DC, were less enthusiastic, as patrons have the option of wagering online from almost anywhere.

If Massachusetts were to implement kiosk sports wagering in retail locations, Spectrum expects there would be no measurable cannibalization on casino sportsbooks and digital sports wagering operators. Kiosks in retail establishments would be no substitute for patrons who can wager on their phones from anywhere in the state, and they are unlikely to materially dent casino sportsbook revenues, where patrons wager as part of an immersive entertainment experience.

Ohio would most closely resemble Massachusetts in that it has both casino sportsbooks and statewide digital sports wagering. Even with the benefit of having launched the same time as casino sportsbooks and digital wagering, Ohio kiosk wagering in 2023 accounted for only 0.14% of total sports wagering GGR. If implemented in Massachusetts, kiosk wagering would lag wagering via the casino and digital channels by perhaps two years or more – a long period in which bettor behavior will be well entrenched.

C. Essential Requirements for a Sports Wagering Kiosk Host

In the subject jurisdictions for this study (Montana, Ohio and Washington, DC), the lotteries govern and regulate sports wagering kiosks in retail locations. In all cases, retail lottery sales predated the availability of sports wagering, which is classified as an expanded product offered by the lottery. As such, there are substantially similar requirements in place that govern both products.

From a commercial feasibility perspective, Spectrum focused on four essential factors identified as consistent across both the sale of lottery products and sports wagering via kiosk: licensing requirements, internal controls, infrastructure, and cash handling. From these factors, Spectrum believes that applicability of existing administrative rules and regulations that govern licensed lottery retailers can

be accurately assessed for compatibility and capability to govern sports wagering. Additionally, the assessment will identify any considerations unique to sports wagering, compared to the considerations applied to other types of restricted products sold in retail locations.

1) Licensing Requirements

The eligibility to be a sports wagering kiosk operator varies state by state, but the key theme in all states was the ability to meet existing requirements for retail lottery sales as a baseline. This baseline is emphasized in Ohio, where it is required that the retailer conduct lottery sales for a probationary period prior to being granted a license to conduct sports wagering sales.

Another common theme observed is that the sale of lottery products and/or sports wagering products cannot be the retailer's sole purpose or reason for business. Accordingly, those businesses and their primary function can range from convenience stores to restaurants to American Legion posts. All of these types of locations sell alcohol or other restricted products that require additional state-issued licenses and their own list of eligibility requirements.

As such, a retailer should expect to hold multiple types of licenses, each with its own specific requirements and review processes conducted by multiple state agencies. For example, in Montana a permanent gambling license granted from the Gambling Control Division is required to offer sports wagering kiosks, whereas in Ohio, a Type C Sports Gaming Host license from the Casino Control Commission must be obtained. In these instances, sports wagering is treated as both a gambling product and a lottery product requiring oversight from the State's gaming regulators in addition to the Lottery. To be granted these types of licenses, it can be assumed that retailers undergo adequate screening and review, ensuring that the sports wagering applicant does meet the State's standards and is found suitable by the Massachusetts Gaming Commission to conduct sports wagering sales.

Finally, from an expert viewpoint, the Massachusetts Council on Gaming and Health would expect all jurisdictions to require a basic level of commitment to socially responsible gaming practices and problem gambling information. Typically this involves staff training on signs and symptoms of gambling problems, offering the Helpline on common points of access (point of sale, point of cash access, etc.), and assembling a responsible gambling committee to focus on responsible gambling activities and awareness campaigns throughout the year, but most importantly during Problem Gambling Awareness Month.

2) Internal Controls

Conditions of any license required to conduct sports wagering include references to the compliant operation of sales and minimal internal controls ("MICs") under which the retailer must conduct themselves.

As stated previously, it is expected that to be eligible for a sports wagering license the retailer is already conducting compliant operations in view of the lottery and various state agencies that regulate the retailer's other activities. With this in mind, Spectrum conducted a side-by-side summary analysis of minimal internal controls and administrative rules that lottery and sports wagering kiosk operators must adhere to, and we compared them to the requirements of Type B Retail Operators in Ohio, which are

standalone sportsbooks like casinos, racetrack casinos (“racinos”), and professional sports venues. Spectrum believes that, should sports wagering kiosks be successful, they will require a high volume of transactions be conducted. As such, comparing the sample’s current requirements to that of a retail setting in a casino, racetrack or professional sports venue where many transactions occur should illustrate any additional considerations that may be warranted of kiosk hosts.

Figure 6: Comparing administrative rules, minimal internal controls for the subject jurisdictions

Administrative Rules and Minimal Internal Controls	OH Casino/ Retail	OH Lottery	OH Sports	MT Lottery	MT Sports	DC Lottery	DC Sports
Maintain Good Standing w/License Requirements	✓	✓	✓	✓	✓	✓	✓
Design Plan for Placement of Gaming Equipment	✓	✓	✓	✓	✓	✓	✓
Cashiering Windows Behind Secure Entry	✓						
Surveillance and or Age-Gating Plan	✓	✓	✓	✓	✓	✓	✓
Security Plan for Physical Safety and Assets	✓	✓	✓	✓	✓	✓	✓
Security Staff Present at All Times of Operation	✓						
Enterprise Surveillance System and Coverage	✓						
Title 31 AML for Currency Transaction Reports	✓				✓		
Procedures to Prohibit Structured Wagering	✓				✓		
Training to Report Suspicious Activity	✓	✓	✓	✓	✓	✓	✓
Cash Handling & Inventory Management	✓	✓	✓	✓	✓	✓	✓
Variance Reporting & Investigations	✓				✓		
Secure Vault Room On-Premises	✓				✓		
Must Employ Use of ID Verification on Kiosks			✓		✓		
Digital KYC Examination of Patron ID	✓						
Procedures for Prohibiting Excluded Players	✓				✓		
Max Anonymous Wager at Counter or Kiosk	\$1,000/ wager		\$700/ week		\$250/ wager		\$600/ wager
Max Payout By Host	DBO ¹		DBO ¹		\$599.99		\$599.99
Max Win Available	DBO ¹		DBO ¹		\$100,000		\$150,000

Source: State regulators, Spectrum Gaming Group. ¹Decided by operator

While the MICs for sports wagering were not all-encompassing in some cases, the references to other licenses required of the retailer and subsequent investigation into those MICs indicate a clear intent to utilize existing retailer activities and controls to govern their sports wagering kiosk sales. These existing activities are primarily related to alcohol sales and ability to age-gate. Montana sports wagering is an outlier when comparing controls due to the requirement that the retailer also hold a Gambling Operator License, which itself requires an alcoholic beverage license for which to be eligible.

The Massachusetts Gaming Commission's Investigations and Enforcement Bureau¹⁵ told Spectrum that, based on the current casino sports wagering activities conducted in the commonwealth, retail sports wagering kiosks would require a level of control and procedure that Spectrum asserts are significantly more complex than what current Massachusetts Lottery retailers are familiar with. As such, the consideration for how lottery retailers could meet the Commission's requirements in relation to operating a sports wagering kiosk would likely require a new set of MICs be drafted.

3) Infrastructure

Sports wagering products require more consideration be placed on the infrastructure compared to those needs of some lottery products. With a higher payout ratio than most lottery products, sports wagering requires high volumes of wagers to mitigate volatility and be profitable for the retailer. From this, we can infer that increased cash transactions should occur at both the kiosk and at the redemption center. Strategic placement is required in what may be a confined space or under-trafficked area in order to facilitate this increased activity without interfering with existing operations. Sports wagering also requires a stable IT infrastructure; this is due to the constant change in wager availability and pricing and odds coupled with cash vouchers and cash transactions. As such, placement of the kiosk, security of the premises, and internet reliability are the primary infrastructure components Spectrum believes are essential to operating sports wagering kiosks.

Placement

From a security and practicality perspective, it is essential that the retailer places its kiosks in a location where they can be easily monitored by staff while still accessible to patrons. Large areas where the kiosk may be blocked from supervision due to crowds or blind spots in the line of sight due to physical characteristics of the location would amplify any risks associated with anonymous cash transactions on kiosks that dispense cash vouchers. While minimal internal controls account for this, there are also commercial considerations that retailers must make that will impact their success with sports wagering.

The placement requirements for sports kiosks indicate a commonality in that they must always be visible to the retailer's staff – with the ability to conduct the appropriate age-gating as a baseline measure. The three lotteries interviewed indicated that compliance issues regarding placement of kiosks were either not a material issue or did not occur in the last 12 months.¹⁶ However, as the business profile of a sports kiosk host could vary from car washes to convenience stores to restaurants, bars and grocery stores, it is reasonable to assume that just as with any other type of licensed activity, there is the propensity for non-compliance to go undetected and unreported.

Interviews conducted with Ohio kiosk vendors indicate that the success of a kiosk host is directly tied to the placement of the kiosk. Those hosts that placed the kiosk in an area deemed compliant but not ideally placed as a focal point for patrons do not perform well. That has led to 150 sports kiosks being

¹⁵ Interview with Massachusetts Gaming Commission.

¹⁶ Interviews via email with representatives from the Ohio, Montana, Washington, DC, lotteries, at various times in 2024; subject: Massachusetts Gaming Commission Sports Kiosk Study.

removed in Ohio since January 2023 due to lack of sales.¹⁷ However, the kiosk hosts who put an emphasis on kiosk placement to ensure patron interaction easily outperformed the baseline average of all retailers, according to the Ohio kiosk vendors interviewed by Spectrum.

Additional interviews conducted with Ohio kiosk hosts indicate a mix of feelings segmented by net-positive, indifference, and regret in terms of sports wagering kiosks. It was evident that those hosts not satisfied with the performance of the kiosks did not have proper space for the kiosks in the first place and in some cases had to replace seats which would normally have served patrons and generated far more revenue. This occurrence, while not the sole reason, has led to 275 kiosk host partnership cancellations in Ohio since January 2023.¹⁸ Other retailers that expressed neutral sentiment on the kiosks did not feel negatively impacted by the placement of the kiosks and saw them as a “why not” with only upside. Those retailers that expressed net-positive sentiment on the kiosks had programmed sports wagering as a theme in their location and only lamented that the revenues generated could always be better.

Security

From a security perspective, the main points of concern are supervising who is transacting with the kiosks and the handling of increased cash transactions. In addition to age-gating, the retailer is expected to maintain a reasonable amount of supervision over the transactions being conducted and report suspicious activity. Suspicious activity may include cash stuffing the kiosks to replace with vouchers, structured wagering to exceed limits, and wagers placed on behalf of others. As transaction volumes increase, so would the need for enhanced supervision of the kiosks.

The payout percentage of sports wagering kiosks is about 90%, per comparative markets, therefore the number of winning wagers sold is likely to be much higher than those of current lottery products sold. While the maximum amount that a kiosk host will typically redeem is less than \$600 depending on the jurisdiction, a patron can easily hold multiple winning wagers and/or cash vouchers that in aggregate total thousands of dollars for redemption that may not typically be experienced with lottery redemptions.

Internet and Power

Due to the nature of sports wagering and the constant updating of the product in terms of event/market availability, pricing updates, advent of live in-play, and same-game parlays, a reliable internet connection and power source to the kiosks is required. Unlike the sale of over-the-counter instant win games and some other lottery kiosk products, sports wagering kiosks are 100% dependent on communication with a central platform system that updates the entire menu of betting products and performs wager acceptance in real-time via internet connection. An unstable internet connection could create delays in wager placement and acceptance or display outdated pricing and availability, all of which are detrimental to the patron experience. In some jurisdictions, redundant power supply is required for

¹⁷ Interview via email to Ohio Lottery, February 29, 2024; subject: Massachusetts Gaming Commission Sports Kiosk Study.

¹⁸ Interview via email to Ohio Lottery, February 29, 2024; subject: Massachusetts Gaming Commission Sports Kiosk Study.

the kiosk to reduce the risk of data loss in the case of the kiosk losing power. This requirement also mitigates the risk of patron balance being stuck on the kiosk with no way to retrieve it via voucher.

4) Cash Handling

Continuing with the thesis that all eligible kiosk hosts are currently compliant and in good standing as a retailer of other regulated products and services, it would be logical to assume that compliance with cash handling is adequate for the volumes they experience today with the capacity to handle incremental increases. Should the lottery allow for a licensed third-party kiosk vendor to contract directly with a lottery retailer, this would likely create the need for a separate cash drawer apart from lottery sales and therefore duties and processes related to compliant cash management could be considered double the efforts required currently.

As previously described, the payout ratio in sports wagering is expected to be significantly higher than current lottery products with the potential to be in much higher amounts. This would indicate that a certain volume of transactions must be realized by the retailer to generate any material profits.

Considering that sports wagering allows for more transaction types apart from just a winning or losing wager and that are governed by complicated house rules specific to sports and wager type, the retailer may require additional accountability measures and staff training to ensure compliance with increased cash-handling duties. Despite this, the process of redemption is largely identical to that of lottery products, and no fundamental changes should be required beyond accounting for the potential for increased cash reserves and larger transaction amounts.

5) Insights from Interviews

Spectrum interviewed officials with three lotteries, two sports wagering kiosk vendors and three retail kiosk hosts. (These interviews with kiosk hosts were separate from those discussed in Chapter 1.B of this report.) The questions asked were meant to illustrate the essential requirements of a retail sports wagering kiosk host and any issues related to eligibility based on the licensing, internal controls, infrastructure and cash-handling activities required.

Kiosk Host Questions

- *How long have you been offering lottery products/kiosks?*
 - All hosts indicated they had been offering lottery products for more than 12 months.
- *When did you start offering sports wagering kiosks?*
 - Two hosts indicated they had been offering the sports kiosks since they were made available in January 2023, with one host indicating they had since returned their kiosk for lack of performance. In any case, no host had been offering the kiosks for longer than 12 months.
- *Please describe the licensing process for approval to offer sports wagering kiosks*
 - All hosts indicated that the licensing process was standard with no indication of an overly burdensome process.

- *Are the sports kiosks intuitive or do patrons constantly have questions about them fielded to the staff? If so, what are the most frequent questions asked?*
 - None of the hosts reported commonly asked patron questions; in fact, they stated that there were few to no questions at all.
- *Do sports kiosks require additional processes beyond what is practiced for lottery products? If so, what are these additional processes?*
 - None of the hosts indicated that sports wagering required increased efforts to operate as compared with lottery products.
- *What is the biggest winning bet you can recall being cashed out?*
 - Three different answers were given: \$3,000, \$500, and \$100 as the highest amounts ever paid out.
- *Do you ever have to reject paying a winning sport bet due to not enough cash on hand? If so, what is that conversation like with the patron?*
 - None of the hosts indicated that they had ever rejected a redemption due to lack of cash on hand.
- *Does operating the kiosks incur any new hard costs for your business in order to be compliant?*
 - None of the hosts indicated any new hard costs associated with compliance.
- *Which product do you feel is easier to operate – sports or lottery – and why?*
 - Two hosts indicated that lottery was easier to operate while a third host stated they were both equally easy to operate.
- *On average, are more than 100 wagers per week placed on your kiosks?*
 - All hosts indicate they do not sell an average of 100 wagers per week.

Kiosk Vendor Questions

- *Have you ever been approached by an existing lottery retail agent inquiring for sports kiosks and you declined to do business with them? If so, for what reasons?*
 - Both kiosk vendors stated they routinely decline to do business with existing retail lottery hosts due to various reasons related to inadequate infrastructure, potential for performance and operational standards.
- *How often does a host have their sports kiosk license removed due to compliance issues?*
 - Neither kiosk provider had ever removed a sports wagering kiosk due to compliance issues, however one vendor had suspended operations for some locations at the direction of the lottery due to delinquent payments related to lottery products.
- *How often does a host have their sports kiosk license removed due to financial issues?*
 - Both kiosk vendors indicated that removal of kiosks due to non-performance was a routine exercise, with one vendor indicating they had relocated close to 50% of their kiosks over the course of the year due to financial performance.
- *Do kiosk hosts have frequent operational questions that your support teams have to field? If so, what are the most common questions asked?*

- There was contrast between the answers, with one vendor stating more questions around technical issues for operating the kiosks and point of sale systems, while the other vendor indicated that most questions regarded financial transactions between host and patron for payouts and the commissions earned by the host.

Lottery Questions

- *How often does a host have their sports kiosk license removed due to compliance issues?*
 - Two of the lotteries interviewed said that no kiosks had been removed due to compliance issues. While another lottery indicated that a very limited number of kiosks had been removed due to compliance issues.
- *Do kiosk hosts have frequent operation questions that your support teams have to field?*
 - All lotteries reported that the most common questions come from untrained kiosk host staff and were primarily related to hardware malfunctions and basic functions related to redemptions of winning wagers and sports wagering rules.
- *Is there a specific type of kiosk host that is better equipped for offering sports kiosks than others?*
 - None of the lotteries indicated any studies had been performed on profiling kiosk hosts based on compliance or performance. But they all confirmed that the hosts that performed the best were those in social settings with the ability to program sports viewing within their locations and create a focus on the availability of the sports wagering itself. Hosts that operate in a non-social setting (such as gas stations and liquor stores) did not perform well.

D. Retail Settings Best Suited to Host Sports Wagering Kiosks

The availability of statewide digital sports wagering within a jurisdiction is likely to influence patron wagering habits at retail kiosks and should be factored into the projected sales a retailer can expect. However, with or without statewide digital wagering, it is likely to require more effort by the retailer and more emphasis on featuring sports wagering on the kiosks if it is to generate meaningful sales.

Interviews with state lotteries, kiosk vendors and kiosk hosts indicate that eligibility to host sports wagering kiosks from a commercial feasibility standpoint does not equate to suitability in terms of sales simply because the retailer currently sells lottery products. An analysis of the aggregated key performance indicators (“KPIs”) from kiosk host sales in Ohio was used as the primary baseline for consideration as it is the most similar to Massachusetts in that casinos, horse racing, retail sports wagering and digital sports wagering are all available to the patron. Their performance in calendar year 2023 – coupled with comments from the Lottery and kiosk vendors – uncovered trends and other factors that may further provide indications of those best suited to host sports wagering kiosks. Regardless of the jurisdiction, Spectrum believes there are consistent factors that should be considered when comparing the suitability of one retail location to another and their ability to be successful.

Figure 7 below illustrates the fluctuation in Ohio in monthly kiosks available in the field, host net revenues, and average performance.

Figure 7: Ohio sports wagering kiosks performance statistics, 2023

Month	Number of Kiosk Hosts	Month-Over-Month Change	Host Net Revenue (after Lottery Share)	Average Revenue Generated per Host
January	772	-	\$87,664	\$114
February	866	12%	\$48,332	\$56
March	940	9%	\$135,202	\$144
April	926	-1%	\$100,774	\$109
May	935	1%	\$89,601	\$96
June	939	0%	\$33,461	\$36
July	940	0%	\$95,000	\$101
August	908	-3%	\$38,545	\$42
September	914	1%	\$73,081	\$80
October	873	-4%	\$123,494	\$141
November	852	-2%	\$67,026	\$79
December	843	-1%	\$95,666	\$113
Total Gross Revenues from Host Sales			\$987,846	
Average Number of Hosts Monthly			892	
Average Monthly Revenue Generated per Host			\$93	

Source: Ohio Lottery

Of note, the trends in Ohio indicate a reduction in kiosks in the field during the busiest quarter of the sports wagering calendar (Q4), when all major sporting leagues are in season. This is a clear indication that simply making sports wagering available is not enough to induce sales.

Spectrum assumes the intent is to utilize existing minimum internal controls governing retailers' other regulated activities in addition to lottery sales to create the compliance requirements for sports wagering kiosks. Therefore, commercial considerations are the primary components that factor into any retailer's suitability and performance. Spectrum believes these components to be demographic of patron and degree of sports wagering programming into the patron experience.

1) Demographic of Patrons

In 2023, 150 Ohio kiosk hosts who already satisfied lottery sales quotas had their sports wagering kiosks removed by the vendor due to lack of sales¹⁹ (an average of 12.5 locations per month). It is logical to deduce in these cases the retailer's patron demographics did not find sports wagering relevant to their experience with the location.

According to a 2019 report by the American Gaming Association,²⁰ the average sports bettor skews to younger males with a higher income and higher education who are also sports fans. Since that report was published, the maturation of markets and spread beyond Nevada to 37 states plus

¹⁹ Interview with Ohio Lottery.

²⁰ American Gaming Association, "Consumer Movement Toward Sports Betting," 2019. <https://www.americangaming.org/wp-content/uploads/2019/03/Consumer-Research-One-Pager.pdf>

Washington, DC, has created a mainstream awareness of sports wagering,²¹ and it is logical to expect that the relevant patron demographics have expanded. However, Spectrum believes this expansion to be tempered. Rather, the opportunities to appeal to a wider demographic are very much dependent on specific events and the media campaigns launched around them. More often than not, these campaigns are focused on the home team and its upcoming events which are considered to be applicable to the average active sports bettor. However, the opportunities for spikes in sales among a wider set of demographics is likely only to be experienced with high-profile events that are heavily emphasized in the media. (Super Bowl, NCAA basketball tournaments, etc.)

Another factor in defining the value of the patron is the average time in location. Assuming that wagering on kiosks is not the patron's primary activity, their motive for patronage needs to be understood to assess the relevancy of sports wagering to their interaction with the retailer. Those retailers where the average visit is short and meant to be transient may experience less sales for smaller amounts. Any winnings will be redeemed upon the next visit as part of the patron's routine need for goods or services the retailer provides. As the wagers are either considered a low chance of winning or are of a value that does not warrant waiting for settlement, the patron puts less emphasis on the actual outcome and more on the participation in viewing the outcome. In contrast, Spectrum expects those retailers who provide a service and setting for more prolonged patron visits to see an increase in sales for higher amounts where the patron is likely to wait for their wager to settle on the event they are viewing and redeem any winnings prior to leaving the retailer's premises. These scenarios represent two very different sports wagering experiences whose perceived value is expected to directly impact the value and volume of sales a retailer can reasonably expect.

To create benchmarks for expected patron spend, retailers should consider the costs of goods and services that they offer today and consider that the average revenue from a patron visit is likely to influence the amount of wagering that clientele can be expected to conduct. An interview with one Ohio kiosk vendor generating 25% of statewide host revenue reported an average sports wager of between \$40 and \$45. This range indicates a high likelihood of pre-match markets being wagered at -110 odds for a wager of \$44 to win \$40 (\$84). When factoring in daily draws, instant scratch tickets, keno every few minutes and jackpot games, Spectrum believes the multitude of opportunity to play lottery products over the course of a patron's daily routine would make the average single-purchase lottery sale much lower than what is being observed in sports wagering.

Those retailers that can attract footfall from the target patron profile and curate programming and experiences that are complementary to sports wagering are expected to generate longer patron visits, more volumes of wagers, and wagers at higher values. While retailers that do not facilitate these experiences are still expected to sell sports wagers, it is believed to be at a lower degree and in amounts that are similar to typical single-purchase lottery products.

²¹ Kindbridge Behavioral Health, "Problem Gambling to Become Even More Mainstream?" August 11, 2023.

<https://kindbridge.com/gambling/problem-gambling-to-become-even-more-mainstream/>

2) Programming of Sports Wagering Into Patron Experience

It is Spectrum's expectation that access to statewide digital sports wagering likely creates a scenario in which a high percentage of the sports wagering occurring within a retailer's location is, in fact, on digital platforms and not using the retailer's sports wagering kiosks. It is relevant to note that a precursor to legalized sports wagering was the realization of its widespread activity already occurring via unregulated online digital operators, therefore it is logical to assume that with legal options, digital wagering would proliferate. Therefore, in a retail setting, wagering on kiosks is a choice rather than a requirement for patrons. To sway a patron's choice to utilize the kiosks, there must be an actual or perceived value add to the sports wagering experience.

A retailer's primary business purpose should be the key consideration in determining a suitable level of programming that is achievable and effective at promoting sports wagering on kiosks. Using the examples of a sports bar and a convenience store, it is fair to say there are significant contrasts between each retailers' experience with their patrons. Understanding the retailer's demographic and patron experience is essential to identifying the opportunity to incorporate sports wagering into the routine of the patron's interaction with the retail setting to the extent that current lottery products are.

Convenience Store

From a demographic perspective, most convenience stores are likely to see a wide range of patrons based on the variety of goods they sell. Despite this access to a constant flow of patrons, their visits are likely to be short, and average purchase amounts are expected to be less than \$100. In this scenario, the retailer must assume that the same positioning and signage that helps sell lottery products needs to be adapted to sports wagering. The only material consideration in this case is space to position an additional kiosk with ever-changing signage that is current in reference to sports leagues' seasonality and high-profile events. In addition, the retailer should consider working with their provider to pre-package sports wagering options for home-team and pre-match markets that can be easily understood and adopted by a wide range of patron profiles. Simplifying the wagering menu creates an ease of consumption that short visits – coupled with routine or impulse purchases – often require.

Any retailer that does not have sufficient space to strategically place the kiosks and does not maintain up-to-date marketing materials is unlikely to be successful in encouraging sales in a setting where the patron likely spends very little time considering purchases.

Sports Bar

The demographics of a sports bar patron would appear to be much more relevant to sports wagering due to the existing age-gating of the location and its primary business purpose of facilitating the sales of food and beverage while viewing sports events live on the premises. The motivation for this consumer is extremely well defined by the fact that they opted to come to the location for the purpose of interacting in a social environment where the primary activities are consuming food and alcohol and viewing sports events on television. Depending on the location, size of party and food options, the average spend could be around \$100. As such, sports wagering would appear more relevant and be complimentary to the patron's experience, which is expected to last over two hours based on the average duration of a

US professional sporting event. This time on premises creates more consumable sports wagering opportunities for the patron to engage in that enhance their entire visit.

If the sports bar setting is configured to accommodate and encourage staying on premises, sports wagering on live events can be leveraged as an amenity to the primary business and drive longer visits. By promoting sports wagering in combination with sports viewing, each wager placed on a kiosk creates a varying level of commitment from the patron to stay until the wager they placed on the event they are watching has settled to a win or loss. Assuming most patrons would stay to watch the settlement of their wager, the retailer should expect opportunities for additional food and beverage sales.

As mentioned previously, in markets with statewide digital wagering available, it is probable that a material percentage of patrons in a sports bar who are actively betting will be placing wagers via mobile devices vs. use of the kiosks. This channelization is due primarily to the amount of market penetration and adoption the licensed digital sports wagering operators have achieved. To overcome this, retailers must identify opportunities to leverage the patron's primary motivation for being on the premises, which Spectrum considers to be a tangible experience mixed with social elements in a high-energy setting. Digital wagering is not a tangible experience that can be consumed as a group and therefore could be replaced by kiosk wagering based on the retailer's programming of it. Creating content around wagering and prominently displaying it with tie-ins to the retailer's core curated experience is essential for awareness, call to action and added value that Spectrum believes is required to maintain consistent sports wagering sales in those markets where digital wagering is firmly established as the primary channel.

If the retailer is unable to capture attention from the mobile bettor, their pool of applicable patrons for kiosk wagering will be reduced further to those that only wager on highly publicized events. If the retailer's setting is not conducive to the ideal sports viewing experience, incurring longer visits and social interactions, they are unlikely to attract enough of the target patron demographic to meet sales quotas.

As described below, the summary of our interviews indicates that unless the retailer features and actively works to sell sports wagering, they are unlikely to be successful.

3) Insights from Interviews

Spectrum performed interviews with three lotteries, two sports wagering kiosk vendors and six retail kiosk hosts. The hosts interviewed were an assortment of various food and beverage establishments with the term "grill," "pub" or "tavern" in the retailer's name. The questions asked were meant to illustrate the suitability of a retailer based on their potential for sales.

Kiosk Operator Questions (Restaurant/Sports Bar/Other/etc.)

- *Are you happy with the performance of the sports kiosks to date? Yes or No*
 - The responses were a mix: 17% yes, 33% indifferent, and 50% no.
- *On average, are more than 100 wagers placed per week on your kiosks? Yes or No*
 - 100% of those interviewed replied no.
- *Do you have "regulars" that come to watch sports and bet on the kiosks routinely? Yes or No*

- 32% responded yes, they did have regulars that placed wagers with the kiosks, while 68% did not.
- *Do patrons have many questions on placing wagers and redeeming winning bets? Yes or No*
 - 100% of respondents stated that patrons generally did not have any questions on wager placement, nor redemption of winning ticket.
- *Are you actively promoting the kiosks and availability of sports wagering kiosks? Yes or No*
 - 17% of respondents stated they did promote the sports wagering kiosks, while 83% responded there was little to no promotion of the kiosks.
- *Have you seen any change in retail lottery sales since making the sports kiosks available?*
 - 100% of hosts responded that there was no detectable impact to lottery sales with the introduction of sports wagering kiosks.

Kiosk Vendor Questions

- *What type of retail location performs the best in terms of wagering volumes?*
 - The responses conveyed a common theme that the best performing locations are those that are programming sports wagering into the patron experience and making concerted efforts at generating sales. These efforts and experiences are going to be of varying degrees of effectiveness, but the very act of putting effort into sales seems to be the simplest explanation for why one location would do better than another.
- *What type of retail location performs the worst in terms of wagering volumes?*
 - A summary of the descriptions indicates that locations that present a non-sports-oriented atmosphere lack a relevant patron demographic for sports wagering. Once the retailer recognizes this, they do not attempt to maximize the positioning and programming of the kiosks, and thus sales suffer.
- *Have you ever been approached by an existing lottery retail agent inquiring for sports kiosks that you declined to do business with? If so, for what reasons?*
 - Both vendors confirmed that they do decline host partnerships where the costs of deploying the kiosk is not considered to be recoupable. Additional requirements and standards related to minimum number of televisions, promotional commitments and location programming have been adopted in order to further filter out those locations unlikely to produce adequate sales.
- *How often does a host have their sports kiosk license removed due to financial issues?*
 - Both kiosk vendors indicated that removal of kiosks due to non-performance was a routine exercise. One vendor indicated they had relocated close to 50% of their kiosks over the course of the year due to financial performance.

Lottery Questions

- *Is there a type of kiosk host location (bar/grocery/restaurant/etc.) that performs inherently better than others in terms of wagering volume? If so, who and why?*

- All three lotteries indicated that the atmosphere the location is able to create for patrons that find sports wagering relevant is likely the most important factor in considering their success.
- *How often does a sports betting retailer have their sports kiosk removed due to financial issues?*
 - The two lotteries that employ a single-vendor sports wagering monopoly system stated they had never removed a kiosk for financial reasons. Ohio, which employs an open-market vendor system, did report that since inception there had been 275 kiosk hosts cancel their vendor partnerships for a variety of reasons related to host switching vendor partner, sale of business/business closing, host decision not to go forward with sports betting, lack of sales, etc. Of those 275 cancellations, 54.5% (150) were due to lack of sales.

2. Costs for Regulating Sports Wagering Kiosks

Spectrum examined what the regulatory costs would be for sports wagering kiosks if they are implemented in Massachusetts. In this regard, Spectrum reviewed the experiences in Ohio, which implemented sports wagering kiosks located at restaurants, bars, and grocery stores in January 2023. The results of the examination provided a benchmark to project for Massachusetts. Spectrum relied on its vast experience in gaming regulatory matters to evaluate regulatory costs. In addition, Spectrum reviewed the experiences in Ohio for comparison purposes. Spectrum accessed media accounts regarding the regulatory costs in Ohio. We also contacted Ohio regulatory officials to confirm the information we had obtained.²²

Our analysis presupposes that the Massachusetts Gaming Commission would be responsible for the regulation of sports wagering kiosks, but admittedly, that has not yet been determined. If the regulatory responsibility is assigned to another agency without similar regulatory expertise, that would naturally increase the costs of regulation.

The regulatory costs for sports wagering kiosks involve staffing expenses, which are dependent on the number of employees assigned to oversee the implementation and operation of sports wagering kiosks. In interviewing members of the Commission's Investigations and Enforcement Bureau regarding their current activities,²³ Spectrum found that fewer than 150 persons are assigned full time to the Bureau's current investigation and enforcement activities. Adding hundreds or thousands of sports wagering kiosks into the field – which would require quarterly and intermittent audits of their cash-handling transactions – would likely require significantly more resources to effectively regulate the kiosk program than exist within the Commission today.

It is axiomatic that the casino gaming industry requires strong regulatory oversight and vigilance to preserve and foster public confidence and trust in the integrity of gaming operations. The costs of that regulation are generally borne by the casino operators and other license applicants. The same principles apply to the fledgling sports wagering industry.

It is a well-established practice in the global casino gaming industry to require casino operators and other applicants to pay for all costs associated with regulatory oversight, including licensing administration, gaming-related investigations, audits, and special investigations. In addition, the operating costs of casino gaming regulatory agencies are generally funded by the casino operators through license application fees and additional assessments as needed. This requirement allows the regulatory agency to undertake complex and multi-faceted entity and other investigations without having the taxpayers pay for these types of investigations.

Casino operators pay the operational expenses of the Massachusetts Gaming Commission. In Massachusetts, Section 57 of the casino gaming statute established a Gaming Control Fund, from which

²² Ohio Lottery Commission, March 26, 2024.

²³ Interviews with Caitlin Monahan, Director, MGC Investigations and Enforcement Bureau, and Michael Leo, Detective Lieutenant, Massachusetts State Police.

the operating expenses of the Commission are to be paid. License application fees are to be deposited into this fund. In addition, pursuant to Section 56(b) of the gaming statute, the Commission shall establish fees for any investigation into a violation of the statute or regulations by a gaming licensee to be paid by the gaming licensee including, but not limited to, billable hours by commission staff involved in the investigation and the costs of services, equipment or other expenses that are incurred by the Commission during the investigation. Pursuant to Section 56(c) of the gaming statute, any remaining costs of the Commission necessary to maintain regulatory control over gaming establishments shall be assessed annually on gaming operators in proportion to the number of gaming positions at each gaming establishment. It is reasonable to expect the same regulatory framework for sports wagering kiosks in Massachusetts.

The costs associated with regulating sports wagering kiosks are confined to staffing expenses of the state's gaming regulatory agency, in terms of paying for employees' salaries, pension payments, and health benefits. Outside of staffing to oversee the operations of the sports wagering kiosks, there are no significant operating expenses to regulate sports wagering kiosks. The staffing involves the designation of specific employees to the regulation and oversight of the sports wagering kiosks and their locations. In Spectrum's experience in gaming regulation, their respective duties and responsibilities include licensing investigations, enforcement, audit functions, administrative duties, financial reviews, technology support, and operational oversight. In addition, at the outset, the staff would draft appropriate regulations and establish relevant policies and procedures for implementing and overseeing sports wagering kiosks. One noteworthy area concerns the implementation and administration of an effective self-exclusion program, to be integrated into the current procedures for casino gaming operations.

In evaluating the projected regulatory costs for Massachusetts to implement sports wagering kiosks, it is informative to examine the experience of a comparable state, Ohio, which recently implemented sports wagering kiosks. The Ohio Lottery Commission is entrusted with the responsibility of overseeing the operations of sports wagering kiosks approved at restaurants, bars, and grocery stores. The Ohio Lottery Commission further regulates thousands of video lottery terminals at seven racetrack casinos throughout the state. In this regard, the Ohio Lottery Commission is responsible for establishing rules and regulations of the program and ensuring compliance with them. The same would naturally apply to the Massachusetts Gaming Commission's Enforcement Bureau.

A spokesperson for the Ohio Lottery advised that, other than staffing, there are no significant operating expenses to regulate the program. As would be the case in Massachusetts with its Gaming Commission, there are certain specified employees who are assigned to oversee and regulate the sports wagering kiosks.

In January 2023, Ohio's statewide program went into effect. For calendar year 2023, Ohio had regulatory costs in the amount of \$650,000, which notably was substantially more than the reported annual revenue for the year of \$303,589 generated by sports wagering kiosks for the Lottery Commission. That is, the kiosks performed so poorly that the state's share of the \$1.3 million in GGR did not cover the regulatory costs. These regulatory costs should remain consistent in the forthcoming years. In addition, according to a spokesperson for the Lottery, there were startup costs totaling \$335,000. Despite issuing licenses to more than 1,000 businesses and hosts across the state, the Lottery is losing money on sports

gaming kiosks, as the regulatory costs far outweigh the revenue being generated.²⁴ The Lottery's share of revenue has yet to approach what is needed to cover the Lottery's administrative costs.

For Massachusetts, the staffing necessary to implement and oversee sports wagering kiosks will depend on the number of authorized establishments. Notably, the Commission's Enforcement Bureau has experienced staff with the expertise needed to oversee this operation. Based on Spectrum's extensive experience in gaming regulatory matters, the transition from regulating casino operators should be far less daunting than what confronted the Ohio Lottery Commission – but nonetheless would require additional resources based on the number of retail sports wagering kiosk locations. As noted, these regulatory costs would likely be paid by the kiosk operators and other licensees involved in sports wagering operations.

Although not strictly a gaming regulatory function, there is also a component of governmental oversight involving state and local law enforcement authorities. Thus, the gaming enforcement unit of the Massachusetts Attorney General's Office would be responsible for enforcement of criminal laws pertaining to gambling. This would involve protecting and ensuring public safety and investigating and prosecuting criminal activity onsite at sports wagering kiosks. The regulatory costs involved would be for staffing, akin to the Gaming Commission. Local police would be responsible for enforcing the laws regarding other criminal activity at the various locations.

The regulatory costs associated with detecting and preventing money laundering would depend upon the priorities given to the regulatory oversight of kiosks. A more proactive approach in regulatory oversight would result in higher regulatory costs.

²⁴ Gordon, Clay, "Ohio Lottery lost money on sports gambling kiosks in 2023," 10tv.com, February 12, 2024. <https://www.10tv.com/article/news/local/ohio/ohio-lost-money-on-sports-gaming-kiosks/530-c450a46e-fa3b-479a-8434-f2c3d7f44842>

3. Potential Kiosk Sports Wagering in Massachusetts

A. Level of Interest

The question remains about the degree to which sports wagering kiosks would be utilized, outside of casinos, by the public. To this end, the Massachusetts Council on Gaming and Health conducted an online survey investigating the likelihood of use of retail located sports wagering kiosks in Massachusetts, among those who have gambled within the past year. To obtain a quality sample, the survey utilized Symmetric, an online sampling services company that specializes in high-value representative samples with scientific sampling methods and advanced fraud-detection systems.

The total sample controlled for the following criteria:

- 100% of the sample was residents of Massachusetts.
- 100% of the sample was adults 21+ years of age (sports wagering minimum age).
- 100% of the sample had to have played at least one of the following activities in the past year: lottery (scratch), lottery (daily numbers and other drawing games), casino (slots), casino (table, roulette, poker), sports wagering (using an app) or sports wagering (at casino sportsbook).
- An attempt was made to be able to collect useful samples from both genders, stratified across age groups.

In total, 167 respondents were included in the screened sample. The focus of the survey was addressed in the following question:

Massachusetts is considering offering sports betting kiosks. This would be in addition to sports betting on mobile apps such as DraftKings and FanDuel. If approved, sports wagering kiosks could exist in retail locations, such as in convenience stores, bars, restaurants, and other public places.

Patrons would be able to place a wager with cash or a debit card and collect winnings through the retailer. Currently Montana, Ohio and Washington, DC, have sports betting kiosks in public venues. This survey will measure the interest of regular gamblers in Massachusetts and their likelihood of placing a wager using a sports betting kiosk.

Respondents were asked, “How likely would you be to place wagers using a sports betting kiosk in a retail location if offered?”

Demographically, 20% of gamblers say they would be “very likely” to place wagers using a sports wagering kiosk (32% of males and 10% of females). Also, 26% of gamblers say they would be “somewhat likely” to place wagers using a sports wagering kiosk (30% of males and 23% of females). Younger respondents, especially males, appear to be most likely to utilize the sports wagering kiosks, as shown in Figure 8 below.

Figure 8: Results of online survey of Massachusetts residents regarding use of sports wagering kiosks

Break % Respondents	Total	Male - Age				Female - Age			
		21-34	35-49	50-64	65+	21-34	35-49	50-64	65+
Base	167	29	20	12	16	6	24	35	25
How likely would you be to place wagers using a sports be...									
Very Likely	20%	45%	40%	33%	-	33%	21%	3%	4%
Somewhat Likely	26%	28%	20%	17%	56%	17%	42%	23%	8%
Somewhat Unlikely	18%	21%	15%	17%	6%	17%	13%	23%	24%
Very Unlikely	35%	7%	25%	33%	38%	33%	25%	51%	64%

Source: Symmetric, MACGH

Figure 9 below presents the likelihood that various types of gamblers would use a sports wagering kiosk.

Figure 9: Likelihood of Massachusetts gamblers using a sports wagering kiosk, by gambler type

Break % Respondents	Total	Gamblers					
		Lottery -Any Game	Keno	Casino	Sports Appl players	Sports Book (casino)	Non-sports betters
Base	167	159	68	85	72	43	93
How likely would you be to place wagers using a sports be...							
Very Likely	20%	21%	35%	36%	42%	65%	4%
Somewhat Likely	26%	27%	32%	26%	36%	23%	18%
Somewhat Unlikely	18%	17%	7%	13%	13%	9%	23%
Very Unlikely	35%	35%	25%	25%	10%	2%	55%

Source: Symmetric, MACGH

As many as 65% of those who currently place wagers at a casino sportsbook stated they would be very likely to place a wager using a retail sports wagering kiosk. Among those who utilize sports wagering apps, 42% indicate that they would be very likely to utilize a retail kiosk if offered. Conversely, among those who do not bet on sports but do gamble, only 4% indicate they would be very likely – and just 18% might be somewhat likely – to place a bet with a retail kiosk.

Among those who said that they would be “likely” to use a sports kiosk, they expressed a willingness to try it, as they like the convenience and spontaneity of betting with it. Many of those who place sports bets at a casino sportsbook and who do not have a phone app appear most likely to want to use it. Among those who said that they would be “unlikely” to use a sports wagering kiosk, many of them stated that they already have a sports wagering app on their phone, which is more convenient, and they do not need to leave their home. The vast majority of those who were not interested in the sports wagering kiosk, and who did not have an app, stated that they are just not interested, nor do they enjoy sports wagering.

Of those using mobile sports wagering apps who were not initially likely to use a sports wagering kiosk, 6% were more willing to consider using it when made aware that there was an economic benefit to the local business that had it installed.

The frequency difference between sports bettors who use a mobile app versus those who go to a casino sportsbook to bet is significant:

- Among sports bettors using a mobile app, 73% play greater than once per month; 44% play greater than once per week.
- Among sports bettors not using a mobile app, 41% play more than once per month; 24% play more than once per week.

In conclusion, those who indicate that a sports kiosk would be more convenient are more often those utilizing casino sportsbook, and playing less frequently than those with a mobile app. While those using a mobile app indicate that they would play with a sports kiosk if offered, many also addressed the lack of need, because their mobile apps are more convenient and useful than a sports kiosk. Most gamblers who are not currently betting on sports indicate they do not have an interest in using a sports wagering kiosk, so it might not address a need not currently served.

B. Anticipated Social and Community Impacts

The commercial feasibility of prospective kiosk wagering – like any new form or channel of gambling – should be weighed against the anticipated social and community impacts it may bring about if the Commonwealth were to implement them. To that end, MACGH conducted 15 interviews in three jurisdictions (Montana, Ohio and Washington, DC) where sports betting kiosks are currently in operation to assess their level of planning and engagement regarding consumer safety and player health.

Interviewees included representatives from organizations that support communities and vulnerable populations that may have been impacted by the social harms of implementing sports betting kiosks in their jurisdictions. These organizations included minority business owners, kiosk vendors, lottery associations, church groups, and professionals and entities representing public health and human services, such as recovery health experts and anti-underage gambling advocacy groups. Additionally, MACGH interviewed several Massachusetts-based trade associations representing restaurants, retail, and convenience stores to understand their perspectives on how their businesses may be affected by an expansion of gaming into their retail spaces. Refer to Appendix C for interview guide.

Based on MACGH’s qualitative analysis and relevant literature, this section explores several social and community aspects including:

- The potential benefits and risks of kiosks to small businesses in Massachusetts;
- The impact on minors of implementing kiosks, including increased exposure to marketing and the normalization of sports wagering; and
- The public health impacts of implementing kiosks.

Given the limited research specifically addressing problem gambling and kiosks, this section examines related literature on problem gambling associated with similar technologies. This includes

studies on the public health impacts of sports betting and lottery kiosks, as well as the effects of sports bars as a potential retail setting for the kiosks.

1) Benefit to Small Businesses

In the interviews with the trade associations that would be most affected by community-based sports wagering kiosks in Massachusetts, it was mentioned that if there was a sincere interest in benefitting small businesses, this should have been a conversation before the expansion of casinos and the launch of digital sports wagering last year. Retroactively working to fit small businesses into a possibly saturated sports wagering market when the public is not clamoring for this type of gambling seems “too late” to some of the people interviewed. Indeed, the representatives of the business associations seemed unenthusiastic about such an expansion, and they had no expectation that it would be something that would benefit their members. None of them seemed interested or engaged enough in this topic to poll their members or to have an ongoing dialogue on this topic.

One important exception was a group of minority-owned businesses representatives that felt they had been at best left out of the economic development and, at worst, negatively impacted by the opening of the casinos; they believe that sports wagering kiosks might be a way to bring additional revenue into their establishments. Additionally, because digital sports wagering is also part of the sports wagering landscape in Massachusetts (and, in fact, accounted for 98.5% the statewide sports wagering segment in its first 12 months), many felt that kiosks may now not be as profitable and/or desirable. One interviewee felt that kiosks should replace access to online gambling, not expand it.

A consideration when discussing the economic impact on minority-owned businesses is whether they could benefit economically from the kiosks. If indeed there would be a benefit, two interviewees emphasized that it would then need to be weighed against the potential of gambling harm to those same communities. These entities also alluded to this being an afterthought. To benefit minority-owned businesses, there would need to be social equity efforts that would either prioritize the awarding of kiosk licenses to minority-owned businesses or otherwise include these communities.

The retail and restaurant communities in Massachusetts appeared neutral on sports wagering in general. Kiosks are not something that their members are asking for, with the exception of Western Massachusetts when the expansion was being considered.

One organization that works to promote opportunities for racial and ethnic minority groups across New England shared that it was involved in the construction process of casinos, but less so when it came to sports wagering. They would potentially be interested in business opportunities that would help to partner minority businesses with sports wagering operators, whether that be through kiosks or some other means. A trade organization for retailers expressed that “we consider gaming along the same lines as fatty foods, cigarettes, alcohol. Want to learn more about sports betting, but it’s not a sweet spot for us,” and “[Lottery] retailers get 0.5\$ on every lottery ticket sold and this hasn’t changed in years. Retail is a human interactive business. The notion of the kiosk is somewhat unappealing.”

It is important to acknowledge the limitations of these interviews and data-collection efforts regarding the benefits of sports wagering kiosks on small businesses. Trade associations and retail and

restaurant communities, with the exception of minority-owned business representatives, were largely uninterested in participating in the sports wagering kiosk discussions. Consequently, there is limited evaluative data to demonstrate the effectiveness of these efforts in Massachusetts. To address this gap, we provide examples from other jurisdictions that have incorporated social equity considerations into their planning and implementation of sports wagering, and encouraging equity in participation in their sports betting programs.

Washington, DC: Efforts are made to ensure that license holders (Lottery licenses and Private Operated Sports Wagering licenses) reflect the racial demographic of the District. This is done primarily through community education and outreach. “The Office of Lottery and Gaming (OLG) created a strategic partnership with the Mayor’s constituency offices to reach diverse communities. In the Fall of 2021, OLG partnered with the Mayor’s Office on African Affairs (MOAA) and hosted three events that introduced the DC Lottery to business owners and potential players in the Amharic-speaking community. OLG also works with the Mayor’s Office of Latino Affairs (MOLA) and the Mayor’s Office of Asian and Pacific Islander Affairs (MOAPIA) to host outreach events to community businesses. These opportunities involved a series of four recruitment sessions entitled ‘Betting on Small Business Power Hours.’ In partnership with the University of Nevada Las Vegas’ International Gaming Institute (UNLV IGI).”²⁵

DC has kiosks at larger sportsbook locations (currently five) and at retail locations (approximately 72).

Maryland: “The Sports Wagering Application Review Commission (“SWARC”) was established in Maryland’s sports wagering law (HB 940 of the 2021 Regular Session). In accordance with the law, the SWARC is authorized to conduct a competitive process to award up to 30 retail sports wagering licenses to entities that were not designated in the law, and up to 60 digital sports wagering licenses. To the extent permitted by federal and state law, the SWARC shall actively seek to achieve racial, ethnic and gender diversity when awarding licenses.” In this particular effort, applicants were expected to submit a “diversity plan” that reflected a commitment to racial and gender equity in their business practices with stated benchmarks and timelines to meet those benchmarks. Licensees were expected to make a good faith effort but no penalties were set for license holders that failed to meet those benchmarks after the license was granted. This process required sports wagering licensee applicants to “seek out minority investors, to use the State’s nationally recognized minority business enterprise program in contracting and submit a substantive diversity plan will help achieve that goal.” While racial and gender diversity were mentioned, SWARC defined diversity as the following: “SWARC will consider any type of diverse group where an Applicant can demonstrate that an individual has been disadvantaged and, therefore, inclusion of the individual as a participant in the Diversity Plan would be beneficial,” according to the addendum.²⁶

²⁵ Office of the Chief Financial Officer, Office of Lottery and Gaming, Committee on Business and Economic Development Performance Oversight Hearing on March 3, 2022.

²⁶ William J. Ford, “Sports betting commission adds diversity requirement for applicants to receive mobile sports betting licenses,” Maryland Matters, September 3, 2022. <https://www.marylandmatters.org/2022/09/03/sports-betting-commission-adds-diversity-requirement-for-applicants-to-receive-mobile-sports-betting-licenses/>

In Massachusetts, it may be helpful to examine the social equity efforts put forth by the Cannabis Control Commission (2024) through its Social Equity Program (“SEP”). The SEP is not a license type but rather a job training and technical assistance program that helps “social equity applicants.” These applicants need to identify as being from one of the 30 Disproportionately Impacted Areas – geographic areas that have been disproportionately harmed by marijuana prohibition and enforcement. There are two tracks:

1. The first helps participants help apply for a license through the Cannabis Control Commission if they are interested in owning a Marijuana Establishment or Medical Marijuana Treatment Center. There is no guarantee of licensure.
2. The second track is essentially a program that helps participants to become a manager or worker, or provide contract services to the industry and does not require a license application to the Commission. SEP benefits include free technical assistance and training through vendors certified by the Commission, and expedited license application review for individuals who maintain 10% ownership in the business.²⁷

2) Impact on Minors

Key informant interviews were done with 15 people representing public health and human service interests; those interviewed were unanimous in their expression that the public health impact of expanded gambling to sports wagering kiosks would have a negative impact on minors. There were concerns about increased modeling and normalization of gambling behavior for young people and that places once fit for all-ages activity will become dominated by gambling. Suggestions were made that if kiosks were made available in public places that they be restricted to 21-plus venues such as bars and nightclubs. The pervading sense is that the most vulnerable community members, including youth, will bear the burden of expanded gaming. Interviewees mentioned it being “reminiscent of the cigarette vending machines” and that “it should only be sold where alcohol is sold” due to the necessity for monitoring.” Laura Everett, of the Massachusetts Council of Churches, stated, “Minors already have a burden of exposure to gambling. This will increase socialization of gambling that is already at problematic levels. Sports betting is already highly accessible to kids and teenagers. They have highly susceptible brains, are prone to impulsive behavior. Why would we expand into areas where teens could be present? We are asking to create a new generation of gambling addicts with the government's blessing.”

The literature speaks to the impact of additional gambling advertising on youth, the increase of adults’ modeling of gambling behavior to youth, the impact of normalization of sports wagering, and integration into non-gambling-related recreational activities. We will also look at the most recent available information on gambling behaviors among youth in Massachusetts. As we looked to other jurisdictions in the United States where kiosks have been placed outside of casino settings, there is no published research available at the time of writing to speak to changes in youth gambling.

²⁷ Cannabis Control Commission, “Social Equity Program.”
<https://masscannabiscontrol.com/equity/social-equity-program/> (accessed April 29, 2024)

With any expansion of gambling, there is an increase in public awareness about that expansion. This can come in the form of paid advertising by the gambling industry or by businesses hosting gambling machines. It can come in the way of unpaid media or by way of community members discussing their experiences with this new form of betting. All of these types of exposure impact youth, but we first look at industry-generated marketing.

Increased Exposure to Marketing

Sports wagering companies have marketed aggressively since the wave of legalization began across the country in 2019. Online gambling now ranks 11th among 1,200 product categories for television “spot” advertising dollars in the United States, accounting for a 2.1% share, with Nielsen (2021) describing it as a “golden goose” for the local television industry.²⁸ Nationally, an estimated \$1.8 billion was spent on paid advertising in 2022.²⁹

International research strongly suggested that exposure to gambling marketing during youth causes harm. Samantha Thomas, et al., defined contemporary gambling marketing as the following: The full range of direct and indirect advertising, promotion, sponsorship, incentives, public relations, lobbying, and donations that are strategically used by the gambling industry to promote its products, gain publicity, attract new customers, shape social and cultural attitudes, and build corporate and product image and support.³⁰

²⁸ Nielsen, “Online Gambling Ad Spend is Bolstering the Local TV Market, May 2021.

<https://www.nielsen.com/insights/2021/online-gambling-ad-spend-is-bolstering-the-local-tv-market/>

²⁹ PGRI Gaming, “iGaming, Sports Betting Advertising Soaring to \$1.8 Billion in 2022,” August 20, 2022.

<https://publicgaming.com/news-categories/igaming-mobile-sports-betting/10011-igaming-sports-betting-advertising-soaring-to-1-8-billion-in-2022>

³⁰ Samantha Thomas, May C.I. van Schalkwyk, Mike Daube, Hannah Pitt, Darragh McGee, Martin McKee, Protecting children and young people from contemporary marketing for gambling, Health Promotion International, Volume 38, Issue 2, April 2023, daac194, <https://doi.org/10.1093/heapro/daac194>

Figure 10: Summary of evidence about impact of gambling marketing on young people

Table 1: Examples of evidence relating to the impact of gambling marketing on children (under 18 years of age)

Category	Evidence
Gambling marketing content that appeals to young people	<ul style="list-style-type: none"> • Celebrity endorsements—particularly the use of athletes and sporting personalities. • Humour • Inducements and risk reducing promotions. • Winning • Music, jingles and catchy voiceovers.
Exposure and recall	<ul style="list-style-type: none"> • Most young people can recall seeing gambling marketing. • Most commonly recall marketing on television, during sport and on social media. • Can recall specific examples of different types and placement of marketing strategies.
Brand awareness	<ul style="list-style-type: none"> • Can name multiple gambling brands. • Have demonstrated a depth of knowledge and awareness by recalling brand colours, specific promotions and advertisements.
Perceptions and approval	<ul style="list-style-type: none"> • Perceive gambling is a normal or common part of sport due to the marketing that they observe. • Gambling attitudes are positively influenced by marketing aligned with sport. • Influenced by portrayals of gambling as fun, social and easy way to win money. • Inducement marketing reduced perceptions of risk associated with gambling products. • Celebrity endorsement increases trust of brands and the markets that are offered.
Gambling intentions and engagement	<ul style="list-style-type: none"> • Indicate wanting to try gambling in the future. • Marketing and promotions, perceived knowledge of sport, alignment with culturally valued activities, and family and peers influence consumption intentions.
Support for restrictions	<ul style="list-style-type: none"> • Support curbs on gambling marketing. • Support education campaigns to explain risks of gambling and gambling products. • Are sceptical of responsible gambling initiatives. • Perceive that governments and sporting organizations have responsibility in protecting young people. • Are sceptical that industry will implement meaningful measures to protect young people.

Source: Thomas et al. 2023³¹

Figure 10 above, from Thomas et al.’s 2023 study, summarized the impact of gambling marketing on children and young people. Multiple forms of marketing played a role in positively shaping, influencing, and normalizing young people’s gambling attitudes and future consumption intentions.³²

While all gambling has the potential to be addictive, there is evidence that sports wagering is one of the riskier types of betting.³³ The fact that the kiosks would be sports wagering kiosks is another cause of concern due to elevated risk of this particular type of play.

According to Mestre-Bach (2022), “Sports betting, relative to non-sports betting, has been more strongly linked to gambling problems and cognitive distortions related to illusion of control, probability control and interpretive control.”³⁴

³¹ Ibid.

³² Ibid.

³³ Delfabbro, P., & Parke, J. (2021). Empirical Evidence Relating to the Relative Riskiness of Scratch-Card Gambling. *Journal of Gambling Studies*, 37(3), 1007–1024. <https://doi.org/10.1007/s10899-021-10033-2>

³⁴ Cooper, A., Olfert, K., & Marmurek, H. H. C. (2021). Predictors of Problem Gambling for Sports and Non-sports Gamblers: A Stochastic Search Variable Selection Analysis. *Journal of Gambling Studies*, 1–17.

Mestre-Bach, G., Granero, R., Mora-Maltas, B., Valenciano-Mendoza, E., Munguía, L., Potenza, M. N., Derevensky, J. L., Richard, J., Fernández-Aranda, F., Menchón, J. M., & Jiménez-Murcia, S. (2022). Sports-betting-related

Impacts of Normalization of Sports Wagering

Research suggested that exposure to gambling at an early age can lead to an increased interest in gambling in later life and an increased likelihood of experiencing gambling harm. The introduction of sports wagering kiosks into non-gambling-related recreational activities and “all-ages” spaces presents a challenge in terms of protecting children from early exposure.

Engaging with gambling or gambling-style activities during childhood is common, but participation is primarily passive. It is typically a product of being present or involved with other people’s gambling, rather than actively faking one’s age to gamble underage. The UK Gambling Commission (2021) found that witnessing other people’s big wins or big losses, active encouragement by parents to gamble, and having parents who gamble frequently are also influential to developing a gambling problem.³⁵

According to Nower et al.’s 2022 analysis, the fastest-growing group of sports gamblers in New Jersey were between 21 and 24 years old. New Jersey legalized sports gambling in 2018.³⁶ Compared with other kinds of gambling, the in-game betting offered during sports games was highly dependent on impulsivity.³⁷ Seeing parents, siblings, or other members of the household gamble also normalized gambling for kids, making them more likely to engage in gambling and other risky behaviors, including alcohol and drug use.³⁸

The earlier kids get exposed to gambling through online games and other avenues, studies suggested, the more severe their gambling problems are likely to be later on. Rahman (2012) showed that children introduced to betting by age 12 were four times more likely to engage in problem gambling later in life.³⁹

“We believe that the risks for gambling addiction overall have grown 30% from 2018 to 2021, with the risk concentrated among young males 18 to 24 who are sports bettors,” Keith Whyte, Executive Director of the National Council on Problem Gambling, said in an interview. The Council is a nonprofit group that advocates for helping people with gambling problems but is neutral on legalized gambling.

The percentage of high school students with a gambling problem is double that of adults, research has found. About 5% of all young people between 11 and 17 meet at least one of the criteria for a gambling

gambling disorder: Clinical features and correlates of cognitive behavioral therapy outcomes. *Addictive Behaviors*, 133, 107371. <https://doi.org/10.1016/j.addbeh.2022.107371>

³⁵ UK Gambling Commission, “Exploring the gambling journeys of young people,” August 5, 2021. <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/exploring-the-gambling-journeys-of-young-people>

³⁶ Nower L, Anthony WL, Stanmyre JF. The intergenerational transmission of gambling and other addictive behaviors: Implications of the mediating effects of cross-addiction frequency and problems. *Addict Behav.* 2022 Dec;135:107460. doi: 10.1016/j.addbeh.2022.107460. Epub 2022 Aug 11. PMID: 35995016.

³⁷ Ibid.

³⁸ Ibid.

³⁹ Rahman, Ardeshir S et al. “The relationship between age of gambling onset and adolescent problematic gambling severity.” *Journal of Psychiatric Research*, Vol. 46, No. 5, 2012. 675-683.

problem, such as liking the rush felt when gambling, writing IOUs to stay in the game, and wanting to win “the big one” so much that they keep playing even when losing a great deal.⁴⁰

The presence of sports wagering kiosks in all-ages public locations is likely to increase marketing exposure, increase the number of children witnessing family members having big wins and losses, and further normalize gambling overall. The fact that the type of gambling at kiosks is sports wagering – one of the highest-risk types of betting, and one of the most appealing to young adults – is an additional concern to be weighed when looking at this issue.

The gambling-harm landscape for youth is already concerning both in Massachusetts and nationally. About 50% of middle and high schoolers have gambled in the past year in Massachusetts.⁴¹ Approximately 4% to 5% of youth, ages 12-17, meet one or more criteria of having a gambling problem. Another 10% to 14% were at risk of developing an addiction, which means that they already show signs of losing control over their gambling behavior.⁴² These facts should be considered when engaging in a cost-benefit analysis of public-facing sports wagering kiosks.

3) Public Health Impacts

As previously mentioned, MACGH conducted interviews with professionals and entities representing public health and human services. Interview questions for public health officials were based on data from the UMass Amherst’s School of Public Health’s recently conducted Social and Economic Impacts of Gaming in Massachusetts (“SEIGMA”) studies.

The SEIGMA 2023 Follow-up General Population Survey (“FGPS”) reported 1.4% (ci 1.0% to 2.1%) of adults 18-and-older were classified as people affected by a gambling problem. The hypothesis that problem gambling would increase with expanded gambling from 2013 to 2021 was not supported. The percentages of the population that became non-gamblers significantly increased, recreational gamblers significantly decreased, and people at risk of, or affected by, gambling problems remained about the same. It should be noted that the two most-recent years of the study were impacted by the COVID-19 pandemic, which may have influenced the outcomes.

Similarly to the 2013 Baseline General Population Study (“BGPS”) study, the 2023 FGPS follow-up study indicated that people affected by a gambling problem are more likely to be:

- Males
- Under 35-54
- People of color

⁴⁰ Marsha Mercer, “States Tackle Teenage Gambling as Sports Betting Grows,” Stateline.org, July 13, 2022. <https://www.edweek.org/leadership/states-tackle-teenage-gambling-as-sports-betting-grows/2022/07>

⁴¹ Massachusetts Department of Elementary and Secondary Education and Department of Public Health, “Spring 2019 Student Survey Result Highlights,” 2019. <https://www.mass.gov/doc/health-and-risk-behaviors-of-massachusetts-youth-2019/download>

⁴² Problem Gambling Coalition of Colorado, “Youth and Problem Gambling,” 2022. <https://www.problemgamblingcoalitioncolorado.org/youth-problem-gambling>

- High school education or less
- Income of less than \$50,000 a year
- Never been married

The recent FGPS 2023 study indicated as many as 35.5% of people affected by a gambling problem reported having fair to poor health compared with 18.4% of people at risk of gambling problems and 15.5% of recreational gamblers. These percentages were all higher within each gambling category, compared with the 2013 BGPS results.

Similarly, the recent FGPS 2023 study indicated 35.5% of people affected by a gambling problem reported having experienced depression in the past year, compared with 31.7% of people at risk of gambling problems and 25.5% of recreational gamblers. These percentages were all higher for depression within each gambling category, compared with the 2013 BGPS results.

The 2023 FGPS indicated that as many as 36.9% of people affected by a gambling problem used tobacco in the past year, up from the 2013 BGPS. On the other hand, tobacco use was 18.1% among people at risk of gambling problems, and 11.9% among recreational gamblers, presenting a significant decrease since the 2013 BGPS.

The 2023 FGPS indicated that as many as 40.5% of people affected by a gambling problem participated in illegal drug use in the past year, up from 23.8% in the 2013 BGPS study. The 2023 FGPS indicated that as many as 40.5% of people affected by a gambling problem participated in illegal drug use in the past year, up from 23.8% in the 2013 BGPS study. Illegal drug use rose significantly from the 2013 BGPS, up 20.0% among people at risk of gambling problems and 21% among recreational gamblers, respectively.⁴³

After consideration of the story that the baseline data is offering, the public health impacts and tools should be considered. Although there are many ways to do that, for the purposes of this study, it seemed important to focus on responsible gambling as one unified effort, and the inclusion of voluntary self-exclusion (“VSE”). Montana, Ohio and Washington, DC, are providing RG programs to varying success levels. All require a basic level of training for their lottery sales staff members, but not all felt comfortable with the level of training their retailers are receiving. Based on the expertise of MACGH and decades’ worth of training with lotteries, this is traditionally true. With high rates of turnover – and lower rates of literacy – it is often a conundrum how to offer strong content to community-based retailers.

The other factor that dramatically changes the likelihood that many of the RG tools would be offered is the costs and availability of connecting the kiosks back to central databases. In Montana, the lottery said the anonymity of the kiosks “really works” as 90% of their revenue comes from kiosks; however, they did mention that their geofenced digital betting does allow them to choose deposit and/or wager limits, as well as cooling-off periods.

⁴³ Volberg, R. A., Williams, R. J., Zorn, M., Evans, V. (2023). *Gambling and Problem Gambling in Massachusetts: Results of a Follow-up Population Survey*. Amherst, MA: School of Public Health and Health Sciences, University of Massachusetts Amherst.

In Ohio, the lottery team talked about the efficacy of tying the campaigns together regardless of where the player sees or accesses it. They mentioned RG/PG campaigns that would run on the digital screens in the casinos, on social and traditional media, and on the kiosk screens.

Although not mentioned in any of the current jurisdictions' interviews, one trade association member mentioned that they thought there were opportunities for responsible gambling in 21+ venues: "One thing about kiosks in bars and restaurants that's positive is that there's a natural stop when the restaurant closes. With cell phones [and casinos] you can just keep playing and playing."

Public health and human service interviewees were unanimous in their expression that the public health impact of expanded gambling to sports wagering kiosks would have a negative impact on public health. There was concern that with this expanded gambling infrastructure, the kiosks could later be turned converted into machines that offer other forms of gambling such as slots and electronic card games, as is the case in the United Kingdom and other countries. There were concerns about a lack of public space free of betting triggers for those in gambling recovery and a concern about the enforceability of voluntary self-exclusion at these retail venues.

The Executive Director of the Massachusetts Council of Churches spoke about the burden born by churches in communities impacted by gambling disorder, particularly among communities of color where churches provide a wide array of social services. The mental health and financial crisis resulting from the impacts of expanded gaming in the Commonwealth reverberate through these communities. Despite impoverished and economically fragile communities already bearing the disproportionate burden of gambling disorder and despite the fact that in Black and Latino communities, religious organizations provide many of the services in response to these gambling crises, they are not eligible for Massachusetts Gaming Commission's Community Mitigation Funds. The pervading sense is that the most vulnerable community members will bear the burden of expanded gaming, with any economic benefits being unlikely to reach those who are doing the helping.

Sports Betting and Problem Gambling

While one of the interviewees questioned the morals of the operators ("industry likes kiosks because they can get around the VSEs"), others did not believe it was their place to get involved in the intricacies of gambling problems and exclusions: "We don't want retailers to play a role. Members don't enforce this law. This should be the state's job." More importantly, one interviewee just didn't think it was something they could accommodate, stating "[We] don't feel like VSEs really work. And we don't have the staff power [to manage them]."

The literature pointed to sports wagering as being a particularly problematic form of betting, with a higher percentage of players experiencing gambling addiction than some other forms of gambling. Shao and Sagoe's (2020) analysis of survey data collected from 2017-2019 found that nearly 95% of "compulsive sports bettors" reported mental distress, compared to 10% of non-sports gamblers.⁴⁴ Wickwire, Williams,

⁴⁴ Shao, W., & Sagoe, D. (2020), "Internet gambling among treatment-seeking online gamblers: A latent class analysis of mental health comorbidity and gambling severity. *Journal of behavioral addictions*, 9(2), 393–406. <https://doi.org/10.1556/2006.2020.00029>

Mychasiuk and Bugbee (2020) found sports bettors in Nevada estimated a problem gambling rate of 13% and found people affected by a gambling problem were more likely to also battle substance abuse issues and unstable housing than recreational sports gamblers.⁴⁵

Gambling expansion cannot be unlinked with an increase in gambling prevalence. Certain types of expansion may increase risk disproportionality, and the evidence suggests that sports wagering falls into this category. Kong et al. (2020) noted that Black, Hispanic and Asian individuals in the United States tend to exhibit significantly higher rates of problem or pathological gambling than White people.⁴⁶ Using Massachusetts-specific data, Xuan et al. (2020) found higher rates of disordered gambling among current sports bettors (~5%) compared to the general population.⁴⁷

In addition, national studies have reported higher risks for problem gambling among particular sub-groups like young males, ethnic minorities, and individuals with mental health or substance abuse issues.⁴⁸ The SEIGMA research team (Zheng et al. 2021) provided an overview of the potential impacts that may occur once legal sports wagering became available in Massachusetts. Zheng et al. launched a multi-phase study in 2021, which is still ongoing, assessing the economic, social, and public health impacts of legalized sports wagering in Massachusetts.⁴⁹

As part of the SEIGMA literature review (2021), they included several sports wagering research studies from Australia,⁵⁰ where legal sports gambling has existed for more than 20 years. Booth et al.

⁴⁵ Wickwire Jr, E.M., Williams, R.J., Mychasiuk, R., & Bugbee, C.A. (2020), "Commentary on Howard et al. (2020): Further evidence that sports betting is associated with problem gambling," *Addiction* 115(12), 2376-2377. <https://doi.org/10.1111/add.15232>

⁴⁶ Kong, G., Tsai, J., Pilver, C.E., Tan, H.S., Hoff, R.A., Cavallo, D.A., Krishnan-Sarin, S., Steinberg, M.A., Rugle, L., & Potenza, M.N. (2020). A bibliometric analysis of the 100 most-cited journal articles on gambling disorder. *Journal of Gambling Studies* 36, 779–803. <https://doi.org/10.1007/s10899-019-09916-1>

⁴⁷ Xuan, Z., Shaffer, H.J., Boudreau, D., Donney, C., Labrie, R.A. & Wildman, R.W. (2020). Evaluating risk factors of disordered gambling in the context of legalized sports betting: using baseline data from the Massachusetts Gambling Impact Cohort (MAGIC) Study. *Journal of Behavioral Addictions*, 9 (1). doi: 10.1556/2006.2020.00022

⁴⁸ Williams, R. J., Volberg, R. A., & Stevens, R. M. (2012). The population prevalence of problem gambling: Methodological influences, standardized rates, jurisdictional differences, and worldwide trends. Ontario Problem Gambling Research Centre and the Ontario Ministry of Health and Long Term Care. <https://opus.uleth.ca/handle/10133/3068>

Nelson, S. E., LaPlante, D. A., Peller, A. J., Schumann, A., LaBrie, R. A., & Shaffer, H. J. (2007). Real limits in the virtual world: Self-limiting behavior of Internet gamblers. *Journal of gambling studies*, 24(4), 463-477. <https://doi.org/10.1007/s10899-007-9080-0>

⁴⁹ Zheng, R., Williams, R.J., Wolgast, N., Lee, J.A., Pinheiro, S., Sebastian, A., & Volberg, R.A. (2021). SEIGMA: A Multi-Phase Study Examining the Economic Impacts, Gambling Attitudes, and Best Practices for Sports Wagering Policy in Massachusetts. *Journal of Gambling Issues*, 47. doi: <https://doi.org/10.4309/jgi.2021.47.3>

⁵⁰ Booth, L., Anderson, A. S., White, V., Pierce, H., Moodie, R., & Pettigrew, S. (2021). Public perceptions of harm for nine popular gambling products. *Journal of Gambling Studies*, 37, 1113-1126. doi:<https://doi.org/10.1007/s10899-021-10014-5>

Armstrong, A. R., & Carroll, M. (2017b). Sports betting in Australia. Retrieved from Melbourne: Australian Gambling Research Centre, Australian Institute of Family Studies

(2021) indicated that as many as 41% of regular sports bettors experienced at least one gambling problem in the past year, and almost half of dollars spent on sports gambling came from regular sports bettors with moderate to severe gambling problems.⁵¹ In addition, other research indicated that the majority of gambling harm is associated with those exhibiting low to moderate gambling risk.

“Sport gamblers tend to be overwhelmingly young men in the 18-34 years age range,”⁵² however research (Hing et al. 2016) indicates females appear to be a key demographic group targeted by the sports wagering industry. “In 2019, the American Gaming Association found that 31% of core sports wagering customers are women, while another study (Yakowicz 2022) found that women make up 47% of all sports fans. Those who consider themselves fans are more than twice as likely to bet on sports, meaning there’s a willing customer base of women who are likely to become future sports gamblers.” As such, online sports operators are changing their advertising strategies in hopes of expanding their customer base to include more women.⁵³

Gambling research (Gemini Research 2024) completed in Connecticut during 2023 indicated that 10.2% of adults (adults are defined as 18+, although to legally bet on sports they are required to be 21+) took part in sports wagering (76.0% football, 46.9% basketball, 23.4% baseball, 16.2% horse racing, 15.9% fantasy sports). The population survey showed that 75% of all reported gambling expenditure was accounted for by 5.1% of Connecticut gamblers (3.5% of Connecticut adults). Relative to their proportion in the general population, the following demographic groups made a disproportionately high contribution to Connecticut gambling revenue: males, ages 35-49, non-White people (i.e., Black people, Hispanic people, Asian people, and people of Other Ethnicity), and people with high school or lower educational attainment.⁵⁴

The Connecticut Lottery has added self-service sports wagering kiosks to almost all of the state’s off-track betting parlors:

- Eight at Winners venues (in Bradley/Windsor Locks, Hartford, Manchester, Milford, New Britain, New Haven, Stamford, and Waterbury)

Russell, A. M. T., Hing, N., Li, E., & Vitartas, P. (2019). Gambling risk groups are not all the same: Risk factors amongst sports bettors. *Journal of Gambling Studies*, 35, 225-246. doi:<https://doi.org/10.1007/s10899-018-9765-z>

⁵¹ Booth, L., Anderson, A. S., White, V., Pierce, H., Moodie, R., & Pettigrew, S. (2021). Public perceptions of harm for nine popular gambling products. *Journal of Gambling Studies*, 37, 1113-1126. doi:<https://doi.org/10.1007/s10899-021-10014-5>

⁵² Hing N, Russell AMT, Vitartas P, Lamont M. Demographic, behavioural and normative risk factors for gambling problems amongst sports bettors. *J Gambli Stud.* (2016) 32:625–41. 10.1007/s10899-015-9571-9

⁵³ Will Yakowicz, “Women Are Signing Up For Mobile Sports Betting Apps At A Faster Rate Than Men,” *Forbes*, May 12, 2022. <https://www.forbes.com/sites/willyakowicz/2022/05/12/women-are-signing-up-for-mobile-sports-betting-apps-at-a-faster-rate-than-men/?sh=71306da9fef9>

⁵⁴ Gemini Research. (2024). Impacts of Legalized Gambling in Connecticut. Report commissioned by the Connecticut Department of Mental Health and Addiction Services (DMHAS). January 2024.

- Two at Bobby V's Restaurant and Sports Bars (in Bradley/Windsor Locks and Stamford)⁵⁵

The revenue from these kiosks was not broken out separately in this study.

Compared with overall gamblers in Connecticut, sports wagering was higher among males, people ages 18-49, people with higher educational attainment, people with middle or higher household income, and non-immigrants.⁵⁶

In the Connecticut study, overall, 1.8% of the adult population was classified as people affected by a gambling problem, but as much as 21.5% of estimated gambling revenue was attributable to people affected by a gambling problem. The percentage of gambling revenue from people affected by a gambling problem varied significantly by gambling type. It was estimated that people affected by a gambling problem were responsible for 12.4% of lottery revenue, 21.4% of digital casino revenue, 36.6% of retail casino revenue, and as much as 51.0% of sports wagering revenue.⁵⁷

Interviews with helpline and treatment personnel conducted in the study indicated that the majority of helpline calls are now from younger male adults betting on sports (or the parents of those younger male adults).⁵⁸

In-game play and the perception of sports wagering as a skills-based game are two aspects of sports wagering that make it particularly problematic. This holds true for minors and young people who are particularly sensitive to gambling advertisements and other inducements to play. Marchica et al. (2017) found: "Although males participate more frequently in these activities, females who participate have a stronger likelihood of being at-risk. Students aged 16-19 years old are at a higher risk for developing a gambling problem compared to younger adolescents when regularly engaging in sports-related gambling. Moreover, regularly participating in daily fantasy sports is the strongest predictor of at-risk gambling behavior in 13-15 year old students."⁵⁹

Lottery Kiosks and Problem Gambling

Lottery gambling – including scratch cards, instant tickets, and number draws – is widely accessible due to its availability in high-traffic public venues such as gas stations, retail outlets, newsstands, and supermarkets.⁶⁰ These products are also affordable, contributing to their accessibility.⁶¹ Despite their widespread availability, lottery gambling is perceived to be lower risk compared to other

⁵⁵ Ibid, p. 27.

⁵⁶ Ibid, p. 66.

⁵⁷ Ibid, p. 118.

⁵⁸ Ibid, pp. 75, 78.

⁵⁹ Marchica, L., Zhao, Y., Derevensky, J., & Ivoska, W. (2017). Understanding the Relationship Between Sports-Relevant Gambling and Being At-Risk for a Gambling Problem Among American Adolescents. *Journal of gambling studies*, 33(2), 437–448. <https://doi.org/10.1007/s10899-016-9653-3>

⁶⁰ Maurício, D., & Rodrigues-Silva, N. (2022). The scratch card gambler: A hidden reality. *Journal of Gambling Studies*, 39(3), 1099–1110. <https://doi.org/10.1007/s10899-022-10136-4>

⁶¹ Ibid.

forms of gambling; less than 2% of treatment-seeking gamblers reported issues specifically related to lottery-style products.⁶² However, lottery players are not exempt from disordered gambling. Greater frequency of purchasing lottery tickets is associated with higher levels of problem gambling, particularly among youth.⁶³

Despite age restrictions, lottery gambling is the most prevalent and widespread form of gambling among youth.⁶⁴ Lotteries' low cost and easy availability in retail settings, combined with the practice of adults purchasing tickets as gifts for children, contribute to its prevalence among young people.⁶⁵

As of 2011, approximately 49% of individuals over age 14 reported participating in lottery gambling in the United States.⁶⁶ A significant proportion of adults who gamble reported having gambled on scratch cards (48.3%) and lotteries (11.3%) before the age of 16.⁶⁷ Many young lottery gamblers started as early as 12 years old, despite knowledge of age restrictions.⁶⁸ In fact, many believed there should be no age restrictions to purchase a lottery ticket.⁶⁹

Zhai et al. (2021) conducted a study among 1,517 Connecticut high-school adolescents examining the relationships between lottery purchasing, problem gambling severity, gambling attitudes, and

⁶² Delfabbro, P., & Parke, J. (2021). Empirical Evidence Relating to the Relative Riskiness of Scratch-Card Gambling. *Journal of Gambling Studies*, 37(3), 1007–1024. <https://doi.org/10.1007/s10899-021-10033-2>

⁶³ Booth, L., Thomas, S., Moodie, R., Peeters, A., White, V., Pierce, H., Anderson, A. S., & Pettigrew, S. (2020). Gambling-related harms attributable to lotteries products. *Addictive Behaviors*, 109, 106472.

⁶⁴ Jaisooraya, T. S., Beena, K. V., Beena, M., Ellangovan, K., Thennarassu, K., Bowden-Jones, H., Benegal, V., & George, S. (2017). Do High School Students in India Gamble? A Study of Problem Gambling and Its Correlates. *Journal of Gambling Studies*, 33(2), 449–460. <https://doi.org/10.1007/s10899-016-9651-5>

Liu, L., Luo, T., & Hao, W. (2013). Gambling problems in young people: Experience from the Asian region. *Current Opinion in Psychiatry*, 26. <https://doi.org/10.1097/YCO.0b013e328361ebbf>

⁶⁵ Ariyabuddhiphongs, V. (2011). Lottery Gambling: A Review. *Journal of Gambling Studies*, 27(1), 15–33. <https://doi.org/10.1007/s10899-010-9194-0>

Shed, N. W., Derevensky, J. L., & Gupta, R. (2010). Risk and protective factors associated with youth problem gambling. *International Journal of Adolescent Medicine and Health*, 22(1), 39.

⁶⁶ Barnes, G., Welte, J., Tidwell, M.-C., & Hoffman, J. (2010). Gambling on the Lottery: Sociodemographic Correlates Across the Lifespan. *Journal of Gambling Studies* / Co-Sponsored by the National Council on Problem Gambling and Institute for the Study of Gambling and Commercial Gaming, 27, 575–586. <https://doi.org/10.1007/s10899-010-9228-7>

⁶⁷ Tomei, A., Tichelli, E., Ewering, N., Nunweiler-Hardegger, S., & Simon, O. (2014). A Descriptive Study of Gambling Among Emerging Adult Males in French-Speaking Switzerland. *Journal of Gambling Studies* / Co-Sponsored by the National Council on Problem Gambling and Institute for the Study of Gambling and Commercial Gaming, 31. <https://doi.org/10.1007/s10899-014-9447-4>

⁶⁸ Felsher, J. R., Derevensky, J. L., & Gupta, R. (2004). Lottery Playing Amongst Youth: Implications for Prevention and Social Policy. *Journal of Gambling Studies*, 20(2), 127–153. <https://doi.org/10.1023/B:JOGS.0000022306.72513.7c>

⁶⁹ Ibid.

parental approval.⁷⁰ They found that adolescents who engaged in lottery purchasing demonstrated higher levels of problem gambling severity compared to their non-lottery-purchasing peers.⁷¹ Youth participants also reported more permissive attitudes toward gambling and greater parental approval of their gambling activities.⁷²

MACGH interviews reflected concerns in the literature regarding underage lottery gambling. Lottery associations in Washington, DC, and Ohio offered suggestions to address these concerns in Massachusetts for potential sportsbook kiosk operators. This included restricting kiosk licenses to those who already have liquor licenses, as these establishments are already under strict regulations regarding serving minors, or having Liquor Control Boards enforce these regulations. Interviews with Massachusetts-based trade associations revealed that prospective kiosk retailers would anticipate that responsible gaming measures and practices would replicate what is currently done with the Massachusetts Lottery, such as voluntary self-exclusion (“VSE”) programs, ID checks for minors, and training programs.

Sports Bars as Gambling Settings and Problem Gambling

Multiple socio-cultural, environmental, and industry factors interact to shape risky gambling behaviors and gambling-related harms.⁷³ The interplay between perceived social norms, peer influences, and the settings where gambling occurs – along with other risky activities within these environments – can significantly affect gambling behavior.⁷⁴ As previously mentioned, sports bars are a recommended location for sports betting kiosks if Massachusetts proceeds with their implementation. However, it is important to consider the associated public health concerns. Here, we examine the social and physical contexts of sports bars as potential settings for kiosks, highlighting how this environment may impact risky gambling behavior.

A co-occurrence of drinking and gambling in sports bars may increase the risks of problem gambling and gambling harm in Massachusetts. The association between disordered alcohol use and

⁷⁰ Zhai, Z., Hoff, R., Howell, J., Wampler, J., Krishnan-Sarin, S., & Potenza, M. (2021). Lottery-Purchasing Adolescents: Gambling Perceptions, Problems, and Characteristics. *Journal of Gambling Studies*, 37. <https://doi.org/10.1007/s10899-021-10004-7>

⁷¹ Ibid.

⁷² Ibid.

⁷³ Deans, E. G., Thomas, S. L., Daube, M., & Derevensky, J. (2016). “I can sit on the beach and punt through my mobile phone”: The influence of physical and online environments on the gambling risk behaviours of young men. *Social Science & Medicine*, 166, 110–119. <https://doi.org/10.1016/j.socscimed.2016.08.017>

⁷⁴ Ibid.

problem gambling in both general⁷⁵ and treatment-seeking⁷⁶ populations is well established in the literature. However, there is limited research on the co-occurrence of drinking and gambling at the same time and place.⁷⁷ The social environment is a crucial determinant of both risky alcohol use and gambling behavior.⁷⁸

One significant setting where sports betting and alcohol consumption may intersect is sports bars.⁷⁹ Internationally, sports fans have been recognized as a heavy drinking subculture.⁸⁰ Nelson and Wechsler (2003) found that American sports fans consumed more alcohol, were more likely to engage in heavy episodic drinking, and reported more alcohol-related problems compared to non-sports fans.⁸¹ American⁸² and Swedish⁸³ studies found that more than 40% of sports fans at baseball and football games had a blood alcohol concentration higher than 0.08%.

⁷⁵ Lorains, F. K., Cowlshaw, S., & Thomas, S. A. (2011). Prevalence of comorbid disorders in problem and pathological gambling: Systematic review and meta-analysis of population surveys. *Addiction*, 106(3), 490–498. <https://doi.org/10.1111/j.1360-0443.2010.03300.x>

Petry, N., Stinson, F., & Grant, B. (2005). Comorbidity of DSM-IV Pathological Gambling and Other Psychiatric Disorders: Results From the National Epidemiologic Survey on Alcohol and Related Conditions. *The Journal of Clinical Psychiatry*, 66, 564–574. <https://doi.org/10.4088/JCP.v66n0504>

Welte, J., Barnes, G., Wieczorek, W., Tidwell, M. C., & Parker, J. (2001). Alcohol and gambling pathology among U.S. adults: Prevalence, demographic patterns and comorbidity. *Journal of Studies on Alcohol*, 62(5), 706–712. <https://doi.org/10.15288/jsa.2001.62.706>

⁷⁶ Crockford, D. N., & el-Guebaly, N. (1998). Psychiatric Comorbidity in Pathological Gambling: A Critical Review. *The Canadian Journal of Psychiatry*, 43(1), 43–50. <https://doi.org/10.1177/070674379804300104>

McCormick, R., Russo, A., Ramirez, L., & Taber, J. (1984). Affective disorders among pathological gamblers seeking treatment. *Am J Psychiatry*, 141(2), 215–218. <https://doi.org/10.1176/ajp.141.2.215>

⁷⁷ Markham, F., Young, M., & Doran, B. (2012). The relationship between alcohol consumption, gambling behaviour and problem gambling during a single visit to a gambling venue. *Drug and Alcohol Review*, 31(6), 770–777. <https://doi.org/10.1111/j.1465-3362.2012.00430>

⁷⁸ Ibid.

⁷⁹ Pennay, A., Livingston, M., Cook, M., Room, R., Dwyer, R., MacLean, S., O'Brien, N., Nicholson, M., & Kuntsche, E. (2021). Sports bars: Environmental design, drinking, and sports betting. *Addiction Research & Theory*, 29(4), 316–326. <https://doi.org/10.1080/16066359.2020.1830071>

⁸⁰ Pennay, A., Van Egmond, K., Anderson-Luxford, D., Wright, C. J., Caluzzi, G., Livingston, M., Dickson, G., Nicholson, M., & Kuntsche, E. (2023). Social and contextual factors associated with drinking before, during and after watching Australian Football League games: A pilot ecological momentary assessment study. *Drug and Alcohol Review*, 42(6), 1349–1357.

⁸¹ Nelson, T. F., & Wechsler, H. (2003). School spirits: Alcohol and collegiate sports fans. *Addictive Behaviors*, 28(1), 1–11.

⁸² Erickson, D. J., Toomey, T. L., Lenk, K. M., Kilian, G. R., & Fabian, L. E. (2011). Can we assess blood alcohol levels of attendees leaving professional sporting events? *Alcoholism: Clinical and Experimental Research*, 35(4), 689–694.

⁸³ Durbeej, N., Elgán, T. H., Jalling, C., & Gripenberg, J. (2017). Alcohol intoxication at Swedish football matches: A study using biological sampling to assess blood alcohol concentration levels among spectators. *PLoS One*, 12(11), e0188284.

There is limited research on sports bars as potential sites for risky drinking and gambling behavior.⁸⁴ Emerging research⁸⁵ suggested that alcohol consumption may encourage sports betting. The availability of alcohol and sports betting in the same physical location may lead some individuals to gamble more than they typically would.⁸⁶ An Australian study (Pennay et al., 2021) reported that almost half of sports bars patrons had placed sports bets in the past year.

Pennay et al. (2021) explored the environmental design of sports bars to determine whether these spaces “nudge” customers into risky drinking and sports betting behaviors.⁸⁷ Most research on the design of gambling spaces has focused on electronic gaming machines (e.g. slot machines or “pokies”), highlighting how ambiance or room arrangement may encourage gamblers to stay longer and overspend.⁸⁸ In sports bars, visible and accessible sports betting terminals and prominent gambling promotional materials were identified as potential nudges towards risky gambling behavior. Although alcohol use and gambling behavior often occurred simultaneously, Pennay et al. (2021) found no strong reciprocal relationship between alcohol and gambling.

Deans et al. (2016) found that pubs were common spaces for young men to engage in various forms of land-based gambling in Australia.⁸⁹ These environments, coupled with social influences and alcohol consumption, contributed to risky gambling behaviors, including exceeding pre-set limits.⁹⁰ Participants reported that their local pubs had become places primarily for gambling rather than

⁸⁴ Pennay, A., Livingston, M., Cook, M., Room, R., Dwyer, R., MacLean, S., O’Brien, N., Nicholson, M., & Kuntsche, E. (2021). Sports bars: Environmental design, drinking, and sports betting. *Addiction Research & Theory*, 29(4), 316–326. <https://doi.org/10.1080/16066359.2020.1830071>

⁸⁵ Deans, E. G., Thomas, S. L., Daube, M., & Derevensky, J. (2016). “I can sit on the beach and punt through my mobile phone”: The influence of physical and online environments on the gambling risk behaviours of young men. *Social Science & Medicine*, 166, 110–119. <https://doi.org/10.1016/j.socscimed.2016.08.017>

Jenkinson, R., de Lacy-Vawdon, C., & Carroll, M. (2018). Weighing up the odds: Young men, sports and betting,. Victorian Responsible Gambling Foundation,. <https://responsiblegambling.vic.gov.au/resources/publications/weighing-up-the-odds-young-men-sports-and-betting-394/>

⁸⁶ Deans, E. G., Thomas, S. L., Daube, M., & Derevensky, J. (2016). “I can sit on the beach and punt through my mobile phone”: The influence of physical and online environments on the gambling risk behaviours of young men. *Social Science & Medicine*, 166, 110–119. <https://doi.org/10.1016/j.socscimed.2016.08.017>

⁸⁷ Pennay, A., Livingston, M., Cook, M., Room, R., Dwyer, R., MacLean, S., O’Brien, N., Nicholson, M., & Kuntsche, E. (2021). Sports bars: Environmental design, drinking, and sports betting. *Addiction Research & Theory*, 29(4), 316–326. <https://doi.org/10.1080/16066359.2020.1830071>

⁸⁸ Finlay, K., Marmurek, H. H., Kanetkar, V., & Londerville, J. (2007). Assessing the contribution of gambling venue design elements to problem gambling behaviour. University of Guelph.

Schüll, N. D. (2012). *Addiction by Design*. In *Machine Gambling in Las Vegas* (pp. 35–51). Princeton University Press. <https://doi.org/10.1515/9781400834655-005>

⁸⁹ Deans, E. G., Thomas, S. L., Daube, M., & Derevensky, J. (2016). “I can sit on the beach and punt through my mobile phone”: The influence of physical and online environments on the gambling risk behaviours of young men. *Social Science & Medicine*, 166, 110–119. <https://doi.org/10.1016/j.socscimed.2016.08.017>

⁹⁰ Ibid.

drinking.⁹¹ Dean et al.'s (2016) findings suggest that pubs, and potentially sports bars, are risky gambling environments where various factors interact to increase the chances of gambling-related harm.

The MACGH interviews revealed that Massachusetts-based trade associations representing bars and restaurants echoed concerns found in the literature, particularly related to serving minors. Participants emphasized that restaurant and bar owners in Massachusetts take underage drinking seriously. They have implemented precautionary measures, such as alcohol training programs, to prevent serving minors, as violations could jeopardize their liquor licenses. These preventative measures would be extended to include wagering should sports betting kiosks be implemented in their establishments.

4) Implications for Policy and Practice

Research confirms the elevated harm of sports betting as a method of gambling, particularly for young people. This begs the question of whether further expansion of this form of betting into public retail spaces in Massachusetts, such as convenience stores or sports bars, can be justified by any potential economic gain for retailers.

Similar to lottery kiosks, sports wagering kiosks could offer easy accessibility to gambling, potentially attracting vulnerable populations like youth and those who are managing recovery from disordered gambling and other types of addiction. Retail sports wagering kiosks would increase the number of young people being exposed to the modeling of gambling behavior and the further integration of gambling into previously gambling-free recreational spaces. The inherent features of lottery and sports betting kiosks – variety, anonymity, ease of payment, and visual stimuli – could heighten the risk of pathological gambling for adolescents.⁹² In St-Pierre et al.'s (2021) study of lottery vendors in Montreal, Canada, only 60% of vendors adhered to minimum-age requirements for lottery purchases by asking for IDs or refusing the sale, indicating a potential compliance challenge for sports wagering kiosks.⁹³

To address and prevent the risks and harms associated with gambling in public retail settings, it is essential for regulators to consider a range of individual, socio-cultural, environmental, and industry conditions. In particular, they need to consider how social norms, peer influences, and immediate settings intertwine to influence risky gambling behaviors, particularly among young men, who are most likely to bet on sports.⁹⁴

If Massachusetts proceeds with sports wagering kiosks, preventative measures should include educating parents about the risks associated with adolescent gambling, enhancing social support

⁹¹ Ibid.

⁹² Delfabbro, P., & Parke, J. (2021). Empirical Evidence Relating to the Relative Riskiness of Scratch-Card Gambling. *Journal of Gambling Studies*, 37(3), 1007–1024. <https://doi.org/10.1007/s10899-021-10033-2>

⁹³ St-Pierre, R., Derevensky, J., Gupta, R., & Martin, I. (2011). Preventing lottery ticket sales to minors: Factors influencing retailers' compliance behaviour. *International Gambling Studies*, 11, 173–191. <https://doi.org/10.1080/14459795.2011.579142>

⁹⁴ Deans, E. G., Thomas, S. L., Daube, M., & Derevensky, J. (2016). "I can sit on the beach and punt through my mobile phone": The influence of physical and online environments on the gambling risk behaviours of young men. *Social Science & Medicine*, 166, 110–119. <https://doi.org/10.1016/j.socscimed.2016.08.017>

networks, and enforcing stringent age verification measures at kiosks.⁹⁵ Such measures, including ID checks and the option for self-exclusion, could effectively mitigate the identified risks.⁹⁶

Furthermore, understanding the co-occurrence of gambling and alcohol consumption in retail settings such as sports bars is also crucial for developing effective regulation and harm-minimization strategies.⁹⁷ Specific recommendations include prohibiting facilities that implement sports betting kiosks from serving alcohol for free or at greatly subsidized prices and ensuring that visibly intoxicated gamblers are not served alcohol.⁹⁸ Additionally, patrons should be informed of the risks associated with drinking while gambling through responsible gaming warnings, guidelines, and media strategies.⁹⁹

Some of the measures that should be considered to promote responsible gaming in order to minimize gambling-related harm and maximize player choices are:

- Staff and retailer training
- Responsible gambling (“RG”) and problem gambling (“PG”) messaging and materials, at point of sale advertising and/or in a prominent place
- RG and PG messaging inside the retail restrooms, in high-traffic areas, and near ATMs
- Easily accessible information and self-limiting tools within the kiosk
- Age verification on all kiosks
- Connections to central databases to check player identification for VSE and other reasons

A key tool within responsible gaming is voluntary self-exclusion programs. Typically managed through statute and/or regulation, some type of VSE programs exists in most jurisdictions; however, the terms and content of these programs vary dramatically. Some of the measures that should be considered to restrict access to sports wagering kiosks for people on the VSE list are:

- Easily accessible information for people to learn about the differences between tools such as harm-related messaging, cooling-off periods, and VSEs

⁹⁵ Zhai, Z., Hoff, R., Howell, J., Wampler, J., Krishnan-Sarin, S., & Potenza, M. (2021). Lottery-Purchasing Adolescents: Gambling Perceptions, Problems, and Characteristics. *Journal of Gambling Studies*, 37. <https://doi.org/10.1007/s10899-021-10004-7>

⁹⁶ Maurício, D., & Rodrigues-Silva, N. (2022). The scratch card gambler: A hidden reality. *Journal of Gambling Studies*, 39(3), 1099–1110. <https://doi.org/10.1007/s10899-022-10136-4>

Zhai, Z., Hoff, R., Howell, J., Wampler, J., Krishnan-Sarin, S., & Potenza, M. (2021). Lottery-Purchasing Adolescents: Gambling Perceptions, Problems, and Characteristics. *Journal of Gambling Studies*, 37. <https://doi.org/10.1007/s10899-021-10004-7>

⁹⁷ Markham, F., Young, M., & Doran, B. (2012). The relationship between alcohol consumption, gambling behaviour and problem gambling during a single visit to a gambling venue. *Drug and Alcohol Review*, 31(6), 770–777. <https://doi.org/10.1111/j.1465-3362.2012.00430>

⁹⁸ Smit, K., Jiang, H., Rockloff, M., Room, R., MacLean, S., & Laslett, A.-M. (2023). Associations Between Heavy Episodic Drinking, Drinking While Gambling, and Risky Gambling. *Journal of Gambling Studies*, 39(4), 1597–1610. <https://doi.org/10.1007/s10899-023-10235-w>

⁹⁹ Ibid.

- A sign-in prompt on the kiosk that requires players to self-identify whether they are on the VSE list before being allowed to set up an account and/or wager
- Software within the kiosks that prohibits an individual from logging into the account if they are on the VSE list

Overall, incentives for retailers to advertise sports betting kiosks would occur in an environment that is already saturated with millions of dollars in media buys by sportsbook operators. Whether communities can “afford” the anticipated harm of this form of gambling expansion is a decision that is in the hands of regulators. However, in doing so, it calls into consideration what new types of additional mitigation, particularly in economically impoverished communities and communities of color, may be needed to address these harms.

C. Concerns about Security, Safety and Crime at Kiosk Locations

When considering that there are standard risks that come with any retail location selling products that can be redeemed for cash or voucher – including employee theft, robbery, and various financial crimes – it is only natural to anticipate that introducing additional forms of gaming that involve more mechanics for winning and settlements, there will be the potential for both increased existing risks and new types of risk specific to the new product being offered.

1) Lottery Products vs. Sports Wagering Products

There are specific differences between lottery and sports wagering that must be identified and described in order to give context to any discussion on the potential of increased risks in offering sports wagering in retail settings.

Vouchers

Lottery kiosks do not provide cash vouchers. Once a patron inserts cash into the kiosk, typically it must all be spent, and no vouchers are available for redeeming any unspent credits for cash. Sports wagering kiosks do provide the function of redeeming unspent credits into vouchers that can be redeemed for cash or used to place additional wagers in the future.

Voids

While not constant across all states, typically when lottery products are purchased all sales are final with no returns or voids unless due to technical issue or misprint. These voids are required to occur at the moment of purchase and processed by the same agent who performed the sale of the ticket. Spectrum is unaware of any known caveats that would allow a patron to void a lottery purchase after the purchase is complete and the patron has accepted the ticket. As there is a preset value of the product sold where there is no room for error in determining the cost of such product or at which odds it will pay out, voiding tickets is not a function that typically occurs or is considered to be of material occurrence.

In sports wagering, the function of voids is a common occurrence due to constant changes in pricing and odds that govern the payout amounts and terms of winning a wager and the various settings and configurations that kiosk operators employ to manage their liability and the integrity of the wagers they offer and accept. Due to the various factors that go into pricing and odds and how those are

ultimately provided to the player at the time of making a wager, there is an acceptable amount of human error that can play a role in all of the above-mentioned functions. As such, it is customary for all operators to provide relief of those errors via their house rules. In Ohio, data show that in 2023, 1% of all wagers were voided across all sports wagering channels combined. If voiding wagers is allowed, the examples of reasons for voids are as follows:

- Bets have been offered, placed and/or accepted due to an error
- Bets placed while the system/kiosk was encountering technical problems, that would otherwise not have accepted the bet
- Influence betting
- Syndicate betting. A result has been affected by illegal activity – directly or indirectly
- Any erroneous pre-game wagers accepted after the scheduled start time
- Any erroneous live-game wagers accepted at an incorrect price due to delayed or failing of the “live” coverage

Early Cash-Out

The nature of lottery products is a finite result: win or lose. Once a lottery product is purchased, the transaction is final until a result is confirmed; there is no option for a patron to surrender their purchase prior to confirming the result in exchange for a portion of their original purchase amount.

In the case of sports wagering, early cash-out is a function widely adopted by the industry¹⁰⁰ and gives patrons the choice to redeem their current unsettled wager for a calculated percentage of the original wagering amount. This calculation is dependent on the current status of the wager and its probability of winning or losing as determined by the sports wagering provider. In the instance that a wager is probable to win, a patron may use early cash-out to lock in guaranteed winnings and avoid any potential upsets or scenarios in a sporting event that could otherwise cause the wager to lose. Should a wager be probable to lose based on the current status of the wager in relation to a sporting event, the patron has the option to minimize their losses prior to the event ending. In any case, Spectrum believes the use of early cash-out is designed to give patrons more control over the outcome of their wagers, with the thesis that it will actually induce the patron to place more wagers with either guaranteed winnings outside their originally intended wagering budget or reduced losses by allowing the patron to place another wager while staying within their originally intended wagering budget. Although Spectrum does not advocate for the use of early cash-out as a responsible gaming tool, it is a function that is approved for use today in multiple jurisdictions (including Massachusetts) and could be manipulated for criminal intent if not properly monitored.

¹⁰⁰ Tyler Maher, “Sportsbook Early Cash-Out Betting: How Does It Work,” *Forbes*, January 19, 2024.

<https://www.forbes.com/betting/guide/early-cash-out/>

Velocity and Volatility

Excluding scratch tickets and keno, lottery ticket sales are typically for a single event occurring no more than one time within a 24-hour period, to be settled on or near the date of ticket purchase. As jackpots increase beyond specific thresholds, both the lottery and the media increase publicity of the jackpot amount, which naturally drives increased sales velocity. These spikes may create an increase in liability for the retail operator in terms of the number of tickets redeemed; however, the low return-to-player ratio of lottery products would not necessarily cause a spike in the value of the redeemed tickets. Additionally, Spectrum believes that a large majority of ticket redemptions are used to purchase additional lottery products rather than taking the redemption in cash without further purchase. As such, the retailer's cash liability can be somewhat projected with reasonable accuracy to ensure no shortages of cash on hand.

With sports wagering, there are seasonality and event popularity components that when coupled with a high rate of return to player (90%) may create velocity and volatility scenarios that some retail operators may not be accustomed to.

Retailers can lose due to volatility: On a Sunday afternoon during football season, a highly trafficked sports bar may be able to sell enough wagers on its kiosks to mitigate a low hold and still make a profit due to high wagering volumes; however, during slower periods throughout the year when there is less wagering or less patronage of the retail location, the volatility that a single patron can create for a retailer presents the real possibility of net losses. For example:

- The average sports kiosk wager in Ohio is estimated at \$44, based on interviews with kiosk vendors.
- At an average 10% hold through 2023, a kiosk is expected to profit \$4.40 per wager.
- This means that to make \$600 in a given month, the kiosk would need to sell an average of 136 wagers for a total of \$6,000 in handle.
- If a retailer's house rules indicated that the max payout they would make is \$600 as is the case in Ohio,¹⁰¹ one patron need only place a \$54.50 wager on four selections priced at -110 in a parlay at 11-to-1 odds to produce a payout of \$599.50. While 11-to-1 odds is difficult to overcome, it is in Spectrum's opinion that these types of wagers can and do routinely win on the basis that maturing sports wagering markets are trending toward 25%+ of all wagers as parlays.

In terms of the volatility related to one-off events such as pay-per-view, Super Bowl, NCAA basketball tournaments, hometown hero, local rivalry, etc., these highly publicized events do drive increases in wagering volumes; however, the critical mass of wagers required by a retailer to achieve profitability regardless of the outcome of the event does not appear to be achievable and thus they are susceptible to drastic swings in wins and losses. Furthermore, the impact of a betting bias toward the

¹⁰¹ Ohio Lottery, "How to Cash." <https://www.ohiolottery.com/sports-gaming/sports-gaming-how-to-cash> (accessed March 1, 2024)

home team creates more volatility due to lack of proportionate wagering on both sides of a result and thus a win streak by the home team could result in substantial and sustained losses for the kiosk operator.

Velocity of winning tickets can be constant: There can be hundreds of events available to wager on throughout the day, including live in-play markets that settle within hours and or minutes and can create numerous winning bet slips in amounts that the average lottery products do not. Couple this with the way wagers can be placed on heavy favorites for lower payouts and it is conceivable that a retailer could be the target of an organized network of patrons who all wager on heavy favorites for the max amount in order to take slim profits with low risk. For example: During live in-play wagering (which is limited in Ohio), should a clear or highly likely winner be identified and is still available to wager on at odds of -1000, this means that a max wager of \$700 (as is the case in Ohio) would produce a win of \$770 for a net profit of \$70. An organized group of patrons could expose this for their own benefit and create “micro wins” that in aggregate in short periods of time will create net losses for the retailer if performed at scale by multiple individuals. While this scenario is not illegal, it does create the potential need for larger cash reserves on site.

Due to the differences in wagering on lottery products vs. sports wagering products and the anticipated increase in cash handling and redemptions, Spectrum has identified the potential for increased or net new risks based on the nature of anonymous sports wagering on kiosks combined with cash-handling procedures conducted in locations that typically employ more basic measures for security and compliance for products that require less consideration due to their simplified nature of purchase and settlement.

2) Security

Devices that Accept and Store Cash

The associated risks of placing additional kiosks that accept cash in a highly trafficked place of business shall only be expected to introduce more security risks and considerations as there are now more touch points for security issues to occur. Devices that accept and store cash that can be physically removed from the premises or whose access controls can be compromised are a constant risk that cannot be overcome save for removing the presence of the device altogether.

In Ohio, there is an example of a kiosk vendor offering both lottery and sports wagering products on the same kiosk¹⁰² and thus the above-mentioned additional touch points are now mitigated, containing the additional risk within a retailer’s existing internal controls related to securing the kiosks while expanding the wagering options offered.

Increased Cash Handling and Reserve Amounts

If sports wagering kiosks are to be successful, it will require a considerable increase in cash-handling activity beyond what is experienced with other lottery products due to three main factors:

¹⁰² As seen in this photo from provider Sports Bet Ohio, a unit of Intralot: <https://sportsbetohio.us/> (accessed March 22, 2024)

- The return to player ratio for retail sports wagering kiosks is estimated at 90% vs. the 20%-60% range that various lottery products offer. As such, there may be as much as 4.5 times more winning bet slips to redeem by the retailer.
- As with any device that accepts cash, it must be emptied routinely to preserve the device's functions as well as recycling the cash used for placing wagers to pay out winning bet slips and vouchers. Should a kiosk experience an inordinate amount of usage due to a major sports event, it may be likely that an impromptu emptying of the cash box on the kiosk would be required during busy operating times to ensure continued wagering can take place or to pay winning bet slips in the event of depletion of the cash reserves maintained specifically for sports wagering payouts.
- As the value of the average sports wager is expected to be larger than the average lottery product purchase (per interviews with Ohio kiosk vendors), the cash boxes within these kiosks are estimated to be much more valuable and the reserve amounts that kiosk operators must maintain to facilitate payouts is expected to be larger than that maintained for lottery. As such, it is reasonable to deduce additional risk to the retailer's operational security caused solely by the presence of more cash on the premises.

The above scenarios can be mitigated to an extent with the introduction of a kiosk capable of dispensing cash for self-redemption of winning bet slips and vouchers. However, it would most certainly require that the kiosk maintain a level of know-your-customer ("KYC") and surveillance functions that would negate the anonymity aspect of retail sports wagering and likely cost the vendor considerably more to procure and provide to retailers, thus hindering distribution.

From a security perspective, the primary consideration is having more cash on premises with more cash transactions being conducted, utilizing technical devices and humans performing manual processes in what is expected to be a minimally secure setting compared to a casino or racetrack.

As such, it would be logical to require retailers to adhere to different levels of security solutions based on the volume of sports wagering being conducted by the retailer to ensure that security risk solutions and their costs are proportionate to the wagering activity that creates the risk in the first place.

3) Safety

Cash Wagering and Redemption of Winning Bet Slips

Due to the relatively non-private and easily observed actions of placing sports wagers on a kiosk and redeeming winning bet slips within retailer locations, there is a natural concern for patrons' safety once they leave the retailer's premises. Criminals looking to commit robbery of any individual need only observe that individual's interaction with a sports wagering kiosk to deduce any value in targeting them for criminal activity.

This risk exists in any retail setting where patrons can wager on and redeem winnings from gaming activities, including typical lottery products. However, in Massachusetts gaming activity beyond typical lottery products is confined to specific locations with solutions meant to deter criminal activity (i.e., casinos and racetracks). Allowing for widespread sports wagering among the lottery's network of retailers increases the potential for that same criminal intent to be realized in numerous locations without the same criminal deterrent solutions in place.

Present controls and requirements imposed on lottery retailers may be deemed adequate relative to the volume and value of their current lottery sales. But, as described in this section, sports wagering's propensity for more transactions with higher return-to-player ratios may create winning sums that in the aggregate would exceed amounts typically won with traditional lottery products. As such, the safety of patrons in absence of robust security solutions may be called into question.

As described in various sections of this report, sports wagering has the propensity for more transactions with higher return-to-player ratios that may create winning sums that in the aggregate would exceed amounts typically won with traditional lottery products. As such, patrons would require a choice in the redemption process with an alternative to carrying larger amounts of cash.

There are solutions available to patrons for redeeming winning bet slips while avoiding the risks associated with carrying cash on one's person. These include mailing in vouchers and scanning winning bet slips to mobile wallet apps for electronic transfer; however, these forms of redemption would negate the patron's ability to create more wagers with the retailer and thus their wagering would end in the absence of cash redemptions for that specific visit to the retailer. Per interviews with a sports wagering kiosk vendor in Ohio, only 0.2% of winning bet slips are mailed in for redemption via paper check.

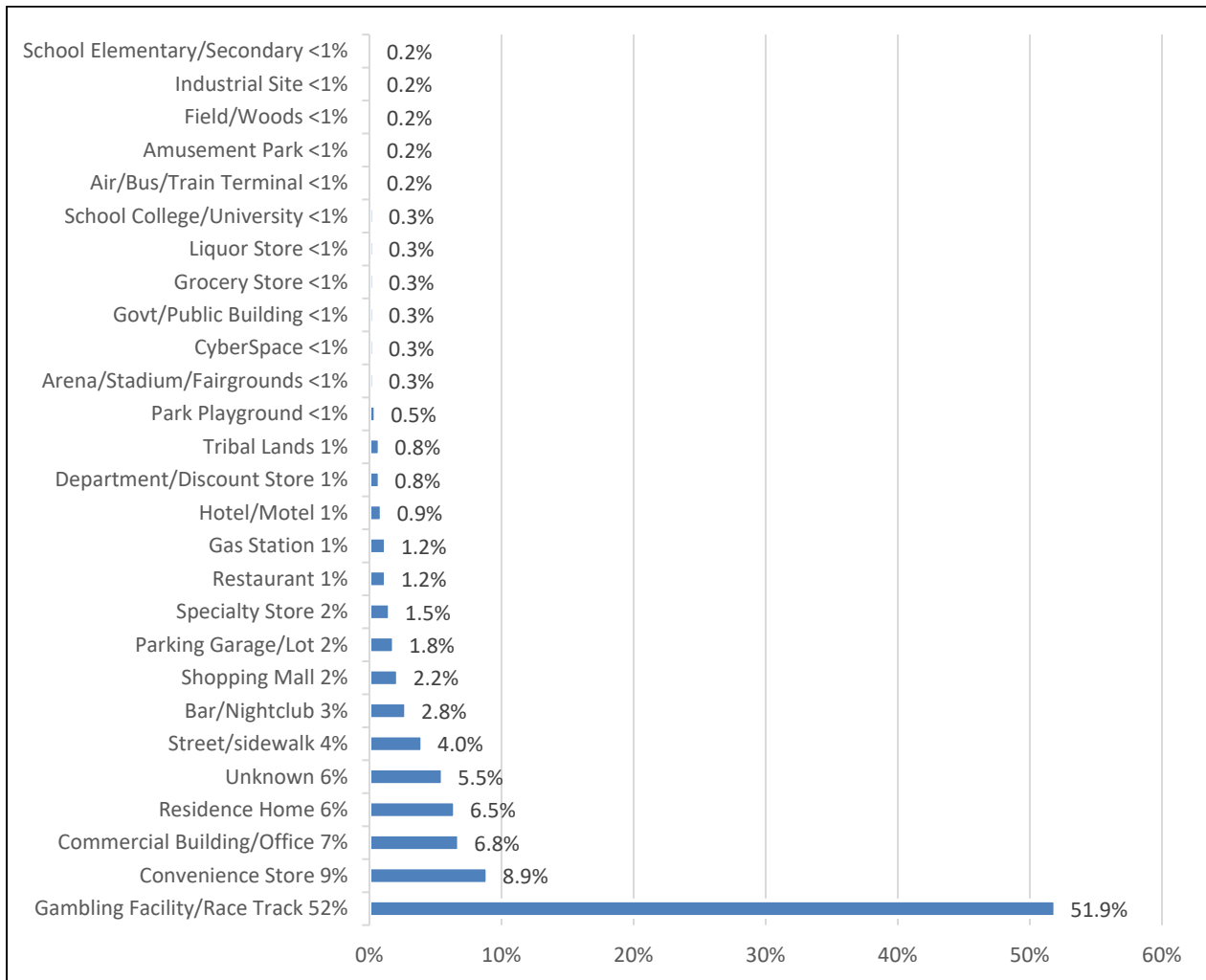
4) Crime

Reported Crimes Related to Betting and Wagering

According to the Federal Bureau of Investigation's National Incident-Based Reporting System,¹⁰³ nationwide, 649 individual offenses related to Betting and Wagering for the calendar year of 2022 were reported by 13,293 law enforcement agencies covering 75% of the US population. The key demographic considered is the types of locations where these incidents were reported to have occurred, which is shown in Figure 11 below.

¹⁰³ Federal Bureau of Investigation Crime Data Explorer.
<https://cde.ucr.cjis.gov/LATEST/webapp/#/pages/explorer/crime/crime-trend> (accessed March 15, 2024)

Figure 11: Location types of betting/wagering crimes in 2022



Source: FBI National Incident-Based Reporting System

This chart indicates that most crimes related to betting and wagering are occurring in those locations where the primary reason for patronage is betting and wagering. This evidence validates what Spectrum believes to be consistent with why these types of facilities are required to maintain enhanced security and safety solutions to deter these types of crimes from happening.

Of the location types classified by the FBI’s database, apart from Gambling Facility/Racetrack, Spectrum identified six additional location types where lottery products and sports wagering kiosks may be eligible to conduct sales. These location types account for >14% of the location types where betting and wagering crimes have been reported to occur:

- Convenience Store 9%
- Bar/Night Club 3%
- Restaurant 1%
- Gas Station 1%

- Grocery Store <1%
- Liquor Store <1%

While the occurrences reported are somewhat limited in relation to the availability of regulated lottery and gaming products outside of a gambling facility/racetrack, there is a logical correlation that may be drawn between increased availability of gaming products and an increase in criminal activities at locations that sell those gaming products.

Types of Crimes Associated with Betting and Wagering

In Spectrum's experience, the potential for criminal activity related to betting and wagering is ever-evolving and increasingly sophisticated. However, there are a set of criminal activities that, while not specific to sports wagering kiosks, are easily facilitated by sports wagering and the nature of the product. While these activities can be deterred with the applicable minimal internal controls, there are activities that require enhanced consideration due to the mechanics of sports wagering and the use of kiosks and vouchers.

Underage Wagering

As mentioned in other sections of this report, sports wagering via its association with sports and professional athletes is likely to attract a younger demographic that may not be of legal age to bet and thus the same risks of underage consumption/participation are as relevant as those associated with the sales of alcohol and tobacco. The crime itself can be false identification to pass KYC measures for age verification, a third party placing a wager on behalf of the underage patron, or simply unmonitored wagering on the sports kiosks in an area accessible by minors.

As with all locations that are age-gated, there are mandatory processes such as physical ID checks that are considered the primary deterrent to underage access to restricted products. However, with the expectation that sports wagering kiosks will be made available in any location approved to sell lottery products, not all locations will be age gated. In these instances, there is technology that can be installed on kiosks referred to as "driver's license dips." By forcing the patron to insert their driver's license into the kiosk to verify their age prior to transacting, a significant amount of underage wagering via false identification and unsupervised kiosks can be deterred. However, as sports wagering on kiosks is anonymous in nature, the potential for a third party to place a wager or redeem a winning ticket on behalf of a minor is a risk that cannot be 100% deterred by technology. Vigilant human observation and execution of minimal internal controls designed to detect underage wagering will always be required to effectively deter crimes related to underage wagering.

Employee Theft

Spectrum believes there is ample cause to consider that sports wagering kiosks present a unique opportunity for employees to engage in embezzlement, collusion, falsifying claims, and petty theft.

Kiosk host embezzlement risks can be described as an employee accepting cash for a transaction without documented receipt of goods sold and then loading that cash into a sports wagering kiosk to create credits which are then vouchered out and redeemed at a different location. Depending on the

surveillance of the kiosks and inventory accounting procedures of the location, this type of crime could go unnoticed for long periods if no pattern of irregularities is detected by the employer or kiosk vendor.

Vendor embezzlement risks are more technical in nature and typically involve a vendor's employee who has access to systems that allow them to falsify reporting and create false transactions resulting in the redemption of cash adjustments and voided wagers which otherwise should not have occurred.¹⁰⁴ These types of embezzlement can be detected due to the auditing requirements that regulated sports wagering platforms must adhere to; however, the onus is on the vendor to detect and investigate such activities.

Collusion in a sports wagering kiosk setting is normally defined as either an employee facilitating the structuring of wagers by patrons to avoid max bet limits, allowing black market operators to use the kiosks as "layoff mechanisms," or working with an employee of the kiosk vendor to void losing tickets and/or create false adjustments and falsify reporting. These actions can all be detected through the use of compliant auditing controls within the sports wagering platforms, but it is the responsibility of the kiosk vendor to conduct such investigations and work with law enforcement to prove and stop such activity.

Falsifying claims is considered an edge case scenario but is defined as a patron presenting a winning ticket to an agent at a point of sale only to have the agent convince the patron the ticket is a loser and keep the ticket for themselves to redeem at a different location. While this phenomenon may sound far-fetched when selling lottery tickets, the nature of sports wagering is far more complicated and requires an extensive set of House Rules¹⁰⁵ that govern the numerous scenarios that can occur with a sports wager. These range from rain delays that cut events short, to minimal durations of participation to deem a player prop wager valid or canceled, to settling payouts in ties and event cancellations. As sports wagers can carry a settlement of net \$0 where only the original wager amount is redeemed, this presents yet another settlement classification beyond win or lose. An agent may employ an interpretation of the house rules to deceive a patron into believing they are only due their original wager amount back and thus the agent can siphon winnings from an unsuspecting patron who is not knowledgeable in such determinations.

Petty theft is a constant threat in any cash-handling operation. With the addition of more cash-handling transactions and the need to manage multiple cash drawers and cash inventories with the requirement to empty more cash boxes from additional kiosks, the natural risk of petty theft attributed to cash drawer variance is something that cannot be deterred beyond the efforts employed today to safeguard operations related to lottery sales.

All of the above-mentioned criminal activity related to employees can be detected and deterred, however it is likely that it would take a concerted effort by the kiosk vendor and the kiosk operator to conduct such investigations and implement appropriate safeguards. This would take a considerable

¹⁰⁴ An example of this type of crime was reported in Nevada in January 2024:

<https://www.8newsnow.com/investigators/las-vegas-sports-betting-kiosks-targeted-in-embezzlement-scheme-gaming-board/>

¹⁰⁵ Sports Bet Ohio, "House Rules." <https://sportsbetohio.us/house-rules/> (accessed March 10, 2024)

amount of time, education, investment in technology and a far less anonymous approach to sports wagering kiosks.

Money Laundering

The potential for undetected money laundering is a grave concern relating to sports wagering kiosks. The kiosk operators will be required by gaming regulators to establish effective procedures to prevent money laundering by gaming patrons, with careful attention given to implementation and enforcement of Know Your Customer (“KYC”) processes and policies to verify the identity of the gaming patrons. The enforcement of anti-money-laundering procedures and the attendant costs rest with the operators.

While lottery sales are not necessarily considered at risk of money laundering due to the simple nature of purchase and game play, sports wagering presents a much different set of circumstances. As described above, sports wagering kiosks afford many more scenarios related to their settlement instruments and options such as vouchers, early cash-out, and betting overwhelming favorites, which can be used to facilitate money laundering in controlled and discrete amounts that could go undetected in a high-volume, mass distributed network of kiosks. Furthermore, anonymous play in a retail location with staff not trained in Title 31 AML processes nor to detect structured wagering or be accountable for Currency Transaction reports or Suspicious Activity Reports does present a fairly high risk that these activities could occur undeterred and undetected.

Scenario 1: Vouchers: The bluntest form of money laundering via sports wagering kiosks would be to simply load kiosks throughout the vendor’s network and instead of placing a wager, the entire balance is cashed out via voucher and then redeemed at different locations prior to the expiration date, which is normally 180 days from issue. Stuffing a kiosk with \$600 and then vouchering out to an easily concealed and distributable instrument the size of a convenience store receipt creates an efficient form of laundering that can be replicated at scale. While kiosk vendors and sports wagering platform providers do have tools to detect this type of activity if actively looking for suspicious behavior and patterns, the fact remains that it could go undetected in a large network of kiosk locations performing a high volume of wagering and redemption transactions. Moreso, should it be detected, it would take considerable coordination and cooperation of multiple parties to catch individuals performing these actions due to the anonymous nature of the transactions being tracked.

To combat this, the simplest action is to severely limit the amount of cash that can be loaded into a kiosk at any time. The efforts involved in attempting to launder micro-transactions could be in itself a credible deterrent, however, it would also severely lower the amount of wagers that legitimate patrons could make and likely limit overall wagering activity on sports kiosks.

This can also be deterred by retailers refusing to redeem any vouchers or wagers not originating from their own kiosks. However, this could be seen as detrimental to the redeem/repurchase cycle that is commonly seen with lottery products and their sports wagering sales would likely suffer.

Scenario 2: Early Cash-Out: In this scenario – similar to the simplicity of a cash-in, voucher-out scheme – early cash-out functions can be used to represent legitimate wagers made well in advance of

the event's scheduled start time and redeemed to voucher prior to the event starting or completing. An example of this could be described as:

On a Monday, a patron inserts \$660 in a kiosk and wagers on the spread -110 odds to win \$600 for an event that is scheduled to take place the following Sunday. On Friday, the patron can scan their bet slip at a kiosk in a different location with the option to perform an early cash-out and receive \$600 back from their original wager.

This function incurs a cost that is commonly referred to as the "vig," short for vigorish, and whose amount will fluctuate based on when the early cash-out occurs in relation to the probability the wager will win. This cost has been observed at 10% of the wager amount and higher, but depending on the wager type and vendor's preferences the cost could be lower. While this could be a costly form of money laundering compared to the amounts that can be laundered via kiosk in a single transaction, it is an action that could be hard to detect in a large network of kiosk locations performing a high volume of transactions. More so, should it be detected, it would take considerable coordination and cooperation of multiple parties to catch individuals performing these actions due to the anonymous nature of the transactions being tracked. This can be deterred by retailers refusing to redeem any vouchers or wagers not originating from their own kiosks, but this could be seen as detrimental to the redeem/repurchase cycle that is commonly seen with lottery products, and their sports wagering sales would likely suffer.

Scenario 3: Betting Overwhelming Favorites: This form of money laundering utilizes real wagers that settle naturally. In this scenario, a patron will look for wagers on events or markets that are priced in a manner that the wager is a highly probable outcome. For example, if the moneyline in a professional football game has the favorite priced at -1000, it means that a patron would need to risk \$1,000 to win \$100. Due to max wagering limits on kiosks, it is more likely the wager amount would be \$500 to win \$50. In the aggregate, this can be an extremely effective solution to laundering money by a network of agents working in sync where bets are purchased in one location and redeemed for cash or voucher in a different location. This behavior does come with risk of major upset on the bet and complete loss of the wagered amount, but the vast catalog of wagering options made available by most sports wagering suppliers affords patrons multiple markets and alternative pricing to reduce the risk of loss. The goal of this activity is to launder the wagered amount via real wagering activity, and any winnings on top of that would be used to offset any major losses due to upsets.

In a digital wagering or a retail casino sportsbook setting, this type of behavior is easily detected, and steps can be taken to refuse to accept such wagers. However, in a retail kiosk network with anonymous wagering and cross retailer redemptions, it would be extremely difficult to identify the patrons engaging in such activity and even more difficult to prevent them from doing it. The only way to effectively prevent such activity is to limit the max wager to an amount that would make the efforts to launder micro-transactions a credible deterrent and much easier to detect based on wagering volumes vs. wagering amount. However, it would also severely lower the value of wagers that legitimate patrons could make and likely limit overall wagering activity on sports kiosks.

The above-mentioned scenarios are not illegal, per se; however, they are behaviors that are recognized as associated with money laundering. Gambling facilities where many of these behaviors take place train their employees and conduct sophisticated surveillance operations to catch and deter

individuals engaging in these activities. The minimal internal controls analyzed from three state lotteries governing sports wagering kiosks indicate that while the standards and controls are similar in spirit and intent to gambling facility internal controls, it is hard to argue that the lottery retailer holds their employees to the same high standards that licensed casino employees are held to with internal audits performed regularly.

Insights from Interviews

Spectrum performed interviews with three lotteries, two sports wagering kiosk vendors and six retail kiosk operators. The questions asked were meant to illustrate the current criminal incidents being observed and reported.

Kiosk Operator Questions

- *Have you had any criminal incidents involving the sports kiosks in the last 12 months related to:*
 - *Underage wagering? If so, how many instances?*
 - All operators indicated no instances of underage wagering due to the KYC measures installed on the kiosks
 - *Money laundering or suspicious transactions?*
 - All operators indicated no instances of money laundering or suspicious transactions. Spectrum asked what was the largest bet slip redemption that could be recollected? There was a single instance of a \$3,000 winning bet slip, while the average largest redemption value was \$100.
 - *Vandalism? If so, how many instances?*
 - All operators indicated no instances of vandalism had taken place in relation to the sports wagering kiosks.
 - *Employee or patron theft? If so, how many instances?*
 - All operators indicated no instances of employee nor patron theft had occurred in relation to the sports wagering kiosks.
- *When incidents do occur, what is the chain of responsibility related to the filing and notification process to the Lottery?*
 - Per standard minimal internal controls, all operators indicated they would report any instances either to their direct manager or the kiosk vendor. No operators interviewed indicated direct contact with the Lottery in the event a reportable incident was to occur.

Kiosk Vendor Questions

- *With what frequency and main themes have criminal incidents occurred involving the sports wagering kiosks in the last 12 months? Are the incidents similar to those that occur with Lottery kiosks? If not, what are the main differences?*
 - **Ohio Vendor 1:** There have been no criminal incidents involving sports wagering kiosks in the last 12 months.

- **Ohio Vendor 2:** There have been no criminal incidents involving sports wagering kiosks in the last 12 months. There was an incident involving the destruction of a digital odds display in a television, however due to the value of the asset, it was not reported to the Lottery as it was not a regulated product.
- *When incidents do occur, what is the chain of responsibility related to the filing and notification process to the Lottery? Does proprietor keep a database of these incidents and, if so, how is it used to profile higher-risk retail locations for sports wagering kiosks?*
 - **Ohio Vendor 1:** Per their minimal internal controls mandated by the Lottery, they have processes in place to notify Lottery of incidents, however, none have occurred to date and there is no indication that profiling would occur should incidents be reported in the future.
 - **Ohio Vendor 2:** Relies on the retail kiosk operator to report incidents to them, which they then report to the lottery. There is no indication of profiling would occur should incidents be reported in the future. However, the vendor has stated that due to the television incident and low handle, college bar locations should be avoided when distributing sports wagering kiosks.

Lottery Questions

- *With what frequency and main themes have criminal incidents occurred involving the sports wagering kiosks in the last 12 months? Are the incidents similar to those that occur with Lottery kiosks? If not, what are the main differences?*
 - **DC Lottery:** Incidents are not considered to be frequent with more incidents occurring with lottery kiosks and products due to the distribution difference of 300 lottery retailers vs. just 60 that provide sports wagering kiosks.
 - **Montana Lottery:** Incidents are infrequent, two to three occurrences of criminal activity, incidents not classified as being similar to those that occur with lottery products or locations. Cash kiosk vouchers tampered with or patrons taking advantage of software/hardware failures or bugs. Bettors taking advantage of these failures for financial gain. More incidents related to sports wagering kiosks than those associated with lottery kiosks.
 - **Ohio Lottery:** States no major criminal incidents in the last 12 months
- *When incidents do occur, what is the chain of responsibility related to the filing and notification process to the Lottery? Does Lottery keep a database of these incidents and if so, how is it used to profile higher risk retail locations for sports wagering kiosks?*
 - **DC Lottery:** Lottery relies on their third-party contractor who supplies and manages the kiosks and sports wagering products to report all incidents reported from the retail kiosk operators. While the Lottery's security team does keep a record of all incidents and investigations, it does not perform retail location profiling based on reported incidents occurring.
 - **Montana Lottery:** Lottery requires their sales agents to report all incidents reported from the retail kiosk operators. These reports go to one of two criminal investigators in their Security Department. If needed, they will involve other departments such as Technology and Accounting. All reports are provided to the Lottery Director. All

records are kept by the Department of Security with no indication of retail location profiling based on reported incidents occurring.

- **Ohio Lottery:** Lottery requires the kiosk vendors to submit incident reports that they receive from the kiosk operators for any activity deemed to be significant per their standards and are kept on file with any necessary investigation performed by the Lottery's security team. No indication of retail location profiling based on reported incidents is being performed.

Analysis of Interviews

The kiosk operators were consistent in response to questions regarding incidents and that no crimes had occurred. Although, only one operator stated that the kiosks were meeting their expectations in terms of transactions with zero operators reporting an average of more than 100 wagers placed per week. Overall, it would appear there is insufficient volumes being performed on the kiosks today to present measurable increases in crime.

The lotteries and kiosk vendors have not experienced any material uptick in criminal activity or incidents related to the sports wagering kiosks.

The process for reporting incidents appears consistent across all three jurisdictions and understood to be as follows:

- Kiosk operators must observe a criminal incident occurring either with the sports wagering kiosks at point of wager placement or during redemption of vouchers or winning bet slips.
- Kiosk operators must make the decision on how to react to the incident
- Kiosk operator submits a report to the kiosk vendor or sales agent
- Kiosk vendor or sales agent then submits the report to the Lottery's security team for investigation.
- The Lottery Security Team will investigate, take any appropriate action, and prepare a report on the outcome of the investigation for internal review.

4. Potential Impacts of Kiosks on Lottery, Black Market Betting

A. Impacts on Massachusetts Lottery

The effect of legal sports wagering on states' lottery sales is neutral or unclear. There have been few studies conducted examining the impact of US sports wagering on lottery sales, likely because the domestic legal sports wagering industry is young and still growing rapidly. Spectrum examined lottery sales over the last several fiscal years as more states have legalized sports wagering. There does not appear to be an impact in the three subject jurisdictions where retail sports wagering kiosks are present (Montana, Ohio and Washington, DC), and according to at least one study there could be a positive correlation between overall sports wagering and lottery sales.

However, it should be noted that in this era of significant expansion of gaming across the United States, it is exceedingly difficult to determine with any degree of certainty the effect of a new form of gaming on lottery revenue. Gaming options vary from state to state. The American Gaming Association lists 1,011 casinos in the United States, resulting in more than \$53 billion in tax or shared payment revenue.¹⁰⁶ Similarly, in 2022, US lotteries supported designated good causes and government with \$28.7 billion in lottery profits.¹⁰⁷ Moreover, several states now offer iLottery and iGaming options to players in addition to traditional lottery products, which further muddies the analysis of how one new form of gaming may effect existing forms of gaming.

There have not been any US studies directly examining the effect of sport betting kiosks on lottery revenue. A study published in December 2023 examined the effects of sports wagering (both online and retail) on casino gambling and lottery.¹⁰⁸ In this study, the research team provided panel regression evidence of the effects of sports wagering on casino gambling and lottery. The study produced mixed results with respect to the effects of digital sports wagering and retail sports wagering on casino gambling. Specifically, retail sports wagering led to an increase in casino revenue and digital sports wagering resulted in a decrease in casino gambling. The study examined the effects of sports wagering on lottery performance in Iowa, Pennsylvania and Rhode Island. The study showed an insignificant association with retail sports wagering and lottery revenue. The study found a positive association between digital sports wagering and lottery sales. The study's conclusion is supported by the revenue results in fiscal years ("FY") 2020-2023, as shown in the table below for the US lotteries with active sports wagering. Several of the states have only had active sports wagering for a year or less, so those results are far from conclusive.

¹⁰⁶ American Gaming Association, "Gaming By The Numbers: Gaming's National Impact," 2023 <https://www.americangaming.org/wp-content/uploads/2023/10/2023-National-Economic-One-Pager-Final.pdf>

¹⁰⁷ LaFleur's 2023 World Lottery Almanac, 31st ed., (2023) at p.2.

¹⁰⁸ Ege Can, Mark W. Nichols and Vaseleios Pavlopoulos, "The Effects of Sports Betting on Casino Gambling and Lottery," JEL Classification: H71.L38.L83 (December 8, 2023).

The SEIGMA study conducted in August 2022 identified mixed evidence regarding the question of substitution or cannibalization of existing forms of gaming when a new form of gambling is introduced.¹⁰⁹ The study states that maximizing revenue from sports wagering is not the same as maximizing the economic benefits for the Commonwealth. The report goes on to state that sports wagering can only have limited net economic benefit to Massachusetts, because it could be the result of the redistribution of existing money that exists in the state rather than new discretionary spending from out of state. This potential factor should be examined should sports wagering kiosks be deployed in Massachusetts.

Figure 12 below provides the gross lottery revenue and net lottery revenue for FY 2020 through FY 2023 for states that offer sports wagering and operate a lottery. These financial results support the conclusion that the impact of sports wagering has been mixed and possibly revenue neutral. Most of these lotteries have experienced some level of growth over this time period. Some states may have experienced slight decreases in gross revenue, but there are no data that can attribute any decreases in revenue to the introduction of sports wagering. As stated previously, in the era of expanded gaming a decrease in revenue could be attributed to a multitude of reasons.

The Connecticut Lottery has installed 10 self-service sports wagering kiosks at the state's off-track betting parlors.¹¹⁰ Andrew Walter, Director of Legal & Business Affairs-Sports Betting for the Connecticut Lottery, said he felt that the sports wagering kiosks did not negatively affect lottery sales at this type of location and, in fact, supported the notion that sports wagering kiosks may have a positive association with lottery sales.¹¹¹ He did, however, believe that it was more likely that the introduction of igaming had at least a temporary negative effect on lottery sales. He based this on his personal observation when igaming was introduced in Connecticut.

Since the inception of sports wagering in 2020, the DC Lottery has experienced its typical growth pattern for its lottery games – slight increases with occasional decreases in gross revenue year to year. The Montana Lottery has experienced sales increases over the last several years. In January 2023, sports wagering started in Ohio with both the introduction of online and in retail operators, including sports wagering kiosks in retail establishments. While only six months of available data, the Ohio Lottery experienced an increase in sales in FY 2023 while it suffered a decrease in FY 2022 prior to the introduction of sports wagering. The Connecticut Lottery has experienced a steady increase in lottery sales, as evidenced in Figure 12 below.

¹⁰⁹ Rachel Volberg, Valerie Evans, Marth Thorn and Robert J. Williams, "Legalized Sports Betting in the United States and Potential Impacts in Massachusetts," SEIGMA University of Massachusetts School of Public Health and Health Sciences, August 22, 2022, at p. 7. <https://massgaming.com/wp-content/uploads/SEIGMA-Sports-Betting-Impacts-Report-9.8.22-1.pdf>

¹¹⁰ Gemini Research, "Impacts of Legalized Gambling in Connecticut," report commissioned by the Connecticut Department of Mental Health and Addiction Services (DMHAS), January 2024. <https://portal.ct.gov/-/media/DMHAS/Publications/2023-CT-FINAL-REPORT-Jan312024.pdf>

¹¹¹ Andrew Walter (personal communication), February 29, 2024.

Figure 12: Gross lottery revenue, net lottery revenue for states offering sports wagering, FY 2020-FY 2023

State (Amounts in Billions)	Gross Rev. 2020	Gross Rev. 2021	Gross Rev. 2022	Gross Rev. 2023	Net Rev. 2020	Net Rev. 2021	Net Rev. 2022	Net Rev. 2023
Arizona	\$1.09	\$1.44	\$1.37	\$1.57	\$0.22	\$0.29	\$0.27	\$0.32
Arkansas	\$0.53	\$0.63	\$0.58	\$0.61	\$0.09	\$0.11	\$0.10	\$0.12
Colorado	\$0.66	\$0.80	\$0.83	\$0.89	\$0.14	\$0.17	\$0.17	\$0.20
Connecticut	\$1.35	\$1.50	\$1.60	\$1.70	\$0.35	\$0.42	\$0.40	\$0.40
Delaware	\$0.19	\$0.23	\$0.23	\$0.25	\$0.22	\$0.26	\$0.29	\$0.30
District of Columbia	\$0.21	\$0.23	\$0.22	\$0.22	\$0.38	\$0.05	\$0.04	\$0.03
Florida	\$7.26	\$9.08	\$9.32	\$9.80	\$1.85	\$2.24	\$2.33	\$2.45
Georgia	\$4.95	\$6.03	\$5.80	\$6.13	\$1.24	\$1.54	\$1.47	\$1.52
Illinois	\$2.84	\$3.46	\$3.40	\$3.61	\$0.69	\$0.77	\$0.83	\$0.88
Indiana	\$1.30	\$1.74	\$1.70	\$1.75	\$0.31	\$0.38	\$0.32	\$0.34
Iowa	\$0.37	\$0.45	\$0.43	\$0.48	\$0.08	\$0.10	\$0.09	\$0.11
Kansas	\$0.33	\$0.31	\$0.34	\$0.31	\$0.07	\$0.08	\$0.08	\$0.09
Louisiana	\$0.51	\$0.63	\$0.58	\$0.65	\$0.18	\$0.21	\$0.18	\$0.21
Maryland	\$2.19	\$2.61	\$2.70	\$2.76	\$0.59	\$0.63	\$0.64	\$0.65
Massachusetts	\$5.53	\$5.80	\$5.83	\$6.15	\$0.98	\$1.11	\$1.19	\$1.19
Michigan	\$4.20	\$5.00	\$4.88	\$4.90	\$1.18	\$1.42	\$1.25	\$1.35
Missouri	\$1.51	\$1.81	\$1.78	\$1.79	\$0.33	\$0.35	\$0.40	\$0.43
Mississippi	\$0.34	\$0.51	\$0.43	\$0.46	\$0.07	\$0.14	\$0.12	\$0.12
Montana	\$0.06	\$0.11	\$0.12	\$0.15	\$0.01	\$0.01	\$0.02	\$0.02
Nebraska	\$0.18	\$0.21	\$0.20	\$0.21	\$0.04	\$0.05	\$0.05	\$0.06
New Hampshire	\$0.39	\$0.50	\$0.50	\$0.55	\$0.10	\$0.14	\$0.15	\$0.19
New Jersey	\$3.20	\$3.68	\$3.48	\$3.72	\$0.94	\$1.10	\$1.10	\$1.13
New Mexico	\$0.15	\$0.16	\$0.14	\$0.17	\$0.04	\$0.05	\$0.04	\$0.05
New York	\$9.74	\$8.59	\$10.29	\$10.55	\$3.34	\$3.59	\$3.47	\$3.69
North Carolina	\$2.88	\$3.80	\$3.81	\$4.34	\$0.73	\$0.73	\$0.67	\$1.00
North Dakota	\$0.02	\$0.03	\$0.03	\$0.04	\$0.01	\$0.01	\$0.01	\$0.01
Ohio	\$4.30	\$4.33	\$4.29	\$4.50	\$1.13	\$1.36	\$1.15	\$1.46
Oklahoma	\$0.35	\$0.35	\$0.35	\$0.38	\$0.08	\$0.08	\$0.08	\$0.09
Oregon	\$1.15	\$1.30	\$1.68	\$1.68	\$0.55	\$0.65	\$0.90	\$0.90
Pennsylvania	\$4.47	\$5.30	\$4.50	\$4.98	\$1.14	\$1.30	\$1.21	\$1.10
Rhode Island	\$0.88	\$1.07	\$1.43	\$1.49	\$0.28	\$0.30	\$0.40	\$0.43
South Dakota	\$0.18	\$0.30	\$0.24	\$0.25	\$0.12	\$0.16	\$0.18	\$0.18
Tennessee	\$0.84	\$2.08	\$1.81	\$2.10	\$0.43	\$0.50	\$0.43	\$0.52
Virginia	\$2.15	\$3.26	\$3.75	\$4.60	\$0.60	\$0.77	\$0.78	\$0.87
Washington	\$0.25	\$0.91	\$0.80	\$1.00	\$0.19	\$0.23	\$0.19	\$0.25
Wisconsin	\$0.73	\$0.90	\$0.89	NA	\$0.27	\$0.07	\$0.08	NA
West Virginia	\$0.21	\$0.35	\$0.29	\$0.30	\$0.45	\$0.51	\$0.47	\$0.58
Wyoming	\$0.02	\$0.03	\$0.03	\$0.04	\$0.00	\$0.00	\$0.00	\$0.01

Sources: *La Fleur's 2023 World Lottery Almanac*, 31st edition; lottery financial statement and annual reports

1) Benchmarking Lottery Impact

Benchmarking is frequently employed to determine the cannibalization of existing lottery games caused by a new gambling offering. This analysis involves a review of overall revenue, operating costs and return to the designated causes that each lottery is benefiting. The review requires not just the benchmarking of this data, but an analysis of the unique cost and operational issues that affect cost and cash flow.

The difficulty in performing this analysis is that there are differences in availability of information. In the United States, lotteries are subject to open records requirements, resulting in most of the information being made available through regular reporting. However, in reviewing published financial data, the data at times are not broken down in the same manner by each lottery, which makes it difficult to achieve an apples-to-apples comparison.

Financial benchmarking during years affected by the global pandemic has been difficult given the different effects the pandemic had in different parts of the world and even within the same regions. The extent to which retail establishments were completely closed or partially closed varied greatly. Moreover, the manner and speed in which states reopened for business appears to have dramatically skewed the increase in lottery revenue after the pandemic. For example, Texas realized double-digit increases in gross revenue while other states such as Massachusetts realized smaller, more typical year-to-year increases. We have found that financial comparisons are skewed as well and do not necessarily reflect the accurate level of performance. The fact that the growth of sports wagering in the United States coincides with the post-pandemic economy contributes to the difficulty in making an accurate assessment of the impact of sports wagering.

In selecting which states to use in benchmarking, we selected peer states that offer similar characteristics to Massachusetts. Some of the characteristics considered are:

- The state has similar demographics.
- The lottery in this state has a well-developed game portfolio.
- The lottery in this state focuses on lottery performance as a key revenue generator for the state.

In determining the benchmarking value of Ohio, Delaware, and the District of Columbia for the purposes of lottery performance, only the Ohio Lottery offers value as a benchmark because it has similar demographics, a similar game portfolio and similar emphasis on lottery as a revenue generator. The DC Lottery is not an acceptable comparison due to two unique factors:

1. First, the District of Columbia is a city form of government and does not approach its administration of its lottery operation in a similar fashion. Specifically, the District government does not necessarily rely on its lottery as a revenue generator.
2. Second, the DC Lottery is not an acceptable benchmark example for Massachusetts is the District's commuter factor. The District's market has 1 million adults – comprised of 569,000 resident adults and 450,000 daily commuters. Tourism also adjusts the size of the market for the DC lottery. Including the daily commuters, the number of adults in the District may

increase significantly due to the estimate of a daily weekday pool of 700,000 non-residents who work in, or visit, the District.¹¹²

The Montana Lottery does not provide a suitable benchmark for Massachusetts. The Montana Lottery is a low-performing lottery, and the state does not utilize it as a primary revenue generator. Secondly, Montana’s demographics and geographic setting are substantially different than those of Massachusetts.

The Ohio Lottery has a more robust game offering than Massachusetts, but it provides other similarities that make it a suitable benchmark. The issue with conducting a more granular analysis with the Ohio Lottery is the limited sample size of sports wagering kiosks in Ohio. At the end of FY 2023, Ohio had only put 930 sports wagering kiosks in the field.¹¹³ With this limited record of performance, it is difficult to state with certainty the impact of sports wagering kiosks. As shown in Figure 12 above, the Ohio Lottery experienced a sales increase in FY 2023, which would cover the first six months of operation of sports wagering kiosks.

2) Lotteries’ Sports Wagering Kiosks Implementation/Licensing Restrictions

Montana, Ohio, and Washington, DC, have offered sports wagering kiosks under different strategies to implement sports wagering. Montana employed sports wagering kiosks as the primary driver to offer the game to consumers. The Ohio and DC lotteries utilized a broader strategy that included broad online offerings as well as a targeted introduction of sports wagering kiosks or self-service terminals.

Montana

Legislation authorizing the Montana Lottery was passed in 1986 with initial ticket sales starting in June 1987.¹¹⁴ The Montana Lottery has offered a traditional US lottery product portfolio consisting of instant tickets, the multistate jackpot games, in-state draw and jackpot games, and a single VLT game, Treasure Play, offered on terminals in taverns and casinos.

From 2008 until 2021, the Montana Lottery offered a fantasy football product line, Montana Sports Action, on behalf of the Board of Horse Racing. The game operated similarly to other fantasy football games where the player chooses five eligible offensive players and one defensive unit. Players could play an amount varying from \$5 to \$100.

The Montana Lottery oversees the operation of sports wagering.¹¹⁵ Sports Bet Montana is the latest addition to the Montana Lottery’s game portfolio. In 2019, the legislature passed legislation

¹¹² Based on US Census data of 450,000 daily out-of-state commuters and 250,000 daily tourists (estimated from Destination DC visitor data at https://washington-org.s3.amazonaws.com/s3fs-public/2017_dc_visitation_and_impact_fact_sheet.pdf)

¹¹³ Ohio Lottery Commission: An Enterprise Fund of the State of Ohio Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2023 at p 10.

¹¹⁴ Montana Lottery Financial Statements, et. seq.

¹¹⁵ Ibid.

legalizing sports wagering. The Montana Lottery went live with sports wagering in March 2022 with players placing bets at sports wagering kiosks in authorized locations or on a cell phone application while the player is located at an authorized location.

Players can place bets on a kiosks anonymously or from their phone from a registered account set up by the player.¹¹⁶ Players can place a minimum bet of \$2 with a maximum bet of \$1,000 and a maximum prize of \$100,000.

Ohio

The General Assembly legalized sports gaming in 2021 with the passage of legislation (HB 29) that established a comprehensive licensing and regulatory framework under the jurisdiction and rulemaking authority of the Commission.¹¹⁷ The bill also created the Ohio sports gaming lottery, operated by the Ohio Lottery Commission. Sports gaming in Ohio is operated by private businesses in three categories:

- Type-A Sports Gaming: Online sportsbooks (including mobile)
- Type-B Sports Gaming: Physical sportsbook facilities
- Type-C Sports Gaming: Kiosks at eligible liquor permit establishments

These businesses partner with digital management services providers, management services providers and suppliers, all of which must be licensed.

House Bill 29 limits the number of vendors licenses the Commission may issue to 25 Type-A and 40 Type-B, and further requires Type-B Sports Gaming facilities to be located in counties based on their population in the 2010 federal census. In addition, preference for Type-A and Type-B Sports Gaming licenses is given to Ohio’s casinos, racinos, professional sports teams, and a PGA event and NASCAR event held within the state.

Starting in January 2023, the Ohio Lottery placed 772 sports kiosk locations and by June this number had grown to 939 kiosks locations. As of February 2024, the Ohio Lottery had issued all 1,500 Type-C licenses authorized by the legislation.¹¹⁸ It was reported that the Ohio Lottery lost money on Type-C sport betting kiosk with a cost of operate the kiosks at \$650,000 annually as compared to \$305,000 in revenue realized from the kiosks in 2023.¹¹⁹

¹¹⁶ Ibid.

¹¹⁷ “2023 Ohio Casino Control Commission Annual Report,” pp. 12-13.
<https://dam.assets.ohio.gov/image/upload/casinocontrol.ohio.gov/annual-reports/2023%20OCCC%20Annual%20Report%20-%20Final.pdf>

¹¹⁸ Clay Gordon, “Ohio Lottery Lost Money on Sport Betting in 2023,” 10WBNS, February 12, 2024.
<https://www.10tv.com/article/news/local/ohio/ohio-lost-money-on-sports-gaming-kiosks/530-c450a46e-fa3b-479a-8434-f2c3d7f44842>

¹¹⁹ Ibid.

Washington, DC

The DC Lottery partnered with its gaming technology company, Intralot, to implement sports wagering in the district. The DC Lottery launched sports wagering in 2020. It also introduced lottery in 2021. Sports wagering kiosks were introduced in August 2021. The enabling law for sports wagering authorizes two classes of licenses for sports wagering.¹²⁰ The two classes of licenses are Class A, which are centered on the local sports arenas, and Class B, which are the retailer-based kiosks or self-service betting terminals.

The DC Lottery has 72 retailers who are authorized to operate 91 self-service betting terminals (“SSBTs”), which are another term for sports wagering kiosks. Similar to Montana, the terminals allow the player to submit wagers on lottery games and sports wagering. Convenience stores are only permitted to offer self-service sports wagering.

The DC Lottery has approved five Class A brick-and-mortar sites that are operational. The SSBTs are located in these sites as well. Capital 1 Arena has 19 SSBTs. Private operators are permitted to restrict lottery mobile apps within a two-block radius of the sportsbook’s locations. This restriction means that a significant percentage of DC residents do not have access to online apps because they are located within the two-block radius of a sports arena.¹²¹

There are specific guidelines around the placement of kiosks. It is a very specific review involving placement, sightline, and distance from where the employees congregate. There must be good visibility.

The DC Lottery must include SDOs (supplier diversity organizations) in its operation of sports wagering. The DC Lottery is also required to find opportunities for minority-owned and women-owned businesses to participate in sports wagering operation.

3) Potential Impact on Lottery Contributions

Although the impact of sports wagering on lottery sales and operations is unclear, Spectrum believes that if sports wagering kiosks are introduced at bar and restaurant locations, then the impact may be felt by the Massachusetts Lottery’s second-most popular game, keno.

The Massachusetts keno game is stronger than in most other states; this is particularly true when comparing it to the few states that also have retail sports wagering kiosks. Although there are no data to support this as a conclusion or a finding, based on our experience in Massachusetts we believe the impact of retail kiosk sports wagering on keno is a real possibility that would need to be monitored.

The Massachusetts Lottery’s keno game represents approximately 20% of all lottery games over the last two fiscal years. In FY 2023, keno grossed approximately \$1.226 billion, or 19.9% of total sales.¹²²

¹²⁰ See 30 DCMR Lottery and Charitable Games Section 2100, et. seq.

¹²¹ Emmanuel Bailey (personal communication), November 17, 2023.

¹²² Massachusetts State Lottery Commission: Statement of Operations-Lottery and Arts Lottery Funds, June 2023. https://assets.ctfassets.net/45roy5e8ztfdf/68KO95kYzZcYIGhpwruTu7/3be3c4d32172a694231ad049cfbbb049/Statement_of_Operations_FY_2023.pdf

Given that keno has a lower prize payout percentage than other high-performing games such as instant tickets, the impact on the net revenue transferred to the cities and towns as unrestricted local aid could be disproportionate. The Massachusetts keno game is one of the most productive keno-style games in the US lottery market.¹²³

While keno is now available in all lottery retail locations, its genesis and success is attributable to its growth in the bar and restaurant setting. When it started in 1993, keno was available in all types of lottery locations.¹²⁴ Due to some backlash over the effect of the game, the Massachusetts Lottery limited new keno locations to pouring establishments – i.e., bars and restaurants – and had a cap of approximately 2,000 locations for many years. Starting in approximately 2007-2008, the Massachusetts Lottery began the gradual process of offering keno to all lottery retailers in various forms. Keno or “Keno to Go” is now offered in all 8,500 lottery retail locations. Keno is still a popular game in the bars and restaurants of the Commonwealth. In any event, if sports wagering kiosks will have a negative impact on the Massachusetts Lottery games, it will be in the keno game sold at the bar and restaurants of the Commonwealth.

Given the lack of benchmarking data available, it is difficult and not prudent to estimate the potential impact, if any, on the Massachusetts game of keno. This section simply identifies an area that bears observation should sport betting kiosks be offered in the Commonwealth and are offered in the bars and restaurants where keno is so popular. Accordingly, based on our experience, we believe the potential impact of retail sports wagering kiosks on keno would need to be monitored.

B. Anticipated Market Recapture from the Black Market

When considering the level of market share that retail sports wagering kiosks can be expected to recapture from black-market operators, it is important to understand the various black-market options available to patrons in Massachusetts today. It is also important to understand the motivations for those patrons in regulated markets to continue to use black-market operators. Understanding these variables is crucial in creating the context required for responsibly projecting any applicable recapture of black-market activity with the use of sports wagering kiosks.

In Spectrum’s experience there are three typical forms of black-market operators found in most any jurisdiction. They are as follows:

Retail Credit:¹²⁵ An individual or group of individuals taking wagers from patrons on a line of credit and documenting all wagering and financial activity by hand, in-person, and without use of digital means or process. Patrons of these types of operators normally have a higher net worth and minimum lines of credit, and wager amounts that would otherwise exclude the average player from participating. These

¹²³ LaFleur’s 2023 World Lottery Almanac, 31st ed., (2023) at p. 345.

¹²⁴ “Mass Lottery History.” <https://masslottery.com/about/the-lottery/history> (accessed March 11, 2024)

¹²⁵ Sera Congi, “Police Bust Alleged Illegal Backyard Gambling Ring in Milford, Massachusetts,” WCVB, August 31, 2023. <https://www.wcvb.com/article/police-bust-alleged-illegal-backyard-gambling-ring-in-milford-massachusetts/44967352>

operators maintain a smaller list of clients that can be easily managed and maintained. They are not generally considered to be a mass market operator.

Sports wagering kiosks are not likely to be relevant or applicable to recapturing wagering from this type of patron demographic due to the player's consumption habits, wagering amounts and preference for convenience and personal service.

Retail Credit + Mobile:¹²⁶ An individual or group of individuals taking wagers from patrons on a line of credit whereas all wagering and financial activity is documented via digital channels (i.e., mobile wagering) with financial settlements being made either in person or via other means between the patron and the operator. With the advent of the "pay per head"¹²⁷ model, those retail credit operators that previously managed all activities by hand can now procure software specifically built for the purpose of providing credit for mobile wagering at scale. The size of these operators can vary from a few to a few thousand as they provide the ease of wagering on credit coupled with the convenience of a mobile platform. Patrons of these operators can range the full financial spectrum, with the operator determining the type of player base they would like to extend lines of credit to. The convenience of wagering on credit via mobile is ultimately the key differentiator for this type of operator and factors heavily into a patron's decision to wager in this manner.

Sports wagering kiosks likely do not present an attractive alternative due to the cash-in-hand, physically present nature of wagering on sports kiosks.

Online Advance Deposit: These are typically offshore enterprises specializing in acquiring players through various marketing channels and requiring that players advance deposit by electronic means¹²⁸ including credit card, ACH, bank wire and cryptocurrency. They maintain sophisticated infrastructures to support large-scale operations and reach in terms of player base and offering. These operators are the primary competitors to licensed digital wagering operators in any regulated market and provide the most similar experience for the patron, with key distinctions. Online advance deposit operators can offer larger bonuses and more payment methods including crypto currency; regulated operators must factor in costs of promotions to their tax liabilities and are not approved to offer crypto currency transactions. They also present a lower barrier to entry as a social security number is not required for registration, thus avoiding exposure to government taxes on large wins and entry into regulator databases.

Online advance deposit offers a certain level of anonymity due to light and inconsistent KYC processes coupled with extensive deposit and withdrawal options and a wagering menu that is more extensive than legalized operators. Patrons who prefer this type of wagering service are primarily

¹²⁶ Office of the Attorney General, "33 Individuals Indicted in Connection with Multimillion Dollar Sports Betting Operation," Mass.gov, November 13, 2015. <https://www.mass.gov/news/33-individuals-indicted-in-connection-with-multimillion-dollar-sports-betting-operation>

¹²⁷ "What Is Pay Per Head," *Ace Per Head Blog*. <https://aceperhead.com/blog/pph-guide/what-is-pay-per-head/> (accessed January 4, 2024)

¹²⁸ "Financial-FAQ/Deposit-Methods," Bovada.LV Help. <https://www.bovada.lv/help/financial-faq/deposit-methods> (accessed January 4, 2024)

concerned with the benefits of convenience and ease of use, which negates the perceived risks of wagering with a black-market operator. However, studies also suggest that these types of operators are so similar to legal operators that half of patrons that use them believed they were wagering legally.¹²⁹

Sports wagering kiosks, in their current iteration, are not able to provide incentives or patron experience that compete with the perceived value proposition that black-market operators make available.

1) Patron Use of Black-Market Operators in Legalized Jurisdictions

Convenience

As described above, the main theme Spectrum has identified for a patron’s continued use of a black-market operator is convenience. Whether they have a long-standing relationship with the operator, are recruited/referred, or are acquired through digital marketing means, patrons playing with black-market operators place a premium value on convenience and – in the case of online advance deposit – may not even know they are playing with a black-market operator. Although a wide network of regulated sports wagering kiosks would create a level of accessibility, they do not offer any convenience related to the actual placing and settlement of the wagers when compared to retail credit + mobile and advance deposit wagering operators.

Further negating the convenience of sports wagering kiosks are the maximum payouts that can be claimed in cash vs. having to mail in winning bet slips. Normally, the patron’s only options are to wait to receive a paper check or register online for a bank transfer as opposed to instant settlement via crypto currency or bank transfer as is available with most any digital wagering operator – both regulated and black-market.

The Montana Lottery does offer digital wagering and redemption; however, patrons must be physically located within a licensed location where a sports kiosk already exists in order to place wagers from the mobile app. This requirement dilutes the convenience factor of mobile wagering and accounts for merely 10% of all wagering activity per statements from Montana Lottery.¹³⁰ The DC lottery supports mobile wagering and redemptions district-wide, however they are viewed as a more traditional digital operator and would not be applicable to compare to Montana and Ohio. In Ohio, the Lottery does not offer digital wagering.

Product Offering

Spectrum’s research of sports wagering kiosks in the comparative markets of Montana, Ohio and Washington, DC, found wagering menus that, while similar in terms of offering to those of retail credit + mobile and online advanced deposit operators (as described above), include distinct variables that further hinder the sports wagering kiosks’ ability to compete with the product offering of the black-market.

¹²⁹ “Sizing the Illegal and Unregulated Gaming Markets in the U.S.,” American Gaming Association, November 30, 2022. <https://www.americangaming.org/resources/sizing-the-illegal-and-unregulated-gaming-markets-in-the-u-s/>

¹³⁰ Interview with Anne Charpentier, Marketing & Sales Director, Montana Lottery, via email, February 2, 2024.

Black-market operators often specialize in offering betting options that cannot be found in regulated markets. For example, the coin toss on the Super Bowl was not permitted to be wagered on via licensed operators in Massachusetts.¹³¹ But black-market operators offered multiple ways to bet on the coin toss to entice first-time bettors to sign up and wager on an overly simplistic yet highly publicized prop bet.

It should be noted that sports wagering kiosks in Washington, DC, and Montana are operated by the same vendor whereas Ohio allows licensed kiosk suppliers and operators to dictate what they make available if it is approved by the Ohio Casino Control Commission. This creates a narrow comparison of product offering, and any future considerations regarding what products and considerations are made available to sports wagering kiosk patrons should be gauged against a wider sample set that includes various forms of black-market operators.

Figure 13: Comparison of products offered by sports-wagering kiosk states, black-market operators

Bet Types & Options	State Lotteries			Offshore Sportsbooks		
	OH Lottery	MT Lottery ¹	DC Lottery ¹	Bovada	MyBookie	PP Head
Spreads	✓	✓	✓	✓	✓	✓
Totals	✓	✓	✓	✓	✓	✓
Moneyline	✓	✓	✓	✓	✓	✓
Straights	✓	✓	✓	✓	✓	✓
Parlays	✓	✓	✓	✓	✓	✓
Teasers				✓	✓	✓
Round Robin	✓	✓	✓	✓	✓	✓
In-Play	✓	✓	✓	✓	✓	✓
Player Props		✓	✓	✓	✓	✓
Max Parlay Selections	4	15	15	20	16	+152
Same Game Parlay	✓	✓	✓	✓	✓	✓
Early Cashout	✓	✓	✓	✓	✓	✓
Futures		✓	✓	✓	✓	✓
Politics Betting				✓	✓	✓
Entertainment Betting				✓	✓	✓
Casino Games				✓	✓	✓
Horse Race Betting				✓	✓	✓
Max Bet (single wager)	\$700	\$1K	\$600	+\$10K	+\$10K	+\$10K ²
Max Payout	+\$600 ²	\$100K	\$150K	\$250K	\$100K	+\$100K ²

Sources: DC Lottery, Montana Lottery, Ohio Lottery, Bovada, MyBookie, PayPerHead. ¹ Same provider/offering for lottery monopolies and comprises ~50% of revenue in Ohio. ² Configured to operators' risk tolerance

Key differences to note are max limits on transactions and payouts; black-market operators do not carry the burden of Title 31 AML considerations and thus are able to be more liberal with transaction amounts. The addition of non-traditional wagering events like elections and awards shows and the availability of casino gaming and horse racing with black-market operators creates a large gap in offerings

¹³¹ Peter Eliopoulos, "Some Super Bowl 58 bets are off-limits in Massachusetts," WCVB, February 9, 2024. <https://www.wcvb.com/article/some-massachusetts-super-bowl-58-bets-not-permitted/46690491#>

that further amplifies the convenience factor of having all gaming options accessible from a single digital account vs. the use of sports wagering kiosks.

Pricing

The pricing standards used by the retail sports wagering operators appear to be dictated by their vendors and suppliers rather than by administrative rule or statute. Spectrum has observed these prices as being, in many cases, more expensive than the same market pricing offered by the black-market operators by up to 25% or more.

Due to lower expected wagering volumes, there is an inherent need for both the vendors and the lotteries to protect themselves from liabilities related to large wins and low hold percentages. The most effective way to manage this is by charging more to place wagers or by reducing payout amounts. This is in stark contrast to the regulated and black-market operators that use promotions such as odds boosts¹³² or reduced pricing¹³³ to assist in selling wagers. This level of promotion is available to sports kiosk vendors; however, the kiosk hosts typically do not have such control or capability to leverage such tools to compete in a meaningful way nor does it appear that vendors can afford to squeeze their margins any further.

Figure 14: Ohio statewide Type C vendor revenues and breakdown, calendar year 2023¹³⁴

Handle	Prizes	Voids	GGR	Avg. Percent Payout	Avg. Host Locations
\$13,233,382	\$11,876,740	\$49,581	\$1,307,064	90.34%	892

Source: Ohio Lottery

Based on the numbers in Figure 14 and interviews with Ohio sports kiosk vendors, we have calculated the following figures:

- Average handle of \$14,835 per year (or \$1,236 per month) for each host location
- Average wager amount reported to be \$44.¹³⁵ That means there are 337 wagers per year (or 28 wagers per month) for each host location
- Average percent payout of 90.34% on \$44 = \$4.25 profit per wager
- Average GGR of \$1,465 per year (or \$122 per month) for each host location
- Average revenue split between a kiosk vendor and host can be up to 80/20,¹³⁶ indicating that for every \$122 in gross gaming revenue, the host of that kiosk will earn 20% of the revenues. In the case of Ohio, an example of the model appears as follows:

¹³² “Odds Boost & Promotions,” FanDuel Massachusetts. <https://ma.sportsbook.fanduel.com/promotions> (accessed March 3, 2024)

¹³³ “Pay Per Head Tour,” Pay Per Head. <https://payperhead.com/tour/> (accessed March 3, 2024)

¹³⁴ “Sports Gaming Revenue Reports,” Ohio Lottery, <https://www.ohiolottery.com/About/Index/Financial/Sports-Gaming-Revenue> (accessed February 11th, 2024)

¹³⁵ Confidential Source No. 1, Ohio sports kiosk vendor, phone interview with Spectrum Gaming Group, February 19, 2024.

¹³⁶ Confidential Source No. 2, Ohio sports kiosk vendor, email interview by Spectrum, February 27, 2024.

Handle - Prizes Paid - Voids = \$122 GGR * 20% (Host Rev Share) = \$24.40

Due to the estimated losses by sports wagering vendors in Ohio, there is likely no appetite for reducing their margins further by means of odds boosts and reduced pricing. In fact, depending on the supplier and vendor of the sports wagering kiosks and their pricing in comparison to the wider market, there is the risk of anonymous kiosk wagering becoming a liability when used by patrons experienced in sports wagering.¹³⁷ Experienced bettors can identify pricing discrepancies that create a value proposition to exclusively bet via kiosk. While this can be seen as a potential value proposition for wagering on kiosks, it can quickly create material impact to the lottery's revenue projections. In fact, the DC Lottery was forced to enact an emergency rule to limit bettors due to a single patron who was able to win substantial amounts material to the bottom line of the sports wagering division's balance sheet.

Anonymity

While it can be claimed that wagering with black-market operators is not anonymous, it does afford patrons a way to hide their activities from law enforcement and other parties that may otherwise have claim to a patron's financial activity (child support, liens, court settlements and the like).

Wagering via kiosk does afford players anonymity at the point of wagering, however, depending on the size of a winning wager, that anonymity can be forfeited should the patron be required to receive a paper check vs. cash settlement because of the size of the winnings.

Those individuals who opt to bet exclusively with sports kiosks in a jurisdiction where legal digital options are available would appear to be making concerted efforts to avoid having their identity known either due to a previous self-exclusion, a regulatory ban, or an operator ban due to malicious behavior or limiting of wagering allowed to the patron for one reason or another. In other words, sports kiosks present an ideal option for wagering by patrons who otherwise may be restricted from doing so with other legal options.

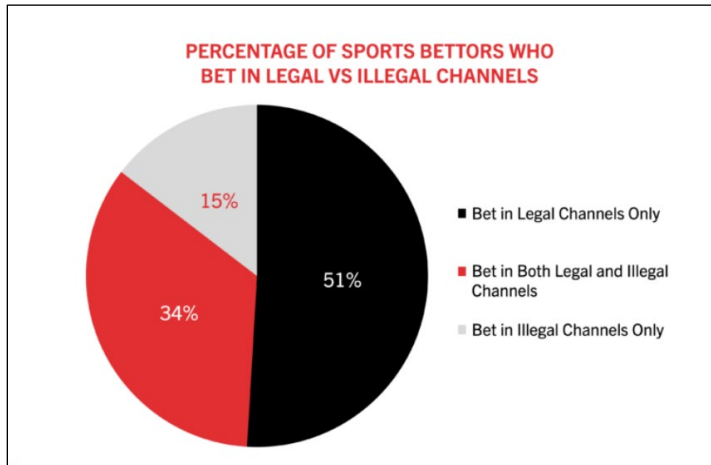
2) Current Black-Market Consumption

According to the American Gaming Association's November 2022 report on the size of the illegal and unregulated market,¹³⁸ consumption of black-market operators by patrons in jurisdictions where legal options are available is roughly split, with 51% of those polled playing exclusively with legal channels while 49% still patronized black-market operators at least some of the time.

¹³⁷ Bennett Conlin, "D.C. Lottery Limits Retail Wagers After Restaurant Bettor Wins Big," Sports Handle, September 19, 2023. <https://sportshandle.com/dc-lottery-limits-retail-bettors/>

¹³⁸ "Sizing the Illegal and Unregulated Gaming Markets in the U.S.," American Gaming Association, November 30, 2022. <https://www.americangaming.org/resources/sizing-the-illegal-and-unregulated-gaming-markets-in-the-u-s/>

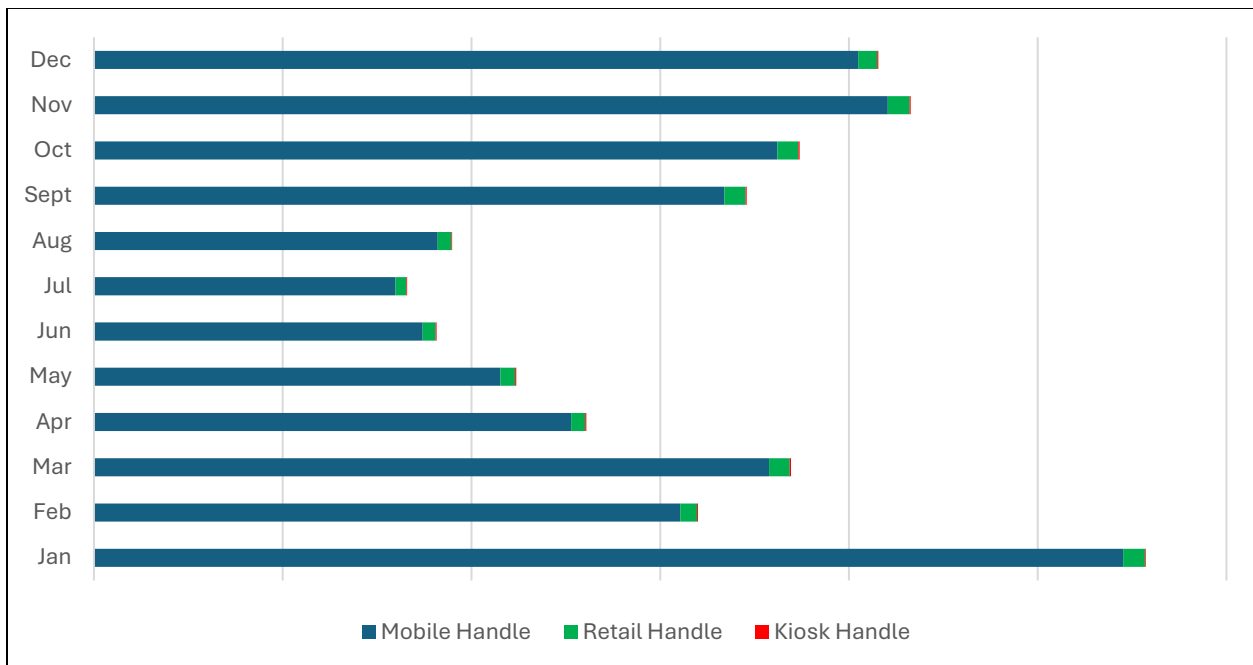
Figure 15: Percentage of sports bettors who bet in legal vs. illegal channels, 2022



Source: American Gaming Association

Spectrum expects that with market maturity, there will be a reduced patronage of black-market operators, however, this patronage will most certainly trend toward legal digital operators rather than a retail or kiosk channel for wagering. This is best represented by the aggregated stats of state-published handle by channels. For example, in Ohio, regulated sports wagering launched on January 1, 2023, and the rate of channelization is consistent with the national landscape of how patrons place their wagers, with more than 90% being made via digital.¹³⁹

Figure 16: Ohio sports wagering handle by channel, 2023



Source: Ohio Lottery, Ohio Casino Control Commission

¹³⁹ "Revenue Reports," Ohio Casino Control Commission, <https://casinocontrol.ohio.gov/about/revenue-reports> (accessed January 30, 2024)

As shown in Figure 16, the vast majority of Ohio sports wagering handle is via the digital handle (blue), with the retail channel (orange) contributing less than 10%. The kiosk handle (green) is almost invisible.

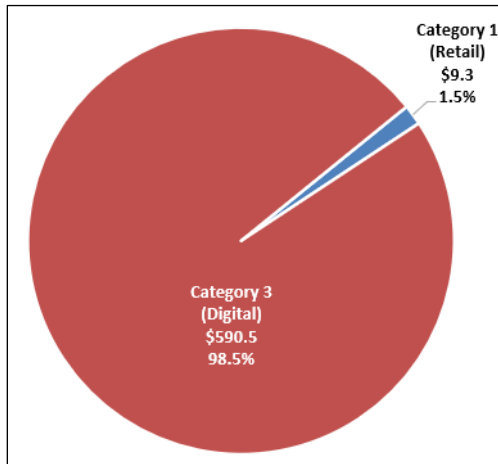
3) Caution with Kiosks

While the focus of this section is to identify the anticipated recapture of the black market, Spectrum believes it is important to point out that the introduction of sports wagering kiosks is susceptible to use as a tool by black-market operators. Utilizing a network of agents using different kiosks throughout the state working in concert to essentially lay off or hedge their own exposure to wagers they have taken, can be both a positive and a negative depending on the quality of product the kiosk vendor is making available and whether their odds and pricing are competitive enough as not to provide a value add of arbitrage for the black-market operator to profit from. Additionally, those black-market operators offering Retail Credit and Retail Credit + Mobile may find the use of sports kiosk vouchers as an effective measure to launder cash proceeds and issue cash settlements to their players.

5. Economic Impacts of Sports Wagering on Massachusetts Establishments that Serve Alcoholic Beverages

The Commonwealth of Massachusetts legalized sports wagering on August 10, 2022, and launched the activity via casinos less than six months later (January 31, 2023) and via digital channels seven weeks after that (March 10, 2023). Through its first 12 full months of combined retail and digital sports wagering (i.e., through March 2024), statewide sports wagering gross gaming revenue was \$599.8 million.

Figure 17: Massachusetts sports wagering GGR by segment, 12 months ending March 2024



Source: Massachusetts Gaming Commission

The Commonwealth as part of this study seeks to understand the impacts this suddenly large industry has had on retail establishments that serve alcoholic beverages for on premises consumption, such as restaurants and bars.

In February, the Massachusetts Gaming Commission reported that sports wagering had produced \$108.4 million in total taxes and assessments from the operations of licensed operators since wagering began at brick-and-mortar casinos on January 31, 2023, and online on March 10, 2023. Those numbers far exceed the \$60 million projected in annual revenue when then-Governor Charlie Baker, who is now president of the National Collegiate Athletic Association, signed the Massachusetts sports wagering bill into law on August 10, 2022. But none of the money came from sports wagering kiosks at bars and restaurants in Massachusetts.

“This is something we are pushing for, especially in kiosk form, but that is still under consideration from the (Massachusetts) Gaming Commission,” Stephen Clark, president and chief executive officer of the Massachusetts Restaurant Association, told Spectrum.

Spectrum interviewed managers or owners of 20 Massachusetts sports bars and restaurants to glean their insights about the impact of legal sports wagering on their businesses. Of the 20 interviewed, 18 said the introduction of legal sports wagering had not had any discernible impact on their revenue or operations. Only two of the businesses interviewed said they have noticed an uptick – in excitement, not

revenue – surrounding events sponsored by DraftKings and FanDuel as well as Ultimate Fighting Championship matches.

Although they cannot place bets via kiosks at restaurants and bars, customers with mobile phones tend to stay longer to see the results of games on which they have wagered, according to 12 of the businesses interviewed. Those 12 were evenly split whether customers are using their mobile phones more frequently, although the six that said they have noticed an increase said they were uncertain if sports betting was the reason for the surge.

Two of the 20 businesses interviewed strongly supported the proposition of kiosks in their operations, and five more said they were inclined to welcome kiosks but would need to confer with their superiors before endorsing the concept. Two businesses opposed kiosks, eight said they did not have an opinion, and three did not respond.

“I think that the sports betting kiosk is a great idea, and I think it’s a great way to bring in business,” said a manager of a Gloucester restaurant. “It would definitely improve traction, you know, in and out of the business after the (Covid-19) pandemic definitely took (a toll) on a lot of businesses, especially in towns like ours. Kiosks would definitely be a positive impact.” The Gloucester manager said it is a common sight on Friday and Saturday nights at the bar to see “younger kids like the ones who are 23 or 24 years old always yelling at their phones and doing bets.”

A manager in Franklin who opposes kiosks said the machines could be a distraction. “I think it (a kiosk) would be more the staff using it than the customers. And we wouldn’t want that,” the manager said. The manager said their restaurant has keno machines, but it asked the Massachusetts Lottery to remove a scratch-ticket machine from the premises. “The machine really wasn’t doing much, and we didn’t sell enough tickets,” the manager said.

While the legalization of sports wagering in Massachusetts has not yielded measurable income yet for bars and restaurants, it “definitely motivates more people to come out,” said a manager of a Springfield bar and grill. “I would say that sports attract more people to our new restaurant (which celebrated its first anniversary on March 29), and that’s important especially with the MGM (Springfield Casino) right down the street.”

A pub manager in Lowell also cited the competitive dimension a kiosk could bring to his business. “People wouldn’t have to go to the Encore (Boston Harbor, a Wynn Resorts casino about 30 miles southeast of Lowell in Everett),” the manager said. “They could just stay home.”

A manager of a Westfield bar and grill said its customers “never really get too crazy for the games” despite the sports theme of his business. Nevertheless, the manager said sports wagering kiosks could potentially become a valuable asset in Massachusetts’ booming sports wagering market. “Obviously, I would imagine the Boston-Worcester area is probably a bigger market than Western Mass outside of Springfield,” the manager said. “But I definitely think (kiosks) would be beneficial for the state.”

What Restaurant and Bar Owners/Managers Are Saying in Massachusetts

“I think it would be more the staff using it (a sports wagering kiosk) than the customers. And we wouldn’t want that.” – *Manager of a Franklin bar*

“It (kiosks) would definitely improve traction, you know, in and out of the business after the (COVID-19) pandemic definitely took (a toll) on a lot of businesses, especially in towns like ours. Kiosks would definitely be a positive impact.” – *Manager of a Gloucester bar*

“I would say that sports attract more people to our new restaurant, yes, especially with the MGM (Springfield Casino) right down the street.” – *Manager a Springfield bar and grill*

“We have the biggest screen on the East Coast, so yeah, I would say people are definitely betting on the side while games are happening.” – *Manager of a Boston bar*

“People wouldn’t have to go to the Encore (Boston Harbor, a Wynn Resorts casino about 30 miles southeast of Lowell in Everett). They could just stay home.” – *Manager of a Lowell pub.*

“Obviously, I would imagine the Boston-Worcester area is probably a bigger market than Western Mass outside of Springfield. But I definitely think (kiosks) would be beneficial for the state.” – *Manager of a Westfield bar and grill.*

“We were still busy (in 2023), but not crazy like previous years when the (New England) Patriots (of the National Football League) were better. We don’t get a ton (of business) for baseball. Basketball and hockey are pretty big.” – *Manager of a Plymouth bar and grill.*

Appendix: Interview Guides

Spectrum developed and employed the following question guides for use in interviewing informants for this study.

A. Kiosk Hosts in Montana, Ohio and Washington, DC

- For how long have you been a kiosk host?
 - What type of establishment are you?
 - Restaurant
 - Full service
 - Fast-casual
 - Quick service
 - Bar or pub
 - Package-goods stores (i.e., for off-premises consumption)
 - Retail establishments that do not sell alcohol?
 - Veterans and fraternal organizations?
 - What costs are associated with adding kiosks?
 - Any that you did not anticipate?
 - Have you changed staffing levels at all due to the sports wagering kiosk?
 - Have you attracted more patrons since becoming a kiosk host?
 - Have you attracted a different clientele since becoming a kiosk host? Explain ...
 - Are patrons spending more time or money in your establishment since you became a kiosk host?
 - Are they purchasing more food?
 - Are they purchasing more alcohol?
 - Have you noticed patrons drinking more than they should as a result of staying longer on the premises due to sports betting?
 - How have the kiosks impacted your bottom line?
 - Aside from spending, what changes in patron behavior have you noticed since becoming a kiosk host?
 - Have you seen, or sensed, patrons using their mobile phones for sports betting purposes while on premises despite you having kiosks?
 - Are patrons staying for longer or shorter durations?
 - How has your business changed when showing college or pro football games?

- Have they changed their behavior, such as becoming more animated when watching sports on TV?
 - If so, how has that affected your business?
- Have the kiosks solved any problems or created any benefits for your establishment?
- Have you noticed or sensed patrons gambling beyond their means?
- What other forms of legal gambling do you offer in your establishment?
- Does your staff monitor ages of people using the kiosk? If so, how?
- Finally: Has it been worth your while to be a kiosk host?

B. Restaurant/Bar Owners or Managers in Massachusetts

- What type of establishment are you?
 - Restaurant
 - Full service
 - Fast-casual
 - Quick service
 - Bar or pub
- Are patrons spending more time or money in your establishment since sports betting was legalized?
- Aside from spending, what changes in patron behavior have you noticed since the implementation of sports betting?
 - Have you seen, or sensed, patrons using their mobile phones for sports betting purposes while on premises
 - Are patrons staying for longer or shorter durations?
 - Have they changed their behavior, such as becoming more animated when watching sports on TV?
 - If so, how has that affected your business?
- If sports betting kiosks were to be legalized in Massachusetts, would you be interested in being a host?
 - Why or why not?
 - What benefits would you expect from being a kiosk host?

C. Anticipated Social and Community Impacts

1. Do you have a formal policy on casinos, gaming, or expansion of gaming? If yes, what is it?

2. If you take a stance on good public health policy, what are elements that determine good public health policy? What would it take for kiosks to be considered positive?
3. If you take a stance on good economic policy, what are the elements that determine good economic policy? What would it take for kiosks to be considered positive?
4. Do you have membership? If so, could/would you take a poll/survey on this issue?
5. How did you determine the input of communities of color on your policy/stance?
6. Do you consider social equity in your policy/stance? If so, how?
7. What considerations do you give to children/minors access on your policy/stance?
8. What considerations have you given to offering gambling products in the community? Is access to physical and community-based gambling important to you?
9. Do you benefit from gambling advertising/earned media? Are you able to measure uptake of advertising/earned media? Do you research/measure its impact?
10. Do you have any concerns about payment processing? How would you measure the responsibility of a payment processor? Do you worry about money laundering re: payment processing? Any other payment-related concerns?
11. Do you know about voluntary self-exclusion in Massachusetts (or your own state)? How would you give people access to VSEs and is that important to you? How would you make sure someone is positively identified?
12. If you are doing work in Montana, Ohio, or Washington, DC, what has worked well in terms of your model? What would you improve/change? Any advice for jurisdictions, such as Massachusetts, that is considering kiosk implementation?
13. Other topics or concerns?

D. Kiosk Suppliers/Distributors in Ohio

- Please describe the licensing process to become a Type C supplier
- How often does a host have their sports kiosk license removed due to compliance issues?
- How often does a host have their sports betting kiosk removed due to financial issues?
- Have you ever been approached by an existing lottery retail agent inquiring for sports kiosks and you declined to do business with them? If so, for what reasons?
- Do sports betting kiosk hosts have frequent operational questions that your support teams have to field? If so, what are the top 3 most common questions asked?
- What type of retail location performs the best in terms of wagering volumes?
- What type of retail agent performs the worst in terms of wagering volumes?
- With what frequency and main themes have criminal incidents occurred involving the sports wagering kiosks in the last 12 months? Are the incidents similar to those that occur with Lottery kiosks? If not, what are the main differences?

- When incidents do occur, what is the chain of responsibility related to the filing and notification process to the Lottery? Does Distributor keep a database of these incidents and if so, how is it used to profile higher risk retail locations for sports wagering kiosks?

E. Kiosk Regulators in Ohio, Montana and Washington, DC

- How often does a host have their sports kiosk license removed due to financial issues?
- How often does a host have their sports kiosk license removed due to compliance issues?
- How often do supply route operators fail or decline to distribute products?
- **MT/DC specific:** Is everything that is available online also available on the kiosks? If not, what is the difference in offering between the kiosks and the mobile website?
- What are the most prominent issues related to crimes that occur involving sports kiosks? How do these issues compare with Lottery kiosks?
- Is there a specific type of kiosk host location that is better equipped for offering sports kiosks than others?
- Is there a type of kiosk host location that performs inherently better than others in terms of wagering volume? If so, who and why?
- Do kiosk hosts have frequent operational questions that your supports teams have to field? If so, what the most common questions asked?
- With what frequency and main themes have criminal incidents occurred involving the sports wagering kiosks in the last 12 months? Are the incidents similar to those that occur with Lottery kiosks? If not, what are the main differences?
- When incidents do occur, what is the chain of responsibility related to the filing and notification process to the Lottery? Does Lottery keep a database of these incidents and if so, how is it used to profile higher risk retail locations for sports wagering kiosks?
- **MT specific:** Besides the description found at: <https://rules.mt.gov/Gateway/RuleNo.asp?RN=23%2E16%2E1703> is there a standardized list of internal controls that retail agents receive to govern the operations related to lottery sports pools?
- **OH specific:** Besides the description found at: <https://casinocontrol.ohio.gov/licensing-renewal/02-sports-gaming/type-c-host-licensing/type-c-host-licensing> is there a standardized list of internal controls that Type C Hosts receive to govern the operations related to lottery sports pools?
- **DC specific:** Besides the description found at: <https://dclottery.com/online-gamessports-betting/sports-betting-retailers> is there a standardized list of internal controls that Sports Lottery Retailers receive to govern the operations related to lottery sports pools?

FEASIBILITY STUDY: PROSPECTIVE SPORTS WAGERING KIOSKS IN MASSACHUSETTS

Prepared for Massachusetts Gaming Commission

November 21, 2024



PROJECT SCOPE

- Sports wagering/retail kiosk overview and experience in other jurisdictions (MT, OH, DC)
- Requirements to be a retail kiosk host, retail settings best suited to be a host
- Costs to regulate
- Societal impacts – public health, crime, safety
- Impacts on lottery, black market wagering
- Impacts of existing sports wagering on establishments that serve alcohol

DISCLOSURE: SPECTRUM CLIENTS 2021-PRESENT

1/ST Racing & Gaming
Acorn Environmental
Alberta Charitable Casino Operators
Attorney General of Virginia
Bally's Corporation
Baystate Racing (formerly Commonwealth Racing)
Bose McKinney & Evans
Buchanan Ingersoll & Rooney PC
Caesars/Pamunkey Indian Tribal Gaming Authority
Casino Association of New Jersey
Casinos Austria International
City of Norfolk, VA
City of Petersburg, VA
Coeur d'Alene Casino Resort
Colorado Department of Revenue
Commonwealth of Kentucky/Kaplan Johnson Law
Commonwealth Racing
Confederated Tribes of the Colville Reservation
Cordish
Creston Corp.
Downstream Casino Resort
Duane Morris
Ebro Poker Room & Racebook
Edgar Law Firm
Evolution Gaming
Experian
FisherBroyles
Gateway Casinos
Genting Americas
Georgia COAM operators
Gordon Rees Scully Mansukhani
Grand Ho Tram Casino Resort

Greater Carolina
Hard Rock International
Hilton Ponce Golf & Casino Resort
idPair
Indiana Gaming Commission
Intralot
Invincible GG
Iowa Racing and Gaming Commission
Jack Entertainment
Jackpocket
Las Vegas Sands
Lewis Roca
Massachusetts Gaming Commission
McCarthy Tetreault
McConnell Valdes
McKool Smith
MGE Niagara Entertainment
MGG Investment Group
MGM/ORIX
Miami Valley Gaming
Miccosukee Tribe
Millbank
Mille Lacs Corporate Ventures
Mohawks of Kahnawá:ke
MUFJ Bank
NeoPollard
New Jersey Lottery
New York VGM consortium
NH Charitable Gaming Study Commission
Peebles Kidder
Peninsula Pacific Entertainment
Penn National Gaming/Fanatics

Playtech
Pyramid Hotel Group
Resorts World New York City
Riverfront Entertainment
Royal Comm. into Casino Operator & Licence (Victoria)
San Manuel Band of Mission Indians
Scotia Bank
Sega Sammy
Singapore Tote Board
Sokha Hotel Group
Sports Betting Alliance
Taft
TCBC Development Co.
Tennessee Sports Wagering Advisory Council
Teton Ridge
TransUnion
Tri-State Partners
United Gaming
Virginia Racing Commission
Welcome Home LLC
Western Regional OTB (Batavia Downs)
Wilmorite
Wind Creek Hospitality
WOW Lottery Ventures
Wyoming Gaming

(Also: one undisclosed Asian client)

DISCLOSURE: MACGH PRESENT CONTRACTS/AGREEMENTS

Michigan Association on Problem Gambling
National Council of Legislators from Gaming States (NCLGS)
National Voluntary Self-Exclusion Program (NVSEP) for idPair/Spectrum
North American Association of State and Provincial Lotteries (NASPL)
Playtech for the Gambling Recovery Information Network (GRIN)
SharpRank (as subcontractor for work for the Arizona Department of Gaming)
Spectrum Gaming Group: We subcontract on the following projects: MGC Kiosk Feasibility Study, New Hampshire Lottery Study
Springfield (Mass.) Department of Health and Human Services: We subcontract on work for MGC Community Mitigation Fund
Texas Tech University: We subcontract on work for MGC for community-based research
Vermont Department of Mental Health

PRIMARY RECOMMENDATION

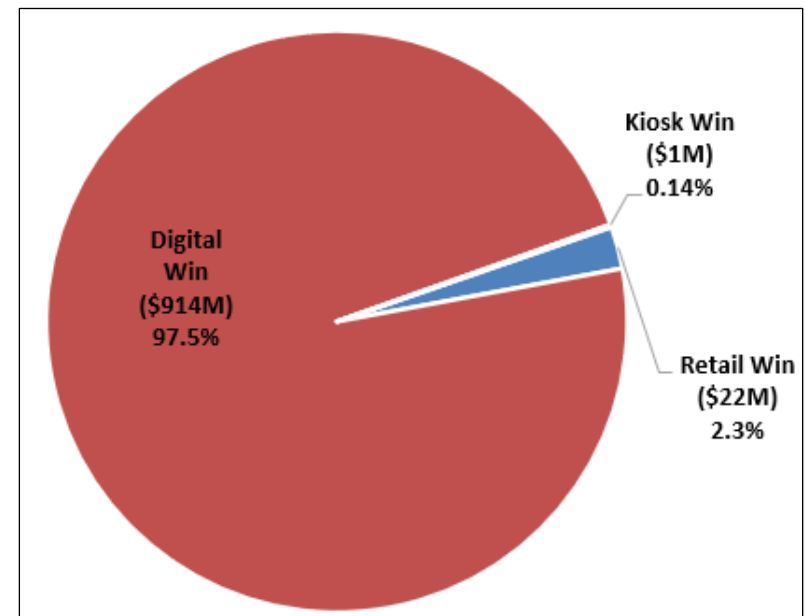
- Spectrum recommends that the Commonwealth not implement kiosk wagering
 - Small economic benefit not rationalized by additional risks and required additional vigilance by the Commonwealth



KEY POINT

- Convenience of digital wagering has overtaken the retail kiosk opportunity in MA
 - OH offers valuable insight:
 - ✓ Kiosk gross gaming revenue (or 'win') in 2023 barely registers in big picture: \$1.3M from 892 retailers
 - ✓ Retailers averaged less than \$225 in direct kiosk revenue
 - ✓ Digital, casino and kiosk sports wagering were all launched at same time

Ohio sports wagering GGR by segment, 2023



RETAIL KIOSKS IN PERSPECTIVE

- Retail kiosks are a young segment of US sports wagering industry, which itself is young (2018)
- In the United States ...
 - No research specific to this channel of wagering
 - Little attention within the gaming industry, or among regulators and legislators
 - ✓ Digital sports wagering gets almost all of the attention; casino sportsbooks get some attention
 - Jurisdiction-wide retail sports wagering kiosks offered in only three jurisdictions: MT, OH, DC

THREE JURISDICTIONS HAVE RETAIL WAGERING KIOSK PROGRAMS

- Montana, Ohio and Washington, DC, have retail wagering kiosk programs
 - Ohio most like what Massachusetts has/would likely have:
 - ✓ Sports wagering offered online and in casinos
 - ✓ Retail kiosks at hundreds of businesses throughout the state
 - ✓ However ... kiosk program offered via Ohio Lottery, not Casino Control Commission
 - Montana sports wagering limited to kiosk locations – even online wagering must take place at a kiosk location
 - DC limited to Lottery-approved retail locations and sports venue areas; online offering has changed since our report was completed

EXPERIENCE OF KIOSK HOSTS IN OTHER JURISDICTIONS

- Most of the 60 kiosk hosts interviewed in MT, OH and DC had moderately favorable opinions despite low volumes
 - Advantages: Provide another amenity, some guests stay longer
 - Disadvantages: Little direct revenue, machines take up space
- Kiosk hosts are essential to place bets in Montana; had been more important in DC before new online wagering structure (implemented post-study for MGC)

SOCIAL, COMMUNITY & PUBLIC HEALTH IMPACT IN MASSACHUSETTS

- **Overall Impact:** Gambling expansion, including sports wagering, is closely linked to significant social, community, and public health impacts, including various gambling-related harms
- **Public Health Risks and Community Well-Being:** The expansion of sports wagering kiosks may increase public health risks by making gambling more accessible, potentially drawing in vulnerable populations such as youth and individuals in recovery from gambling or other addictions
- **Impact on Small Businesses:** The introduction of sports wagering kiosks might alter economic dynamics for local small businesses, potentially presenting both opportunities and challenges, particularly for minority-owned small businesses
- **Youth Protection:** The presence of sports wagering kiosks raises concerns about increased youth exposure to gambling and the development of gambling disorders among youth

SOCIAL & COMMUNITY IMPACT IN MASSACHUSETTS: SMALL BUSINESS OWNERS

- **Overall Sentiment:** Trade associations representing small businesses generally viewed sports wagering kiosks as “too little, too late.” They showed limited enthusiasm about the expansion, low expectations that kiosks would benefit their members and were reluctant to engage in these discussions
- **Minority-Owned Businesses:** One exception is an organization representing ~100 minority-owned retail establishments that supported the kiosks, seeing them as a potential source of additional revenue for their members
 - Expressed that minority-owned businesses felt previously excluded from the economic benefits of the expansion of land-based gaming in MA and viewed kiosks as an opportunity to address this gap
 - However, there were concerns about the heightened risk of gambling-related harms to their communities; thus, **social equity** must be a priority in planning and implementing kiosks to uplift communities of color
 - *Lessons learned from other jurisdictions:* Ensure that social equity is a core consideration, encourage minority-owned business participation, and address community concerns in the rollout of sports wagering kiosks

SOCIAL & COMMUNITY IMPACT IN MASSACHUSETTS: YOUTH

- **Overall Risk to Youth:** The implementation of sports wagering kiosks could heighten the risk of underage gambling and the risk of youth developing pathological gambling disorders and related harms by increasing their exposure to gambling-related influences and behaviors
- **Increased Exposure to Marketing & Normalization:** Kiosks in retail and public spaces may elevate risks for minors by increasing their exposure to gambling marketing and normalizing sports wagering
- **Integration into Recreational Activities:** Placing kiosks in recreational, all-age public spaces previously free from gambling could potentially expose youth to gambling-related activities and marketing
- **Behavioral Modeling:** The presence of sports wagering kiosks may lead to more adults gambling around youth, normalizing gambling behavior and increasing the risk of youth developing gambling problems
- **Kiosk Features:** Similar to lottery kiosks, the potential design features of sports wagering kiosks—such as variety, anonymity, ease of payment, and visual stimuli—could attract youth and escalate the risk of underage gambling and pathological gambling developing among youth

SOCIAL & COMMUNITY IMPACT IN MASSACHUSETTS: PUBLIC HEALTH

- **Unanimous Concern:** Interviews with 15 public health and human service organizations revealed a consensus that expanding gambling in MA to include sports wagering kiosks would negatively impact public health, particularly affecting minors
- **Sports Wagering and Problem Gambling:** Sports wagering is viewed as a particularly problematic form of gambling, with a higher percentage of participants experiencing gambling addiction compared to other gambling forms
- **Comparison to Lottery Gambling:** Similar to lottery products, sports wagering kiosks could be widely accessible due to their placement in high-traffic public venues. This ease of access and affordability may attract vulnerable populations, including youth and individuals in recovery from gambling disorders
- **Sports Bars as Gambling Settings:** If sports wagering kiosks are introduced in sports bars, it's crucial to consider public health concerns. The co-occurrence of alcohol and gambling in these settings may increase risks of problem gambling and associated harms, as individuals might gamble more when alcohol is available, as well as other influential environmental factors

OVERVIEW OF PROGRAMS IN MT, OH AND DC

<i>As of March 2024</i>			
	Montana	Ohio	Washington, DC
Regulator	Lottery	Casino Control Commission and Ohio Lottery	Office of Lottery and Gaming
Application Fee	\$50	\$1,000	\$5,000
Revenue Retained by Kiosk Host	3% of GGR	Depends on deal between Host and Vendor. Interviews suggest 10%-25% of GGR	5% of GGR
Types of Authorized Facilities	Car washes, casinos, bars, saloons, American legion posts and restaurants	For-profit businesses that are licensed to sell lottery tickets and that hold a liquor permit. (Bars, restaurants, gas stations, bowling alleys, convenience stores, grocery stores)	Sports bars, restaurants, gas stations, convenience stores, grocery stores
Number of Locations	<ul style="list-style-type: none"> • 995 lottery only • 514 sports only • 300 sports + lottery 	<ul style="list-style-type: none"> • 9,000 lottery • 900+ sports 	<ul style="list-style-type: none"> • 300+ lottery • 60+ sports
Legalization Date	May 2019	December 2021	May 2019
Launch Date	March 11, 2020	January 1, 2023	July 31, 2020
Maximum Bet	\$250 at kiosk; \$1,000 through on-site mobile app	\$700 per bettor per week	\$600 per transaction
Age / ID required?	Age 18, ID required	Age 21, ID required	Yes (18 in some; 21 in others); no ID required

IF AUTHORIZED: ELIGIBILITY TO HOST, TYPES OF RETAILERS BEST SUITED

- Lottery retailers are logical kiosk hosts based on previously measured standards for:
 - Suitability
 - Operations
 - Infrastructure
 - Cash-handling capabilities
- Focus on those that can generate sales
 - Sports market is narrower than lottery market
 - ✓ Not all lottery retailers would make good kiosk hosts
 - ✓ Seasonality and availability of digital sports wagering creates inconsistent sales
 - Hosts that incorporate social interactions with sports wagering and viewing perform best

IF AUTHORIZED: REGULATORY COSTS

- MGC's IEB well-suited to regulate retail sports wagering kiosks
 - Existing processes and procedures likely applicable to kiosks
 - Expansion in force dependent on multiple factors:
 - ✓ Number of licensees
 - ✓ Number of kiosks distributed
 - ✓ Administrative rules and audits
- Additional MGC resources would be required due to likely widespread scope of retail kiosk program

IF AUTHORIZED: REGULATORY COSTS [CONT.]

- Ohio Lottery 2023 retail sports wagering kiosk program financial overview:
 - Lottery startup costs: \$335,000
 - Cost of regulation: \$650,000
 - State revenue: \$305,000
 - Year 1 performance: **(\$680,000)**
 - ✓ Ohio Lottery says no significant operating expenses to regulate kiosks other than staffing

IF AUTHORIZED: CONCERNS ABOUT SECURITY, SAFETY, CRIME

- Criminal activity that maybe unique to, or heightened by, presence of sports wagering kiosks includes:
 - Money laundering
 - Underage gambling
 - Employee or vendor theft (embezzlement, collusion, falsifying claims)
- More points of gaming and cash transactions equals higher risks for retailer and patron safety:
 - Crimes related to wagering occurs overwhelmingly in facilities whose purpose is wagering;
 - ✓ Higher chances of patron theft due to increase in cash redemptions
 - ✓ Increased avenues for money laundering using short odds to wager on
 - Increasing number of facilities where wagering occurs may increase risk
 - Combining sports wagering + lottery kiosks into one may reduce risk

IF AUTHORIZED: CONCERNS ABOUT SECURITY, SAFETY, CRIME (CONT.)

- Lottery retailers and staff typically not held to same standards as licensed casinos/employees:
 - Detecting and deterring money laundering or suspicious behavior
 - ✓ Not realistic to expect consistency among retailers save for vigorous audits
 - Higher volumes and values of redemptions
 - ✓ Sports wagering produces more redemptions due to hold percentage vs. traditional lottery
 - ✓ Increased cash handling increases opportunity for both internal and external risk of theft and non-compliance
 - Security, surveillance capabilities will differ in degree, effectiveness
 - ✓ Safety of patrons, post-redemption determined by location

POTENTIAL IMPACTS: BLACK MARKET WAGERING

- Kiosks unlikely to dent black market wagering
 - Most, if not all, wagering occurs on mobile
 - If in-person, amounts not applicable to kiosk play
- Black market offers:
 - Convenience
 - Product offering
 - Pricing
 - Anonymity

Bet Types & Options	State Lotteries			Offshore Sportsbooks		
	OH Lottery	MT Lottery	DC Lottery	Bovada	MyBookie	PP Head
Spreads	✓	✓	✓	✓	✓	✓
Totals	✓	✓	✓	✓	✓	✓
Moneyline	✓	✓	✓	✓	✓	✓
Straights	✓	✓	✓	✓	✓	✓
Parlays	✓	✓	✓	✓	✓	✓
Teasers				✓	✓	✓
Round Robin	✓	✓	✓	✓	✓	✓
In-Play	✓	✓	✓	✓	✓	✓
Player Props		✓	✓	✓	✓	✓
Max Parlay Selections	4	15	15	20	16	+152
Same Game Parlay	✓	✓	✓	✓	✓	✓
Early Cashout	✓	✓	✓	✓	✓	✓
Futures		✓	✓	✓	✓	✓
Politics Betting				✓	✓	✓
Entertainment Betting				✓	✓	✓
Casino Games				✓	✓	✓
Horse Race Betting				✓	✓	✓
Max Bet (single wager)	\$700	\$1K	\$600	+\$10K	+\$10K	+\$10K ²
Max Payout	+\$600 ²	\$100K	\$150K	\$250K	\$100K	+\$100K ²

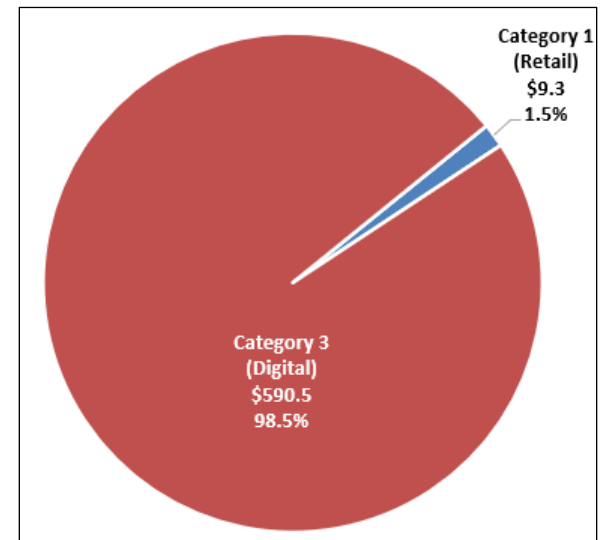
POTENTIAL IMPACTS: MASSACHUSETTS LOTTERY

- No studies regarding impact of kiosks on lottery revenue
- Overall sports wagering appears to have no affect on lottery revenues
- If kiosks implemented, impact on keno sales bears watching
 - Both keno and kiosks would be offered in similar sales locations

IMPACT OF EXISTING MASS. SPORTS WAGERING ON ESTABLISHMENTS THAT SERVE ALCOHOL

- Of 20 Massachusetts sports bar and restaurant hosts interviewed, 18 said no discernable impact
 - 2 said sports wagering had generated more excitement in their establishments – but not more revenue
- Looking forward: 7 of 20 were supportive of adding retail sports wagering kiosks, 2 rejected the idea (11 no opinion/did not respond)

MA sports wagering GGR by segment, LTM March 2024



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TO: Chair Maynard,
Commissioner O'Brien,
Commissioner Hill,
Commissioner Skinner
Commissioner Brodeur

FROM: Mark Vander Linden, Director of Research and Responsible Gaming, Dr.
Bonnie Andrews, Research Manager

DATE: November 21, 2024

RE: Update on Section 97, casino player data project

Section 97 of Chapter 194 of the Acts of 2011 requires gaming licensees to supply the Massachusetts Gaming Commission (MGC) with data collected from casino player loyalty programs. In turn, the MGC is required to contract with a research entity to anonymize the data and make that data available to qualified researchers in order to (1) conduct analyses that improve understanding of how gambling addiction develops and progresses; (2) develop evidence-based harm minimization strategies; and (3) develop evidence-based systems to monitor, detect and intervene in high-risk gambling. The full text* of this section can be found below.

At the Commission's open meeting on September 26, 2024, Mark Vander Linden gave an update on the status of this project. At that time, it was anticipated that the selection of a partner(s) for player data anonymization, linkage and storage would be finalized and announced before December 1, 2024.

As a follow up to this update, we're pleased to report that the MGC team intends to enter into an Interdepartmental Services Agreement (ISA) with the **University of Massachusetts Donahue Institute** to work with **idPair, Inc.** and the **UMass Data Science and Software Engineering Core** for this project, pending final data security evaluations by MGC staff. The MGC team believes that the University of Massachusetts Donahue Institute's position as a research institution within the Commonwealth with extensive experience conducting gaming-related research in the Commonwealth, along with idPair's experience both with anonymizing gaming data and working with stakeholders in the gaming industry to achieve similar goals and the UMass Data Science and Software Engineering Core's experience using data science to facilitate research, would provide best value and optimally position the MGC to achieve the goals of this initiative.



Massachusetts Gaming Commission



MASSACHUSETTS GAMING COMMISSION

To: Chair Maynard and Commissioners Brodeur, Hill, O'Brien, and Skinner
From: Dean Serpa and Derek Lennon
Date: November 21, 2024
Re: Fiscal Year 2025 (FY25) Cost of Living Adjustment (COLA)

Summary:

The Commonwealth's Executive Branch is set to implement COLA increases for FY25 and has issued a preliminary proposal for FY26. Historically the Commission has matched closely the actions of the Executive Branch regarding annual COLA increases.

Background FY24 Cost of Living Adjustments (COLA):

In FY24, consistent with COLAs advanced by the Executive Branch, all Gaming Commission staff received 4% COLAs effective July 2, 2023 (implemented on the pay period ending 12/16/2023) and a second 4% COLA effective January 14, 2024 (implemented on the pay period ending 1/27/2024). The impact of these two increases to the FY24 budget, once applied across the 12 months of the fiscal year, was a 6.08% increase to the MGC's payroll.

Commissioners' salaries, by statute, are tied to the Secretary of Administration and Finance. Therefore, in FY24, MGC Commissioner received the same COLAs as all Commission employees received because the Secretary of Administration and Finance also received those increases.

FY25 COLAs:

The Commonwealth's Human Resources Division (HRD) announced planned COLAs for non-union employees for FY25 and the beginning of FY26. On June 20, 2024, the Commission approved its FY25 budget which allocated funds for a potential 3% COLA for all Commission employees in a non-union position. Should the Commission choose to implement a FY25 COLA in the same manner as the Executive Branch, only one half of the budgeted FY25 funds for COLAs would be used.

Details of Executive Branch Proposal and MGC's Budget:

In late July of 2024 the HRD announced its annual recommendations for COLAs for non-union employees in the Executive Branch. Below are the eligibility requirements, effective dates, and percentages proposed by HRD:

1. January 12, 2025 – 3% increase:
 - Managers must hold a management position on or before December 31, 2024.

The following individuals are **not** eligible for the January 12th COLA per HRD's guidance:

- Managers hired on or after January 1, 2025.
- Managers promoted into a management position from a non-management position who receive the January 12, 2025, collectively bargained increase.
- Managers in a terminated or terminated with pay status on January 12, 2025

- Post-retirement appointments and intermittent employees.
2. July 13, 2025 – 2% increase:
- Managers must hold a management position on or before December 31, 2024.

The following individuals are not eligible for the July 13th COLA per HRD’s guidance:

- Managers hired on or after January 1, 2025.
- Managers promoted into a management position from a non-management position who receive the July 13, 2025, collectively bargained increase.
- Managers in a terminated or terminated with pay status on July 13, 2025.
- Post-retirement appointments and intermittent employees.

Below is an illustration of the impact to an employee with an annual salary of \$100K to demonstrate how the timing of the COLA impacts the FY25 budget.

Annual Salary as of 7/1/24	\$ 100,000.00
New Salary Effective 1/12/25 (3% raise)	\$ 103,000.00
Cost of COLA to FY25 Budget	\$ 1,500.00
% increase for FY25 Budget	1.50%
*While the salary of the individual is up 3%, only half of the COLA effective on 1/12/25 hits FY25 because the fiscal year goes from July 1, 2024 – June 30, 2025.	

The Commission approved an FY25 budget that included 3% COLAs for non-union staff. If the Commission were to follow HRD’s treatment of Executive Branch non-union staff, we would have ~\$215.5K of our budget unutilized. What we have included in the FY25 budget as well as our anticipated utilization is shown in the table below:

Appropriation	3% Included in Budget	Half of 3% Cost to FY25 Budget
10500001 (Gaming)	\$281,184.27	\$140,592.14
10500003 (Racing)	\$18,910.14	\$9,455.07
10500004 (Community Mitigation)	\$6,612.05	\$3,306.03
10501384 (Sports Wagering)	\$113,569.85	\$56,784.93
40001101 (Research and Responsible Gaming)	\$10,733.14	\$5,366.57
Totals:	\$431,009.45	\$215,504.73

Options:

Staff has worked on the belief that it is imperative for us to remain, at the very least, competitive with the Executive Branch, and if possible, to provide additional incentives for retention and recruitment purposes. The following are options that the Commission can consider for implementation:

- A. Follow the HRD's recommendations and either revert or find another purpose for the remaining COLA budget
- B. Follow HRD's recommendations, however, make the 3% COLA retro-active to July of 2024.
- C. Follow HRD's recommendations and authorize the Executive Director to develop an incentive/merit program with the remaining budget for COLAs.

As an additional consideration, while HRD is not recommending increasing post retiree employee salaries with the COLA, we did not follow that guidance in FY24 and awarded the COLAs to post retirees that work for us.

Conclusion:

We are requesting that the Commission authorize the Executive Director to implement one of the options above and provide COLA increases to non-union staff and post retirees.



Sports Wagering Division

TO: Chair Jordan Maynard
Commissioner Eileen O'Brien
Commissioner Bradford Hill
Commissioner Nakisha Skinner
Commissioner Paul Brodeur

FROM: Andrew Steffen – Compliance & Operations Manager, Sports Wagering Division
Carrie Torrisi – Chief of Sports Wagering

MEMO DATE: 11/5/2024 **MEETING DATE:** 11/21/24

RE: Request to add Tomorrow's Golf League (TGL) to MGC Event Catalog

EXECUTIVE SUMMARY:

BetMGM has resubmitted a petition to add Tomorrow's Golf League (TGL) to be added to the MA Event Catalog. This was first petitioned during the May 9^[1] Public Meeting and then again during the June 20^[2] Public Meeting.

SUPPORTING DOCUMENTATION:

- BetMGM Event Petition
- TGL Wagering Approval Form and Integrity Policy
- May 9 Public Meeting SW Memo
- June 20 Public Meeting SW Memo
- June 20 Public Meeting Legal Memo

REGULATION BACKGROUND:

Pursuant to 205 CMR 247.03, a sports wagering operator must petition the Commission for approval of a new sporting event or wager category.

Under 247.03(8), the Commission may grant, deny, limit, restrict, or condition a request made pursuant to this rule, and may revoke, suspend, or modify any approval granted under this rule.

¹ [TGL MEMO 5.1.docx](#)

² [TGL MEMO 6.13.docx](#)



DISCUSSION:

During the June 20 Public Meeting, after our Sports Wagering Division petitioned to add the golf league on behalf of BetMGM, further questions were asked about the league's security of data. BetMGM, via the TGL, have provided answers to the questions asked during that meeting.

Q) Who is verifying the technology and the security of the data to make sure it is not manipulated?

A) The technology used to simulate the shots players hit into the screen is made up of a combination of existing golf technologies in the marketplace. The Full Swing and Toptracer technologies have proven and reliable accuracy with thousands of implementations across the world. We have hit over 40k shots in testing our system, verifying accuracy against other independent golf tracking technology and observations from high level players. Calibration of the technology is performed weekly and before each match to verify accuracy. Our cybersecurity team also undertakes regular 3rd party security assessments on each vendor to ensure their protections against unauthorized access meet the high standards we require.

Q) Where is the lock on that data? How is it stored?

A) The data is stored in a custom built data repository, branded ScoreSight, built using standard Amazon Web Services (AWS) products with a highly secure architecture. External parties only have read access to this data and must acquire secure access credentials before being allowed to access the data. The ability to add or change data in ScoreSight is limited to internal people with secure access privileges.

Q) What additional information can you provide regarding internal bad actors and the integrity of the data to be certain there is no backdoor manipulation of the data?

A) In addition to secure access controls on who can access data, and access to code that creates the data, we have a change approval process and a segregation of duties approach to preventing internal bad actors from manipulating the data. This means changes are reviewed before being made and there are controls between who can make code/data changes and who can deploy those changes to the live production environment.

BetMGM has confirmed the following 12 jurisdictions have approved this league in their event catalog under their golf sections: Arizona, Colorado, DC, Illinois, Iowa, Kansas, Louisiana, Maryland, Ontario, Oregon, Puerto Rico, and Tennessee.



Sports Wagering Division

Additionally, BetMGM stated they have informed the TGL of its intentions to petition the league for wagering. While the league does not have a player's association or union, the TGL is in favor of their league being an approved sporting event and assisted in providing the information to BetMGM.

Lastly, the TGL is officially sanctioned by the PGA and all players in the TGL are members that are in good standing with the PGA TOUR (an approved golf event in the MA Event Catalog).

CONCLUDING STATEMENT:

The Sports Wagering Division confirms all requirements have been met pursuant to 205 CMR 247.03 and recommends approving the TGL be added to the MA Event Catalog as a golfing event.



MASSACHUSETTS GAMING COMMISSION

PETITION FOR A SPORTING EVENT OR WAGER CATEGORY

In accordance with 205 CMR 247.03

Directions:

Please fill out and address all areas of the form. If an area does not apply to the request, please place 'NA' in the section. Each section will extend to accommodate large answers. If needed, one may attach additional documents. Please make sure any attachments reference the relevant section and number in their title.

SECTION A **BACKGROUND**

1. NAME OF OPERATOR(S) PETITIONING:
2. REQUESTING A SPORTS WAGERING EVENT OR WAGERING CATEGORY:
3. NAME OF EVENT OR WAGERING CATEGORY:
4. IS THIS A VARIATION OF AN AUTHORIZED SPORTING EVENT OR WAGER CATEGORY?
5. IS THIS A COMPOSITE OF AUTHORIZED SPORTING EVENTS OR WAGER CATEGORIES?
6. IS THIS A NEW SPORTING EVENT OR WAGER CATEGORY?

WEBSITE LINK FOR THE EVENT AND/OR GOVERNING BODY:

SECTION B **A COMPLETE AND DETAILED DESCRIPTION OF THE SPORTING EVENT OR WAGER CATEGORY FOR WHICH APPROVAL IS SOUGHT**

1. A summary of the Sporting Event or Wager Category and the manner in which Sports Wagers would be placed and winning Sports Wagers would be determined.
2. A draft of the proposed House Rules, including a description of any technology that would be utilized to offer Sports Wagering on the Sporting Event or Wager Category.
3. Any rules or voting procedures related to the Sporting Event or Wager Category.
4. Assurance that the Sporting Event or Wager Category meets the requirements of 205 CMR 247.03(4) (*details are required in the minimum criteria section below*).
5. Whether and to what extent the outcome of the Sporting Event or Wager Category is determined solely by chance.



SECTION C
IF THE PROPOSED SPORTING EVENT OR WAGER CATEGORY IS BASED ON ESPORTS
ACTIVITIES, PLEASE ANSWER THE FOLLOWING QUESTIONS

1. The proposed location(s) of the eSports event(s).
2. The video game used for the eSports event, including, without limitation, the publisher of the video game.
3. The eSports event operator, whether the eSports event operator is approved to host events by the video game publisher, and whether the eSports event operator has any affiliation with the video game publisher.
4. The manner in which the eSports event is conducted by the eSports event operator, including, without limitation, eSports event rules and certification from a third party, such as an eSports event operator or the game publisher, that the eSports event meets the Commission's event integrity requirements.

SECTION D
POLICIES AND PROCEDURES REGARDING EVENT INTEGRITY

To the extent known by the operator(s), please provide a description of policies and procedures regarding event integrity.



SECTION E
MINIMUM CRITERIA

1. Can the outcome of the Sporting Event or Wager Category be verified? If yes, explain the verification process.
2. Is the Sporting Event generating the outcome conducted in a manner that ensures sufficient integrity controls exist so the outcome can be trusted? Please explain.
3. Is the outcome likely to be affected by any Sports Wager placed? Please explain.
4. Is the Sporting Event conducted in conformity with all applicable laws? Please explain.

SECTION F

THE COMMISSION WILL CONSIDER THE REQUEST, ALL PROVIDED MATERIALS, AND ANY RELEVANT INPUT FROM THE SPORTS GOVERNING BODY OR THE CONDUCTOR OF THE SPORTING EVENT PRIOR TO AUTHORIZING A SPORTING EVENT OR WAGER CATEGORY.

1. NAME OF SPORTS GOVERNING BODY:
2. HAS THE SPORTS GOVERNING BODY BEEN INFORMED OF THIS REQUEST?
IF 'NO' PLEASE EXPLAIN THE REASON BEHIND IT:
3. IF THERE IS NO SPORTS GOVERNING BODY, NAME THE ENTITY THAT CONDUCTS THE SPORTING EVENT:
4. HAS THE ENTITY THAT CONDUCTS THE SPORTING EVENT BEEN CONTACTED REGARDING THIS REQUEST?
IF 'NO' PLEASE EXPLAIN THE REASON BEHIND IT:
5. HAS ANY RELEVANT PLAYER'S ASSOCIATION BEEN INFORMED OF THIS PETITION?



IF ANY OF THE ABOVE ENTITIES HAVE BEEN CONTACTED, PLEASE PROVIDE ADDITIONAL
DETAIL BELOW, INCLUDING BUT NOT LIMITED TO WHEN THE ENTITIES WERE INITIALLY
CONTACTED ABOUT THE REQUEST ANY COMMENTS OR INPUT PROVIDED BY THE ENTITIES:

SIGNATURE AND INFORMATION

*I swear or attest under the pains and penalties of perjury that the information provided as part of this request
for a hearing is true and accurate to the best of my knowledge and understanding.*

Zachary Krause _____
Signature of individual requesting new event/wager Date

[If this request is submitted via email, it may be signed electronically by typing the petitioner’s name on the
signature line above. In that case, the ‘signature’ must be preceded by /s/ (e.g.- /s/ John S. Doe). Use of an
electronic signature permits the Commission to rely upon the signature as if it were handwritten.]

Please submit this request and any attachments to the Massachusetts Gaming Commission via email at:
mgsportswagering@massgaming.gov





TGL
Wagering Approval Form
January 2024

CONTEXT & REQUEST:

- Please provide background/history on your sport, event or property.
 - TMRW Sports is a C-Corp in the state of Delaware responsible for the ideation and creation of the concept, venue and technology. TMRW Sports formed TGL LLC. TGL is comprised of TMRW Sports, the PGA TOUR and Team Owners. There is no governing body. TGL ownership structure is outlined below.

TGL Ownership Structure:

- TMRW Sports: 54%
- PGA TOUR Inc.: 18%
- Team Owners: 18% [3% per team – total of 6 teams]
- TOUR Players: 10%

The PGA TOUR is providing the players and governance of the member players. Team owners are responsible for building their brands and creating equity value.

Top 9 Owners (by % of TMRW Sports)

- Michael M. McCarley (consolidated entities)
- TWTG LLC
- Symphony Ventures
- Matthew J. Levine
- Connect Ventures I, L.P.
- Joey Brander (consolidated entities)
- Christopher R. Murvin (consolidated entities)
- Eberson-Saint James Family Trust
- 25 Madison Sports LLC

Team Ownership – Key Owners owning greater than 50% of Team

- Team 1 – TGRTG, LLC
- Team 2 – TGL Boston LLC
- Team 3 – LA Golf Club, Inc. (Alexis Ohanian as Control Person)
- Team 4 – AMB Team Golf, LLC (Arthur M. Blank as Control Person)
- Team 5 – CPV Golf, LLC (Steven A. Cohen as Control Person)
- Team 6 – TGR (Tiger Woods) Ventures & Harris Blitzer Sports & Entertainment

- Please concisely describe your request for regulators
 - TGL is seeking wagering approval on our events in order to increase fan engagement.



FUNDAMENTAL REQUIREMENTS:

- Please provide a summary explaining how you comply with the fundamental requirements for permissible wagering and the public policy of a given jurisdiction for your sport / event?
 - TGL is a U.S. professional sport made up of investors, teams and professional athletes who are active, good standing members of the PGA TOUR. TGL has developed a product comprised of data that is valid, consistent and secure for use across wagering opportunities, pre-match and in-play markets. TGL has created an integrity program for its players (via the PGA Tour, Genius Sports and U.S. Integrity) while also launching an employee/vendor/contractor integrity program administered by TMRW Sports, the parent company of TGL.
- Please provide a detailed description of the game rules for your sport/event/organization.
 - See Appendix A for game rules overview.
- Please list the age range of the athletes, whether the league / event is amateur or professional and whether athletes are compensated.
 - The Players are all professional golfers and members of the PGA TOUR in good standing.
 - Ages range from 20 – 50
 - Players are compensated

GOVERNANCE & OVERSIGHT:

- Describe the governance & oversight of your organization including national governing bodies, international governing bodies and/or state athletic commission approvals required and/or received.
 - TMRW Sports is responsible for the ideation/creation of the concept, venue build-out, and technology to operate all TGL events. There is no governing body as the TGL will govern all rules and participation in coordination with the PGA Tour who is providing the governance of all participating players, including the integrity program.
- Please provide the background of the management of your organization.

Mike McCarley - Founder & CEO, TMRW Sports

- Advisor, Comcast Sports Tech Accelerator, 2019 – present
- Board of Directors, National Golf Foundation, 2019 – present
- Board of Directors, Arnold & Winnie Palmer Foundation, 2016 – Present
- President, Golf & Global Strategy, NBC Sports Group, March 2011 - Mar 2021
- SVP, Marketing & Communications: Sunday Night Football & Olympics, 2000 – 2011, New York, New York

Chris Murvin - General Counsel and Secretary, TMRW Sports

- Managing Member, White Swan Advisors, LLC, Jan 2000 – Present
- Senior Vice President of Business Affairs and General Counsel, Golf Channel, Feb 2006-Mar 2021
- Chief Financial Officer, Kessler Collection, Nov 2000 - Nov 2001
- Senior Vice President Business Affairs and General Counsel, Golf Channel, Jan 1995 - Oct 2000
- Managing Partner, Tingle, Murvin, Watson and Bates, P.C., Jan 1988 - Dec 1994
- Partner, LEITMAN, SIEGAL, PAYNE & CAMPBELL, P.C., Sep 1980 - Dec 1987
- Tax Accountant, Price Waterhouse, Oct 1974 - Sep 1977



Ross Berlin - Senior Vice President, Player Affairs, TMRW Sports

- Senior Vice President - Player Affairs, PGA Tour, 1992 – 2022
- Senior Vice President – Venues, World Cup USA 1994, 1989 – 1992

Katy Mollica - Head of Global Partnerships, TMRW Sports

- Consultant, Apr 2021 – Present, New York, New York, United
- Head of Sales USOPP/LA28, Legends, Jan 2020 - Apr 2021
- Warner Media, VP NCAA Partnerships Turner Sports, September 2007 – Dec 2019
- Virgin, Director Strategic Marketing – Entertainment Group, April 2004 – September 2007
- Screenvision, Marketing Projects Manager, 1999 – 2001
- Promotions/Special Sections Coordinator, The New Yorker, 1997 – 1999

Andrew Macaulay - Chief Technology Officer, TMRW Sports

- Chief Technology Officer, Topgolf, January 2015 – December 2022
- Chief Information Officer, WestTower Communications, Mar 2014 - Dec 2014
- SVP & Chief Information Officer, Clearwire, Aug 2009 – Aug 2013
- Principal, Capgemini Consulting, May 2008 – Aug 2009
- SVP Network Engineering, Level 3 Communications, Aug 1998 – Jan 2008
- Systems Development Manager, Sprint, May 1993 – Feb 1998

Robin Eletto - Chief People Officer, TMRW Sports

- Chief People Officer, Fanatics, May 2016 – Nov 2021
- Board Member/Sports Committee Advisor, Special Olympics Florida, 2018 – Present
- Chief People Officer, Millennial Media (now Verizon), July 2014 – April 2016
- Executive Vice President Human Resources, Paramount Pictures, July 2012 – June 2014
- Senior Vice President, Human Resources, Disney Consumer Products, Jan 2004 – June 2012
- Director Global Human Resources, AOL/Netscape/Bell Atlantic/Verizon, Nov 1983 – Nov 2003

Matthew Levine - Senior Vice President, Business Operations, TMRW Sports Group

- Founder and Managing Partner, CJ Squared, September 2018 – Present
- Co-Founder, Opargo, January 2014 – Present
- Global Chief Operating Officer, People 2.0, Feb 2020 – July 2021
- Chief Customer Officer, Bind On-Demand Health Insurance, Jan 2019 – Dec 2019
- Chief Operating Officer, Workforce Logic, January 2010 – August 2018
- Vice President, Checkpast.com, November 2002 – December 2009
- Operating Consultant, The Tauscher Group, August 2001 – October 2002
- NASDAQ Securities Trader, Onsite Trading, June 2000 – Aug 2001

- Please describe the structure of officiating / judgment / refereeing and who is responsible for overseeing such activity.
 - For all TGL matches, there will be an official referee in the field of play. There will also be a rules official overseeing match play through live viewing and extensive video (replay) purposes. The official will interpret actions of the players and enforce the USGA Rules of Golf, along with the specific TGL modifications noted in Appendix B – Game Rules. The referee and rules official will be supervised by TGL CEO and Vice President of Game Play.



- The individuals selected to administer the roles noted above are Mark Russell and Derrick Stafford.
 - Mark Russell
 - Graduated from Elon University with a degree in History
 - Worked in golf course maintenance at Alamance Country Club in North Carolina
 - Global Director of Golf - Disney
 - Chairman - Walt Disney World Golf Classic
 - Joined the PGA TOUR Rules Committee in 1980
 - Lead the PGA TOUR Competition department from 1999 to 2021 (when he retired)
 - Was the longest active tenured employee at the PGA TOUR at the time of his retirement
 - Derrick Stafford
 - Graduated from Morehouse College with a degree in Business Administration
 - Two-sport athlete at Morehouse playing football and baseball earning all-conference honors
 - Official with the NBA in from 1988 to 2018 (when he retired)
 - Officiated 13 NBA finals games, 180 NBA playoff games, and 1,727 NBA regular season games
 - In addition, officiated 7 years of college basketball
- Please provide an overview of the internal policies and procedures relating to compliance, integrity, oversight, drug testing, etc.
 - In partnership with the PGA TOUR and U.S. Integrity, TGL has developed an extensive Integrity program for its employees, team owners, vendors, contractors and participating players.
 - Please see Appendix A for a formal letter from the PGA TOUR indicating their commitment to the oversight of the player integrity program.
- Please include whether an independent integrity monitoring firm has been engaged.
 - TGL, in partnership with the PGA TOUR, have secured U.S. Integrity to serve as its independent integrity monitoring firm. The partnership was formed in September, 2023 and formally announced on September 13, 2023.

DATES & TIMES:

- Please provide the date(s), time(s) and location(s) times of your event(s).
 - The inaugural TGL season will begin on January 7, 2025. Additional schedule details will be released closer to the season launch.
 - All TGL events will take place at the SoFi Center located at 2931 RCA Blvd, Palm Beach Gardens, FL 33410.



Indoor conceptual rendering – SoFi Center:



- Are dates and times of events posted and updated to support wagering activity and in order to prevent past-posting?
 - All dates and times of events will be posted on several digital platforms including the official TGL website, TGL mobile app and TGL social media channels. In addition, our data provider and sportsbook operators will have access to schedules, and updates, in real-time via the TGL product API feed.

- Please provide the source of record in which matches / events and dates / times are posted.
 - The source of record for match events, dates, and times will be the official website and mobile app of the TGL.
- Please provide the medium by which viewers / fans will engage and watch the event / sport.
 - Consumers of TGL matches can watch all events live on a national television broadcast through the United States. At the time of submission, we are finalizing a partnership with ESPN for distribution of the events across ESPN and ESPN2.
- Please provide the method of obtaining results and where the results can be found.
 - Match play results can be found on the official website of TGL, the TGL mobile app and various social media channels. In addition, TGL's broadcast partner(s) will distribute all matches live to consumers across the U.S. and Internationally.
 - TGL has developed an internal media distribution platform via ScoreSite. All results will be distributed to 3rd parties during and at the conclusion of all matches.
 - TGL is current discussions with partners to serve the digital media market for schedules, scored, and statistics to drive fan activations and engagement.



HISTORICAL MISCONDUCT:

- Has your organization ever faced any negative publicity, scandals or controversy in your industry?
 - No
- Has your organization ever been under scrutiny for any controversial business practices or misconduct?
 - No
- Are there any instances in the past where your organization has been accused of any unethical or illegal conduct?
 - No

ADDITIONAL INFORMATION:

- Please provide a full description of the types of wagers you are seeking approval for.
 - TGL is seeking betting markets for the following types of wagers:
 - Outright Winner
 - Regular Season Winner
 - Player/Team to reach Semi-Finals/Finals
 - Match Betting
 - Live In-Play Specials
 - Group Betting
 - Hole-In-One
 - To Win Xth Hole
 - Closest to the Pin
 - Leader After 3 Holes
 - Leader After 6 Holes
 - Leader After Session 1
 - Longest Drive of the Match
 - Fastest Ball Speed of the Match
 - Fastest Club Speed of the Match
 - Longest Drive Per Hole (all Par 4's and 5's)
 - Longest Putt
 - Team Markets
 - Head-to-Head Prop Specials
 - Season-Long Stat Leaders
- Please describe the source of data being used for the competition and how you are monitoring its validity and consistency?

The TGL technology infused version of golf has multiple technology components integrated together to create a competitive, accurate, reliable and secure platform.

Ball Tracking

- The moment a player hits the specific, USGA approved, TGL golf ball with their USGA approved golf clubs, the tracking systems capture the precise trajectory and spin of the golf ball until it hits the large screen that is between 20 yards and 35 yards from the player, depending on which tee box is being used for the shot.
- **Toptracer Technology** then extrapolates the remainder of the ball trajectory to provide exactly where the ball would have gone if it had not been interrupted by hitting the screen.
- **Toptracer Technology** is the world's most trusted provider of golf ball tracking technology for both driving ranges and professional golf tournaments. They have tracked billions of golf



shots and have the most advanced trajectory extrapolation algorithms. With all players using the same golf ball when hitting into the screen, this makes the tracking even more consistent between players.

- **Full Swing Golf** is the market leader in golf simulator platforms. TGL uses their golf game software to create TGL golf holes and model the ball trajectory information provided by Toptracer accurately and consistently into the 3D computer generated golf hole. Using a full physics model and a Unity gaming engine, the Full Swing game allows the golf ball trajectory to intersect with ground surfaces, or obstacles like trees, and stop in the appropriate position as if it were a real-life version of the golf hole being played.
- TGL competition also uses **Full Swing Golf's** commercially available KIT launch monitor to capture the precise spin of the golf ball when hit by each player. This spin calculation is used to accurately and consistently model the reaction of the ball when it hits an object in the game. For example, a ball with a lot of spin would check up and stop quickly when hitting the green, whereas a ball with low spin would bounce and run a longer distance.
- Full Swing Golf's simulators and KIT launch monitors are used, relied upon, and recommended by the best players in the world.

Competition Scoring & Database

- Given the unique nature of TGL's competition format and rules, TGL contracted with leading technology consulting firm, **CapTech**, to build a custom match administration and scoring system. This system allows an operator to set up each match before matchday, selecting the teams, players and holes to be played that night and locking it all in so no changes are made on match night.

The human operator/scorer sits court side and uses the Match Admin Console (MAC) software to live score the game based on observing the game and communications from the on-field referee and in-booth rules official.

All data related to the competition is contained in the ScoreSight™ data platform, also built for TGL by CapTech. ScoreSight integrates with all TGL data sources to bring that data into the platform and consolidate game-play and scoring in real-time. It is the single source for all competition related data and it makes that data securely available to all approved 3rd parties ensuring consistency of data across all subscribers.

The MAC and ScoreSight are built on Amazon AWS technology platforms using well architected principles validated by Amazon AWS experts.

In addition to being expert technology innovators, **CapTech Consulting** has deep experience in the professional sport of golf, being a technology partner to the PGA Tour and the Official Digital Technology Services Agency of the PGA of America and PGA Championship.

Redundancy/Resilience

- All the TGL technology platforms have multiple layers of redundancy and resiliency. Unlike other sports, if TGL technology stops working the actual game stops being played.

The network infrastructure, cabling and devices, has no single points of failure and dual redundancy at every layer, including physically geographically diverse connections to the internet, and directly to AWS and for broadcast TV transmissions.



All competition technology hardware and software used for tracking, scoring and recording has a minimum of dual redundancy for every component. The Toptracer Technologies tracking system has 4 levels of redundancy with all 4 instances tracking every shot live.

CyberSecurity

- TGL ensures systems and data are protected from corruption by bad actors through a well architected and implemented CyberSecurity strategy using leading principles for:
 - Governance & Oversight
 - Proactive Cyber Risk Management
 - Cybersecurity Operations
 - Information Protection & Privacy
 - Robust Incident Response & Management
 - Threat Intelligence

This includes partnering with the Department of Homeland Security (DHS) Cybersecurity & Infrastructure Security Agency (CISA), who has designated TGL as Critical Infrastructure based on the high profile and public nature of TGL events. DHS CISA's Critical Infrastructure designation provides TGL with extensive cyber and physical security resources - at no cost - including resilience reviews, site infrastructure surveys, threat assessments, as well as extended partnership development amongst other key federal, state, and local resources.

- Please list any current partnerships, sponsorships or other relationships you have with sportsbooks.
 - There are no current partnerships with sportsbooks. However, TGL is in active conversations to secure a relationship with licensed sportsbook operator(s) in the U.S.
- Please provide contact information including corporate address, email address and phone number for your organization.
 - 807 S Orlando Ave, Suite J, Winter Park FL 32789
 - Email: info@tmrwsgroup.com or Corporate Officer and SVP, Business Operations: Matthew.Levine@tmrwsgroup.com
 - Office Phone Number: 321-641-2024



Appendix A
PGA TOUR Player Integrity Program



Andy Levinson
Senior Vice President
Tournament Administration

September 7, 2023

To Whom It May Concern:

On behalf of the PGA TOUR, this letter is written to affirm that the PGA TOUR Player Integrity Program (the "Program") will apply to PGA TOUR players participating in the TGL. The Program is a comprehensive system of integrity education, monitoring and policies and procedures designed to prevent wagering-related corruption with respect to the PGA TOUR and its players. The Program will prohibit players from wagering on TGL events and from disclosing inside information for wagering on TGL events, among other things.

We understand TGL will partner with U.S. Integrity to monitor for integrity violations with respect to TGL events and to assist TGL with integrity-related matters. In the event TGL or U.S. Integrity notifies PGA TOUR of a potential violation of the Program by a PGA TOUR player with respect to a TGL event – or PGA TOUR otherwise becomes aware of a potential violation – the PGA TOUR will commence an investigation under the Program, which could result in a suspension or ban from PGA TOUR events. We understand that TGL intends to recognize any such suspension or ban for TGL events.

If you have any questions, please direct them to the undersigned.

Sincerely,

Andy Levinson
Integrity Officer

PGA TOUR
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Glossary

Traditional Golf Terms

Addressing Ball	When player stands over the ball with intent to put the ball into play
Backswing	The first part of a swing that involves the club being taken away from the ball
Birdie	A score of one under par on a hole
Bogey	A score of one over par on a hole
Bunker	A hollow area comprised of sand that exists as an obstacle
Chip Shot	A short distance shot to the green
Concede a Hole	Stopping play and admitting the opposing player has "won" the hole
Eagle	A score of two-under-par on a hole
Fairway	The central grass area between the tee box and hole that is kept free of tall grass
Gimmie	A putt that other players agree counts as made without being played
Hole (1)	A unit of play on a golf course; One "hole" refers to the total area from tee box to putting green
Hole (2)	The physical cup on the putting green in which players hit their ball
Re-Hit	To replay a shot from the spot of the previous stroke without penalty
Par	The number of strokes a player is expected to make on a hole
Pin	The stick & flag that stands in the cup on a putting green
Putting Green	The closely cut grass area where the pin and hole are located
Rough	Area of grass that borders the fairway and putting green which is deliberately kept longer
Short Game	Shots played on and around the green, including putting, chipping/pitching, and bunker shots
Tee Box	The area where players tee to start a hole



TGL Terms

Back Box	Hitting area which is 35yds away from the screen used for all shots 160yds and over
Pre Tee-Shot Hammer	A hammer thrown prior to any shots being hit on a hole and must be accepted, raising the hole value to 2 points
Booth Official	Responsible for starting and stopping shot clock, upholding TGL Rules
The Course	The venue floor that encompasses the entire competition area
Front Box	Hitting area which is 20yds away from the screen used for all shots 159yds and under
Game Engine	Software used to run the virtually simulated environment
Greenplay	The short game shots that are played in the Green Zone
Green Zone	A short game area made up of fairway, rough, and greenside bunkers encompassing the putting green. A version of the Green Zone will be represented on every hole in TGL for both screenplay and greenplay
Hammer	A game modifier that increases the hole value +1 point
Interference	A disruption caused by either player, fan, or outside force that can warrant a pause in play
Launch Monitor	An electronic device that tracks golf ball flight characteristics
Match	Head-to-head competition between two teams over 15 holes
Player	A player refers to a golfer actively participating in a TGL Match
Referee	Will maintain pace of play, and uphold TGL Rules on the course
Screenplay	Shot that are hit into the simulator screen from both the front box and back box
Session	A sub-segment of a match between two teams over 6 or 9 holes consisting of different formats
Singles	Two players play head-to-head against each other for an entire hole
Sky Mark	A custom technology built to aid the Player & Referee in transitioning a ball from screenplay to greenplay
Triples or "Trips"	Three players per team competing in an alternate shot format

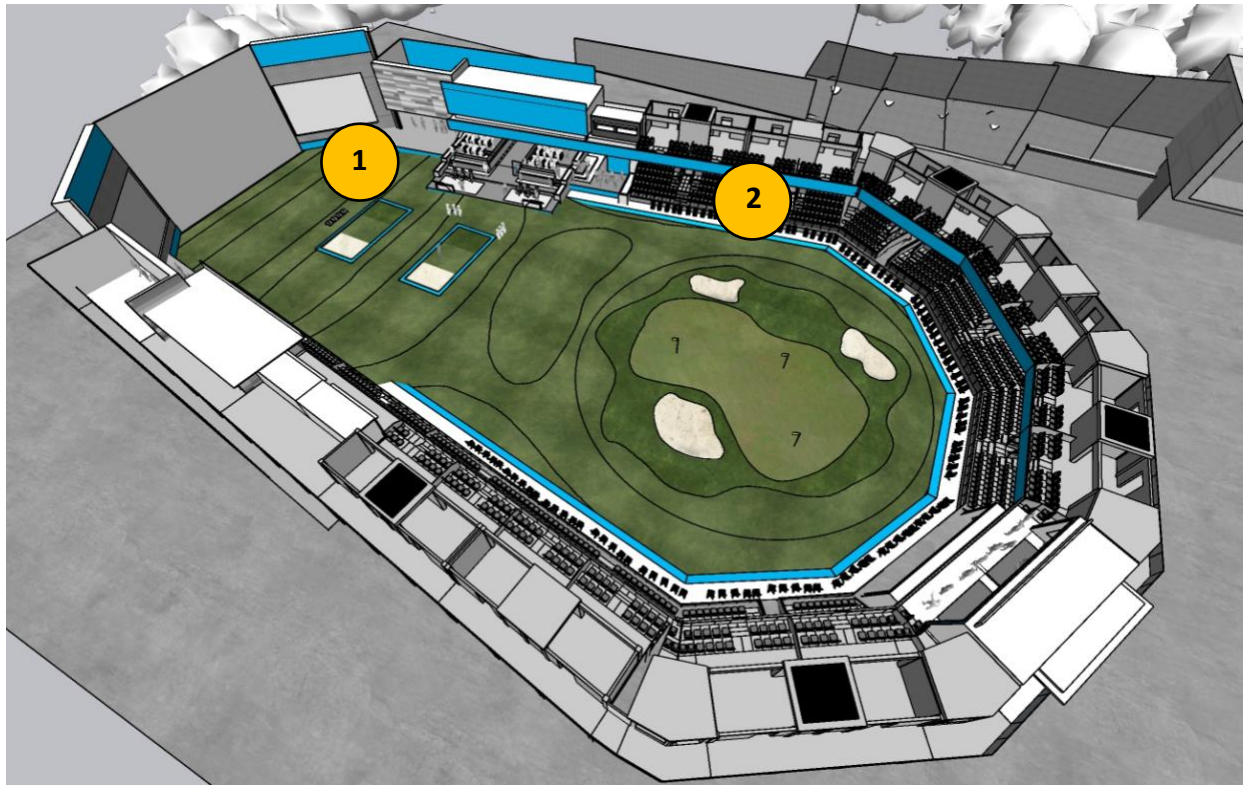


League Overview

TGL is a mixed reality golf League in partnership with the PGA TOUR fusing golf and technology with the best players in the world competing. The League will consist of six (6) teams who match up against each other in a season long points format. Competitions will take place in a live arena environment where holes begin with shots into the world's largest simulator screen and end by playing in a tech infused short game area.

Hitting Areas:

Figure 1.0 – TGL Stadium Rendering



(2) **Greenplay:** Players will complete the final stage of each hole in the real-world short game area known as the Green Zone. The main components of this area include:

- One hundred and twenty-four (124) foot turntable that can rotate one hundred and eighty (180) degrees in either direction
- Tech infused putting green with three sections that can create dynamic topographies
- Surrounding apron and rough
- Surrounding bunkers

Match Week Overview

Hole Selections for Match

TGL has a large library of holes custom designed by golf course architects to the specifications previously provided by the League. The League will select fifteen (15) holes from that library to be played during a match, and they will be sent to the players participating no less than four days prior to the match.



Players and Matchup Selections for Match

TGL will consist of six (6) teams of four (4) players, with three (3) active players playing per night. The League reserves the right to select or designate player matchups (i.e., who is playing who) for each match in the regular and post season.

Home and Away Teams

Each match will have a designated “home” and “away” team. Each team in TGL will have the opportunity to be the home team twice during the regular season. Being the home team will have several benefits otherwise known as “home course advantages” and consist of the following:

- Able to set the playing order (leadoff, middle, anchor) for the match based on the information provided by the League regarding holes to be played and player matchups
- Start the match with possession of the hammer (*See “Article 3: Hammer”*) and first tee honors

In certain instances, the League will dictate a team matchup as a “rivalry” and therefore will be played as a “neutral site” match. Matchups and playing order for matches of this denotation will be decided by the League. Hammer possession and first tee honors will then be decided by a “pre-match competition” that will take place prior to the start of the match. (*See Match Format & Scoring “Article 2: Pre-Match Competition”*)

Match Format, Scoring, & Rules

Article 1: Modern Match Play Scoring

Scoring will be “Modern Match Play” meaning that each hole begins with the value of 1 point and the team with the fewest strokes (shots) on a hole wins the point(s). Ties are worth zero (0) points and there are no carryovers.

Article 2: Competition Overview



Match

A “match” will consist of two teams competing head-to-head over 15 holes.

Sessions

Within a match there will be two sessions played in two golf formats. Session order is as follows:

- Session One is 9 holes of “Triples” or “Trips.” Player one for each team will tee off on holes 1, 4, & 7, player two will tee off on holes 2, 5, & 8, and player three will tee off on holes 3, 6, & 9. Each player will tee off on a par 3, 4, & 5.
- Session Two will be 6 holes “Singles”. Player one for each team will play head-to-head on holes 10 & 13, player two for each team play holes 11 & 14, and player three for each team play holes 12 & 15. Session two will be made up of two par 3’s, two par 4’s, and two par 5’s spread across the six holes.



Conceded Holes & Strokes

In modern match play, players and teams are allowed to concede a stroke to the other player/team, at their discretion. When a stroke is conceded, the opposing team is allowed to pick up their ball and have one (1) additional stroke added to their score (i.e., a gimme). Additionally, players and teams are allowed to concede a hole at any time, giving the opposing team a win on the hole. When a concession has been made it must be announced by the player in a clear and concise manner to the referee who must acknowledge the concession.

Winning Team

The team that wins the most points during the entirety of a match is the winner. If both teams have the same number of points at the end of regulation, teams will compete in an overtime competition.

Overtime

If the match is tied after 15 holes the teams will then play a 1 vs 1 closest to the pin competition in the short game area. The team that started the match with the hammer will go first in overtime. Teams may select their playing order during overtime; however, all players must hit a shot before an individual player can hit again. After each matchup (i.e., Player 1 for each team plays) the team with the ball closest to the pin (ball must still be on the green when it comes to rest) will receive a point. Then the format will continue with Player 2 for each team, and so on until after a team successfully hits two shots closer to the pin than their competitors. The team that went first in the first matchup will go second in the second matchup, and that order will continue to alternate. In the case where more than three shots per team are necessary to prove a winner, teams will continue in the order previously played.

Winning team:

- 1 team point for the overall match score (i.e., if match was tied 5-5 then the final match score would be 6-5)
- 2 points towards their season standings

Losing team:

- 1 point towards their season standings

Regular Season Point System

TGL will use a points-based system to determine regular season standings. For each match, teams can be awarded up to two (2) points towards their regular season total based on the following:

- Win in Regulation.....2 Points
- Win in Overtime.....2 Points
- Loss in Overtime.....1 Point
- Loss in Regulation.....0 Points

Pre-Match Competition

A “Pre-Match Competition” will take place **in the Green Zone only** prior to the start of a “neutral site” or “rivalry” match. This competition will determine which team starts with hammer and first tee honors since no team is considered the “home team.” The Pre-Match Competition will be a game that can either be a 1 vs 1 first point wins competition, or a first to 2 or 3 point competition including all three team members.

Article 3: Hammer

The “hammer” is a game modifier that will change the hole value by adding 1 point to the value. For instance, each hole starts with a value of 1 point, when a hammer is played and accepted the value of the hole would now be 2 points. If another hammer is played and accepted the value of the hole would now be 3 points, etc.



At the start of the match, only the home team shall have possession of the hammer (*See Section “Match Week Overview and Team Format” then “Home and Away Teams” above for initial Hammer possession*) – meaning they are the only team with the option to use it. Once the hammer is used, ownership of the hammer shall switch to the other team which allows them to use it any time they choose.

Hammer Mechanics

Teams or players shall throw the hammer, which will be an item provided by the League, and tell the Referee who must acknowledge the call. After hammer has been thrown the Referee then presents the opposing team with two options:

- Accept hammer – If the opposing team accepts the hammer, the hole value is now worth 1 point more and the hole is continued to be played
- Decline hammer – If the opposing team declines the hammer, the hole is immediately conceded and the point(s) is awarded to the team who called the hammer

After either option is chosen, the hammer changes ownership to the other team who can then use it under the same guidelines. There is no requirement to use the hammer nor is there a limit on the number of times a hammer can be used.

Hammer Timing

“Hammer” can be thrown any time prior to a player addressing the ball. The Referee will put their hand up after they deem the ball has been addressed which will “close the window”. If the player proceeds to back off the ball then the Referee reserves the right to re-open the window by lowering their hand. Teams can only use the hammer after a single shot has been played on a hole.

Article 4: Pre Tee-Shot Hammer

A hammer thrown prior to a tee shot being hit by either team will be treated the same as a regular hammer, however **the opposing team cannot decline and must accept** the hammer. Possession of the hammer changes as it does with normal hammer rules.

Article 5: Score Keeping

An official scorer shall be responsible for all score keeping activities such as stroke counting, penalty assessment, and hole result. Players will not be responsible to track their own scores or submit a scorecard at the conclusion of a match.

Article 6: Local Rules

TGL shall have local rules to accommodate the unique format and stadium features in which a match is played. TGL will not treat rules violations from the traditional matchup:

Preparing For and Making A Stroke

- A ball first becomes “in play” on a hole when the player makes a stroke at it from inside the screenplay area
- Thereafter, any ball which is dropped, placed, or replaced is “in play” when the player makes their next stroke at the ball
- A ball is not in play in the Green Zone until the ball is struck
- 1-Stroke penalty and voided stroke for playing out of turn (either wrong team member or team that does not currently have honors)



- 1-Stroke penalty for grounding your club in a bunker
- A “shot clock violation” is determined by the shot clock reaching zero (0) before the ball is struck
- There is no “one ball rule” a new ball can be placed for a shot at any time
- Players will put their ball into play for every shot in TGL
 - For screenplay, they will place their ball in the fairway and sand, and drop their ball in the rough
 - For greenplay players will always place their ball on the Sky Mark, and will not be required to drop onto any surface

Inaccurate Computation/Unregistered Shot

- The Referee or Official shall have the ability to deem a shot during screenplay an “inaccurate computation” at their discretion to maintain the integrity of the match and facilitate the competition. They also will have the authority to deem a re-hit. Scenarios where this may incur includes, but is not limited to, the following:
 - Shot not captured – If a ball is struck and the simulator fails to capture it, then the Referee or Official shall invoke a re-hit. The attempted stroke is not counted towards the player’s total strokes attempted. The only exception is when both the Referee and Official decide the ball was in fact mishit (commonly referred to as “shanked”), then they will give the player a 1-stroke penalty.
 - Inaccurate simulator reading – If a ball is struck and the simulator produces an output that is clearly and obviously incorrect, then the Referee or Official shall invoke a re-hit. The attempted stroke is not counted, and the ball is reset to its previous resting position.
 - Interference – A disruption of any kind and a player had already started their swing and hits the ball then the Referee or Official can invoke a re-hit. The attempted stroke is not counted, and the ball is reset to its previous resting position.

Relief in Green Zone

Players shall qualify for relief from conditions that are clearly unintended or affect the quality of the competition. Such conditions include, but are not limited to, the following:

- Ball coming to rest in a turntable seam
- Ball coming to rest near immovable objects and player is unable to attempt a stroke on the ball
- If a player hits a shot in the Green Zone that comes to rest against the grandstands, then the player shall gain relief from the grandstand from a point no closer to the hole that allows them to make an attempt at a stroke

Rule of Elasticity

The match Referee will maintain a floating “Rule of Elasticity” for any circumstance that is deemed a deviation from the norm. They will reserve the right to make judgment calls based on their best ability in the given circumstances.

Article 7: Penalties

TGL will govern by the League rules set forth in this document as well as the traditional rules of golf played on the PGA TOUR. Rules have been set in place to meet the “spirit of the competition” and remain applicable under the conditions of the TGL environment. Examples of potential penalties from the traditional rules of golf include, but are not limited to, the following:

- 1-Stroke penalty for hitting into penalty areas
- 2-Stroke penalty for deliberately interfering with any moving ball



Game Timing

Article 1: Length of Game

A match will not have an official game clock that defines play in regulation. However, the length of a match shall take around two (2) hours to align with broadcast requirements.

Article 2: Shot Clock

The “shot clock” refers to the timing device that displays the countdown of time in which each player must record a stroke. The shot clock will be forty (40) seconds. After each shot clock violation, a team will incur a 1-stroke penalty.

Shot Clock Enforcement

League Referee and Official shall be responsible for the management and enforcement of the shot clock.

Starting the Shot Clock

The shot clock shall start any time the following occurs:

- The Booth Official deems a player can play without interference or distraction
- The Booth Official deems a team or player has had adequate time to prepare for a shot following a timeout
- The Booth Official deems a team or player has had adequate time to transition into the Green Zone

Stopping and Resetting the Shot Clock

The shot clock shall be stopped & reset any time the following occurs:

- A player has completed their turn
- A player incurs a shot clock violation
- A player incurs a penalty
- A player calls a timeout
- A hammer is thrown
- A Referee or Official determines the shot clock must be reset to accommodate a special circumstance

Article 3: Timeouts

Each team will have two (2) timeouts per session that will last fifteen (15) seconds each. Timeouts may be called at any point by the team whose player is currently hitting. The opposing team will have until the Referee puts up their hand signaling a player has addressed the ball to call a timeout, in order to avoid interference. Players must wait until the entire fifteen (15) seconds has expired before they can hit their next shot.

Timeout Mechanics

A member of the team will signal or verbally call a timeout to the referee, who will acknowledge the call. A team cannot call back-to-back timeouts while on the current shot, they must wait until the shot is hit following a timeout to then be allowed to call another.

Injury Timeouts

If a player becomes injured during a match, Referees/Officials can grant injury timeouts to provide care and treatment to the injured player. Injury timeouts will not be counted against a team’s official timeout count. However, if a player is suspected of taking advantage of injury timeouts as a competitive advantage, the situation will be reviewed by TGL Officials for potential disciplinary action.



Player Eligibility & Injuries/Substitutes

Article 1: Eligibility

As noted above, TGL teams will consist of six (6) teams of four (4) players each. To be eligible for the TGL League, players shall be members in good standing with the PGA Tour. Exceptions to be approved in advance by TGL League office.

Article 2: Injuries

Injuries & Conflicts

If a “starting” player is unable to compete in a match due to injury, logistical conflict, or other unforeseen circumstances, teams shall be allowed to select a new player to take their place. Players must be approved in advance by the League office. Teams will have up until two (2) hours before the match starts to make a substitution.

Injury Substitutions

If a player becomes injured during a match, teams will not be allowed to substitute for that player and must continue with only two players. The remaining players will rotate their order of filling in for the injured player and triples will become a two-man alternate shot for that team. During singles the team will keep their order and each player will take a hole previously assigned to the injured player. If a team or player is suspected of taking advantage of an injury substitution for a competitive advantage, the situation will be reviewed by TGL Officials for potential disciplinary action.

Match Progression

Article 1: Screenplay

Each hole shall begin in the screenplay area where players will hit shots until they progress into the Green Zone.

Teeing Off

Every tee shot by both teams shall take place in the screenplay area. The order in which players hit off the tee will be determined by the following:

- First hole of match: As mentioned above, the home team will obtain 1st tee honors
- Team lineups will be set prior to the match and each player will have designated holes where they will be teeing off for each session:
 - Player 1 for each team will tee off on holes 1, 4, & 7 for Session 1 (Triples) and holes 10, & 13 for Session 2 (Singles)
 - Player 2 for each team will tee off on holes 2, 5, & 8 for Session 1, and holes 11 & 14 for Session 2
 - Player 3 for each team will tee off on holes 3, 6, & 9 for Session 1, and holes 12 & 15 for Session 2
- The rest of the match will follow traditional golf rules of who has the tee honor

Screenplay to Greenplay

Player order after tee shots shall be determined by distance to pin whereas the player furthest from the hole will hit first.



After each tee shot and the ball has not reached the Green Zone, players will put their ball on the correct section of the hitting area prior to their next shot (sand, fairway, or rough). If the player's ball is in the fairway or sand they will place their ball into position. If they are in the rough then the player must drop their ball into position. *(See Above Section "League Overview" "Screenplay")*

Each drop will be overseen by the Referee who will also be consulting with the Official to ensure fair play. Players shall continue hitting in the screenplay area until they reach the Green Zone threshold on the screen.

Article 2: Transition to The Green Zone

The Green Zone threshold shall be defined as the criteria required for a player to begin greenplay. Until a player's ball meets the threshold, they shall continue in the screenplay area. Because an exact replica of the real Green Zone will be represented in every virtual golf hole played in TGL, the game engine will determine when a shot has reached the Green Zone threshold. Once in the Green Zone players will pitch, chip and putt until their ball is holed out, the opposing team concedes a putt, or the opposing team concedes the hole.

Article 3: The Green Zone

Ball Placement

Ball placement in the Green Zone will be done by using the ball placement mechanism "Sky Mark," a custom technology built to guide the transition of a ball from screenplay to greenplay. "Sky Mark" will illuminate an area in the Green Zone where a player must place their ball to correctly matchup with the coordinates in the virtual hole. If "Sky Mark" is on the putting green, then the player can place a ball marker on the "Sky Mark."

Regular Season & Playoffs

As noted above, TGL will consist of a six (6) team League and each team will play each other one time in the regular season.

Playoffs

The **top four teams** with the most regular season points will advance to the playoffs. *(See Above Section "Regular Season Points System")* Playoff seeding will also be based on the most regular season points. In the event of two teams finishing with the same record, tie-breaker criteria will be as follows:

- Total holes won in regular season
- Point differential in regular season matches
- Total hammers won in regular season
- Fewest holes lost in regular season
- Total sessions won in regular season
- Fewest hammers lost in regular season

The playoffs will use a single elimination matchup for round one. The winners of those matchups will then progress to a best of three series format for The Championship where the two teams remaining play until a team has won two (2) matches. Round one match-ups will be determined by seeding as follows:

- #1 Team vs #4 Team
- #2 Team vs #3 Team

The higher seeded team in both matchups will be treated as the "home team" and will therefore retain the "home course advantages" as specified above. *(See "Match Week Overview and Team Format" then see "Home and Away Teams")*



Championship

As specified above, The Championship will be a best of three series. The winner of the series will be crowned Season Champions. The higher seeded team will be designated as the “home team” for matches one and three, the lower seeded team will be the “home team” for match two. If a match is mathematically over, meaning the losing team cannot possibly earn enough points to overtake the winning team before they have played all 15 holes then the match will be declared finished.

Awarding of 3rd and 4th Place

Teams losing in the 1st round of the Playoffs will be awarded 3rd and 4th place by which team won the most holes during their semi-final match. If both teams won the same number of holes, then the team that won the regular season matchup between the two teams will be considered the 3rd place team



TO: Interim Chair Jordan Maynard
Commissioner Eileen O'Brien
Commissioner Brad Hill
Commissioner Nakisha Skinner

FROM: Andrew Steffen, Sports Wagering Operations Manager

MEMO **MEETING**

DATE: May 1, 2024 **DATE:** May 9, 2024

RE: Request to add Tomorrow's Golf League (TGL) to MGC Event Catalog

BACKGROUND:

Pursuant to [205 CMR 247.03](#), a sports wagering operator must petition the Commission for approval of a new sporting event or wager category. Accordingly, BetMGM has submitted the required form to request for the addition of Tomorrow's Golf League (TGL) to be added to the [MA Sports Wagering Catalog](#).

Under 247.03(8), the Commission may grant, deny, limit, restrict, or condition a request made pursuant to this rule, and may revoke, suspend, or modify any approval granted under this rule.

SUPPORTING DOCUMENTS:

Petition from BetMGM
TGL Wagering Approval Form

OVERVIEW/ TGL DETAILS:

In partnership with the PGA TOUR, the TGL is an innovative golf league combining advanced technology and live action golfing. The inaugural season is set to tee off on January 7, 2025, with all matches being held at the purpose-built SoFi Center at Palm Beach State College in Florida. The season will include a total of six teams with four players assigned to each team. The six teams have been announced as Atlanta Drive GC, Boston Common Golf, Jupiter Links GC, Los Angeles Golf Club, New York Golf Club, and TGL San Francisco. Players from the teams include Tiger Woods, Justin Thomas, Rory McIlroy, Justin Rose, and Tommy Fleetwood. Each TGL match will feature three players competing for each team in a modern match-play format in a two-hour team golf competition in front of fans.

The golfing experience in this league is unlike any other golf league currently approved in the MA Event Catalog. Playing a hole in the TGL requires all the same shots as on any other golf

course, however instead of hitting onto an open green, golfers will be swinging into a virtual screen. The virtual screen is a giant 64x46 foot simulator powered by Full Swing. Golfers hit from tee boxes with real grass, fairway, rough, or sand into the screen for all tee shots as well as their approach shots. For any shots less than 50 yards to the pin, the golfers will transition to the Greenzone. The Greenzone is a physical, custom-built, 22,475 square foot short game area that can transform between holes. The Greenzone includes a 41-yard-wide turntable that rotates the green to change approach and angles and can morph its own topography.

The ownership group includes TMRW Sports, PGA TOUR Inc, individual team owners, and individual TOUR players. Individual team owners include Arthur Blank and Tiger Woods. The events will be broadcast on the ESPN or ESPN2.

The official rules are available: [Wagering Approval Form](#). A match will consist of two teams competing head-to-head over 15 holes, with each hole worth one point. If tied at the end of 15 holes, the teams will enter an overtime round to determine the winner. For overall season points, the winning team will earn 2 points, while the losing team will earn 0 points for loss or 1 point for loss in overtime. The top four teams of the six will be entered into the playoffs.

SUMMARY:

The current MA Catalog offerings for Golf are as follows:

Sport	Governing Body	League	Website
Golf	International Federation of PGA Tours or Its Members	Events sanctioned by the International Federation of PGA Tours or its members	https://www.worldgolfchampionships.com/internationalfederation.html
	International Events	International Events	https://www.worldgolfchampionships.com/internationalfederation.html
	Augusta National Golf Club	Masters Tournament	https://www.masters.com/en_US/index.html
	PGA of America	PGA Championship	https://www.pga.com/
	The R&A	The Open Championship	https://www.randa.org/
	United States Golf Association	U.S. Open	https://www.usga.org/
	The Match Series	The Match Series	https://www.tntdrama.com/capital-ones-the-match

At the time of submission, BetMGM informed the Sports Wagering Division this league has been approved for wagering in their 10 jurisdictions of Arizona, Colorado, Illinois, Kansas, Louisiana, Maryland, Oregon, Pennsylvania, Tennessee, and Puerto Rico.

Lastly, BetMGM stated they have informed the TGL of its intentions to petition the league for wagering. While the league does not have a player’s association or union, the TGL is in favor of their league being an approved sporting event and assisted in providing the information to BetMGM. Additionally, all players in the TGL are members that are in good standing with the PGA TOUR.

Based on 247.03(4), certain minimum criteria must be met for the Commission to authorize the addition of the event. Those criteria are outlined below with applicable supporting notes provided.

(a) The outcome can be verified;

BetMGM states in their petition the results will be verified by the official TGL website - <https://tglgolf.com/>.

(b) The Sporting Event generating the outcome is conducted in a manner that ensures sufficient integrity controls exist so the outcome can be trusted;

BetMGM states the TGL acts as its own governing body, however they do have a partnership with the PGA Tour (the organizer of professional golf tours in the US).

(c) The outcome is not likely to be affected by any Sports Wager placed;

BetMGM states the TGL, in partnership with the PGA, strictly prohibits game manipulation by athletes, officials, and all league personnel. Within the Wagering Approval Form is an integrity policy, also in partnership with the PGA and U.S. Integrity.

(d) The Sporting Event is conducted in conformity with all applicable laws.

BetMGM states in their petition the sporting event conforms to all applicable laws and regulations and does not contravene any gaming legislation in the state.

CONCLUSION:

The Sports Wagering division confirms the minimum requirements have been met pursuant to 205 CMR 247.03 and has no reservations approving this league be added to the event catalog.



TO: Interim Chair Jordan Maynard
Commissioner Eileen O'Brien
Commissioner Brad Hill
Commissioner Nakisha Skinner

FROM: Andrew Steffen, Sports Wagering Operations Manager

MEMO **MEETING**

DATE: June 13, 2024 **DATE:** June 20, 2024

RE: Request to add Tomorrow's Golf League (TGL) to MGC Event Catalog

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course, however instead of hitting onto an open green, golfers will be swinging into a virtual screen. The virtual screen is a giant 64x46 foot simulator powered by Full Swing. Golfers hit from tee boxes with real grass, fairway, rough, or sand into the screen for all tee shots as well as their approach shots. For any shots less than 50 yards to the pin, the golfers will transition to the Greenzone. The Greenzone is a physical, custom-built, 22,475 square foot short game area that can transform between holes. The Greenzone includes a 41-yard-wide turntable that rotates the green to change approach and angles and can morph its own topography.

The ownership group includes TMRW Sports, PGA TOUR Inc, individual team owners, and individual TOUR players. Individual team owners include Arthur Blank and Tiger Woods. The events will be broadcast on the ESPN or ESPN2.

The official rules are available: [Wagering Approval Form](#). A match will consist of two teams competing head-to-head over 15 holes, with each hole worth one point. If tied at the end of 15 holes, the teams will enter an overtime round to determine the winner. For overall season points, the winning team will earn 2 points, while the losing team will earn 0 points for loss or 1 point for loss in overtime. The top four teams of the six will be entered into the playoffs.

SUMMARY:

The current MA Catalog offerings for Golf are as follows:

Sport	Governing Body	League	Website
Golf	International Federation of PGA Tours or its Members	Events sanctioned by the International Federation of PGA Tours or its members	https://www.worldgolfchampionships.com/international federation.html
	International Events	International Events	https://www.worldgolfchampionships.com/international federation.html
	Augusta National Golf Club	Masters Tournament	https://www.masters.com/en_US/index.html
	PGA of America	PGA Championship	https://www.pga.com/
	The R&A	The Open Championship	https://www.randa.org/
	United States Golf Association	U.S. Open	https://www.usga.org/
	The Match Series	The Match Series	https://www.tntdrama.com/capital-ones-the-match
	LPGA	LPGA	https://www.lpga.com/
	Ladies European Tour (LET)	Ladies European Tour (LET)	https://www.ladieseuropeantour.com/
	Return to Index		

At the time of submission, BetMGM informed the Sports Wagering Division this league has been approved for wagering in their 10 jurisdictions of Arizona, Colorado, Illinois, Kansas, Louisiana, Maryland, Oregon, Pennsylvania, Tennessee, and Puerto Rico.

Lastly, BetMGM stated they have informed the TGL of its intentions to petition the league for wagering. While the league does not have a player’s association or union, the TGL is in favor of their league being an approved sporting event and assisted in providing the information to BetMGM. Additionally, all players in the TGL are members that are in good standing with the PGA TOUR.

Based on 247.03(4), certain minimum criteria must be met for the Commission to authorize the addition of the event. Those criteria are outlined below with applicable supporting notes provided.

(a) The outcome can be verified;

BetMGM states in their petition the results will be verified by the official TGL website - <https://tglgolf.com/>.

(b) The Sporting Event generating the outcome is conducted in a manner that ensures sufficient integrity controls exist so the outcome can be trusted;

BetMGM states the TGL acts as its own governing body, however they do have a partnership with the PGA Tour (the organizer of professional golf tours in the US).

(c) The outcome is not likely to be affected by any Sports Wager placed;

BetMGM states the TGL, in partnership with the PGA, strictly prohibits game manipulation by athletes, officials, and all league personnel. Within the Wagering Approval Form is an integrity policy, also in partnership with the PGA and U.S. Integrity.

(d) The Sporting Event is conducted in conformity with all applicable laws.

BetMGM states in their petition the sporting event conforms to all applicable laws and regulations and does not contravene any gaming legislation in the state.

CONCLUSION:

The Sports Wagering division confirms the minimum requirements have been met pursuant to 205 CMR 247.03 and has no reservations approving this league be added to the event catalog.

To: Interim Chair Jordan Maynard
Commissioner Bradford R. Hill
Commissioner Eileen M. O'Brien
Commissioner Nakisha L. Skinner

From: Justin Stempeck, Deputy General Counsel

Re: Tomorrow's Golf League - Esports

Date: November 12, 2024

Previously the Commission heard from the Sports Wagering Division concerning a proposal on wagering on "Tomorrow's Golf League" ("TGL"), a league that combines hitting into a sophisticated screen for longer shots and putting on a green that can be modified into different configurations. During this discussion the Commission queried whether this type of activity would qualify as "Esports" and whether it would need any type of special approval.

From our review of the governing statute and regulations, TGL would not fit into the traditional definition or understanding of Esports and instead appears to be a unique hybrid category combining elements of traditional golf with highly technical equipment unlike other traditional sports.

Under G.L. c. 23N, § 3, a "sporting event" is defined as:

a professional sport or athletic event, collegiate sport or athletic event, a collegiate tournament, motor race event, **electronic sports event or other event authorized by the commission** under this chapter; provided, however, that "sporting event" shall not include: (i) high school and youth sports or athletic events; or (ii) a collegiate sport or athletic event involving 1 or more collegiate teams from the commonwealth unless they are involved in a collegiate tournament. (emphasis added)

G.L. c. 23N also defines "Electronic Sports" as a "single or multiplayer **video game** played competitively for spectators." Notably, G.L. c. 23N does not define the term "video game," but generally video games are understood to be played using controllers (or keyboard/mouse) through gaming consoles or computers and Esports competitions in other jurisdictions have consisted of tournaments involving the playing of specific video game titles such as DOTA 2, Fortnite, Counterstrike, and League of Legends. None of these titles involve the actual physical play component described in the TGL proposal.

Given the differences between the activity proposed in the TGL league and the industry understanding of "esports," we would recommend that if the Commission was interested in approving this event that it could do so under the golf category or the "other event" category of the "sporting event" definition cited above.

We have reviewed the regulations and statutes of the other jurisdictions where TGL has been approved (AZ, CO, IL, KS, LA, MD, OR, PA, TN and PR) as a golfing event and those jurisdictions largely have similar definitions of esports as Massachusetts (or no specific

definition of esports at all).¹ It is worth noting that several of these jurisdictions have express definitions for esports and yet still approved TGL as a “golfing event.”

¹ In Arizona an “e-sport” is defined as “an organized multiplayer video game competition....” Ariz Rev. Stat. Ann. § 5-1301.

Colorado law does not specifically define esports, but the Colorado Gaming Division prohibits video game competitions that are not “sanctioned by a sports governing body as an electronic competition,” and has proactively permitted wagers on various popular video game titles.

Illinois does not define esports in its statute or regulations, but the Illinois Gaming Control Board is empowered to authorize wagering on events of “relative skill” beyond traditional athletic events. See 230 Ill. Comp. Stat. Ann. 45/25-10.

Kansas takes a similar approach to Illinois, with no express definition of esports and defining “sporting event” broadly to include “any other special event authorized by the commission.” Kan. Stat. Ann. § 74-8702.

Louisiana’s definition of “sports event” includes “any competitive video game or other electronic sports event.” LA Revised Statutes 27:602(22).

Maryland’s definition of “sporting event” includes “an electronic sports or video game competition in which each participant is at least 18 years old.” Md. Code Ann., State Gov’t § 9-1E-01.

Oregon regulations define a “sporting event” as “a game, match, race, or similar competitive event associated with a governing body in its entirety or a particular event or occurrence within or related to the game, match, race, or similar competitive event such as, but not limited to, a particular play or score.” Or. Admin. R. 177-093-0005.

Pennsylvania regulations contain no reference to esports and would appear to prohibit their approval outright as the definition of sporting event states “a professional or collegiate sports or athletic event or a motor race event, including international team and international individual athletic events.” 58 PA Code § 1401a.2.

Tennessee law specifically defines esports as “any multiplayer video game played competitively for spectators, either in-person or via remote connection, in which success principally depends upon the superior knowledge, training, experience, and adroitness of the players.” Tenn. Code Ann. § 4-49-102(9).

Puerto Rico has perhaps the most detailed authorization of esports, noting in its regulations the following:

In addition, wagering on electronic game leagues such as E-Sports is authorized.

- 1) E-sports are organized video game competition events in which individual competitors from different leagues or teams compete against each other in popular games in the video game industry.
- 2) E-sports include the following types of games:
 - a. Real-time strategy
 - b. Fighting
 - c. Shooting or First-Person Shooter (FPS)
 - d. Multiplayer Online Battle Arena (MOBA)
- 3) Electronic sports games (such as soccer, basketball, tennis, hockey, volleyball, etc.) are permitted within E-sports competitions. Additionally, different products within the electronic sports category can be used, such as FIFA, PES, Motorsports, NBA2K, etc.
- 4) E-Sports Betting has the players bet on the result of the event or on determined incidents that occur in electronic sports competitions or in videogame competitions.
- 5) These competitions range from two-person match-up to team competitions.

While TGL does rely on significant technological determinations made by the interactive screen involved in calculating initial ball location from tee off, this factor does not make TGL an “esport.” This heavy reliance on technology may raise other questions concerning the system integrity of the software and hardware responsible for these calculations, particularly where they have a critical impact on determining results of wagers.



TO: Chair Jordan Maynard
Commissioner Eileen O'Brien
Commissioner Bradford Hill
Commissioner Nakisha Skinner
Commissioner Paul Brodeur

FROM: Andrew Steffen – Operations & Compliance Manager, Sports Wagering

MEMO	MEETING
DATE: 11/14/2024	DATE: 11/21/24

RE: Update to BetMGM House Rules

REGULATION BACKGROUND:

Pursuant to 205 CMR 247.02(4), a Sports Wagering Operator shall not change or modify the House Rules without prior written approval of the Commission.

EXECUTIVE SUMMARY:

BetMGM has requested a single change to their Massachusetts online house rules. The change comes as a request from the Sports Wagering Division to more closely align with GLI-33: Standards for Event Wagering. This revision allows patrons to change settings within their account regarding the auto-acceptance of more favorable wagers.

The single change is highlighted below.

General Sports Book Rules

BetMGM mobile wagering application displays real time lines, current odds, and potential payouts when placing wagers. Patrons will be prompted with a confirmation message that selections are correct prior to the selection of the ‘place wagers’ button. Line change notifications may occur at any time during the wager placement process. The system by default accepts more favorable odds and the player must acknowledge or decline any less favorable odds changes. This setting can be adjusted by the player to accept all odds changes for fastest play or acknowledge all odds changes for a more conscientious play.~~The system by default accepts more favorable odds and the player must acknowledge or decline any less favorable odds changes. This setting can be adjusted by the player to accept all odds changes for fastest play or remain on the system default of accepting more favorable odds.~~



Sports Wagering Division

CONCLUDING STATEMENT:

The Sports Wagering Division confirms this change meets the requirements pursuant to 205 CMR 247.02 and recommends approving this revision to more closely align with the standard.

October 14, 2024

Via electronic mail to jordan.maynard@massgaming.gov

Jordan Maynard, Interim Chairman
Massachusetts Gaming Commission
101 Federal Street, 12th Floor
Boston, MA 02110

Dear Chair Maynard:

I write pursuant to 205 CMR 202.03(2) and on behalf of Bally's Interactive, LLC, (the "Temporary Licensee") to request a waiver of the Massachusetts Gaming Commission's (the "Commission's") review under 205 CMR 229 of an impending transaction involving the ownership of the Temporary Licensee's parent company, Bally's Corporation, Inc. (the "Corporation"). The Temporary Licensee requests that due to the specific nature of this transaction the Commission treat the resulting changes as an amendment to the Temporary Licensee's pending application for a permanent license, and to conduct such review in time for the transaction to close before January 21, 2025. In support of this request, the Temporary Licensee states:

Statement of Facts

1. The Temporary Licensee currently holds a temporary Category 3 (untethered) sports wagering license, SWCat3-0008, which expires on February 23, 2025.
2. The Temporary Licensee has a pending application for a permanent Category 3 (untethered) sports wagering license before the Commission.
3. In March of 2024, counsel for the Temporary Licensee notified Commission staff that Bally's had announced the formation of a Special Committee to evaluate the possibility of an acquisition of certain outstanding shares in the Corporation by its Chairman and largest shareholder, Soohyung Kim.
4. On July 25, 2024, a more detailed announcement was made about the transaction. Counsel for the Temporary Licensee contacted staff at the Commission by telephone and email to communicate the news and to share a news release summarizing the transaction. A copy of the email sent to staff with the news release is attached as Exhibit 1.

Greenberg Traurig, LLP | Attorneys at Law

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Albany. Amsterdam. Atlanta. Austin. Berlin. Boston. Charlotte. Chicago. Dallas. Delaware. Denver. Fort Lauderdale. Houston. Kingdom of Saudi Arabia. Las Vegas. London. Long Island. Los Angeles. Mexico City. Miami. Milan. Minneapolis. New Jersey. New York. Northern Virginia. Orange County. Orlando. Philadelphia. Phoenix. Portland. Sacramento. Salt Lake City. San Diego. San Francisco. Seoul. Shanghai. Silicon Valley. Singapore. Tallahassee. Tampa. Tel Aviv. Tokyo. United Arab Emirates. Warsaw. Washington, D.C. West Palm Beach. Westchester County.

Operates as: *Greenberg Traurig Germany, LLP; *Greenberg Traurig Khalid Al-Thebity Law Firm; *A separate UK registered legal entity; *Greenberg Traurig, S.C.; *Greenberg Traurig Santa Maria; *Greenberg Traurig LLP Foreign Legal Consultant Office; *Greenberg Traurig Singapore LLP; *A branch of Greenberg Traurig, P.A., Florida, USA; *GT Tokyo Horitsu Jimusho and Greenberg Traurig Gakokuhjimbogoshi Jimusho; *Greenberg Traurig Limited; *Greenberg Traurig Nowakowska-Zimoch Wysokinski sp.k.

5. This transaction involves the reorganization of certain entities that own shares in the Corporation to effectuate Mr. Kim's intention to acquire an additional interest. In order to do this, Mr. Kim is contributing ownership of certain facilities that are owned by other Standard General entities in other states, namely the "Casino Queen" facilities.

6. The transaction has no direct effect and limited indirect effect on the Temporary Licensee in Massachusetts. The Temporary Licensee will remain the licensee post-merger. The relationship between Bally's Interactive, LLC and its corporate parent, Bally's Corporation, Inc., is not impacted and Bally's Corporation will continue to hold a 100% stake in the Temporary Licensee.

7. Indirectly, as a result of decisions by other shareholders to cash out or roll over their shares in the Corporation, the transaction will have the effect of consolidating a majority of ownership in the Corporation in two entities, both of which serve as investment vehicles for Mr. Kim's interests: Standard RI, Ltd., which is already a qualifier in connection with the Massachusetts license; and SG CQ Gaming LLC, a Delaware limited liability company founded in 2019.

8. As noted above, SG CQ Gaming LLC is an investment fund owned by Soohyung Kim, who is the Managing Member and sole officer and employee of the organization.

9. On September 16, after a video conference with representatives of the Corporation, the Director of Licensing wrote Bally's to state that this transaction would be reviewed as if it involved a transfer of interests under 205 CMR 229. A copy of the letter from the Director of Licensing is attached as Exhibit 2.

10. On September 23, 2024, the Temporary Licensee submitted its Initial Scoping Survey materials to the Commission. A copy of the cover letter accompanying that submission is attached as Exhibit 3.

11. As part of that cover letter, the Temporary Licensee shared a projection of ownership of the Corporation with Commission staff. That projection indicates that, if all shareholders who are eligible for the election choose to cash out their shares, SG CQ Gaming, LLC will own approximately 59% of the Corporation, while Standard RI, Ltd. will own approximately 19%. Thus, those projections, which are based on assumptions, represent the maximum amount of shares that will be held respectively by SG CQ Gaming, LLC and Standard RI, Ltd.

12. The Temporary Licensee has since identified a trustee, as would be required if this transaction were reviewed as a transfer of interests, and has submitted a Business Entity Disclosure form on behalf of SG CQ Gaming LLC in advance of receiving a designation letter from the Commission. A copy of the cover letter for these submissions is attached as Exhibit 4.

13. The financing that would underwrite a portion of the transaction includes a substantial "ticking fee," which increases daily and would start to accumulate if the transaction has not closed by January 21, 2025. That date is 99 days away, less than the minimum 120 days required in

regulation for an interim authorization request to be considered by the Commission before closing of a transaction involving a transfer is allowed.

Argument

14. Insofar as Massachusetts is concerned, this transaction involves a temporary sports wagering license issued to the Temporary Licensee under Chapter 23N of the Massachusetts General Laws.

15. The entirety of the statutory provision for transfer review of a sports wagering license is set forth below:

(h) No licensee shall transfer an operator license, or any direct or indirect interest in the license, without the majority approval of the commission. *A person seeking to acquire such license through a transfer* shall qualify and otherwise be determined by the commission to be eligible for licensure under this chapter. The commission may reject a proposed license transfer or a proposed transfer of interest in the license to an unsuitable person and may reject a proposed transfer that, in the determination of the commission, would be injurious to the interests of the commonwealth. The commission may promulgate regulations governing this process which may include assessment of a fee to reflect the cost associated with reviewing the proposed transfer.

Mass. General Laws, ch. 23N, sec. 6(h) (emphasis added). Chapter 23N does not contain relevant definitions such as “transfer,” or “change in control.”

16. Unlike its far more prescriptive and detailed counterpart statute governing casino facilities in Chapter 23K, Chapter 23N does not mention of several of the provisions the Commission has included in the regulation governing the Commission reviews of transfers, 205 CMR 229.

- The statute does not mention the possibility or need for interim authorization, as provided for in 205 CMR 229.03.
- The statute does not mention the need for a trust agreement to secure the performance of obligations, as required under 205 CMR 229.03(6) through (9).
- The statute does not mention the need for an agreement by the transferee to secure the performance of license and permit obligations if a transfer involves a “change in control,” as required under 205 CMR 229.04(1).

17. Applying the statutory definition as written, SG CQ Gaming LLC is simply not a “person seeking to acquire such license through a transfer.” SG CQ’s acquisition of shares in the Corporation is a consequence of Mr. Kim using his existing gaming interests in the Casino Queen as part of the consideration for the transaction, not the reason for the transaction.

18. This transaction does not involve a “transfer” as that term is commonly understood.

- Bally’s Interactive, LLC is and will remain the Temporary Licensee.
- The Temporary Licensee is and will remain a wholly-owned subsidiary of the Corporation.
- Numerous shareholders with stakes that are smaller than the threshold required for qualification are anticipated to cash out their shares.
- Ownership of those shares will be consolidated in SG CQ Gaming LLC, a separate Standard General entity with a single already suitable decisionmaker, which will also hold shares of the Corporation.
- There is no transferee here, in the sense of a new acquiror. An already-qualified owner is increasing his ownership stake through a different investment vehicle.

19. At no point do shares of the Temporary Licensee change hands.

20. The same already-qualified decisionmaker controls all of the entities involved, including SG CQ Gaming LLC.

21. In the Temporary Licensee’s view, this set of facts does not constitute a “transfer” and transfer review via 205 CMR 229 is inapplicable – particularly when there is an alternative to ensure that the Commission conducts all necessary diligence.

22. Treating this as a technical transfer rather than an amendment to existing applications that are still being considered, may unfairly disadvantage Bally’s and burden the Commission, in multiple ways:

- Bally’s organizational structure and the suitability of Bally’s qualifiers are already before the Commission, in the context of Bally’s’ application for a permanent license. The contemplated transaction, if consummated, will result in changes to the information in that application – regardless of whether this is reviewed as a transfer.
- Reviewing as a transfer would potentially require Bally’s to bear redundant investigation costs. Bally’s has already paid the \$200,000 application fee for its pending application for a permanent license, which covers at least the anticipated investigation costs. While Bally’s does not know whether any of that fee remains available, Bally’s does not think it would be fair to require it to pay investigation costs twice – once as an application fee, and again to pay for the Commission’s review of a purported transfer.

- The use of interim authorization in the transfer review process also offers the prospect of two investigations to support the Commission’s final approval of the transaction – once for interim authorization, and once for final approval.
- This potential redundancy could also unfairly prolong consideration of Bally’s pending application for a permanent license, and unnecessarily complicates consideration of whether Bally’s will also need to renew its temporary sports wagering license, which is slated to expire on February 23, 2025.
- Even with the possibility of interim authorization, reviewing this transaction as a transfer interposes a mandatory 120-day period, which starts only upon the submission of a complete application.

23. In other words, considering this as a transfer could result in as many as four investigations ((1) temporary license (if no permanent license is issued by 2/23/25), (2) permanent license, (3) interim authorization of a transfer, and (4) approval of the transfer, by the Commission of the same set of facts – the organization and suitability of the Temporary Licensee and its related qualifiers, including the new qualifier, SG CQ Gaming LLC.

24. These redundant reviews of the same set of facts serve no purpose and unnecessarily delay resolution of the Temporary Licensee’s pending application and its potential application for renewal of a temporary license (if needed).

25. To be clear, Bally’s and the Temporary Licensee are not trying to prevent the Commission from reviewing this transaction. All parties understand and accept that the Commission needs to (1) ensure that qualifiers are evaluated for suitability, and (2) satisfy itself that it has accurately and completely identified all qualifiers, and investigated them.

26. All Parties welcome that oversight.

27. The needed suitability review should take place only in the context of the Temporary Licensee’s application for a permanent license.

28. The Temporary Licensee will, of course, at all times take the steps required by the Commission to ensure performance of its obligations as a license holder. Throughout this review process and at all times, the Temporary Licensee will be here, fulfilling its obligations under its temporary license, and submitting to the Commission’s jurisdiction if the commission believes that those obligations are not being fulfilled.

29. Bally’s believes all of the Commission’s goals can be effectively achieved if the Commission reviews the transaction as part of the permanent license application.

Analysis of Criteria for Approval of a Waiver

30. 205 CMR 202.03(2) states as follows:

Where the Commission waives or grants a variance from any provision or requirement contained in 205 CMR 200.00, not specifically required by law, the waiver or variance shall be conditioned on a finding of the requirements specified in 205 CMR 102.03(4) and a finding that granting the waiver or variance is consistent with the purposes of M.G.L. c. 23N.

31. The standards that are incorporated into that regulation by reference provide:

1. Granting the waiver or variance is consistent with the purposes of M.G.L. c. 23[N];
2. Granting the waiver or variance will not interfere with the ability of the commission or the bureau to fulfill its duties;
3. Granting the waiver or variance will not adversely affect the public interest; and
4. Not granting the waiver or variance would cause a substantial hardship to the person requesting the waiver or variance.

205 CMR 102.03(4)(a).

32. This waiver request satisfies each of these standards.

33. The Temporary Licensee asks the Commission to forego procedures that exist purely by virtue of the Commission's regulation, not by statute.

34. Performing the suitability review for the new majority owner of the Corporation in the context of the other licensing decisions that the Commission has to make, in light of the expiration of the temporary license on February 23, 2025, will enable the Commission to ensure its comfort with the new majority owner as a qualifier.

35. This review will enable the Commission to ensure the suitability of all the Temporary Licensee's qualifiers, one of the predominant purposes of Chapter 23N.

36. Waiving review of the transaction as a "transfer of interests" actually promotes the performance by the Commission of its duties by avoiding redundant and duplicative investigations of the same set of facts, and promoting the efficient dispositions of at least one, possibly two licensing proceedings the Commission must undertake.

37. Because the Commission will still ensure the suitability of the Temporary Licensee's qualifiers, this waiver will not adversely affect the public interest.

Jordan Maynard, Interim Chairman

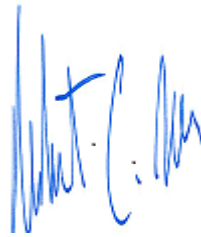
October 14, 2024

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38. Because even a proceeding in which interim authorization is granted will still not be resolved before January 21, 2025 despite the Temporary Licensee's diligent and timely actions and interactions with the Commission, not granting the waiver will cause the Temporary Licensee a substantial financial hardship that is all out of proportion to the benefit it is deriving from its temporary license.

For these reasons, the Temporary Licensee requests that (1) the Commission forego review of the underlying transaction pursuant to 205 CMR 229, (2) carry out any needed suitability review as part of its ongoing licensing proceeding, and (3) complete that review and enable the contemplated transaction to close before January 21, 2025.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Bob Ross", is positioned below the closing text.

Bob Ross

Cc: Dean Serpa, Executive Director

Todd Grossman, General Counsel

Caitlin Monahan, Director, Investigations and Enforcement Bureau

Karalynn O'Brien, Director of Licensing

EXHIBIT 1

DiMare, Michele L. (LSS-Bos-LT)

From: Ross, Bob (OfCnl-BOS-GovLP)
Sent: Thursday, July 25, 2024 9:26 AM
To: 'Kramer, Kathleen'; 'Stempeck, Justin'; O'Brien, Karalyn
Cc: 'Serpa, Dean'; Winkofsky, Edward R. (Shld-Chi-CP); 'Monahan, Caitlin'; 'Torrissi, Carrie'; 'MacKay, David'
Subject: Update on Transaction Involving Bally's
Attachments: CONFIDENTIAL Regulator Courtesy Pre-Notification (07.25.2024 Bally's Corporation).pdf

Kathleen, Karalyn and Justin, I am writing to follow up on the voicemails I left on your office lines earlier this morning. Bally's will be making the announcement described in the attached notification later today, and wanted to be sure that the Commission knew about it before that announcement is made. Please feel free to reach out with any questions the Commission may have.

Bob Ross
Of Counsel

Greenberg Traurig, LLP
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T +1 617.310.5299
Bob.Ross@gtlaw.com | www.gtlaw.com | [View GT Biography](#)



7J: ;4;F \$



Division of Licensing

September 16, 2024

via e-mail only: skim@standgen.com
robesson.reeves@gamesys.co.uk

Soohyung Kim
Managing Partner and Chief Investment Officer
Standard General LP
767 Fifth Avenue, 12th Floor
New York, NY 10153

Robeson Reeves
Chief Executive Officer
Bally's Corporation
100 Westminister Street
Providence, RI 02903

RE: Transfer of Interest Application and Requirements

Mr. Kim and Mr. Reeves:

As you know, Bally's Interactive, LLC (Interactive) holds a temporary Category 3 Sports Wagering Operator License (SWCat3-0008) in Massachusetts. It is our understanding that the Board of Bally's Corporation, Inc. (Bally's), the parent company of Interactive, has entered into an agreement that will ultimately result in Standard General increasing its ownership of Interactive. This transaction constitutes a transfer of interest in a Sports Wagering Operator License. This letter serves as an outline of the transfer of interest process under M.G.L. c. 23N and 205 CMR 229; it is meant to provide guidance on the process, but is not a full recitation of all responsibilities and requirements.

Pursuant to M.G.L. c. 23N, § 6(h), "No licensee shall transfer an operator license, or any direct or indirect interest in the license, without the majority approval of the commission." Further, 205 CMR 229.02 (2): "Any transfer subject to M.G.L. c. 23N § 6(h) that results in a new qualifier being designated in accordance with 205 CMR 215.02: Persons Required to be Qualified must be approved by the Commission." Note: the contract may not specify a closing or settlement date which is earlier than 121 days after the submission of a completed transfer application.

Transfer Application

In order to initiate interim authorization for the proposed transfer, the transferee must submit a transfer application, which consists of: a scoping survey; a Business Entity Disclosure (BED) Form or Multijurisdictional Personal History Disclosure (MJPHD) / Massachusetts Supplement (MA Supp) Form for each new identified qualifier, as designated by the Division of Licensing; and a fully executed trust



Massachusetts Gaming Commission

101 Federal Street, 12th Floor, Boston, Massachusetts 02110 | TEL 617.979.8400 | FAX 617.725.0258 | www.massgaming.com

agreement, pursuant to 205 CMR 229.03(6). The completed Scoping Survey should be accompanied by a cover letter summarizing the transaction and any significant terms, as well as the agreement itself.

I have attached a copy of the required scoping survey. While I understand that the exact percentages may not be known until the transaction is completed, it is vital to the approval process that an accurate description of Bally's ownership structure is provided. The scoping survey will be used to designate the additional qualifiers pursuant to 205 CMR 215.02. Please ensure that the survey includes:

1. An Organizational/ownership chart of Standard General LP, including Standard RI Ltd., SG CQ Gaming LLC, LLCs, members, and all GPs and LPs of the funds that hold ownership shares in Bally's post-merger. This should also include all investment managers or advisers of the funds.
2. Post-merger structure denoting estimated ownership percentages held by each stakeholder (including Bally Management, Fortress, Queen Casino Management, Noel Hayden, BlackRock, and any other potential owners who may have more than 10% ownership).
3. Ultimate beneficial owner(s), Officers, Directors of Bally's of Queen Casino after the merger transaction who will have influence or control over Bally's Interactive, LLC.
4. The identity of the trustee.

Failure to provide a complete survey will result in delay the submission of the transfer application, and ultimately lengthen the timeline for the approval process.

Once the scoping survey has been reviewed, the Licensing Division (Licensing), in consultation with the Investigations and Enforcement Bureau (IEB), will provide a designation letter, indicating which persons must submit suitability applications. For reference, the BED and MJPHD / MA Supp forms have also been attached. Upon receipt of the designated applications, Licensing will review all application materials for administrative completeness and sufficiency. Once the transfer application has been deemed complete, Licensing will notify all parties. Pursuant to 205 CMR 229.03(5), the IEB will then commence an investigation into the suitability of the transferee, which may be limited to a review of the information required to be reviewed in an investigation undertaken in accordance with 205 CMR 215.01(2)(b). The Bureau shall produce and forward to the Commission an interim authorization report. The Commission will then hold a hearing in accordance with 205 CMR 101.01(2)(d) and render a decision on the interim authorization of the proposed transferee within 120 days, or prior to the proposed closing or settlement date. If the Commission approves interim authorization, the Commission shall hold a hearing and render a determination on the suitability of the applicant in accordance with 205 CMR 215.01(1).

Note: The Commission may require submission of any additional application materials to assist in any of the below decisions pursuant to 205 CMR 229.04(3).

Change of Control

Preliminary discussions with Bally's Corporation have indicated that the minimum percentage ownership that will be attributed to Mr. Kim, or Standard General would be 60%. This constitutes a change of control, pursuant to 205 CMR 229.04(1). Therefore, as part of the interim authorization process, Mr. Kim must



Massachusetts Gaming Commission

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provide the Commission a written agreement to assume all obligations of the Sports Wagering Licensee including, but not limited to, commitments made in the Sports Wagering License Application, all terms and conditions contained in the Sports Wagering License, Operation Certificate, and all permits, licenses, and other approvals issued by any federal, state, and local governmental agencies. Additionally, the written agreement shall include attestations from the transferor and transferee, accompanied by relevant supporting documentation, that the transfer comports with all applicable terms and conditions.

You may also petition the Commission for modification of these commitments, provided that they are not inconsistent with M.G.L. c. 23N or 205 CMR. A request for modification of commitments should be provided at least 60 days prior to the date of interim authorization.

Interim Authorization Decision

The Commission will review the transfer application in accordance with the factors delineated in 205 CMR 229.03(5). If interim authorization is approved, then the closing or settlement may occur, and the prospective transferee may hold the securities or interests subject to the provisions of 205 CMR 229.03(4) until a final determination of suitability is made by the Commission.¹ If, after a hearing, the Commission denies interim authorization, there shall be no closing or settlement of a contract to transfer an interest governed by 205 CMR 229.03(1) until the Commission makes a final determination on the suitability of the transferee in accordance with 205 CMR 215.01(1).

If the Commission approves interim authorization, during the period of interim authorization, the IEB will continue its suitability investigation. Within nine months, the Commission will hold a hearing and render a determination on the suitability of the applicant in accordance with 205 CMR 215.01(1). This timeline may be extended for one three-month period.

If you have any questions about the above process, please do not hesitate to contact me.

Sincerely,

Karalyn O'Brien
Licensing Division Chief
Massachusetts Gaming Commission

CC: Dean Serpa, Executive Director, MGC
Caitlin Monahan, Investigations and Enforcement Bureau Director, MGC
Todd Grossman, General Counsel, MGC
Kathleen Kramer, Interim Chief Enforcement Counsel and IEB Assistant Director, MGC

¹ If the commission grants interim authorization for any transfer, it may at any time order all securities and interests subject to the transfer transferred into the trust if it finds reasonable cause to believe that the proposed transferee may be found unsuitable. If a prospective transferee fails or refuses to timely transfer securities and interests into the trust upon direction from the Commission said transferee shall be issued a negative determination of suitability. *See* 205 CMR 229.03(4).



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David MacKay, Licensing Manager, MGC
Lisa Brookner, Licensing Intake Officer, MGC
Brett Calapp, Chief Operating Officer, Bally's
Bob Ross, Of Counsel, Greenberg Traurig

Enc: Scoping Survey
BED Form
MJPHD Form
MA Supp Form
Certification Regarding Suitability
Tax Certification – Business
Tax Certification -- Individual



Massachusetts Gaming Commission

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September 23, 2024

Dear Ms. O'Brien:

Thank you for your communication of Monday, September 16 with the Scoping Survey and related materials. With this letter, Bally's is uploading to the Commission its Scoping Survey and accompanying materials.

As you are aware, these materials relate to a transaction involving parent companies of Bally's Interactive, LLC, which holds a temporary Category 3 (untethered) sports wagering license (SWCat3-0008) from the Commission. Bally's Interactive, LLC also has a pending application for a permanent sports wagering license before the Commission.

As requested, we will upload separately the Agreement and Plan of Merger dated July 25, 2024. In August, we provided you the Finance Commitment Letter that is referenced in that Agreement.

You asked that the cover letter summarize "the transaction and any significant terms." This transaction involves the reorganization of certain entities that own shares in Bally's Corporation, Inc. The primary purpose of this transaction is to consolidate ownership of certain facilities that are owned by Bally's in other states, namely the "Casino Queen" facilities. The transaction has no direct effect on the licensee in Massachusetts, Bally's Interactive, LLC, which will remain the licensee post-merger. It also has no direct effect on the relationship between Bally's Interactive, LLC and its corporate parent, Bally's Corporation, Inc., which will continue to hold a 100% stake in the licensee.

Indirectly, as a result of decisions by other shareholders to cash out or roll over their shares in Bally's Corporation, Inc., the transaction will have the effect of consolidating a majority of ownership in Bally's Corporation, Inc., the direct parent of the licensee, in two entities: Standard RI, Ltd., which is already a qualifier in connection with the Massachusetts license; and SG CQ Gaming LLC. The basis for the projected shares of Bally's Corporation, Inc. that will be owned by these two shareholders is explained more fully below.

A more complete summary of the entire transaction, which is dated August 1, 2024 and was provided to the Commission in August, is attached to this letter as **Exhibit 1**.

In your September 16 message, you requested that the Scoping Survey address:

Greenberg Traurig, LLP | Attorneys at Law

One International Place | Suite 2000 | Boston, Massachusetts 02110 | T +1 617.310.6000 | F +1 617.310.6001

Albany. Amsterdam. Atlanta. Austin. Berlin. Boston. Charlotte. Chicago. Dallas. Delaware. Denver. Fort Lauderdale. Houston. Kingdom of Saudi Arabia. Las Vegas. London. Long Island. Los Angeles. Mexico City. Miami. Milan. Minneapolis. New Jersey. New York. Northern Virginia. Orange County. Orlando. Philadelphia. Phoenix. Portland. Sacramento. Salt Lake City. San Diego. San Francisco. Seoul. Shanghai. Silicon Valley. Singapore. Tallahassee. Tampa. Tel Aviv. Tokyo. United Arab Emirates. Warsaw. Washington, D.C. West Palm Beach. Westchester County.


Operates as: *Greenberg Traurig Germany, LLP; *Greenberg Traurig Khalid Al-Thebity Law Firm; *A separate UK registered legal entity; *Greenberg Traurig, S.C.; *Greenberg Traurig Santa Maria; *Greenberg Traurig LLP Foreign Legal Consultant Office; *Greenberg Traurig Singapore LLP; *A branch of Greenberg Traurig, P.A., Florida, USA; *GT Tokyo Horitsu Jimusho and Greenberg Traurig Gaiokuhjimbegoshi Jimusho; *Greenberg Traurig Limited; *Greenberg Traurig Nowakowska-Zimoch Wysokinski sp.k.

1. An Organizational/ownership chart of Standard General LP, including Standard RI Ltd., SG CQ Gaming LLC, LLCs, members, and all GPs and LPs of the funds that hold ownership shares in Bally's post-merger. This should also include all investment managers or advisers of the funds. **See Exhibit 2 to this cover letter.**
2. Post-merger structure denoting estimated ownership percentages held by each stakeholder (including Bally Management, Fortress, Queen Casino Management, Noel Hayden, BlackRock, and any other potential owners who may have more than 10% ownership). **See Exhibit 3 to this cover letter.**
3. Ultimate beneficial owner(s), Officers, Directors of Bally's of (sic) Queen Casino after the merger transaction who will have influence or control over Bally's Interactive, LLC. **The individuals listed in the Scoping Survey attachment entitled, "Control," lists the individuals who will have influence or control over Bally's Interactive, LLC after the merger.**
4. The identity of the trustee. **A trustee has not yet been identified. Bally's understands that any trustee that is identified will have to be able to be qualified in Massachusetts.**

The shares of ownership that are projected in Exhibit 3 reflect an assumption that all shareholders who are eligible for the election will choose to cash out their shares, rather than roll them over to the surviving entity under the "Rolling Share Election" provided for in the Agreement and Plan of Merger. Thus, the projections in Exhibit 3 represent the maximum amount of shares that will be held by SG CQ Gaming, LLC and Standard RI, Ltd. These projections will need to be updated as additional information about those elections becomes available.

I look forward to working with you and the Commission on behalf of Bally's to facilitate the timely and satisfactory review of this transaction. Thank you and please do not hesitate to reach out with any questions you have.

Very truly yours,



Bob Ross

EXHIBIT 4

October 14, 2024

Karalyn O'Brien
Chief, Licensing Division
Massachusetts Gaming Commission
101 Federal Street, 12th Floor
Boston, Massachusetts 02110

Dear Ms. O'Brien:

I write to provide further information in connection with Bally's Interactive, LLC's submission of September 23, 2024 regarding the pending transaction involving Bally's Corporation, the holding company of Bally's Interactive, LLC.

With this cover letter I am supplying a fully executed Business Entity Disclosure Form and supporting materials on behalf of SG CQ Gaming LLC, the entity that under the pending transaction would come to own a majority share of Bally's Corporation.

I am also writing to identify Standard RI Ltd. as the trustee for the Declaration of Trust that will be submitted upon execution. Standard RI Ltd. is already a qualifier before the Commission.

I look forward to working with you and the Commission on behalf of Bally's to facilitate the timely and satisfactory review of this transaction. Thank you and please do not hesitate to reach out with any questions you have.

Very truly yours,



Bob Ross

Greenberg Traurig, LLP | Attorneys at Law

One International Place | Suite 2000 | Boston, Massachusetts 02110 | T +1 617.310.6000 | F +1 617.310.6001

Albany. Amsterdam. Atlanta. Austin. Berlin. Boston. Charlotte. Chicago. Dallas. Delaware. Denver. Fort Lauderdale. Houston. Kingdom of Saudi Arabia. Las Vegas. London. Long Island. Los Angeles. Mexico City. Miami. Milan. Minneapolis. New Jersey. New York. Northern Virginia. Orange County. Orlando. Philadelphia. Phoenix. Portland. Sacramento. Salt Lake City. San Diego. San Francisco. Seoul. Shanghai. Silicon Valley. Singapore. Tallahassee. Tampa. Tel Aviv. Tokyo. United Arab Emirates. Warsaw. Washington, D.C. West Palm Beach. Westchester County.

Operates as: *Greenberg Traurig Germany, LLP; *Greenberg Traurig Khalid Al-Thebity Law Firm; *A separate UK registered legal entity; *Greenberg Traurig, S.C.; *Greenberg Traurig Santa Maria; *Greenberg Traurig LLP Foreign Legal Consultant Office; *Greenberg Traurig Singapore LLP; *A branch of Greenberg Traurig, P.A., Florida, USA; *GT Tokyo Horitsu Jimusho and Greenberg Traurig Gaiokuhonjimbegoshi Jimusho; *Greenberg Traurig Limited; *Greenberg Traurig Nowakowska-Zimoch Wysockinski sp.k.

Bally's

Company Structure

Current &
Future
State

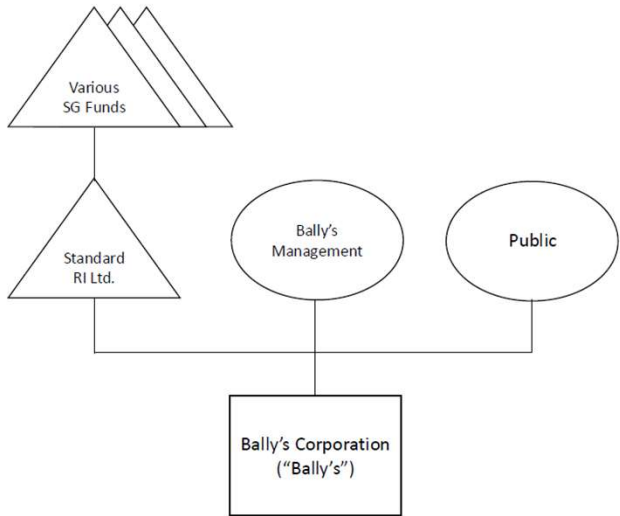
Company Structure Highlights

- ❖ Bally's Corporation and Queen Casino are to be combined into one company with Queen Casino becoming a wholly-owned subsidiary of Bally's.
- ❖ SQ CQ Gaming LLC and Standard RI Ltd will both be on top/hold shares of Bally's.
- ❖ Queen Casino shareholders will convert to Bally's common stock.
- ❖ Shareholders have the option to roll shares over into new company or receive cash for shares.
- ❖ Standard General will be majority shareholder of the newly formed company and associated holdings.



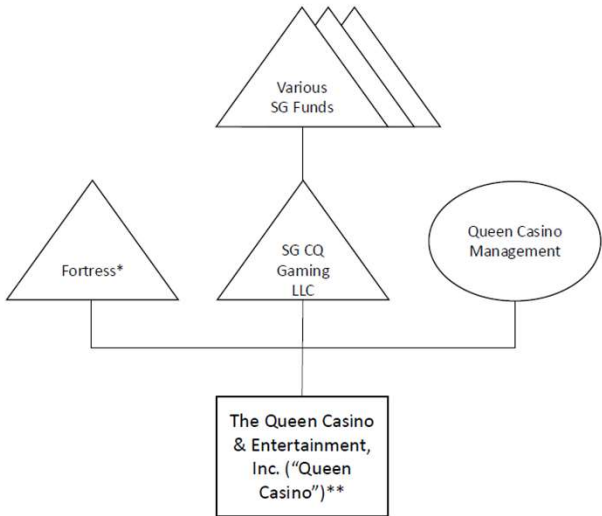
Company Structures – Pre-merger

Bally's Corporation



* Fortress owns penny warrants exercisable for Queen Casino stock.
 ** Queen casino subsidiaries reflected on the following slide, slide 4.

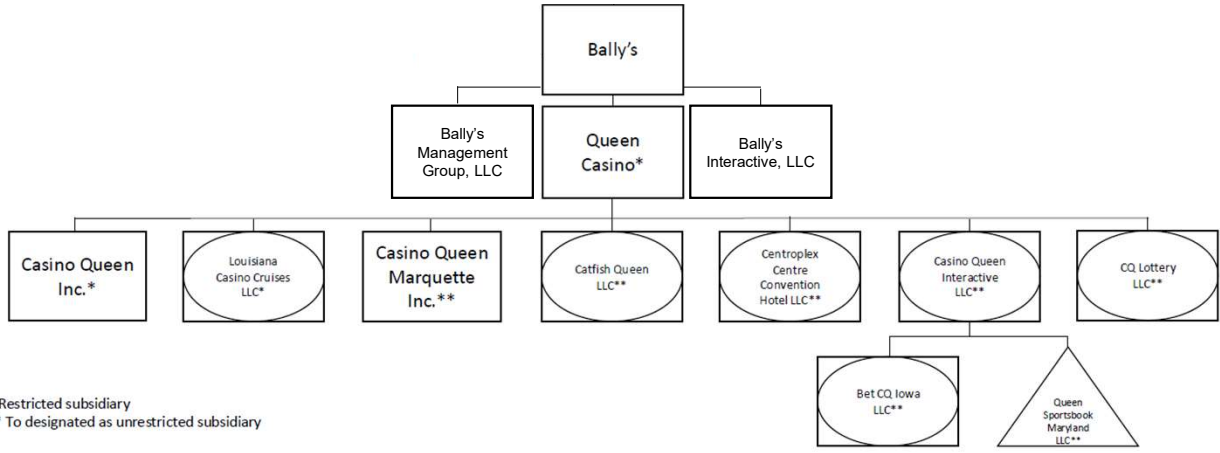
Queen Casino



Key Considerations:

- ❖ Bally's Corporation and Queen Casino existing structures both have ownership interests from Standard General.
- ❖ Both Bally's Corporation and Queen Casino structures through Standard General funds.
 - ❖ Bally's interest is through Standard RI Ltd.
 - ❖ Queen Casino interest is through SG CQ Gaming LLC.

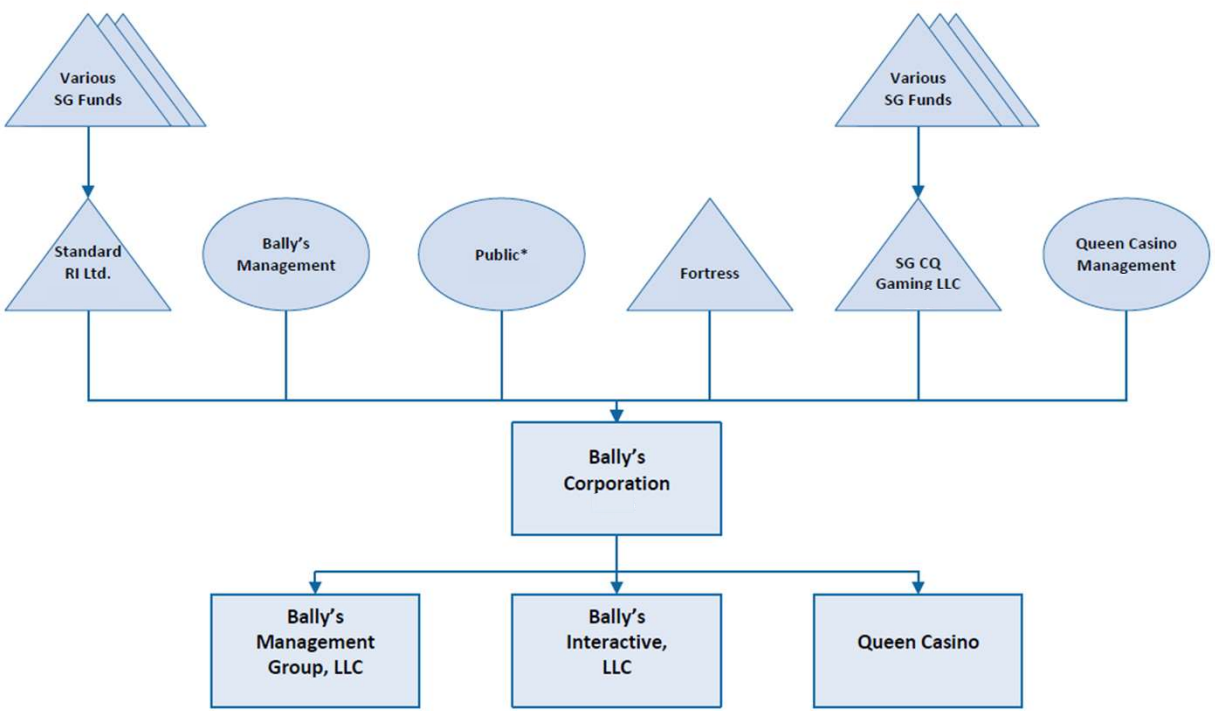
Company Structure – Post Merger



Key Considerations

- ❖ Future structure combines Bally’s Corporation with Queen Casino.
- ❖ Structure combines the holdings of Standard RI Ltd. and SG CQ Gaming LLC along with any outstanding and rollover shares of Bally’s Corporation.
- ❖ Existing Bally’s Management Group, LLC and Bally’s Interactive, LLC are not impacted by this merger directly.

Anticipated Company Ownership Post Merger



Key Considerations

- ❖ Standard General to be majority shareholder of the company through Standard RI Ltd. and SG CQ Gaming LLC.
- ❖ There will be additional minority shareholder investments through public ownership, Bally's Management, and Fortress..
- ❖ Bally's Corporation is the parent organization for operations of Bally's Management Group LLC, Bally's Interactive LLC, and Queen Casino.

*Includes Noel Hayden (11%) and all Other (3%)

The image features a dark blue background with a repeating pattern of various sports-related icons and text. The icons include a hockey stick with 'SCORE', a 'PDR PAW', a 'TUP!', a 'BURST', a 'STRIKE' with a boxing glove, a 'RAISE' with a gear, a 'SCORE' with a hockey stick, a 'FLIP' with a disc, a 'GO GO GO' with an arrow, a 'PRO FLY', a 'SPIN' with a top, a 'TRIPLE' with a horse, a 'SWISH' with a basketball, a 'POWER UP' with a battery, a 'SLAM' with a basketball, a 'THROW' with a ball, a 'NIGS SPIN' with a top, a 'SLAM' with a basketball, a 'WIN' with a trophy, a 'SCORE' with a starburst, and an 'ENTER' with a button. The Bally's logo is centered in a white, cursive font, flanked by two horizontal red lines.

Bally's

Thank you

**MASSACHUSETTS GAMING COMMISSION
TRUST AGREEMENT**

THIS AGREEMENT (this “Agreement”) is made and entered into as of November 21, 2024, between Bally’s Corporation, a Delaware Corporation (the “Company”) and Craig Eaton, the Senior Vice President and Secretary for Bally’s Interactive, LLC (the “Trustee”), for the purposes of complying with the regulations of the Massachusetts Gaming Commission (the “Commission”) on the terms and conditions set forth herein.

RECITALS

WHEREAS, Bally’s Interactive, LLC, (the “Licensee”), a wholly owned subsidiary of the Company, currently holds a temporary Category 3 (untethered) sports wagering license, SWCat3-0008, issued by the Commission permitting the Licensee to offer regulated sports wagering in Massachusetts;

WHEREAS, the Company has entered into that certain Agreement and Plan of Merger dated as of July 25, 2024 (“Merger Agreement”) pursuant to which the Company will acquire The Queen Casino & Entertainment, Inc, (the “Queen”), a regional gaming, hospitality and entertainment company that currently owns and operates, through various subsidiaries, four casinos across Illinois, Iowa, and Louisiana;

WHEREAS, as a result of the Merger Agreement, the Queen will become a wholly-owned, direct subsidiary of the Company and neither the Queen nor any subsidiary of the Queen will acquire an interest in the Company or the Licensee, but rather the Queen will share a common parent company with the Licensee, namely, the Company;

WHEREAS, in consideration for the Company’s acquisition of the Queen, the Company will issue shares of stock to SG CQ Gaming, LLC, an entity owned, through various funds and subsidiaries, by the Company’s Chairman and largest shareholder, Soohyung Kim (collectively, with SG CQ Gaming, LLC, the “Transferee”);

WHEREAS, the Company will also redeem publicly traded shares of the Company, after which the repurchased shares will be canceled; and

WHEREAS, as outlined above the Merger Agreement results in the change of ownership of the Company, the parent company of the Licensee and therefor implicates the obligations of Section 229.03 of the Commissions Regulations, which require, among other things, that the Licensee submit a Trust Agreement that complies with 205 CMR 229.03(6);

NOW, THEREFORE, the Company hereby appoints the Trustee for the limited purpose of complying with the Commission’s regulations as more fully set forth below.

1. Transfer of Shares into the Trust. If, and only if, (1) the Commission at any time after granting interim authorization finds reasonable cause to believe that the Transferee may be found unsuitable, or (2) the Investigations and Enforcement Bureau of the Commission so directs in its discretion, all of the Transferee's proposed present and future right, title and interest in the Licensee, or its parent, holding or intermediary company, including all voting rights in securities (collectively, the “Interest”) shall be promptly transferred into the Bally’s Corporation Trust (the “Trust”), for the benefit of the Transferee, pending a final suitability determination by the Commission.

2. Powers and Trustee. Upon the transfer of the Interest to the Trust, (a) the Trustee shall exercise all rights incident to the ownership of the Interest subject to the Bally’s Trust,

including voting rights, and shall be vested with all powers, authority and duties necessary to the unencumbered exercise of such right; (b) the Transferee shall have no right to participate in earnings realized from the operations of the temporary license holder by virtue of the Interest while the Interest are held by the Trust; and (c) while the Interest are held by the Trust, any earnings realized from the operations of the Licensee by virtue of the Interest shall accrue to or into the Trust and be held in escrow by the Trust, subject to the following conditions:

1. If the Trust holds the Interest when the Commission issues a final positive determination of suitability of the Transferee, then the Trustee shall (A) promptly transfer to the Transferee all right, title and interest in the Interest; and (B) pay to the Transferee any earnings realized from the operations of the Licensee by virtue of the Interest that accrued to or into the Trust while the Trust held the Interest; or
11. If the Trust holds the Interest when the Commission issues a final negative determination of suitability of the Transferee pursuant to 205 CMR 215.00, then the Trustee shall distribute the Interest and all earnings in respect of the Interest that accrued to or into the Trust while the Trust held the Interest shall promptly, and in any event within one hundred twenty (120) days, be distributed to the Company.

Any direction by the Transferee which is inconsistent with the express terms of the Trust shall be disregarded by the Trustee. Notwithstanding any provisions contained herein, no Trustee shall be required to take any action which will, in the opinion of such Trustee, involve him/her/it in any personal liability unless first indemnified to his/her/its satisfaction. Any person dealing with the Trustee shall be fully protected as provided in Paragraphs 8 and 9 hereof.

3. Compensation. The Trustee shall dedicate such time as is necessary to carry out the duties of Trustee under the Trust, and shall be compensated for costs and expenses in the following manner, subject to approval by the Commission of such compensation:

The Trustee shall be reimbursed for out-of-pocket expenses and fees advanced or reasonably incurred by the Trustee during the ordinary course of Trustee's service or required by Trustee to discharge its duties as Trustee; provided, however, that in no event shall the Trustee make any distributions of the funds held in escrow by the Trust (except as required under Paragraph 2 above).

The Trustee shall not be compensated for services rendered.

4. Termination. The Trust may be terminated on the earlier of:
(a) the date on which the Commission issues the Transferee a final positive determination of suitability (and in the event the Interest are then held by the Trust, when the Trustee transfers the Interest to the Transferee), or (b) when the Commission issues the Transferee a final negative finding of suitability (and in the event the Interest are then held by the Bally's Trust, when the Trustee distributes shares to the Company, as described in paragraph 2), or (c) prior to a determination of suitability being issued, upon Commission approval at the request of the Transferor, or (d) upon the surrender or termination of the Licensee's sports wagering license.

5. Appointment and Changes of Trustees. The Trustee and any succeeding or additional Trustees may only be appointed with the approval of the Commission. With the prior written consent of the Commission, the Trustee hereunder may resign by written instrument signed and acknowledged by such Trustee. Any Trustee may be removed by an instrument or instruments

in writing, signed by the Transferee with the approval of the Commission. Any instrument described in the preceding sentence shall include a certificate by any person then shown to be a Trustee, setting forth the name of the Trustee or Trustees appointed or removed, and, in the case of any appointment, the acceptance in writing by the Trustee or Trustees appointed. So long as there is at least one Trustee serving hereunder, no successor shall be required. Upon appointment of any succeeding Trustee, the title to the trust estate shall thereupon, and without the necessity of any conveyance, be vested in said succeeding Trustee jointly with the remaining Trustee, if any. Each succeeding Trustee shall have all the rights, powers, authority and privileges as if named as an original Trustee hereunder. No Trustee shall be required to furnish bond.

6. Amendment. With the prior written consent of the Commission, this Agreement may be amended from time to time by an instrument in writing signed by the then Trustee and Transferee hereunder and acknowledged by one or more of such Trustees or Transferee.

7. Liability. No Trustee hereunder shall be liable for any error of judgment nor for any loss arising out of any act or omission in good faith, but shall be responsible only for his/her/its own willful breach of trust. No license of court shall be requisite to the validity of any transaction entered into by the Trustee. The Trustee shall be entitled to indemnity by the Transferee against any liability incurred in the execution of the Trustee's duties hereunder, including, without limitation, liabilities in contract, in tort, and for damages, penalties, and fines, but not occasioned by such Trustee's breach of this Agreement, own gross negligence, or personal and willful malfeasance. Neither the Licensee nor the Company shall have any liability for actions of the Trustee pursuant to this Agreement.

8. Reliance by Third Parties. Every agreement or other instrument affecting the trust estate, or any certificate showing the amendment hereof or the appointment or removal of a Trustee, executed by any person who appears to be a Trustee hereunder shall be conclusive evidence in favor of every person relying thereon or claiming thereunder that, at the time of the delivery thereof, this trust was in full force and effect and that the execution and delivery thereof by the Trustee was duly directed by the Transferee. Any person dealing with the trust property or the Trustees may always rely, without further inquiry, on a certificate signed by any person appearing from the records on file with the Commission to be a Trustee hereunder as to who are the Trustees or who are the Transferee hereunder, or as to the authority of one or more of the Trustees to act, or as to the existence or non-existence of any fact or facts which constitute conditions precedent to acts by one or more of the Trustees, or which are in any other manner germane to the affairs of this trust.

WITNESS the execution hereof, under seal, in any number of counterparts, each of which shall be an original, but all of which constitute one and the same instrument, by the Trustee hereinabove named, effective as of the date first written above, regardless of the date on which the Trustee executes this Agreement.

Name: _____

STATE OF _____

_____ COUNTY

On this _____ day of _____, 2024, before me, the undersigned notary public, personally appeared, _____ proved to me through satisfactory evidence of identification, which was personal knowledge, to be the person whose name is signed on the preceding or attached documents, and acknowledged to me that he signed the document voluntarily for its stated purpose.

(official signature and seal of notary)

My commission expires:
