



SPORTS WAGERING STUDY:

Determining the Optimal Number of Online Service Providers in Rhode Island

Prepared for Rhode Island Lottery
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Executive Summary

The Rhode Island Lottery (“the Lottery”) in November 2024 selected Spectrum Gaming Group to undertake an independent “Sports Wagering Study that recommends how to maximize the State of Rhode Island’s revenue by determining the optimal number of online sports wagering service providers” in the state.

Spectrum notes that certain recommendations and suggestions made in this report for the optimal benefit of the State of Rhode Island would require an amendment to the State¹ Constitution and/or statutes, and we have noted throughout this report where such modifications would be required.

A. Key Findings and Conclusions

1. General Laws and Constitutional Restrictions

- There is no prohibition in the Rhode Island statute regarding the number of authorized service providers. However, by law, the server utilized for sports wagering must be located inside the existing gaming facilities. The State Constitution would need to be amended to allow for any modification of the statute by the State Legislature, which would require successful passage of a voter referendum.²
- Betting brands that are dominant in other states – including Connecticut and Massachusetts – are not available in Rhode Island. We note that the Lottery issued an RFP to solicit sports-wagering providers upon the authorization of sports wagering in the state, and IGT was the only company to respond by the RFP deadline.
- Rhode Island has the highest effective tax rate³ – which is actually a revenue share in this state – in the country for sports wagering at 51% of gross gaming revenue (“GGR”), equal to that imposed in New Hampshire and New York. By adding the mandatory Host Facility fee of 17%, the effective tax rate equates to 68%.
- The current framework governing sports wagering within the state has been developed to follow Constitutional requirements and coincide with the Lottery’s other gaming operations to create familiarity and scale where applicable and to comply with the State Constitution.

¹ Where “State” is capitalized in this report, it refers generally to the Rhode Island government.

² RI Const Art.VI, §22.

³ To the extent that the terms “tax” and “tax rate” are used in this document in relation to the revenue received by the State of Rhode Island or the Rhode Island sports wagering vendors, it should be explicitly understood that the Rhode Island Lottery, as operator of all lotteries, including sports wagering, in Rhode Island receives 100% of sports wagering revenue and shares portions of such revenue with the Rhode Island casinos/host facilities (Bally’s) and Rhode Island sports wagering vendors in accordance with R.I. Gen. Laws § 42-61.2-5. The terms “effective tax rate” and “effective tax revenue” are used in certain parts of this report to provide a comparison among states of required percentages of sports wagering revenue that must be shared with the host state in one manner or another.

Figure A: Summary of key sports-wagering laws in Northeast states

State	Age to Wager	Effective Tax Rate on Gaming Revenue	Number of Authorized Operators ⁴ /Providers	Operator Fee
RI	18	51%	1	None
CT	21	13.75%	3 online 15 retail locations/ 1 operator (10 in operation)	\$250,000 online \$20,000 non-tribal retail
ME	21	10%	4 online (2 in operation) 10 retail (0 in operation)	\$200,000 online \$4,000 retail
MA	21	20% online 15% retail	13 online (7 in operation) 3 casinos	\$5 million (\$1 million per year for 5 years)
NH	18	51% online 50% retail	5 online (1 in operation) 10 retail (1 in operation)	None
NJ	21	14.25% online 9.75% retail	14 online 12 retail	\$100,000
NY	21	51% online 10% retail	9 online 3 retail	\$25 million online None retail
VT	21	31.7% ¹	6 online (3 in operation)	\$550,000

Source: State regulators, Spectrum Gaming Group research. ¹ By statute, the Vermont minimum rate is 20%, but operators can pay more through a competitive bidding process.

2. Responsibility of Operational Services

- The rules and regulations developed by the Lottery to govern a single-operator/provider framework are recognized as best practices and complementary to the regulations and requirements of other forms of gaming within the state.
- These same Lottery rules and regulations are easily recognized by any mature, multi-jurisdiction operator; however, in Rhode Island the inclusion of the Host Facilities' oversight into the sports-wagering provider's financial, risk and fraud operations creates unique challenges for all parties involved.
- The Host Facilities' legal obligation to undertake those duties on behalf of a potential online competitor, and being paid 17% of net gaming revenue to do so, presents undue costs and complications not experienced in other competitive markets. The Host Facilities may be in a position of conflict when prioritizing services such as the approvals of financial transactions, and they potentially are less efficient than larger operators handling these activities themselves at more cost-effective scale.

⁴ To the extent that the term "operate" is used in this document in relation to the participation of the Rhode Island casinos/host facilities (Bally's), any Rhode Island sports wagering vendor, or any other entity involved in Rhode Island sports wagering (collectively "Rhode Island Lottery contracted vendors"), it should be explicitly understood that Rhode Island sports wagering is in fact operated by the State, through the Rhode Island Lottery, as required by the Rhode Island Constitution. The Rhode Island Lottery, as the operator of Rhode Island sports wagering, has full control over all aspects of the functioning of Rhode Island sports wagering, including the participation of Rhode Island Lottery contracted vendors therein, with the power and authority to make all decisions related thereto. Therefore, the use of the term "operate" herein is not intended to imply that any person or entity other than the State (through the Rhode Island Lottery) operates the lotteries, including sports wagering, as provided in Section 15 of Article VI of the Rhode Island Constitution.

- The logistics of multiple online sports-wagering providers all relying on the Host Facilities for these essential services would undoubtedly create additional workload as well as increase the risk for non-compliance due to multiple systems, definitions of data, and workflows involved.
- Changes to State law calling for the exclusion of Host Facilities from online provider activities would not negatively impact the Lottery's ability to regulate and audit multiple providers and their activities. However, it may create further logistical considerations related to server hosting that would require the Host Facilities to be compelled legally to work with online providers directly vs. through the Lottery.
- The Lottery's legal obligation to own the player data and approve all marketing initiatives is likely to limit the interest of multi-jurisdiction operators.
 - Owning the player data and exposing players to multiple products and a traveling wallet with their cashable balance available in any state is a core initiative of multi-jurisdiction operators.
 - The current processes for approving, reviewing and auditing promotions would not be applicable to larger operators, who design marketing calendars and promotional schemes on a national scale.
- The State's main challenge in considering allowing multiple online sports-wagering providers would be understanding the value of any reform efforts.
 - Reforms would be required to remove dependencies on the Host Facilities, which creates inconsistencies with the State's other forms of gaming and Constitutional requirements.
- Two separate requests for proposals addressing both the brand name business-to-consumer ("B2C") providers and the traditional business-to-business ("B2B") providers with a clear outline of current legal obligations of all current and potential partners would educate the market to the State's unique framework and allow for public comment from respondents on any items that would prohibit them from providing proposals to operate in the State. This process would provide the Lottery with a litmus test as to the feasibility with which different types of partners perceive those obligations and the most prominent items that any new Reform may need to address to attract enough interest.
- A Request for Proposal only to a B2B supplier may present superior tools available to the Lottery to conduct online sports wagering vs. the current solution.
 - In place of multiple B2C providers, Spectrum believes the State to have ample tools at its disposal to facilitate organic growth within online sports wagering by simply merging the use of the online sports wagering and online casino B2C providers into a single offering, without the need for material change to rules, regulations or statute.
 - Merging online sports wagering and online casino into a single operation creates further synergies and efficiencies in conducting compliance monitoring and audits as well as presenting significant savings in operating costs related to payment processing, geolocation and ID verification, which can drag down bottom line revenues. While it is understood that Bally's is the exclusive provider of online

casino, an arrangement is possible where the online sports wagering is operated by a different entity and still merged into a single offering to the player.

3. Attractiveness of Rhode Island Market

- Spectrum compared Rhode Island to nine sports-wagering jurisdictions, segmenting them into (a) proximate states and (b) lottery-operated states. The proximity comparable markets we analyzed are Connecticut, Maine, Massachusetts, New Hampshire and Vermont. The lottery-operated comparable states are Delaware, the District of Columbia, Oregon and West Virginia.
 - The New England markets outperformed the states where the lottery is the operator of sports wagering. Spectrum believes this is primarily because the proximity-comparable states have a more market-oriented regulatory infrastructure and operating paradigm, whereas the lottery-operated comparable states tend to have no competition or limited competition.
 - Of note, lottery-operated District of Columbia commenced operations with a single operator whose product was not considered to be localized nor operated in a manner conducive to best practices compared to neighboring markets. It was only after reforming operations and expanding beyond the initial monopoly to include localized operators with scale and brand recognition that the District achieved a 254% year-over-year growth and per-capita handle on par with the market-oriented, proximity-comparable states.
- Spectrum found certain commonalities of the high-performing and low-performing sports-wagering markets:
 - A competitive market with multiple operators is the No. 1 criteria, in our opinion, in generating higher handle per capita and GGR.
 - Proximity to professional sports teams and their fanbases seems to have a minor correlation with per-capita wagering.
 - A high effective gaming tax rate has an impact on relative performance of a sports-wagering market as operators adjust line items, such as marketing spend and promotional allowance. Generally speaking, some operators will also adjust odds and payout rates to partially offset the higher gaming effective tax expense; the Rhode Island Lottery advised that its provider does not make these adjustments. Still, at a handle of \$435 per capita, Rhode Island exceeds the per capita handle of all the lottery-operated competitive set and at a 51% revenue-share arrangement, the \$17.45 per capita effective taxes paid to the State is the third-highest among the competitive set.⁵

⁵ Spectrum uses taxes throughout this report for all of the states that were studied. As noted above, Rhode Island is the operator of the sports book and pays a fee to the provider. They do not technically collect taxes, but we are using the term loosely to define the share of sports betting revenue that nets to the State.

4. Optimal Number of Online Sports-Wagering Providers

- Given the current structure of the Rhode Island market, notably the 51% GGR revenue share to the State and the 17% hosting fee paid to Bally's, there would be limited interest from sports-wagering operators to enter the Rhode Island sports-wagering market.
 - However, if the State were to enact Constitutional, legislative, and regulatory reforms to enhance competitiveness, there would be interest from third-party sports-wagering companies in offering a sports-wagering solution in the state.
 - When comparing Rhode Island to the other New England states, we look at both allowed online operators, as well as the amount licensed and in operation. For example, the range of providers allowed but not necessarily operating is one skin per 108,000 residents at the low end and one skin per 1.2 million residents at the high end. When considering the live operators the range is between 216,000 and 1.4 million residents per operator.
- Based on the above analysis, taking into account the population of Rhode Island, the relative wealth of its citizens, in-state and out-of-state commutation, and participation in sports wagering, Spectrum believes Rhode Island, if feasible, should open its market to a total of four to six online sports-wagering providers, combined with other structural reforms such as a lower effective tax rate and reducing the host fee to Bally's. This would equate to two to three available skins to Bally's and to the Rhode Island Lottery, or 185,000 to 278,000 residents per provider, at the low end of the range of sports book providers allowed. However, to enact these types of reforms to the market, Rhode Island would have to amend the State Constitution, which might make this recommendation all but infeasible. There are other incremental recommendations that may be more feasible for Rhode Island.

5. Financial Analysis, Economic Impact to Attract the Optimal Number of Online Sports-Wagering Providers

- Spectrum believes market-based reforms would result in higher GGR to the State of Rhode Island. The upside potential for GGR is somewhat limited because the amount wagered on a per capita basis is already relatively high compared with other lottery-operated sports-wagering states.
- Spectrum analyzed potential increases in GGR and revenue share to the State under four market-based reform scenarios:
 - **Scenario 1:** The same State revenue share rate and fee to Bally's but the market is open to multiple providers. The Lottery owns the player data, which would be less attractive to outside market participants.
 - **Scenario 2:** Same State revenue share rate, promotions are not deductible, Bally's receives a guaranteed fee of \$200,000 instead of 17% of GGR. The Lottery owns the player data, which would be less attractive to outside market participants. The individual sports-wagering service providers perform all banking operations.⁶
 - **Scenario 3:** Same State revenue share rate, promotions are not deductible, Bally's receives a guaranteed fee of \$200,000 instead of 17% of GGR. Bally's offers online sports wagering through its online skin and the Lottery offers an online skin through

a third-party provider. The individual sports-wagering service providers retain ownership of player's data and perform all banking operations.⁶

- Under this scenario, other multi-provider-friendly regulations are enacted, such as a single-player wallet across both the sports-wagering and online casino platforms.
- **Scenario 4:** A \$1 million license fee, renewable yearly. The provider can house its server anywhere in Rhode Island, removing all fees to Bally's. The State revenue share rate is reduced to 20% of GGR, promotions are not deductible. The provider owns the player data, which is the more attractive option, and performs all banking operations.⁶
 - As noted above, Spectrum has analyzed Scenario 4 but acknowledges that the State Constitution would need to be amended to enact these reforms. As such, the analysis of Scenario 4 is strictly illustrative.
- In the following table we present our analysis of the effective tax revenue to the State from the four scenarios:

Figure B: Effective tax revenue analysis assuming different effective tax and market scenarios

Scenario	No. Providers	Handle per Capita	Hold %	GGR (M)	Annual License Fee (M)	Effective GGR Tax Rate to State of RI	Statutory Fee to Bally's	GGR Share to RI (M)	Fee to Bally's (M)	Remainder to Providers (M)
Status Quo	1	\$435	7.9%	\$38.1	\$0.0	51%	17%	\$19.4	\$6.5	\$12.2
Scenario 1	2	\$457	7.9%	\$40.0	\$0.0	51%	17%	\$20.4	\$6.8	\$12.8
Scenario 2	3	\$479	10%	\$53.3	\$0.0	51%	\$200,000	\$27.2	\$0.6	\$25.5
Scenario 3	2	\$527	10%	\$58.7	\$0.0	51%	\$200,000	\$29.9	\$0.4	\$28.3
Scenario 4	5	\$574	10%	\$63.9	\$1.0	20%	0%	\$17.8	\$0.0	\$46.1

Note: The Status Quo scenario uses actual figures for calendar year 2024. Source: Spectrum Gaming Group, Rhode Island Lottery

- While Scenario 4 reflects the most market-oriented reforms,⁷ resulting in the highest GGR, it does not necessarily lead to the highest effective tax revenue to Rhode Island. Again, this is because of the current high effective tax rate. However, increasing the effective tax rate to 25% in Scenario 4, combined with the \$1 million annual licensing fee, GGR to the State would be maximized and the effective tax to Rhode Island would be consistent with the effective tax currently paid to the State. However, Scenario 3 – which maintains a 51% effective tax rate, reduces the host fee due to Bally's, and allows Bally's and the Lottery to offer a sports-wagering skin – results in the highest effective tax revenue to Rhode Island and the second-most GGR that accrues to the sportsbook provider.

⁶ Spectrum acknowledges the need for further study of scenarios 2 and 3 from a legal perspective to ascertain if this change can be accomplished via legislation or regulation or if it would require an amendment to the Rhode Island Constitution.

⁷ This scenario requires Constitutional amendment to implement.

- In scenarios 2, 3 and 4, the forecasted increase in hold percentage is derived from the expectation that there will be more aggressive inducements offered, with a focus on selling betting products such as same-game parlays that present a significantly higher hold percentage for the provider. As promotional wagers are to be included in the total handle, the increase in wagering per capita projected is attributed to the same player making more wagers with multiple providers, taking advantage of all available inducements.

6. Analysis of Promotional Expenditures

- The tax treatment of promotional credits, whether they are deductible or not, may not be a factor in an operator's decision to enter a state, but it does affect how each sportsbook operates in terms of setting odds or reinvesting in player acquisition.
 - In practice, promotional allowances are higher in the first years of operations but decline in the succeeding years. Spectrum believes this is due to (1) both refining marketing initiatives as the sportsbook operators analyze the customer response to different incentives and learning to more effectively target the customers, and (2) rationalizing expenses.
 - The phenomenon of depreciating player value is also being experienced by online sportsbooks. The average sports bettor, seeking to maximize their risk-reward, waits for inducements prior to making a deposit or wager. As such, the benefits from an aggressive inducement policy may benefit state tax collected at the initial opening of the market; however, it would be expected to taper down after a period and thus a slight downward correction in budgeted tax revenues may be experienced as a function of market maturity.
 - Even in states where promotional allowances are not deductible, competitive forces still result in operators providing incentives to customers to wager. Spectrum believes operators adjust odds or incentivize riskier wagers, such as parlay bets, to result in a higher GGR from the same handle to offset the promotional allowances.
 - Spectrum believes promotional allowances in Rhode Island under a multi-provider system would be consistent with other states – even those with higher effective tax rates – at an amount equating to between 20% and 30% of GGR, consistently month over month.
 - Operators use promotional incentives to grow the market, capture market share, and/or push a higher margin wager mix. As such, in most market-oriented states, promotional allowances can reach as high as 50% of handle depending on seasonality and current events.
- The appetite for potential changes the State would make to facilitate a multi-provider framework is likely determined by the potential for increased revenues derived and the efforts and costs involved in implementing statutory change.
 - It is important to note that while it would be expected that more providers in the state would mean more revenues, it does not necessarily translate into a long-term, sustainable increase in revenues.
 - As observed in other jurisdictions, increased competition leads to more aggressive marketing and promotions, which can adversely impact overall profitability.

- The reliance on promotions to induce wagering can have an adverse impact on the player's behavior, driving activity only in the case where inducements are made available.
- When considering promotional allowances in Spectrum's scenario modeling, Scenario 4 – which is a generic, mass-market, highly competitive, promotional-led scenario – generates the most incremental GGR but would require material reform and constitutional change. However, because the effective tax rate remains higher, Scenario 3 generates the most effective tax revenue, as shown in the following table:

Figure C: Analysis of expected promotional allowances and effective tax revenue under different market-reform scenarios

Scenario	Estimated Promotional Allowances (as % of Handle)	Incremental Handle (M)	Estimated Hold %	Incremental GGR (M)	Incremental Revenue To RI (M)
Scenario 1	5%	\$25.4	7.9%	\$2.0	\$1.0
Scenario 2	30%	\$160.0	10.0%	\$16.0	\$8.2
Scenario 3	35%	\$205.3	10.0%	\$20.5	\$10.5
Scenario 4	50%	\$319.4	10.0%	\$31.9	\$6.4

Source: Spectrum Gaming Group

7. Lottery Staffing Needed to Support Multiple Providers

- The Lottery's current staffing and procedures as a single online provider that is also the regulator adhere to best practices and Constitutional requirements, creating proper separation of duties in a consistent and responsible manner.
 - It is important to note that current processes have been designed specifically to fit into existing operations and a single-provider model.
- The addition of multiple online providers would not appear to require significant changes or additions to the Lottery's existing measures, however it is logical that an increased number of operators will require increased efforts to execute all existing measures.
 - There is room for further advancements and considerations of these measures from a staffing, technology and responsibility perspective, including supplemental resources dependent on the number of online providers present.
- The liberalization of the Lottery's legal obligations as the owner of the operation, and the transition of these obligations to the online providers, is considered necessary to further streamline any transition to a multi-provider framework. This is considered standard practice in any jurisdiction with multiple forms of gaming conducted by multiple providers. However, this transition would require material reforms, Constitutional changes, and State statute changes.
- The risk of non-compliance is constant in any regulated jurisdiction, and the addition of multiple providers would increase that risk. As such, it would not be necessary for the Lottery to attempt to apply all existing controls designed for a single provider to multiple providers already performing their own compliance audits and reconciliation. This change in approach to auditing requirements and shift towards contract breach as defined in the providers legal

obligations would require material changes to the Constitution, statute and the State's auditing requirements.

- The inclusion of Host Facilities and the Lottery's role as operator regarding allocation of responsibilities may create unique challenges for multi-jurisdiction online providers to contend with. Regardless, these challenges are not insurmountable, and with specific policy changes at the operational level, it is assumed the Lottery can maintain its obligations with efficiency and effectiveness in a multi-provider setting.

B. 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 the following with respect to potentially allowing multiple online sports-wagering providers in Rhode Island:

- In anticipation of the contract with IGT expiring in November 2026, the Lottery should issue an RFIP before the end of 2025 to determine what alternatives there are to the current B2B provider as well as any B2C providers that may be interested in the current single-provider model.
 - Based on the interest in those proposals, the Lottery should consider whether to open the market for competitors to IGT as a B2B provider, as well as opening the market to multiple B2C providers.
- Any increase in online providers should lead to applicable legislative reforms allowing the Lottery to share ownership of the player data to the online providers and reduce its control over marketing spending to increase the attractiveness of the market to large multi-jurisdiction operators. With no promotional deductions to gross revenues, the outcome would likely lead to larger effective taxable revenues and is consistent with most other multi-operator jurisdictions.
- Spectrum would recommend Rhode Island pursue a strategy to reduce its effective tax rate to approximately 20% to 30% of GGR, reduce the host fee payment to Bally's over a multi-year period to reduce friction with the incumbent, and enact an annual flat-fee license renewal for market participants.
- The State should implement statutory changes for reduced reliance on the Host Facilities from online provider activities and remove its 17% of net gaming revenue, which would increase the attractiveness of the market.
 - This would allow larger operators to utilize their existing processes at scale for all finance and compliance-related operations, which they can reasonably conduct at a cheaper cost than the current 17% paid to the Host Facilities.
- Reforms and constitutional change would be needed to allow the hosting of wagering technology outside of the Host Facilities in any data center within the state that meets the requirements of the Lottery, but the need for this would depend on the capacity and willingness of the Host Facilities to provide hosting services to third-party online providers.
- Regardless of change in model or reforms, prior to renewing or activating a new agreement, the Lottery should require the investment by its partners and providers in proprietary technology related to automated auditing, authentication and monitoring solutions for

reconciliation of data from multiple sources to facilitate efficiencies in the Lottery's daily activities and avoid further resourcing restraints that are likely to result from a multi-provider framework and the increased efforts needed to always ensure compliance with State law.

- If multiple providers are allowed, the Lottery should put more emphasis on issuing contract-breach penalties for instances of non-compliance by any partners or providers conducting activities related to online sports wagering, as opposed to attempting to conduct the same depth of daily oversight and reconciliation. Any reduction in daily auditing activities likely requires reforms to the Constitution and statutory changes defining the Lottery's role as the operator.
- The state's online sports-wagering and online casino entities should be combined into a single offering, leading to less costs of revenues from payments and compliance vendors, more efficient and consistent operations, and allowing patrons to seamlessly switch from one gaming channel to another without changing the website or app they are playing on, creating greater profitability for the State. As the State maintains a co-terminus contract with Bally's for online casino, it does not require that Bally's also provide the sports-wagering system, which can still be provided by a third party as long as the player's wallet is shared among both products. This model requires no reforms provided the model meets all Constitutional and statutory requirements.

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Introduction

The Rhode Island Lottery (“the Lottery”) in October 2024 issued a request for proposals (“RFP”) for an independent “Sports Wagering Study that recommends how to maximize the State of Rhode Island’s revenue by determining the optimal number of online sports wagering service providers” in the state. Spectrum Gaming Group (“Spectrum,” “we” or “our”) was awarded the study contract in November 2024.

Per the RFP: “At a minimum, the Sports Wagering Study report must include the following:

1. Review of the Rhode Island General Laws related to Retail sports wagering and Online sports wagering, including, without limitation, the calculation of sports wagering revenue as well as that the management of sports wagering bank account(s) is performed by the Host Facilities as required by statute.
2. Recognition of the Rhode Island Constitutional restrictions, including that all sports wagering servers must be physically located within the Host Facilities.
3. Analysis and recommendations for the responsibility of operational services, such as in-person KYC [know your customer] (when automated process fails to authenticate a potential registrant), oversight of patron financial transactions and accounts, and fraud detection, by any additional sports wagering provider(s). These services are currently performed by the Host Facilities.
4. Analysis and expert opinion, under the current revenue allocation, of the “attractiveness” of the Rhode Island sports wagering market to other sports wagering providers, if there is only one sports wagering provider in the State and if there are multiple sports wagering providers in the State.
5. Analysis and recommendations on the optimal number of Online sports wagering providers to be authorized in the State.
6. Financial analyses, recommendations on revenue allocation changes, if any, and projections of economic impact for the State to attract the optimal number of Online sports wagering providers. These should include projections, which will maximize sports wagering revenue to the State.
7. Analysis and estimates of promotional expenditures (as percentage of net revenue), for all scenarios proposed in Item No. 6 above.
8. Projected increase in Lottery staffing, if any, to support any additional sports wagering provider(s) given that the Lottery is the operator and regulator for sports wagering in the State.”

Spectrum deployed a team of four professionals to complete this study. The project professionals have gaming-related backgrounds in law and regulation, financial analysis, sports-wagering operations and strategy, market analysis, and public-policy analysis and guidance. Throughout the course of this engagement we received a high level of cooperation from the Lottery, as we received all requested data and information and all of our questions were answered by Lottery staff in a timely manner.

Spectrum notes that certain recommendations and suggestions made in this report for the optimal benefit of Sportsbook Rhode Island would require an amendment to the State Constitution and/or statutes, and we have noted throughout this report where such modifications would be required.

A. About Spectrum Gaming Group

This report was prepared by Spectrum Gaming Group, a non-partisan 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.

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 dozens of governmental bodies at the national and state levels.

Spectrum has made every reasonable effort to ensure that the data and information contained in this study reflect the most accurate and timely information possible. The data are believed to be generally reliable. This study is based on estimates, assumptions, and other information developed by Spectrum from its independent research effort, general knowledge of the gaming industry, and consultations with the Client and its representatives. The data presented in this study were collected through the cover date of this report. Spectrum has not undertaken any effort to update this information since this time.

I. Review of Sports-Wagering Laws

In 2018, the United States Supreme Court struck down the federal ban on sports wagering, allowing individual states to decide whether to legalize and regulate the practice.⁸ Following the court's ruling, as of the onset of 2025, 39 states and the District of Columbia have legalized sports wagering in some form, with 31 of those states plus the District of Columbia also permitting online sports wagering. (The figures include Missouri, which has legalized both retail and online sports wagering, but the activity has yet to commence.) This growing trend reflects the increasing demand for accessible sports-wagering platforms across the country. The states have wide latitude to establish their own rules and regulations for sports-wagering operations. This is akin to how different states have authorized and implemented other forms of gambling, preferring to utilize different models and frameworks for regulation and enforcement rather than a uniform methodology.

Sports wagering is facilitated by sportsbooks, which can operate in-person at retail locations and/or through online/mobile platforms. Retail sportsbooks are typically found at casinos, racetracks, or sports arenas; off-track betting occurs when a sportsbook is located away from a racetrack. In Rhode Island, the sportsbook is operated by a governmental regulatory authority, the Rhode Island Lottery, through its contractual partnerships with IGT and Bally's. Pursuant to the Constitution and statutes, retail sports wagering is authorized only at the two casino facilities in the state. In Rhode Island, sports wagering is designated as casino gaming and may only be conducted by a Class III gaming licensee to comply with the constitutional requirements and voter approval. The Rhode Island sports-wagering market is regulated by the Rhode Island Lottery, which operates all authorized gambling operations within the state.

Effective taxation rates for sports-wagering revenues vary considerably among the individual states in the northeast region. Rhode Island has the highest effective tax rate⁹ in the country for sports wagering, at 51%, equal to that imposed in New York and New Hampshire. Vermont, which entered the sports-wagering market in 2024, has the fifth-highest effective taxation rate in the nation, with a 31.7% effective tax rate on sports-wagering revenue. Massachusetts followed closely behind in sixth place with its 20% tax rate, while Connecticut was ranked 18th with a 13.75% tax rate. Maine was ranked lowest in the Northeast region, or 19th nationwide, with a 10% tax rate. These disparate taxation schedules reflect how individual states have carved out their own distinctive identities and regulatory structures for sports-wagering operations.

⁸ *Murphy v. National Collegiate Athletic Association*, 584 US 453(2018).

⁹ To the extent that the terms "tax" and "tax rate" are used in this document in relation to the revenue received by the State of Rhode Island or the Rhode Island sports wagering vendors, it should be explicitly understood that the Rhode Island Lottery, as operator of all lotteries, including sports wagering, in Rhode Island receives 100% of sports wagering revenue and shares portions of such revenue with the Rhode Island casinos/host facilities (Bally's) and Rhode Island sports wagering vendors in accordance with R.I. Gen. Laws § 42-61.2-5. The terms "effective tax rate" and "effective tax revenue" are used in certain parts of this report to provide a comparison among states of required percentages of sports wagering revenue that must be shared with the host state in one manner or another.

Each state establishes minimum age requirements for sports wagering. Generally, the legal age utilized in the United States for sports wagering is 21, but Rhode Island and New Hampshire have set the lawful age at 18.

The following discussion focuses on Rhode Island’s laws pertaining to sports wagering, and, for comparison purposes, addresses the legal parameters established in the various states in the northeast that are geographically in close proximity to Rhode Island. To complete this section of the study, Spectrum reviewed the relevant statutes and regulations applicable to sports wagering in Rhode Island as well as the laws enacted in the following competing New England jurisdictions: Connecticut, Maine, Massachusetts, New Hampshire and Vermont. We also included an analysis of New York and New Jersey, which have been at the forefront of sports wagering. In addition, Spectrum conducted online research pertaining to state laws implementing sports wagering, including accessing the American Gaming Association’s 2024 survey of the various states that have authorized sports wagering.¹⁰

A. Rhode Island

Rhode Island offers retail and online sports wagering under the direction, oversight, and control of the Rhode Island Lottery Division within the Department of Revenue (“Lottery”) as the gaming regulatory authority. Pursuant to RIGL 42-61.2-2.4, the Lottery implemented retail sports wagering in 2018, shortly after the United States Supreme Court ruled in *Murphy v. National Collegiate Athletic Association* that PASPA (the Professional and Amateur Sports Protection Act) was unconstitutional, making authorized sports wagering available to interested states.¹¹ Rhode Island became the first New England state to authorize sports wagering.

Initially, sports wagering in Rhode Island was limited to in-person wagering. Pursuant to the Constitution and enabling legislation, retail sports wagering is limited to the two gaming facilities operated by Bally’s Corp. in Lincoln and Tiverton.¹² In 2019, online sports wagering became legal. By statute, the server-based gaming system used to conduct online sports wagering is required to be located within a restricted area on the hosting facility’s premises.¹³ Two retail sportsbooks take in-person wagers at Bally’s casinos in Lincoln and Tiverton. The Rhode Island Lottery offers online sports wagering through Sportsbook Rhode Island. Initially, patrons were required to register in person at a gaming facility to participate in online sports wagering. This restriction was lifted when remote registration for online sports wagering became available on July 28, 2020. All online wagers are deemed to have been placed at the facilities, which comports with Constitutional requirements.

In 2018, the Lottery executed a contract with IGT to serve as its sole sports-wagering provider. In 2023, the contract was extended for an additional three-year period, expiring in November 2026. There are additional extension terms in the IGT contract which can be exercised by agreement. At that time, the

¹⁰ American Gaming Association, “State of the States, 2024.” <https://www.americangaming.org/wp-content/uploads/2024/05/AGA-State-of-the-States-2024.pdf>

¹¹ RIGL 42-61.2-2.4; *Murphy v. National Collegiate Athletic Association*, 584 US 453(2018).

¹² RIGL 42-61.2-2.4(a).

¹³ RIGL 42-61.2-16(c).

Lottery will have an opportunity to bring on a new vendor or vendors to operate sports wagering in the state. There is no provision in the statute regarding the number of authorized service providers. However, by law, unless amended by the State legislature, and pursuant to a Constitutional amendment, the server utilized for sports wagering would still need to be located inside the existing gaming facilities. The amended deal with IGT allows IGT to continue offering sports bettors statewide access to the Sportsbook Rhode Island (“SBRI”) app, as well as to its retail sportsbook locations in both Bally’s Lincoln and Bally’s Tiverton and is set to expire in November 2026.

The only sportsbook app available in Rhode Island and offering online sports wagering is Sportsbook Rhode Island, a product of the Rhode Island Lottery and the Lottery’s collaborations with IGT and Bally’s. With IGT providing the platform and technology for the sportsbook app and IGT’s sub-contracted partner, Caesars, providing the odds for the different wagers, and Bally’s providing hosting and operational services. (The Lottery has no contractual relationship with Caesars, which is a subcontractor of IGT.)

On July 26, 2024, it was announced that private equity firm Apollo Global Management Inc. (“Apollo”) was purchasing IGT and its financial services subsidiary Everi Holdings Inc. for \$4.1 billion, with the transaction expected to be consummated in the third quarter of 2025 provided that the requisite regulatory approvals are granted.¹⁴ The acquisition by Apollo transfers the merged company to private ownership. The Lottery stated that this acquisition would not affect the State’s contract with IGT as the sports-wagering service provider.

On July 25, 2024, *The Wall Street Journal* reported that the largest shareholder of Bally’s, hedge fund Standard General, was acquiring Bally’s. Bally’s Board Chairman, Soo Kim, heads Standard General. Standard General has recently finalized a merger of Bally’s with a regional casino chain it already owns, The Queen Casino & Entertainment.¹⁵ On February 7, 2025, Bally’s publicly announced the completion of the purchase transaction.¹⁶

The Lottery has promulgated extensive rules and procedures for conducting sports wagering. However, under the State’s unique system and structure, whereby the service provider IGT is under contract with the Lottery and retail sports wagering is only conducted at the licensed casinos in the state, there are no separate licensing requirements for providers, suppliers and employees engaged in sports-wagering operations. Bally’s holds the requisite Class III gaming license to conduct sports wagering. Under this system, there is also no license fee required to conduct sports wagering in Rhode Island. The Lottery

¹⁴ Christopher Shea, “Private Equity firm buys company behind Rhode Island Lottery in \$6.3 billion deal,” Rhode Island Current, July 26, 2024. <https://rhodeislandcurrent.com/briefs/private-equity-firm-buys-company-behind-rhode-island-lottery-in-6-3b-deal>

¹⁵ GoLocalProv Business Team, “Bally’s Sold to Hedge Fund,” golocalprov.com, July 25, 2024.

¹⁶ Bally’s Corporation, “Bally’s Corporation Completes Transactions With Standard General and The Queen Casino & Entertainment,” February 7, 2025. <https://www.ballys.com/news/news-details/2025/Ballys-Corporation-Completes-Transactions-With-Standard-General-and-The-Queen-Casino--Entertainment/default.aspx>

has approval rights over matters relating to the employment of individuals involved, directly or indirectly, with the operation of sports wagering at the Bally's Lincoln and Tiverton gaming facilities.¹⁷

Rhode Island has comprehensive operational requirements for sports wagering, including specific procedures for opening wagering accounts, acceptance of wagers, payout to bettors, and age and geolocation verifications. The Lottery has adopted rules to ensure compliance by the sports-wagering provider with respect to know your customer ("KYC"), age and identity, and geolocation verification requirements.¹⁸ These requirements are consistent with the industry's best practices and procedures, designed to ensure the integrity of sports-wagering operations. Rhode Island does not allow bettors to use credit cards to fund their online sports-wagering accounts. Sports-wagering patrons must be at least 18 and, for online wagering, must place their bets within the geographic confines of the state. Notably, the minimum age was set at 21 for internet gaming when that form of gaming was authorized in 2024, due to responsible-gaming concerns.

Rhode Island's sports-wagering statutes establish specific requirements for integrity systems, recordkeeping, reporting, and the location of gaming technology and services. In this regard, the sports-wagering service provider is required to submit its internal control procedures for conducting sports-wagering operations to ensure compliance with these requirements.¹⁹

Wagering is prohibited in Rhode Island on contests involving in-state college teams, regardless of the location of their games. However, the law was amended to allow for wagering on Rhode Island colleges and universities when those teams are taking part in a tournament involving at least four teams. Previously, the law prohibited any wagering on a college sports event either taking place in Rhode Island or involving a team from the state. The new procedures align with Massachusetts' approach to wagering on college sports.²⁰

The statute provides that the Lottery has the power and authority to: "[c]ollect all sports-wagering revenue indirectly through Lincoln and Tiverton gaming facilities, require that the Lincoln and Tiverton gaming facilities collect all sports-wagering revenue in trust for the State²¹ (through the division), deposit sports-wagering revenue into an account or accounts of the division's choice, allocate sports-wagering revenue according to law, and otherwise maintain custody and control over all sports-wagering revenue."²²

Rhode Island's statutory framework grants the Lottery the authority to establish the reporting systems necessary for linking, tracking, depositing, and reporting receipts, audits, and reports. Rhode Island further permits the Lottery to collect all sports-wagering revenue through the existing licensed gaming facilities. In its role as the governmental unit operating the sports-wagering system, the Lottery

¹⁷ RIGL 42-61.2-2.4(b).

¹⁸ Rhode Island Lottery Sports Betting Rules 20.35A-C.

¹⁹ Rhode Island Lottery Sports Betting Rules, 20.24C.

²⁰ American Gaming Association, 2024 State of the States, p. 108.

²¹ Where "State" is capitalized in this report, it refers generally to the Rhode Island government.

²² RIGL 42-61.2-2.4(a)(2).

monitors the sports-wagering operations hosted by the licensed gaming facilities and may terminate or suspend any sports-wagering activities in the event of integrity concern. The Lottery further works with sports-wagering vendors to establish house rules for sports wagering, including rules that establish the minimum and maximum wagers.

The Lottery plays an active role in monitoring the conduct of retail sports wagering at licensed facilities. The licensed gaming facilities that host sports-wagering activities must establish secure, segregated facilities for the exclusive use of the Lottery and the Gaming Enforcement Unit of the Rhode Island State Police. The space that is allocated to the Lottery and the State Police must include surveillance equipment and monitors with full camera-control capability.

Rhode Island employs a revenue-sharing model with its casinos. Pursuant to RIGL 42-61.2-5, sports-wagering revenue is distributed as follows: 51% allocated to the State; 32% to IGT; and the remaining 17% to the Bally's Host Facilities.²³ In addition, the towns of Lincoln and Tiverton each receive an annual flat fee of \$200,000 in compensation for serving as the host communities for sports wagering.²⁴

Rhode Island has the highest effective tax rate in the country for sports wagering at 51%, equal to that imposed in New York and New Hampshire. Sports-wagering revenue is calculated differently for retail and online sports wagering. For online sports wagering, revenue is calculated as the total of cash received from sports-wagering activities less amounts paid to players, division-approved marketing expenses, and any applicable federal excise taxes. For retail sports wagering, revenue is calculated according to the same formula as online sports wagering, except that a deduction is allowed for the annual flat fee that licensed gaming facilities must pay to the "host communities" where the facilities are located. The sports-wagering revenue and online sports-wagering revenue allocated to the State is dedicated to the Lottery Fund for administrative purposes and any unexpended balances are then credited to the general fund.²⁵

The Lottery has the authority to establish compulsive gambling treatment programs.²⁶ Rhode Island addresses responsible gaming through the licensed gaming facilities that host casino gaming, of which sports wagering is a subset. The Bally's casinos are required to offer and provide problem gambling awareness training for employees, self-exclusion programs for patrons, and promotion of a problem-gambling hotline. The facilities must pay in the aggregate an annual problem gambling payment to the Lottery of not less than \$200,000 for compulsive gambling and Lottery-approved problem-gambling programs and not less than \$50,000 for education and prevention programs.²⁷ A person on the self-exclusion list is prohibited from collecting any winnings or recovering any losses arising from prohibited sports wagering. Winnings from a self-excluded person, after the deduction of taxes and other applicable withholdings, is forfeited to the Lottery. The Lottery forwards such forfeited winnings, up to \$150,000 per year, to the Rhode Island Council on Problem Gambling for its use for research, education, and prevention

²³ RIGL 42-61.2-5.

²⁴ RIGL 42-61.2-5(c).

²⁵ RIGL 42-61.2-5(b).

²⁶ RIGL 42-61.2-2.4(a)(6).

²⁷ RIGL 42-61.2-14.

of teenage gambling addiction, with the balance to be transferred by the Lottery to the State's general fund.²⁸

The Lottery's rules require the sports-wagering platform to enable a patron to set up and use Responsible Gaming features including – but not limited to – deposit limits, wager limits, time limits, time out ability, and self-exclusion.²⁹

B. Other Northeast States

Avid sports bettors routinely seek the best deal for their money, whether in the form of better odds, better promotions, or a wider range of betting options. Those who live near state borders or commute to another state may seek to wager outside of their home state if they find a better deal – particularly important in Rhode Island, where most of the population has easy access to Massachusetts or Connecticut or both. Spectrum reviewed the sports-wagering laws in other Northeast states for comparison to Rhode Island.

1. Connecticut

In 2021, the Connecticut General Assembly enacted Public Act 21-23 to authorize statewide sports wagering, pending the amendment of compacts and memoranda of understanding with Connecticut's tribal governments. Connecticut places the state's sports-wagering market under the regulatory authority of the Department of Consumer Protection.³⁰ Sports wagering is offered by three online sportsbook platforms affiliated with the two tribes or with the Connecticut Lottery Corporation. The three operators are DraftKings, FanDuel and Fanatics Sportsbook. The state lottery is also eligible to offer in-person sports wagering at up to 15 retail locations, of which 10 were operational at the end of 2023.³¹ The state taxation rate is 13.75%.³² The minimum age for patronage is 21. Licensees are required to verify age and geolocation for sports-wagering accounts.³³

Connecticut's regulatory system establishes six classifications of sports-wagering licenses: master wagering license; online gaming operator; online gaming service provider; sports-wagering retailer; occupational employee; and key employee.³⁴ The state issues master licenses exclusively to the Connecticut Lottery Corporation and the state's two tribal governments. Master licensees may contract with online gaming operators or online gaming service providers that are licensed by the Department of

²⁸ Ibid.

²⁹ RI Lottery Rule 20.39M.

³⁰ C.G.S.A. P.A. 21-23, § 2.

³¹ American Gaming Association, "State of the States, 2024," p. 34. https://www.americangaming.org/wp-content/uploads/2025/02/Connecticut_Overview.pdf

³² Ibid.

³³ C.G.S.A. P.A. 21-23, § 14(a)-(b).

³⁴ C.G.S.A. P.A. 21-23.

Consumer Protection. The Connecticut statute establishes licensing criteria, fees, privileges, required responsible gaming contributions, and licensee duties.

Connecticut has two compacted tribes: the Mashantucket Pequot Tribe and the Mohegan Tribe. Each tribe operates one casino: the Mohegan Tribe operates the Mohegan Sun, and the Mashantucket Pequot Tribe operates the Foxwoods Resort Casino. The Mohegan Tribe and the Mashantucket have both established tribal gaming councils to oversee all gaming operations on their reservations and to ensure regulatory integrity. Tribal inspectors and investigators are tasked with ensuring that all regulations are strictly followed and enforced. The tribal gaming councils also interact with the Gaming Division of the Connecticut Department of Consumer Protection to ensure the proper licensing of all employees.

Connecticut permits the Mashantucket Pequot Tribe and the Mohegan Tribe to each acquire a master wagering license to operate one branded website or mobile application for online sports wagering throughout the state.³⁵ The Mashantucket Pequot Tribe and Mohegan Tribe are also permitted to conduct retail sports wagering and online sports wagering, provided that the wagering takes place within the reservation of the tribe conducting the online sports wagering when placing the wager.³⁶

The Commissioner of Consumer Protection may issue a master wagering license to the Connecticut Lottery Corporation. The Corporation may operate retail sports wagering at 15 locations within the state and may operate online sports wagering through one branded online sports-wagering provider.³⁷ For its retail sports wagering, the Corporation is required to develop new facilities or enter into an agreement with a state entity or a business entity to act as a sports-wagering retailer at facilities in the cities of Bridgeport and Hartford. Further, the Corporation is permitted to enter into one or more other agreements with an off-track betting system licensee to act as a sports-wagering retailer.³⁸

The fees for the initial licensure application and annual renewals are as follows: initial license application fee for online gaming operator \$250,000; \$100,000 renewal fee; initial license application fee for an online gaming service provider \$2,000 with a renewal fee of \$2,000; and for a sports-wagering retailer \$20,000 with renewal fee \$20,000.³⁹ The tribes are not required to pay any initial licensing fee or renewal fees. However, under the compacts, both tribes are obligated to compensate the state for the cost of regulating gaming operations and conducting law enforcement investigations as required by the compacts.⁴⁰

³⁵ C.G.S.A. P.A. 21-23, § 3(a).

³⁶ C.G.S.A. P.A. 21-23, § 2.

³⁷ C.G.S.A. P.A. 21-23, § 4(a).

³⁸ C.G.S.A. P.A. 21-23, § 5(a).

³⁹ American Gaming Association, "Gaming Regulations and Statutory Requirements, Connecticut." https://www.americangaming.org/wp-content/uploads/2019/07/AGAGamingRegulatoryFactSheet_Connecticut-2022.pdf

⁴⁰ Ibid.

The Commissioner may issue an online gaming service provider license to a person doing business with a master wagering licensee, an online gaming operator, or a retail sports-wagering licensee.⁴¹ An entity is required to acquire an online gaming service provider license if the entity provides goods or services related to accepting wagers for internet games or retail sports wagering or otherwise provides goods or services related to sports wagering in a manner that requires licensing in order to contribute to the public confidence and trust in the credibility and integrity of the gaming industry.⁴² The Department's Emergency Rules include the following entities in the list of services requiring a license: manufacturers of gaming equipment or software integral to internet games and retail sports wagering, suppliers or distributors of gaming equipment and software integral to gaming or internet games, servicers and repairers of electronic wagering platforms, suppliers of security services, geolocation services, age and identity verification, and payment processors.⁴³

Connecticut requires licensees to establish minimum internal control procedures governing all aspects of sports-wagering operations.⁴⁴ Operational requirements are established by the Department's Emergency Rules. Connecticut's rules require licensees to meet comprehensive security standards for financial accounts, physical facilities, and electronic platforms.⁴⁵

Connecticut sports-wagering statutes and rules address responsible gaming and voluntary self-exclusion programs. Each master wagering licensee and licensed gaming operator must establish a voluntary self-exclusion system that allows a person to exclude themselves from establishing an account, exclude themselves from placing wagers through an existing account, or limit the amount that may be spent through an account. In addition, Connecticut requires licensees to display a pop-up message containing the amount of time a patron has spent on the licensees' web site or mobile application and a means of taking a break during excessive play. Licensees are subject to a five-year review of their responsible gaming practices.⁴⁶

The Connecticut Department of Consumer Protection must create and maintain a voluntary self-exclusion list for all gaming under the regulations. The duration of self-exclusion may be one year, five years, or a lifetime. There are restrictions on advertising, prohibiting the targeting of minors.⁴⁷

In addition to the tax on gross gaming revenue, master wagering licensees are required to pay an annual cost-based assessment and an annual contribution to problem gambling programs within the state. For the cost-based assessment, the Commissioner of the Department of Consumer Protection must estimate and assess to each licensee an apportioned cost of regulating sports wagering within the state.⁴⁸

⁴¹ Connecticut Emergency Rule 12-XXX-6(b) of the Regulations of Connecticut State Agencies.

⁴² C.G.S.A. P.A. 21-23, § 6(b).

⁴³ Connecticut Emergency Rule 12-XXX-6(c) of the Regulations of Connecticut State Agencies.

⁴⁴ Connecticut Emergency Rule 12-XXX-16(b) of the Regulations of Connecticut State Agencies.

⁴⁵ Connecticut Emergency Rule 12-XXX-11 of the Regulations of Connecticut State Agencies.

⁴⁶ C.G.S.A. P.A. 21-23, § 14(d).

⁴⁷ American Gaming Association, "Gaming Regulations and Statutory Requirements, Connecticut."

⁴⁸ C.G.S.A. P.A. 21-23, § 20(a)-(b).

For the annual contribution, the master wagering licensee must contribute \$500,000 to support problem gaming programs within the state. The contribution may be made to a state-created entity or to a nonprofit entity that addresses problem gambling. The licensee must annually submit information to the Department concerning the recipients of the annual contribution.⁴⁹

Connecticut does not allow betting on in-state collegiate sports teams. Connecticut permits wagering on intercollegiate tournaments in which four or more collegiate teams participate and in which the wagers are based on the outcome of all games within the tournament. Horse racing, dog racing, and jai alai are excluded from the definition of “sporting event” for purposes of sports wagering. Connecticut’s statutory scheme specifically prohibits certain people from placing a sports wager. Athletes, coaches, referees, and owners of a team or sport’s governing body are prohibited from wagering on events that they are participating in, that their sport’s governing body oversees, or that a member team or sport’s governing body participates in.⁵⁰ There have been recent bills proposed to lift the restriction regarding wagering on Connecticut’s college teams.⁵¹

2. Maine

Under legislation approved in 2022, Maine’s two commercial casinos and licensed racing simulcast facilities are authorized to offer retail sports wagering, while the state’s federally recognized Indian tribes are authorized to partner with commercial operators to offer mobile sports wagering within Maine. Mobile sports wagering commenced in November 2023 with two licensed platforms, Caesars Sportsbook and DraftKings, operating via partnerships with Maine Indian tribes in accordance with the 2022 legislation. The legislation allows for up to 10 retail operations.⁵² However, to date, there is no retail sports-wagering in operation. The Maine Gambling Control Board regulates sports wagering in the state. The minimum age requirement is 21.⁵³

All sports-wagering facility operators, mobile sports-wagering operators, and all persons participating in offering sports wagering to bettors within a facility or through a mobile operation, or as a management services provider, supplier or as an employee must apply for and be granted the appropriate license as specified by 8 M.R.S.A. § 1204-1210. Applicants are required to establish their good character, honesty, trustworthiness integrity and financial responsibility.⁵⁴

The tax rate for sports wagering is 10%.⁵⁵ The revenue is allocated as follows:

- 6.5% to the General Fund

⁴⁹ C.G.S.A. P.A. 21-23, § 22.

⁵⁰ C.G.S.A. P.A. 21-23, § 15(a)-(b)

⁵¹ Hector Molina and Kaitlyn Burzin, “Lawmakers work to legalize in-state sports betting on CT college teams,” wfsb.com, January 26, 2025. <https://www.wfsb.com/2025/01/26/lawmakers-work-legalize-betting-ct-college-sports-teams/>

⁵² 8 M.R.S.A. § 1206-1.

⁵³ 8 M.R.S.A. § 1213-1.

⁵⁴ 8 M.R.S.A. § 1205-D and G.

⁵⁵ 8 M.R.S.A. § 1218.

- 1% to cover administrative expenses for the Maine Gambling Control Unit
- 1% to the Gambling Addiction Prevention and Treatment Fund
- 0.55% to the State Harness Racing Commission to supplement purses
- 0.55% to the Sire Stakes Fund
- 0.40% to the Agricultural Fair Promotion Fund⁵⁶

The license fee for an initial or renewed facility sports-wagering license issued prior to September 1, 2024, is \$4,000 and for an initial or renewed facility sports-wagering license issued on or after September 1, 2024, is \$1,000. In addition to the license fee, the director may charge a processing fee for an initial or renewed license in an amount equal to the projected cost of processing the application and performing any background investigations. A facility license is valid for four years and may be renewed.⁵⁷ The license fee for a mobile license is \$200,000.⁵⁸ The license term is four years.⁵⁹ Other fees include \$40,000 for a management services license, \$40,000 for a supplier license and an application fee of \$250 for an occupational license.⁶⁰

The initial non-refundable fee for a background investigation is \$5,000 for a facility operator license and \$10,000 for a mobile operator, management services provider or supplier license. The hourly rate shall be no more than \$250. If the cost surpasses the initial deposit amount, the applicant shall be invoiced for the actual remaining balance due, which shall be paid before issuance of a license. All applicants for licenses shall pay all costs of investigations into their backgrounds, suitability, and qualifications for licensure.⁶¹

Pursuant to its authority under the statute, the Gambling Control Board has adopted comprehensive rules and regulations governing all aspects of sports-wagering operations. Operators are required to submit their internal control procedures.⁶² Facility operator operational and physical premises requirements are detailed in the rules.⁶³ A sports-wagering operator must locate the primary server in the State of Maine.⁶⁴ The primary server shall be the server responsible for the acceptance and storage of patron wagers. The location selected must have adequate security, access controls and the same 24-hour surveillance as required of the sports-wagering facility. Access to the primary server location by the Director, and all information necessary for the Department to conduct any investigation shall be provided to the Department immediately upon request. A sports-wagering system shall maintain all transactional wagering data for a period of five years.

⁵⁶ Ibid.

⁵⁷ 8 M.R.S.A. § 1206-4 and 5.

⁵⁸ 8 M.R.S.A. § 1207-4.

⁵⁹ 8 M.R.S.A. § 1207-5.

⁶⁰ 8 M.R.S.A. § 1208-4; 1209-4; 1210-3.

⁶¹ 16 ME Code Rules . §52-2.

⁶² 16 ME Code Rules . §53.

⁶³ 16 ME Code Rules . §54 and 55.

⁶⁴ 16 ME Code Rules . §57-6.

Requirements regarding opening sports-wagering accounts are set forth in Chapter 60 of the Board’s Regulations.⁶⁵ They include age and identity verification requirements.⁶⁶ A patron’s sports-wagering account for mobile sports wagers may not be funded using a credit card.⁶⁷

Operators are required to establish responsible gaming programs, which shall include self-exclusion procedures⁶⁸ and wagering restrictions for: (1) amounts wagering; (2) time from wagering; (3) deposit amounts; and (4) session-times.⁶⁹ In addition, Maine has detailed advertising restrictions, including prohibiting the targeting of minors.⁷⁰

3. Massachusetts

The Massachusetts Gaming Commission regulates sports wagering. Online sports wagering commenced on March 10, 2023, while retail sports wagering launched on January 31, 2023. Commercial casino operators, racetracks, off-track betting facilities (“OTBs”), and online operators all offer sports wagering. This system offers bettors several options on every retail and digital platform. The minimum age for sports wagering is 21.⁷¹

The statute creates three categories of sports-wagering licensees:⁷²

- Category 1 for licensed casinos
- Category 2 for racetracks and/or simulcast centers
- Category 3 for online/mobile operators

The three licensed casinos in Category 1 are Encore Boston Harbor; MGM Springfield; and Plainridge Park Casino. In Category 3, there are seven online sportsbooks available in the state: DraftKings, FanDuel, ESPN Bet, Caesars, Bet MGM, Bally Bet, and Fanatics Sportsbook. The license term is five years, and the license fee is \$5 million.⁷³

An applicant for an operator license shall pay to the commission a nonrefundable processing fee of \$200,000 for the costs associated with the processing of the application and investigation of the applicant; however, if the costs of the investigation exceed the initial application fee, the applicant shall pay the additional amount to the commission not more than 30 days after notification of insufficient fees or the application shall be rejected.⁷⁴

⁶⁵ 16 ME Code Rules . §60.

⁶⁶ 16 ME Code Rules . §60-5C and E.

⁶⁷ 16 ME Code Rules . §60-7.

⁶⁸ 16 ME Code Rules . §63-2B.

⁶⁹ 16 ME Code Rules . §63-4C.

⁷⁰ 16 ME Code Rules . §64.

⁷¹ Mass. General Laws c. 23N, Section13(d).

⁷² Mass. General Laws c. 23N.

⁷³ Mass. General Laws c. 23N, Section 6(f).

⁷⁴ Mass. General Laws c. 23N, Section 7(a).

All persons employed by an operator to perform duties directly related to the operation of sports wagering in the commonwealth in a supervisory role shall maintain a valid occupational license issued by the Commission.⁷⁵

The Commission shall not grant an operator license until it determines that each person who has control of the applicant meets all qualifications for licensure. The following shall be considered to have control of an applicant: (i) a person who owns 10% or more of a corporate applicant and who has the ability to control the activities of the corporate applicant; provided, however, that a bank or other licensed lending institution that holds a mortgage or other lien acquired in the ordinary course of business shall not be considered to have control of an applicant; (ii) a person who holds a beneficial or proprietary interest of 10% or more of a non-corporate applicant's business operation and who has the ability to control the activities of the non-corporate applicant; and (iii) at the Commission's discretion, an executive, employee or agent having the power to exercise significant influence over decisions concerning the applicant's sports-wagering operations in the commonwealth.⁷⁶

The statute establishes criteria for determining license applications. For an operator license, In evaluating the suitability of the applicant, the Gaming Commission shall consider the overall reputation of the applicant, including, but not limited to: (i) the integrity, honesty, good character and reputation of the applicant; (ii) the financial stability, integrity and background of the applicant; (iii) the business practices and the business ability of the applicant to establish and maintain a successful sports-wagering operation; (iv) whether the applicant has a history of compliance with gaming or sports-wagering licensing requirements in other jurisdictions; (v) whether the applicant, at the time of application, is a defendant in litigation involving its business practices; and (vi) the suitability of all parties in interest to the license, including affiliates and close associates, and the financial resources of the applicant.⁷⁷

In addition, the Gaming Commission may deny an application if the Commission determines during its investigation that an applicant has failed to: (i) establish the applicant's integrity or the integrity of any affiliate, close associate, financial resources or any person required to be qualified by the Commission; (ii) demonstrate responsible business practices in any jurisdiction; or (iii) overcome any other reason, as determined by the Commission, as to why it would be injurious to the interests of the commonwealth to award the applicant an operator license.⁷⁸

The Gaming Commission may deny a license to any applicant, reprimand any licensee or suspend or revoke a license if the applicant or licensee: (i) has knowingly made a false statement of a material fact to the commission; (ii) has had a license revoked by any governmental authority responsible for regulation of gaming activities; (iii) has been convicted of a felony or other crime involving embezzlement, theft, fraud, perjury, or a gambling-related offense; (iv) has not demonstrated to the satisfaction of the commission financial responsibility sufficient to adequately meet the requirements of the proposed enterprise; (v) has affiliates or close associates that would not qualify for a license or whose relationship

⁷⁵ Mass. General Laws c. 23N, Section 8(a).

⁷⁶ Mass. General Laws c. 23N, Section 5(b).

⁷⁷ Mass. General Laws c. 23N, Section 6(d).

⁷⁸ Mass. General Laws c. 23N, Section 6(e).

with the applicant may pose an injurious threat to the interests of the commonwealth in awarding an operator license to the applicant; or (vi) in the case of an operator or an applicant for an operator license, is not the true owner of the business or is not the sole owner and has not disclosed the existence or identity of other persons who have an ownership interest in the business.⁷⁹

The sports-wagering tax is 20% on online sports-wagering revenue and 15% on retail sports-wagering revenue.⁸⁰ The tax revenue is allocated as follows:⁸¹

- 45% to the General Fund
- 17.5% to the Workforce Investment Trust Fund
- 27.5% to the Gaming Local Aid Fund
- 1% to the Youth Development and Achievement Fund
- 9% to the Public Health Trust Fund, supporting problem gambling research and prevention programs

The statute requires regulations pertaining to responsible gaming programs to be implemented by the operators.⁸² Credit cards cannot be used for sports wagering.⁸³ The Gaming Commission establishes a self-exclusion list.⁸⁴

The statute imposes restrictions on advertising of sports wagering. The Gaming Commission is required to promulgate regulations to prohibit: “(i) the purchase or other use of any personal biometric data of an athlete for sports wagering or aiding a patron in placing a wager with sports wagering operators; and (ii) the following advertising, marketing and branding activities: (A) advertisements, marketing and branding in such a manner that it is deceptive, false, misleading, or untrue, or tends to deceive or create a misleading impression whether directly, or by ambiguity or omission; (B) use of unsolicited pop-up advertisements on the internet or by text message directed to an individual on the list of self-excluded persons established pursuant to paragraph (2) of subsection (e) of section 13; (C) any form of advertising, marketing or branding that the commission deems unacceptable or disruptive to the viewer experience at a sports event; (D) advertising, marketing and branding deemed to appeal directly to a person younger than 21 years old; and (E) advertising on any billboards, or any other public signage, which fails to comply with any federal, state or local law.”⁸⁵

⁷⁹ Mass. General Laws c. 23N, Section 9(a).

⁸⁰ Mass. General Laws c. 23N, Section 14.

⁸¹ Mass. General Laws c. 23N, Section 17.

⁸² Mass. General Laws c. 23N, Section 4(d)(2).

⁸³ Mass. General Laws c. 23N, Section 13(d).

⁸⁴ Mass. General Laws c. 23N, Section 13(e)(2).

⁸⁵ Mass. General Laws c. 23N, Section 4(c).

A new bill filed in Massachusetts would bring major changes to sports wagering in the Commonwealth. Sen. John Keenan's bill is titled *An Act Addressing Economic, Health and Social Harms Caused by Sports Betting*.⁸⁶ The bill proposes the following:

- Increase the tax rate from 20% to 51%
- Prohibit in-play and prop bets
- Implement \$1,000-a-day and \$10,000-a-month wagering limits
- Prohibit sports-wagering advertisements during televised sports contests
- Add bonuses and single-game parlays to unfair and deceptive practices

The bill also makes other responsible gambling-related changes, including doubling operators' mandated problem and responsible gambling initiative contributions to \$2 million and requiring operators to provide anonymous customer demographic and betting behavior data to the state for research and oversight purposes.

4. New Hampshire

New Hampshire has charitable gaming casinos that offer sports wagering through the New Hampshire Lottery as the gaming regulator and its contracted sportsbook partner DraftKings. In 2019, the state legalized sports wagering and authorized the Lottery Commission to operate a sports-wagering platform through Lottery agents.⁸⁷ The New Hampshire Lottery operates sports wagering in New Hampshire with a limited number of licensed online operators and retail agents. New Hampshire's statute creates a Division of Sports Wagering within the Commission to ensure compliance with the state's laws governing sports wagering.⁸⁸

The state may issue 10 retail sports-wagering licenses and five online sports-wagering licenses. However, currently, there is only one sportsbook operator in New Hampshire: DraftKings. The reason is that DraftKings reached an exclusive deal with the state whereby the operator agreed to share 50% of its revenue with the state. This revenue sharing would decrease if other parties entered the market. Through a request-for-proposals process, the New Hampshire Lottery selected DraftKings to be its exclusive agent for online and retail sports wagering. DraftKings' New Hampshire online sportsbook commenced operations in December 2019. Retail sports wagering followed on August 12, 2020. At the end of 2023, retail sports wagering was also available at four retail sportsbook locations.⁸⁹

The New Hampshire statutes direct the Lottery Commission to conduct the state's mobile sportsbook through Lottery agents. Lottery agents are selected through a two-part competitive bidding process and approved by the Governor and Executive Council. New Hampshire's statutory scheme requires that any contract with an agent shall be based on the state receiving a percentage of revenue

⁸⁶ Giovanni Shorter, "New Massachusetts sports betting bill includes massive tax hike and ban on live betting," MassLive.com, January 21, 2025. <https://www.masslive.com/betting/2025/01/new-massachusetts-sports-betting-bill-includes-massive-tax-hike-and-ban-on-live-betting.html>

⁸⁷ N.H. Rev. Stat. § 287-I:2.

⁸⁸ N.H. Rev. Stat. § 287-I:8.

⁸⁹ American Gaming Association State of the States 2024, pg. 85. https://www.americangaming.org/wp-content/uploads/2025/02/New-Hampshire_Overview.pdf

from sports-wagering activities.⁹⁰ In the first stage of the competitive bidding process, the Lottery Commission is required to review the applicant to ensure that the potential agent demonstrates financial stability, responsibility, good character, honesty, and integrity. The Lottery Commission evaluates each potential agent's experience and background, ability to serve proposed locations for sportsbook retail operations, mobile wagering capabilities contribution to economic development within the state, and the agent's commitment to prevention of problem gambling, to responsible gaming, and to integrity in betting.⁹¹

After the first stage of evaluation, the Lottery Commission must select a group of potential agents who best satisfy the statutory criteria and select from that group the bids that provide the state with the highest percentage of revenue from the sports-wagering activities. All agents are subject to criminal and financial background checks as determined by the Lottery Commission.⁹²

Any agent or vendor providing a digital platform for mobile sports wagering must provide a detailed computer system security report to be approved by the Lottery Commission. The digital platform security report must address the security and internal control report, including a documented system-security test performed, a description of all software applications that comprise the system, a description of all types of wagers supported by the system, a list of data recorded relating to each wager, and integration with an independent control system to ensure integrity of system wagering information.⁹³

In addition to the security information required in the computer system security report, each agent or vendor engaged in sports wagering must submit a security and internal control report to the Division of Sports Wagering. The report must address physical security, personnel security, and computer systems security, including surveillance plans for retail sportsbook locations, procedures for identifying and reporting fraud and suspicious conduct, procedures to connect with monitoring services or sports governing bodies relating to suspicious activity, and systems to prevent prohibited sports bettors from placing wagers.⁹⁴

New Hampshire requires the Lottery Commission's agents to submit house rules for the Division's review and approval prior to conducting any sports wagering. The Commission-approved house rules must include the method for calculation and payment of winning wagers, a process for notifying bettors of odds or proposition changes, and procedures for the handling of errors, late bets, and related contingencies.⁹⁵

The Lottery Commission's agents are required to submit a responsible gaming plan for Division review and approval. The plan must include details concerning the materials related to problem gaming, resources to be made available to bettors expressing concerns about problem gaming, house-imposed

⁹⁰ N.H. Rev. Stat. § 287-I:3.

⁹¹ Ibid.

⁹² Ibid.

⁹³ N.H. Rev. Stat. § 287-I:8.

⁹⁴ Ibid.

⁹⁵ Ibid.

player limits, and self-exclusion programs.⁹⁶ With respect to mobile sports wagering, New Hampshire's statutes require the Commission to provide options for wager limits for periodic amounts consistent with the best practices in addressing problem gambling and a program for players to voluntarily self-exclude themselves from wagering for set periods of time.⁹⁷

New Hampshire permits any person over the age of 18 to place a wager on a professional sports event. The state prohibits wagers placed on a collegiate sports event in which one of the participants is a New Hampshire collegiate team, a collegiate sports event that takes place in New Hampshire, any high school sports event, and any amateur sports event where the participants are primarily under the age of 18.⁹⁸

Online sports-wagering revenues are taxed at 51% while retail sports wagering is taxed at 50%. Sports-wagering revenue goes to support education programs statewide. The minimum age is 18, the same as in Rhode Island, which is an age below which bettors must be in most other states. New Hampshire operators have no specific fees to pay for their license.

New Hampshire's legislature recently rejected a proposal to increase the minimum age for sports wagering to 21.⁹⁹

5. New Jersey

The Division of Gaming Enforcement ("DGE") regulates sports wagering in New Jersey.¹⁰⁰ Commercial casinos, racetracks and online operators in New Jersey are allowed to offer sports wagering. New Jersey's statutory scheme establishes a sports-wagering operator's permit. The permit may be issued to a licensed casino or racetrack.¹⁰¹ The sportsbook market is very competitive, with 14 online sportsbooks available for bettors. The minimum age for sports wagering is 21.¹⁰² The fee for a sports-wagering operator is \$100,000. Wagers on college teams from New Jersey or on any collegiate events occurring in the state of New Jersey are not allowed.¹⁰³

New Jersey permits existing casino licensees to contract for online sports-wagering services. A licensed casino or racetrack may contract with an internet sports pool operator licensed as a "casino service industry enterprise" to operate an online sports pool on its behalf, provided the DGE or Racing Commission approves the contract terms. Within this structure, New Jersey limits the number of skins that may be operated by an individual licensee. Each sports-wagering licensee is limited to not more than

⁹⁶ Ibid.

⁹⁷ N.H. Rev. Stat. § 287-I:7.

⁹⁸ N.H. Rev. Stat. § 287-I:1(XI).

⁹⁹ Robert Linnehan, "New Hampshire Sports Betting Age Will Not Change," Sports Betting News, January 28, 2025, <https://www.sportsbettingdime.com/news/betting/new-hampshire-sports-betting-age-will-not-change/>

¹⁰⁰ N.J.S.A. 5:12A-13.

¹⁰¹ N.J.S.A. 5:12A-10.

¹⁰² N.J.S.A. 5:12A-11(e).

¹⁰³ N.J.S.A. 5:12A-10.

three individually branded websites. The licensee is required to host or utilize services that have servers located in the licensed casino or racetrack, or in any location in Atlantic City.¹⁰⁴ New Jersey requires that all persons employed directly in sports-wagering activities conducted in a sports-wagering lounge or an online sports pool be licensed as a casino key employee or registered as a casino employee.¹⁰⁵

The DGE has adopted rules that require each operator to adopt internal controls. At minimum, the internal controls must address user access controls for all sports pool personnel, segregation of duties within the sports pool system, automated risk management procedures; prevention of wagering by prohibited persons, a description of anti-money laundering compliance standards, and a description of all integrated third-party systems.¹⁰⁶

Retail sports-wagering revenue is taxed at 9.75%, and online sports wagering is taxed at 14.25%. Money raised from casino operations ties into Atlantic City's marketing and promotion efforts in the form of tax revenue, which goes into the Casino Revenue Fund and the Casino Reinvestment Development Authority. Money from racetrack operations goes into the General Fund, as well as to local municipalities.¹⁰⁷

New Jersey has comprehensive regulations governing all aspects of sports-wagering operations.¹⁰⁸ Sports pool operators are required to submit to the DGE their internal controls for all aspects of sports pool wagering operations. Sports pool operators shall not commence sports pool wagering until these internal controls have been approved by the DGE.¹⁰⁹

All manufacturers, suppliers and repairers of sports pool wagering equipment, including without limitation totalisators, pari-mutuel machines, self-service pari-mutuel machines and credit voucher machines, to sports pool licensees are required to be licensed as gaming-related casino service industries in accordance with the provisions of N.J.S.A. 5:12-92a.¹¹⁰

New Jersey has implemented a self-exclusion program for operators to follow.¹¹¹ Advertisers cannot target minors and are required to display the following message: "If you or someone you know has a gambling problem and wants help, call 1-800 GAMBLER."¹¹²

New Jersey Assemblyman Brian Bergen has introduced legislation that proposes changes to the state law regarding sports-wagering advertisements. Bergen proposes to prohibit the "posting, distributing, broadcasting, or disseminating" of any online ad related to sports wagering. The bill proposes

¹⁰⁴ N.J.S.A. 5:12A-11(a).

¹⁰⁵ N.J.S.A. 5:12A-12(d).

¹⁰⁶ N.J.A.C. 13:69N-1.7(c).

¹⁰⁷ N.J.S.A. 5:12A-16.

¹⁰⁸ N.J.A.C.13:69N.

¹⁰⁹ N.J.A.C.13:69N-1.11.

¹¹⁰ N.J.A.C.13:69N-1.12.

¹¹¹ N.J.S.A.5:12-71.

¹¹² N.J.A.C. 13:69N-1.8(g).

an immediate ban of online sports-wagering advertisements and also prohibits marketing shared via any web-based platform on a mobile device.¹¹³

6. New York

New York enacted its sports-wagering statutes in 2021, conducted a competitive bidding process to select platform providers, and formally introduced its online sports-wagering market in January of 2022. Sports wagering is regulated by the New York State Gaming Commission.¹¹⁴ Individuals must be at least 21 years of age to participate in sports wagering.¹¹⁵ Wagers may not be placed on high school sports events or any sports events in which any New York college team participates, regardless of where the event takes place.¹¹⁶

New York requires online platform providers to pay a \$25 million license fee.¹¹⁷ Casinos are not required to pay any initial licensing fee or renewal fees for the right to hold a sports pool license. Once issued, licenses are valid for the period of the casino's gaming facility license. In addition, providers are also required to make \$2.5 million annual payments to a licensed retail commercial casino to house servers and other required equipment for mobile wagering. Retail sports wagering is subject to a 10% tax on gross gaming revenue. Online sports wagering is subject to a 51% tax on gross gaming revenue, equal to the highest effective tax rate in the nation. Additionally, wagers are subject to a 0.25% federal excise tax on handle.

Upstate commercial casinos, tribal casinos, and online operators all offer sports wagering. There are many sportsbooks available in the New York market, making the market highly competitive. Licensed online operators include Bally Bet, BetMGM, Caesars Sportsbook, DraftKings, ESPN Bet, Fanatics Sportsbook, FanDuel, Resorts World Bet, and Rush Street Interactive.¹¹⁸

The Gaming Commission issues the following sports-wagering licenses: operator, casino vendor enterprise registration, mobile sports-wagering license, and casino key employee license. The Commission may issue an operator's license to the holder of a casino gaming facility license. An operator's license permits the casino to operate a sports pool.¹¹⁹ The operator's sports pool must be conducted within a sports-wagering lounge located at the licensed gaming facility. The operator's sports-wagering lounge must meet the Commission's minimum standards concerning sports-wagering lounges, including square

¹¹³ Justin Byers, "Lawmaker in New Jersey wants to ban online sports betting ads," January 24, 2025. <https://sbcamericas.com/2025/01/24/bill-nj-ban-online-sports-betting-ads/>

¹¹⁴ McKinney's Racing, Pari-Mutuel Wagering and Breeding Law, §§ 167-167-a.

¹¹⁵ NY RAC PARI-M § 1367-2(d).

¹¹⁶ NY RAC PARI-M § 1367(1)(s).

¹¹⁷ NY RAC PARI-M § 1367-A3.

¹¹⁸ "Sports Wagering Overview," New York State Gaming Commission. <https://gaming.ny.gov/sports-wagering#:~:text=Overview,licensed%20commercial%20casino%20gaming%20facility> (accessed February 4, 2025)

¹¹⁹ NY RAC PARI-M § 1367(2)(a).

footage, design, equipment, security measures, and any other requirements that the Commission adopts through rule.¹²⁰

The Commission requires sports pool vendors to obtain a vendor's license prior to the execution of any agreement to provide services to an operator. The holder of an operator's license is permitted to contract with an entity to conduct the sports pool. The sports pool vendor must obtain a license as a "casino vendor enterprise" prior to the execution of the contract for sports pool services.¹²¹ The commission licenses mobile sports-wagering operators and platform providers. A mobile sports-wagering operator is a mobile sports-wagering skin that is licensed by the Commission to operate a sports pool. A mobile sports-wagering platform provider is an entity that is selected for a license through a competitive bidding process conducted by the Commission. New York limits the issuance of sports-wagering platform provider licenses to two licenses.¹²² No license to operate a sports pool shall be issued by the Gaming Commission to any entity unless the entity has established its financial stability, integrity and responsibility and its good character, honesty and integrity.¹²³

New York requires all persons employed directly in wagering-related activities conducted within a sports-wagering lounge to be licensed as a casino key employee or registered as a gaming employee. The holder of an operator's license must designate one or more casino key employees who are responsible for the operation of the sports pool. At least one casino key employee must be present on the premises of the gaming facility whenever sports wagering is conducted.¹²⁴

New York State law authorizes online sports wagering when a sports wager is made through virtual or electronic means from a location within New York and is transmitted to and accepted by electronic equipment located at a licensed commercial casino gaming facility. The Commission controls the wagering menu offered by licensed operators and limits sports and leagues accepted for sports wagering.¹²⁵

New York imposes comprehensive responsible gaming requirements on operators and mobile sports-wagering operators. The Commission must require each licensee to implement responsible gaming programs that include comprehensive employee trainings on responding to circumstances in which individuals present signs of a gambling addiction and requirements for each licensee to assess, prevent, and address problem gaming by the licensee's users.¹²⁶ Each licensee must also submit an approved annual problem-gaming plan that includes: the timetables for implementing the plan; identification of the persons responsible for implementing and maintaining the plan; procedures for identifying users with

¹²⁰ NY RAC PARI-M § 1367(2)(b).

¹²¹ NY RAC PARI-M § 1367(2)(h).

¹²² NY RAC PARI-M § 1367A7(d).

¹²³ NY RAC PARI-M § 1367(2)(a).

¹²⁴ NY RAC PARI-M § 1367(3).

¹²⁵ "Sports Wagering Overview," New York State Gaming Commission. <https://gaming.ny.gov/sports-wagering#:~:text=Overview,licensed%20commercial%20casino%20gaming%20facility> (accessed February 4, 2025)

¹²⁶ NY RAC PARI-M § 1367(13).

suspected or known problem gaming behavior; and procedures for self-exclusion and providing information to users concerning problem gaming resources.¹²⁷

New York also requires each online sports-wagering licensee to monitor each patron's lifetime deposits and require the patron to affirm and acknowledge that the patron may establish self-imposed wagering limits. When patron's lifetime deposits exceed \$2,500, the mobile sports-wagering operator shall prevent any wagering until the patron immediately acknowledges that the deposit threshold has been reached. The licensee must notify the patron that they may elect to establish responsible gaming limits or close the account, and the licensee must provide the patron with disclosures concerning problem gambling resources.¹²⁸

7. Vermont

Sports wagering became legal in Vermont on January 11, 2024. Sports wagering is confined to online platforms; there is no in-person retail sports wagering. The Department of Liquor and Lottery was authorized to oversee sports wagering in the state. The legislation provides that the "Commissioner shall negotiate and contract to authorize a minimum of two but not more than six operators to operate a sportsbook in Vermont through a mobile sports wagering platform."¹²⁹ There are three online operators in the state that were selected through a competitive bidding process: Fan Duel, Draft Kings, and Fanatics Sportsbook. The minimum age for a sports-wagering patron is 21.¹³⁰

Each operator selected through the competitive bidding process was required to pay an operator fee of \$550,000. The Commissioner and an operator may negotiate the renewal term upon which the fee will be reassessed. However, the Department shall not require an operator to pay the fee more than once in any three-year period.¹³¹ By statute, each operator shall pay the Department a revenue share that is determined by the Department through the competitive bidding process.¹³² The effective tax rate utilized in Vermont is 31.7%.¹³³ The revenues and fees collected are deposited in the Sports Wagering Enterprise Fund.¹³⁴

Vermont's statute sets forth detailed requirements for operators for establishing internal control procedures governing sports-wagering operations.¹³⁵ The statute provides for age and identity verification

¹²⁷ NY RAC PARI-M § 1367-a(4)(a)(xv).

¹²⁸ NY RAC PARI-M § 1367-a(4)(xiii).

¹²⁹ 31 V.S.A. §1302(b)(1); §1320(a).

¹³⁰ 31 V.S.A. §1301(9)(H).

¹³¹ 31 V.S.A. §1320(c).

¹³² 31 V.S.A. §1320(d).

¹³³ Christian Wade, "VT 5th highest sports betting tax in U.S.," *Vermont Daily Chronicle*, September 20, 2024. <https://vermontdailychronicle.com/vt-5th-highest-sports-betting-tax-in-u-s/>

¹³⁴ 31 V.S.A. §1304.

¹³⁵ 31 V.S.A. §1303.

requirements.¹³⁶ In addition, the statute provides that responsible gaming practices should be followed by operators with respect to setting wager and deposit limits and the establishment of a state-wide self-exclusion program.¹³⁷ Credit cards cannot be used to open a sports-wagering account.¹³⁸ The statute provides advertising restrictions, prohibiting advertising that targets minors under the age of 21.¹³⁹

C. Summary

The Rhode Island Lottery has enjoyed a long-term contractual partnership with IGT for conducting its authorized gaming operations. When sports wagering was legalized in Rhode Island, the Lottery issued an RFP to solicit interested service providers; IGT was the only entity to respond. Thereafter, the Lottery engaged IGT for this endeavor, and their exclusive deal was recently extended until November 2026. When the contract expires, the Lottery will have an opportunity to enable other experienced and successful providers to enter the Rhode Island market for a more competitive arena. There is no prohibition in the statute regarding the number of authorized service providers. However, by law, unless the State Constitution is amended following a voter referendum and the enabling legislation is amended by the State legislature, the server utilized for sports wagering would still need to be located inside the existing gaming facilities.

Figure 1: Summary of key sports-wagering laws in Northeast states

State	Age to Wager	Effective Tax Rate on Gaming Revenue	Number of Authorized Operators/Providers	Operator Fee
RI	18	51%	1	None
CT	21	13.75%	3 online 15 retail locations/ 1 operator (10 in operation)	\$250,000 online \$20,000 non-tribal retail
ME	21	10%	4 online (2 in operation) 10 retail (0 in operation)	\$200,000 online \$4,000 retail
MA	21	20% online 15% retail	13 online (7 in operation) 3 casinos	\$5 million
NH	18	51% online 50% retail	5 online (1 in operation) 10 retail (1 in operation)	None
NJ	21	14.25% online 9.75% retail	14 online 12 retail	\$100,000
NY	21	51% online 10% retail	9 online 3 retail	\$25 million online None retail
VT	21	31.7% ¹	6 online (3 in operation)	\$550,000

Source: State regulators, Spectrum Gaming Group research. ¹ By statute, the Vermont minimum rate is 20%, but operators can pay more through a competitive bidding process.

¹³⁶ 31 V.S.A. §1302(c)(1) and (2).

¹³⁷ 31 V.S.A. §1302(c)(4) and (5).

¹³⁸ 31 V.S.A. §1340(d)(2).

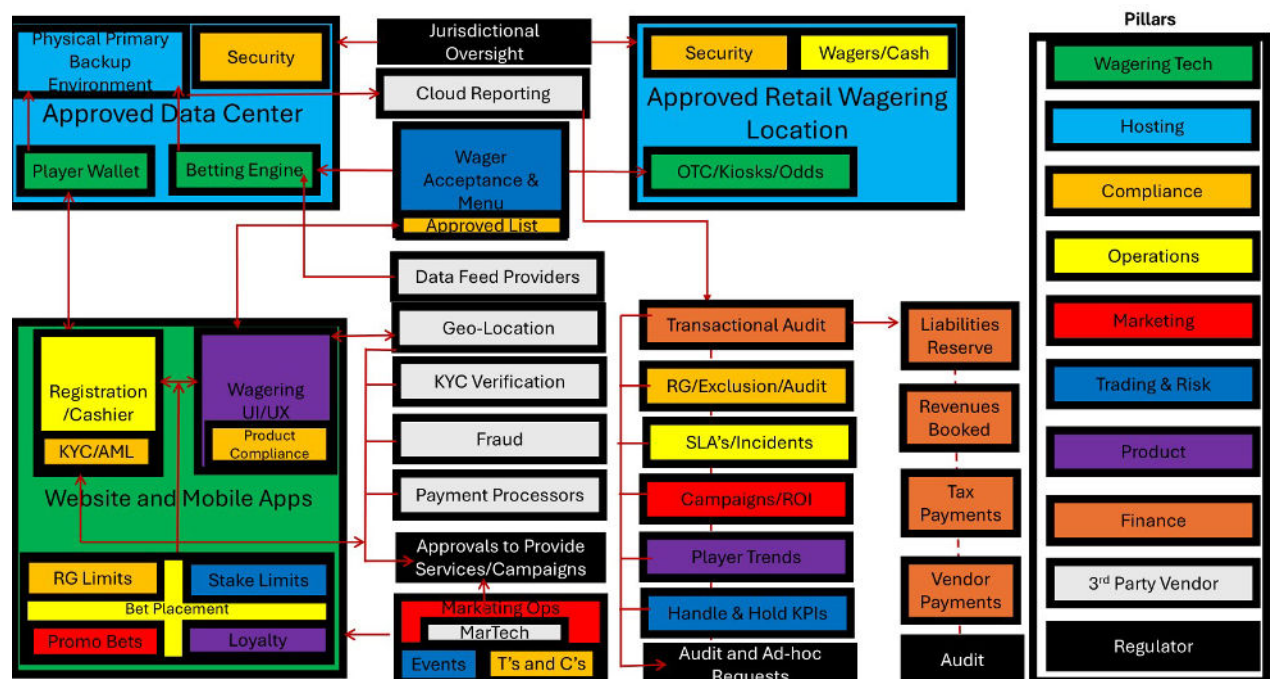
¹³⁹ 31 V.S.A. §1340(e).

II. Operational Responsibilities and Services

A. Analysis of Operational Components and their Application in a Multi-Operator Marketplace

The requirements of any regulated sports-wagering operator are materially consistent throughout all markets in the United States regardless of the framework that defines the number of operators,¹⁴⁰ disbursement of revenues or the ownership of the player account. When considering the operational requirements of a typical regulated sports-wagering jurisdiction, Spectrum has identified 10 pillars of any operation that are deemed essential, regardless of required legal structure or administrative rules.

Figure 2: Sports-wagering operational diagram of pillars and responsibilities: Spectrum model



Source: Spectrum Gaming Group

¹⁴⁰ To the extent that the term “operate” is used in this document in relation to the participation of the Rhode Island casinos/host facilities (Bally’s), any Rhode Island sports wagering vendor, or any other entity involved in Rhode Island sports wagering (collectively “Rhode Island Lottery contracted vendors”) in Rhode Island sports wagering, it should be explicitly understood that Rhode Island sports wagering is in fact operated by the State, through the Rhode Island Lottery, as required by the Rhode Island Constitution. The Rhode Island Lottery, as the operator of Rhode Island sports wagering, has full control over all aspects of the functioning of Rhode Island sports wagering, including the participation of Rhode Island Lottery contracted vendors therein, with the power and authority to make all decisions related thereto. Therefore, the use of the term “operate” herein is not intended to imply that any person or entity other than the State (through the Rhode Island Lottery) operates the lotteries, including sports wagering, as provided in Section 15 of Article VI of the Rhode Island Constitution.

1. Sports-Wagering Tech and Hardware

Spectrum defines sports-wagering tech and hardware as the combination of software and hardware certified to meet standards and functionality recognized as essential to conduct online and retail sports wagering in compliance with all local jurisdictional requirements related to wagering, reporting, auditing, authentication, day-to-day operations and the like.

There are numerous third-party business-to-business vendors both domestically and internationally that provide turnkey white-label solutions to clients of all sizes with the ability to operate multiple brands (a.k.a. “white label”) from the same servers and databases. The trend among most large scale business-to-consumer operators is to own their sports-wagering tech stack and purchase retail hardware instead of manufacturing it themselves.

In the absence of compliance with any host-jurisdiction requirements, it is common for these vendors and operators to develop bespoke solutions specific to the respective host jurisdictions. It is within this multi-branch management of segregated environments requiring their own release management, maintenance and auditing schedule that could be considered a high risk for non-compliance. The degree of non-compliance is dependent on the proportion and quality of human interference involved with such activities that dictates the propensity for incident to occur.

Therefore, any vendor or operator proposing the use of their sports-wagering tech stack and retail hardware is considered a viable candidate to meet any such requirements. As such, it is reasonable to expect that in a multi-operator marketplace, the parity in compliance functionality of multiple sports-wagering tech stacks and retail hardware is a Day 1 requirement that can be met without need for contingency or conditional approval.

2. Hosting

As legal sports wagering is regulated and occurs at the state level, the host regulator must maintain jurisdiction over the hardware and/or environments where all regulated wagering data is processed and stored. In addition to maintaining this jurisdiction over the data, the regulator must maintain the ability to physically shut down an operator’s services that are accepting wagers, should the need arise.

In multi-operator frameworks, this requirement of locally hosted hardware is typically fulfilled by one of three different types of hosting providers:

- Retail casinos within the jurisdiction that already operate and maintain a compliant data center hosting their own regulated data. In those cases, a commercial arrangement is agreed between the casino and third-party operator, where the casino provides space, services and infrastructure to the third-party operator’s hardware and network for a contract fee. In some cases, the casino’s data center may not be available to third-party operators or may not have sufficient space to host all required hardware.
- Vendors that specialize in providing hosting solutions and services for entities that process and store regulated data and require a hosting site that is compliant with the local regulator’s requirements.

- Vendors of hosting solutions lease space within retail casino data centers and conduct their B2B activities from the same data center often with gated access to divide the area and maintain security protocols and safeguards.¹⁴¹

The standards followed by multi-operator sports-wagering jurisdictions are consistent across all states regarding hosting requirements, security of data, and access to data. Additionally, the federal Wire Act prohibits the transmission of wagering data across state lines. Due to this consistency in requirements and the availability of licensed and experienced vendors, the most likely risk of hosting in a multi-operator environment is lack of compliant or approved space and infrastructure to support all operators' hosting needs.

3. Compliance

US sports wagering is conducted at the state level and adheres to jurisdictional-specific statutes, administrative rules and functional requirements. This has created a patchwork of state-specific compliance requirements that must be maintained by multiple departments within an operation.

From geolocation restrictions and know your customer ("KYC") manual validations to marketing terminology, tax calculations and proactive responsible gaming initiatives, multi-jurisdictional online operators have developed technological solutions to these challenges and assembled large teams following rigid processes to address compliance at a local level while still operating nationally at scale.

While there are now 39¹⁴² jurisdictions within the United States that offer a form of sports wagering – be it retail, online or both¹⁴³ – there is a common theme in prescribing GLI-33 standards¹⁴⁴ as a baseline of all functional requirements.¹⁴⁵ This baseline is then supplemented by a jurisdiction's own requirements reflected in the statutes and administrative rules. In Spectrum's summation, all administrative rules related to sports-wagering operational compliance, to an extent, have their genus in the existing requirements of the retail casino operations in that jurisdiction. This creates consistency for regulators and best practices for operators.

As markets mature and public sentiment forms new policy, it is not uncommon for the interpretation of statutes and change in administrative rules to take place. Using New Jersey as an

¹⁴¹ Chris Murphy, "Continent 8 Technologies opens Ocean Resorts data centre," SBC Americas, June 27, 2018. <https://sbcamericas.com/2018/06/27/continent-8-technologies-opens-ocean-resorts-data-centre/>

¹⁴² Missouri will become the 40th operating sports wagering jurisdiction later this year.

¹⁴³ "Interactive U.S. Map: Sports Betting," American Gaming Association, January 14, 2025. <https://www.americangaming.org/research/state-gaming-map/>

¹⁴⁴ The GLI-33 standards, developed by Gaming Laboratories International, an independent and globally recognized testing and certification company, define event wagering system requirements and best practices for sports wagering. <https://gaminglabs.com/wp-content/uploads/2019/05/GLI-33-Event-Wagering-Systems-v1.1.pdf>

¹⁴⁵ Gaming Laboratories International, GLI-33: Standards for Event Wagering Systems, Version: 1.1, May 14, 2019. <https://gaminglabs.com/wp-content/uploads/2019/05/GLI-33-Event-Wagering-Systems-v1.1.pdf>

example of a mature market with 14 online sports-wagering operators,¹⁴⁶ the regulator has regularly required its multiple operators to adapt to new requirements and standards meant to protect the player – whether related to responsible gaming advertising¹⁴⁷ or proposing the creation of new rules related to the use of gift cards for depositing.¹⁴⁸ Multi-jurisdiction operators have proven to be competent at adapting to changes at the local jurisdiction level, often finding solutions that can be applied at scale to all their operating jurisdictions. This approach helps to ensure consistency in functionality, process and procedures, leading to less risk of compliance breaches and inconsistencies.

4. Operations

The complexity of sports-wagering operations is dependent on an operator’s structure, technology and scale. The risk associated with deficient or non-compliant operations is due to the comingling of compliance initiatives and the operational efficiency of a multi-jurisdiction operator in a multi-operator framework. To assess these operators, a consistent theme across all regulated sports-wagering jurisdictions is the use of minimal internal control standards (“MICS”).¹⁴⁹ MICS are formulated to address jurisdictional statutes and administrative rules while also providing transparency for the regulator into the operators’ tools and procedures that may impact the player’s wagering experience and ability to meet all required standards.

While multi-jurisdiction operators employ large teams dedicated to monitoring and auditing for compliant operations, they also work to curate internal processes and procedures that ensure consistent compliance at scale. Be it employee password-reset procedures or reporting and auditing schedules, the ability for multi-jurisdictional operators to adapt and apply unique requirements at scale efficiently is practiced successfully today. For example, in New Jersey too many failed deposit attempts via automated clearing house (“ACH”) requires the player’s account be blocked for potential fraud investigation.¹⁵⁰

This requirement is not standard in all online sports-wagering jurisdictions and is unique in that it singles out a specific deposit method; however, the development needed to segregate this requirement to New Jersey would not be conducive to consistency nor would it address the greater threat of fraud that prompted the regulatory requirement in the first place.

As such, multi-jurisdiction operators bring more compliance and efficiency to new markets based on multiple different requirements and learnings from mature markets. The sports-wagering experience

¹⁴⁶ State of New Jersey Department of Law and Public Safety, Division of Gaming Enforcement, “Sports Wagering,” <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/sports-wagering/> (accessed February 4, 2025)

¹⁴⁷ State of New Jersey Department of Law and Public Safety, “AG Platkin Announces New Multi-Faceted Efforts to Curb Problem Gambling, April 20, 2023. <https://www.njoag.gov/ag-platkin-announces-new-multi-faceted-efforts-to-curb-problem-gambling/>

¹⁴⁸ New Jersey Division of Gaming Enforcement, Proposed Amendment: N.J.A.C. 13:69O-1.3, October 7, 2024. <https://www.nj.gov/oag/ge/docs/ProposedRules/oct72024/NJRPublishedproposal.pdf>

¹⁴⁹ Minimum Internal Control Standards are a basic requirement of any regulated gaming jurisdiction.

¹⁵⁰ NJ Code 13:69O-1.4(j). <https://www.nj.gov/lps/ge/docs/Regulations/CHAPTER69O.pdf>

becomes more compliant and consistent across all jurisdictions in response to best business practices influenced by trends in the market that have required such practices to be developed in the first place.

5. Marketing

The marketing of online sports wagering in multi-operator jurisdictions has been demonstrated to be aggressive and consists of multiple layers of initiatives that are executed at different stages of a player's lifecycle.

Marketing efforts typically begin with the "welcome" offer, often a generic approach used to capture a player's attention and provide enough upside to overcome the barriers of entry associated with regulated online sports wagering.¹⁵¹ In jurisdictions that allow for promotional deductions to be factored into an adjusted gross gaming revenue figure, these deductions can greatly impact budget forecasts, as seen in multiple US jurisdictions in the past.¹⁵² However, in jurisdictions that do not allow for promotional deductions, these types of offers have the potential to produce more taxable revenue than operator profits.

Once the player is fully registered, funded and has placed their first wager, a series of data-processing events will occur involving multiple operator teams supplemented by vendors and proprietary technology. The result of these events will determine what the operator believes to be the most applicable schedule, channel and content of communications delivered to the player based on their activities. These communications evolve based on the operator's defined milestones, market trends and regulatory changes.

This approach to player-specific, curated communication is due to the extremely competitive nature of online sports wagering in multi-operator jurisdictions, where it is recognized that a majority of online sports bettors used more than one wagering app.¹⁵³ As a result, these operators invest heavily in creating and maintaining engagement with their products up front at a potential loss in exchange for the potential to drive long-term profitability over the life of the player's account.

This hyper-competitive environment and race to acquire market share in newly regulated jurisdictions has been a catalyst for questionable tactics and campaigns used to win players' attention – tactics that are increasingly found to be misleading and objectionable. To curtail such activities, the American Gaming Association created a Responsible Marketing Code of Conduct in 2023.¹⁵⁴ Despite these

¹⁵¹ DraftKings, "Looking for action? You came to the right place." <https://www.draftkings.com/promo-code> (accessed February 2, 2025)

¹⁵² Ellen McNamara, "Arizona is making less from sports betting than expected," fox10phoenix.com, October 2, 2023. <https://www.fox10phoenix.com/news/sports-betting-arizona-revenue>

¹⁵³ Matt MacKay, "YouGov Releases Study on Sportsbook Preferences and Demographics," Covers.com, April 28, 2024. <https://www.covers.com/industry/yougov-releases-study-on-sportsbook-preferences-and-demographics-april-28-2024#:~:text=The%20study%20found%2073%25%20of,sports%20betting%20apps%20and%20sites>

¹⁵⁴ "Responsible Marketing Code for Sports Wagering," American Gaming Association, March 28, 2023. <https://www.americangaming.org/responsible-marketing-code-for-sports-wagering/>

and other efforts, violations and legal disputes continue to occur, with one major multi-jurisdiction operator is currently the subject of a class-action lawsuit due to these same types of activities.¹⁵⁵

Due to multiple occurrences of material non-compliance in online sports-wagering marketing,¹⁵⁶ newly regulated jurisdictions within the past three years have made marketing compliance front and center of their auditing agendas.¹⁵⁷

The marketing budgets, campaigns and assets utilized in a multi-operator vs. single-operator jurisdiction can vary to differing degrees based on the addressable market size and competitive landscape. However, those major operators with national presence will acquire at scale, in a generic manner, and proceed to curate the player's marketing communications from a local jurisdictional compliance perspective.

While all gaming operators – whether they operate in multiple markets or just one – go to great lengths to create efficient, effective and compliant marketing campaigns, there will always be a human element involved in gaming activities that creates the risk for non-compliance. The operators consider this an accepted cost of doing business. The number of operators in the jurisdiction and their individual track records on marketing compliance is the measure of risk associated with marketing activities in a multi-operator environment.

6. Trading and Risk Management

The quality of an operator's trading and risk management teams is directly tied to the success of any sports-wagering operation regardless of size and reach. Balancing liquidity and mitigating volatility to maintain a targeted hold percentage of every wager is a core component of any sports-wagering operator's financial forecast and business model.

Multi-jurisdiction operators utilize a combination of centralized trading teams and third-party data providers to make changes in wagering markets and events served throughout all of their jurisdictions. These trading teams may be subdivided to monitor specific jurisdictions for wagering activity; however, in Spectrum's observation, the pricing and odds offered to players are based largely on global liquidity pools vs. a local jurisdiction's own wagering pool. In smaller jurisdictions, where public bias can create an imbalance in wagering selections on a specific event, the global pricing approach makes the operator susceptible to volatility in that jurisdiction. However, due to their scale, this volatility can be mitigated by the large multi-jurisdiction operators.

¹⁵⁵ Loevy + Loevy, "Online Gambling Giant DraftKings Sued in Multiple States for Hooking Users with Deceptive Promotions," January 8, 2025. <https://www.loevy.com/draftkings-sued-for-deceptive-promotions/>

¹⁵⁶ David Purdum, "DraftKings, FanDuel will pay \$6M each in settlement of N.Y. suit," ESPN, October 25, 2016. https://www.espn.com/sports-betting/story/_/id/17886248/draftkings-fanduel-pay-6-million-settlement-ny-suit

Wayne Parry, "No fooling: FanDuel fined for taking bets on April Fool's Day on events that happened a week before," Associated Press, July 10, 2024. <https://apnews.com/article/fanduel-fined-gambling-new-jersey-sports-betting-7f09b9a9339ba7c6e2ce558e004520a5>

¹⁵⁷ Justin Byers, "Ohio gaming regulator proposes new rule amid Fanatics violation," SBC Americas, June 28, 2024. <https://sbcamericas.com/2024/06/28/ohio-gaming-regulator-new-rule-fanatics/>

Single-jurisdiction operators – regardless of the size of the host jurisdiction – are much more likely to employ a local-trading and risk-management approach that recognizes player biases in the jurisdiction, and thus they work to price their markets and events according to the most balanced pool they can create to mitigate volatility in revenues.

In addition to managing the prices and risk within the sports pool, these trading teams are responsible for ensuring the offering, acceptance and settlement of sports wagers is conducted in a compliant manner.

The offering – or catalog – of sports-wagering events, is primarily managed by automated data feeds, in which operators apply manual or automated checks against any markets not approved to offer within the jurisdiction. Compare a market like New Jersey, where basketball from 29 countries, excluding Uruguay, is offered¹⁵⁸ to Rhode Island, where basketball from only 27 countries – including Uruguay – is offered.¹⁵⁹ In such a case, there is a moderate risk of multi-jurisdictional operators offering non-approved events in a jurisdiction-by-jurisdiction approach using teams and processes built for scaled operations.

The acceptance of sports wagers considers not only the risk associated with the outcome of the wager, but also the correlation between the time the wager is placed and the status of the market or event in/on which the wager is made. In many cases an event may not start at the scheduled time and therefore manual intervention is needed to update the start time to ensure an operator can take as many wagers as possible before the event starts. Another example would be ad-hoc markets and events due to player or marketing department requests or campaigns. In this case, a specific market and bet type is created manually within the sportsbook catalog, including all acceptance and settlement configurations. These types of human interventions do create moderate risk of error and non-compliance with approved event lists and the terms under which the wager is being offered and settled with routine occurrences by even the most mature of operators¹⁶⁰ and vendors.¹⁶¹

Due to the continued use of manual actions and breakdowns in technology used to filter out non-approved offerings and non-compliance wager acceptance, it is likely that multi-jurisdiction operators will operate at a higher risk of non-compliance related to trading and risk management vs. a single-jurisdiction operator whose focus and processes are likely less susceptible to such occurrences.

¹⁵⁸ Approved Leagues/Events for Sports Wagering, New Jersey Department of Law and Public Safety Division of Gaming Enforcement, December 12, 2024.

<https://www.nj.gov/oag/ge/docs/SportsBetting/ApprovedEventsList.pdf>

¹⁵⁹ Rhode Island Lottery, Sports Event Approved List.

¹⁶⁰ Wayne Parry, “Sports betting firm bet365 fined \$33K for taking bets after outcomes were known,” Associated Press, September 6, 2024. <https://apnews.com/article/sports-betting-bet365-fined-new-jersey-765917e8bc62fc9e76e9a885d60e4c7f>

¹⁶¹ Wayne Parry, “New Jersey fines firms \$40K for sports betting violations,” Associated Press, December 23, 2024. <https://apnews.com/article/sports-betting-fines-gambling-draftkings-kambi-cb870199975b63bf1fd859d29db9267a>

7. Product

As in any online retail or e-commerce business operating in hyper-competitive environments, the rate at which multi-jurisdictional operators evolve their offering and player experience is considered a core indicator of their success.

Multi-jurisdictional sports-wagering operators who maintain their own products and product development go to great lengths to ensure both product innovation and product parity within their respective markets.¹⁶² Product innovation is used to create new revenue streams or in response to a specific player demographic's needs or preferences.¹⁶³ Product parity, on the other hand, is used to ensure retention and create the opportunity to be the best in class in that product.¹⁶⁴ Both initiatives create long-tail marketing opportunities and contribute to the operator's overall acquisition and retention strategies.

As stated previously, the hyper-competitiveness of multi-operator jurisdictions creates hyper-development of new products which can only be implemented in Rhode Island after Lottery approval. To ensure a new product complies with a specific jurisdiction's requirements, multiple third-party independent testing labs have been used to supplement a regulator's own lab and testing activities. In this regard, the testing and certification of new product releases can be streamlined in a multi-operator jurisdiction, with an increase in documentation and oversight as the primary challenges to efficiency. It is not uncommon for a multi-jurisdiction operator that maintains its own software development teams to be at inherent risk of unauthorized product releases due to failures in its own internal control standards. While Spectrum considers this a moderate risk present with any regulated vendor of gaming software, it does recognize that using advanced external system monitoring software and techniques like those used with slot terminals, these risks can be detected and mitigated efficiently.

It is important to consider that in an environment of hyper-product releases, there is a risk of innovation and trends being restricted and challenged by the current interpretations of statutory and administrative intent. In these instances, it is possible that due to statutes there is no other option but a change in law to accommodate the use of some products, and in other cases it could be a matter of enhancing administrative rules to account for the use of new technologies and techniques for maintaining player safety while innovating the entire online sports-wagering experience. Be it biometrics on a mobile phone to login to a wagering account or live stream photos and facial recognition databases to verify identities of failed KYC checks, operators are continuously working to streamline the player experience in any form conceivable and thus the proverbial envelope will continue to be pushed.

¹⁶² NEXT.io, "US Sports Betting: The future of in-play and will SGPs & micro betting power it?," March 28, 2024. <https://next.io/news/promoted/us-sports-betting-the-future-of-in-play-and-will-sgps-micro-betting-power-it/>

¹⁶³ J.R. Duren, "DraftKings Launches Subscription Service That Boosts Parlay Odds," Gaming Today, January 8, 2025. <https://www.gamingtoday.com/news/draftkings-launches-subscription-service-that-boosts-parlay-odds/>

¹⁶⁴ Caesars Entertainment, "Caesars Entertainment Acquires Sports Betting Technology Company, ZeroFlucx," July 5, 2024. <https://investor.caesars.com/news-releases/news-release-details/caesars-entertainment-acquires-sports-betting-technology-company>

Therefore, in a multi-operator jurisdiction a close working relationship between the regulators and operators is paramount to keeping product on par with the greater national market while maintaining compliance and player safety as top priorities.

8. Finance

One of the unseen pillars of any sports-wagering operation is the finance department, responsible for the day-to-day reporting, reconciliation and auditing duties associated with the use of multiple reporting systems and databases, which use their own sources of truth and must be reconciled to ensure compliance with all calculations and disbursements of taxable revenues to the host jurisdiction.

To manage financial compliance requirements at scale, multi-jurisdictional operators rely on stringent reporting processes and auditing procedures designed to maintain compliance at both the local level and the federal level due to many operators being publicly traded companies. All processes and control standards in place are the subject of internal audit and supplemented by accredited third-party auditors.

Unlike casino wagering, in which the bet settles instantly, sports wagering allows for wagers to go through various stages of settlement, which requires robust reporting systems and diligent processes to maintain. The various statuses a sports wager can be in include:

- Pending, settled and claimed
- Settled and unclaimed
- Voided
- Canceled
- Early cash-out
- Expired
- Promo bet
- Any other status that would require special accounting definitions to properly attribute all taxable revenues accurately

Each of these wager statuses reside in separate ledgers within two separate sources of truth: one being the player's wallet that places and redeems wagers, the other being the sports-wagering engine that accepts and settles wagers. This separation of accounting by different components within a unified solution has proven to be a reliable practice and provides ample ability to reconcile between the separate ledgers and identify any conflicts or inconsistencies.

Errors or issues in financial reporting that was previously certified can be the result of new product releases leading to breakdowns in data communications between systems or misconfigured database definitions leading to out of sync transactions and or incorrect tax calculations. Changes in products and

the way those products interpret taxable revenue calculations is a prominent risk and is seemingly always impacting revenue reports deemed to be reporting accurately.¹⁶⁵

While this risk is constant with any business or entity that relies on complicated financial reporting to be compliant, Spectrum believes the multi-jurisdictional operators have developed sophisticated reporting capabilities at scale to accurately and consistently adhere to all local jurisdictional reporting requirements.

Beyond the transactional audits of revenue is the aggregate reporting and audit of funds and their associated liabilities. The liabilities associated with sports wagering require careful analysis and transparent accounting to ensure all compliance with maintaining all liability in cash reserve. These liabilities include the totals of pending wagers, settled unclaimed winning wagers, cashable balances and pending withdrawals. The amounts of these liabilities can change drastically, shifting from one type to another (pending wager to cashable balance to pending withdrawal) all in the same day based on seasonality and the settlement of large events where wagers have been accepted throughout the year leading up to the event. This constant change in liabilities must be monitored daily at the jurisdictional level to ensure compliance with liability reserve requirements for any sports pools and player balances the operator maintains.

From a competency perspective, multi-jurisdiction operators have demonstrated the ability to maintain compliance with liability reserves by way of surety bonds¹⁶⁶ or cash reserve minimums.¹⁶⁷ In the event an operator was forced to halt services and liquidate their liabilities, the risk of insufficient liquidity to satisfy all players and tax liabilities is considered low as long as minimum compliance with liability reserves is adhered to.

In a single-operator jurisdiction, errors or inconsistencies in financial reporting and maintenance would be somewhat easy to detect; however, when products and the developers who define their behavior are not properly vetted, it remains a risk. Managing multiple operators and their various sources of truths and definitions of data can be cumbersome and create moderate to high levels of risk of non-compliance due to the sheer volume of known and unknown factors that must be accounted for. To this point, additional Lottery resources are likely to be required to perform compliance auditing procedures in the absence of a more scaled and automated authentication and auditing processes.

9. Third-Party Vendors

While retail sports wagering is relatively indifferent regarding the need for automated compliance tools because it is conducted in-person, the dependency on third-party vendors to operate compliantly in

¹⁶⁵ Wayne Parry, “New Jersey fines DraftKings \$100K for reporting inaccurate sports betting data to the state,” Associated Press, July 8, 2024. <https://apnews.com/article/draftkings-fined-new-jersey-3e67d8452498049d747f4ddb827a7f5c>

¹⁶⁶ Surety Now, “Sports Wagering Bond.” <https://suretynow.com/bonds/sports-wagering-bond> (accessed February 1, 2025)

¹⁶⁷ State of New Jersey, Chapter 69A-Chapter 69O. <https://www.nj.gov/oag/ge/docs/SportsBetting/FinalAdoptionRegisterPublishedOct7.pdf> (accessed February 1, 2025)

the online channel has created the need for advanced authentication and confirmation technologies to compensate for the risks associated with remote registration, funding, and wagering not found in retail settings. For online sports wagering to successfully comply with local requirements and maintain best business practices in a scaled operation, a dependency on a set of third-party vendors across all the operators' jurisdictions is not only convenient, but a requirement.

Vendors supplying KYC and device fraud services specialize in collecting and analyzing personal data with licenses to government-owned databases and other restricted forms of data verification. There are multiple vendors in this space, each with its own version of the same core service and product with varying levels of differentiation. Channel checks indicate it is not uncommon for multi-jurisdictional operators to utilize multiple KYC vendors in a waterfall approach to attempt maximum success rates in verifying new registrations using different vendors to confirm the same identity with a varying level of confidence.

As in any e-commerce model, the need to facilitate secure financial transactions is a component that no online operation may successfully function without. While many jurisdictions allow for nearly all forms of payment methods except for crypto currency, there is a trend in the United States by individual jurisdictions restricting the use of credit cards to fund real money gaming accounts.¹⁶⁸ Additional funding methods – such as pre-paid gift cards or any other instrument that can be funded with a credit card or cash anonymously – present unique risks associated with fraud and money laundering. In response to these risks, regulators may propose requirements related to the continued use of any specific financial instrument it deems to be at risk of abuse rather than banning the method altogether.¹⁶⁹ In this manner the regulator puts the onus on the operator to either comply with the terms of the player's use of the method or turn off the method altogether. Either way, the player is protected, the operator is compliant, and the risk of mal intent is mitigated with a degree of confidence.

Increasingly, new providers and forms of payments are entering the online sports-wagering industry, such as popular e-wallets PayPal¹⁷⁰ and Venmo,¹⁷¹ bringing with them new types of data and tools used to reduce fraud and streamline player experience for both funding their account and withdrawing their balance. In jurisdictions where e-wallets are approved for funding an online sports-wagering account, the president of one payment vendor estimates they make up more than 25% of all payment transactions.¹⁷² While new forms of payments may contribute to growth, they also create new

¹⁶⁸ Jordan Weissmann, "CFPB: Don't get suckered into making sports bets on your credit card," yahoo!finance, December 16, 2024. <https://finance.yahoo.com/news/cfpb-dont-get-suckered-into-making-sports-bets-on-your-credit-card-140020518.html>

¹⁶⁹ New Jersey Division of Gaming Enforcement, Proposed Amendment: N.J.A.C. 13:690-1.3, October 7, 2024. <https://www.nj.gov/oag/ge/docs/ProposedRules/oct72024/NJPublishedproposal.pdf>

¹⁷⁰ DraftKings, "Depositing with PayPal – Overview (US)." <https://help.draftkings.com/hc/en-us/articles/4407358925203-Depositing-with-PayPal-Overview-US> (accessed February 14, 2025)

¹⁷¹ DraftKings, "Depositing with Venmo – Overview (US)." <https://help.draftkings.com/hc/en-us/articles/4415189061523-Depositing-with-Venmo-Overview-US> (accessed February 14, 2025)

¹⁷² Paysafe, "Why digital wallets are critical for the growth of online sportsbooks," March 7, 2023. <https://www.paysafe.com/us-en/resource-center/why-digital-wallets-are-critical-for-the-growth-of-online-sportsbooks/>

challenges when attempting to profile a player's behavior: Whereas the average ACH deposit may be \$X amount Y times per month, a micro transaction e-wallet such as Venmo may see multiple more transactions for less amounts. On the surface, this could indicate the player has a gambling problem ... or it could simply be expected behavior for that type of payment method that has been designed to complement a specific consumer behavior choice. As player behaviors evolve and operators seek to streamline funding processes, it is expected the payments industry will continue to evolve its products for those industries such as online sports wagering that produce higher numbers of transactions from their clients compared to traditional online retail goods and services. As these methods and tools evolve, so will their impact on the operations and compliance regarding their use for wagering.

To maintain compliance with the federal Wire Act and a jurisdiction's authority over its wagering data and the taxes resulting from that wagering, multi-jurisdictional operators must ensure that all players are physically located in the jurisdiction of record at the time they are engaging in online wagering. The use of licensed geolocation providers has proven to be effective at ensuring, with confidence, the physical location of the device placing the wager at the time it is placed. While the pool of available geolocation vendors is small, the technology they employ would appear to be consistent,¹⁷³ and therefore a reliable solution for any jurisdiction regardless of size or number of operators.

It is important to note that these services and vendors mentioned are routinely part of a larger ecosystem within a specific jurisdiction, meaning that a single vendor may service 90% of the operators in the jurisdiction.¹⁷⁴ If the vendor experiences an outage, 90% of the market is impacted.¹⁷⁵ Due to the use of the same vendors by multiple operators, the impact of any breakdowns in compliance related to their goods and services is compounded within the jurisdiction.¹⁷⁶

10. Regulator

The most important pillar of any sports-wagering operation is the regulator – and its team's involvement in managing day-to-day operations, audits and communication with its operators. These activities and their degree of effectiveness and efficiency, regardless of multi-operator vs. single-operator environment, is influenced by three factors: interpretations of statutes governing the activity, the administrative rules that preserve the intent of the statutes, and the auditing of the compliance with those administrative rules.

¹⁷³ Matthew Waters, "GeoComply Submits 'Damning' Third-Party Report In Xpoint Lawsuit," Legal Sports Report, January 19, 2023. <https://www.legalsportsreport.com/97927/geocomply-xpoint-lawsuit-damning-third-party-report/>

¹⁷⁴ JohnWallStreet, "Arctos, Norwest Back GeoComply, Unicorn Expands into New Verticals," February 13, 2023. <https://www.johnwallstreet.com/p/arctos-norwest-back-geocomply-unicorn-expands-new-verticals>

¹⁷⁵ Anuj Arora, "GeoComply Deploys Fix as Lag and Software Crashes Plague US Online Poker," Poker Industry PRO, April 19, 2024. <https://pokerindustrypro.com/news/article/220914-geocomply-deploys-fix-lag-and-software-crashes>

¹⁷⁶ VIXIO, "Caesars, FanDuel, PointsBet Slapped With Sports-Betting Fines In Iowa," August 31, 2022. <https://www.vixio.com/insights/gc-caesars-fanduel-pointsbet-slapped-sports-betting-fines-iowa>

Statutes: The laws within the statutes governing sports wagering are developed for different reasons related to local law, legislative trends and comparative analysis of other jurisdictions and their implementation of similar laws. However, the factors Spectrum considers to be consistent with nearly all new gaming laws are protections for players and the use of existing gaming laws within the jurisdiction as a benchmark.

Depending on the definitions chosen, the laws and their intent are subject to enforcement by the local regulator who is tasked with interpreting those laws in a manner that is consistent while also facilitating a framework of governance that can evolve with industry trends, advancements in technology and local market conditions.

Administrative Rules: The administrative rules used to supplement the interpretation of statutes are considered a standard tool that any regulator may use as deemed necessary to safeguard their jurisdictions in response to new operational, product and compliance risks. The inverse of applying further safeguards is the implementation of efficiencies found in existing requirements that had not accounted for advances in operating technologies and techniques. With increased reliance on automation and processes that may be conducted at scale, the use of administrative rules to require operators to update their own technology and processes is a trend that Spectrum believes will continue to gain popularity to ensure consistency and responsible growth without increasing risk of non-compliance.

In all cases, regulators have proven to be transparent with operators and the public they serve, inviting public comment¹⁷⁷ as part administrative procedure and healthy interaction with those impacted by any change or addition to administrative rules.

Audit: The proposals for changes to administrative rules are often the result of audits related to regulated activities and any incidents resulting from those activities. The audits and the procedures for conducting them are unique to each regulator and considered to be extensions of the auditing activities they already perform for existing gaming.

This approach brings consistency and familiarity for the regulator. However, it may also hinder their efficiency when considering the complicated structure sports wagering operates in and the scale of transactions, reporting, operations and different entities for which multi-operator jurisdictions must account for in their standard auditing processes.

This challenge of auditing multiple processes and components at scale within a jurisdiction is being solved through gradual standardization of product, operational and product requirements as described throughout this section. However, it is those regulators that embrace a technology-first approach to audits with minimal intervention by humans that Spectrum believes will create the most sustainable and scalable operating environments.

While there have been multiple incidents of non-compliance throughout all pillars within the sports-wagering operation, the maturity of the market and these examples of continued non-compliance events are like any retail gaming industry. While a human audit may have detected or prevented such

¹⁷⁷ State of New Jersey, Department of Law & Public Safety, Division of Gaming Enforcement, “Proposed Rules,” March 3, 2025. <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/proposed-rules/>

non-compliance events, it is important to note that a human touch is implemented into the design and result of any automated process. With the focus on auditing the details behind the automation vs. the output of that automation, regulators are sure to gain material insight into an operator's activities to assess their risks for non-compliance in the first place.

Those regulators that rely on automation and advanced tools to conduct their auditing stand to be more efficient and effective at detecting incidents in a multi-operator jurisdiction simply due to the vastness of data that must be analyzed and confirmed. Forcing operators and partners contractually to provide and adhere to the use of new technologies supporting audit automation the regulator can be confident in will likely be a trend embraced as a form of scalable consistency that all operators can support.

11. Summary

Within each of the 10 pillars mentioned above there are countless teams, processes and procedures that conduct concerted efforts to bring consistency, compliance and efficiency to each of the aspects they are responsible for within the sports-wagering operation.

Differences in operational compliance in multi-operator vs. single-operator jurisdictions are subject to the various technologies and processes an operator or regulator may choose to implement or mandate. However, the compliance within each type of framework is consistent regardless of the number of operators. It is merely the risk and rate of non-compliance that is amplified in a multi-operator jurisdiction due to more regulated activities being conducted by more operators.

The sports-wagering industry and its products are evolving at rates not seen in traditional gaming sectors and therefore there is a constant need to understand how current laws, rules and audits are best suited to adapt to such rates of change. Failure to address these critical items can open the door to further incidents or create an environment of industry contraction and limitations as recently proposed in one sports-wagering jurisdiction.¹⁷⁸

B. Rhode Island Lottery Situational Assessment

By law, the Rhode Island Lottery operates sports wagering and owns the player's account and all revenues derived from any sports wagering occurring within the state. Therefore, all parties participating in any part of the process of conducting sports wagering are doing so on behalf of the Lottery, which maintains enforcement and oversight of all policies, procedures and statutes related to Sports Wagering.

The Constitution and State law requires the two Bally's casinos to be designated as the Host Facilities,¹⁷⁹ there are core activities within the main operational pillars that must be operated by these

¹⁷⁸ Senate bill proposed in Commonwealth of Massachusetts, January 16, 2025.

<https://malegislature.gov/Bills/194/SD1657.pdf>

¹⁷⁹ Title 42 Chapter 61.2 R.I. Gen. Laws 42-61.2-5.

facilities – primarily, retail wagering operations and hosting and financial operations services. For these services, the Host Facilities collect 17% of net revenues collected from all sports-wagering activities.¹⁸⁰

This creates unique dependencies on these Host Facilities, which may find a multi-provider framework to be challenging to support, as their responsibilities would be amplified by the number of providers in the jurisdiction. From a logistical perspective, retail wagering operations and hosting come with considerations of space and infrastructure which cannot be easily mitigated in the event they are found deficient to support multiple providers within the designated Host Facilities.

Considering the Host Facilities have designated 14 full-time staff members providing shared services, responsible for finance, IT and compliance support of the Lottery's lone operation,¹⁸¹ it would be reasonable to expect these resources may need to grow in number to ensure proper execution of all obligations to multiple sports-wagering service providers and the Lottery.

While legally, the Lottery may contract with any sports-wagering service provider it wishes, current agreements with IGT include an exclusive provider agreement, set to expire on November 25, 2026,¹⁸² for which it receives 32% of net revenues from all sports-wagering activities.¹⁸³

1. Sports-Wagering Tech and Hardware

The Lottery's contract with IGT designates the use of IGT's sports-wagering platform¹⁸⁴ coupled with IGT's sports-wagering machines as the software and hardware used to manage, conduct, and record compliant sports wagering online, retail and via self-service sports-wagering kiosk.¹⁸⁵

IGT is responsible for all network and server administration tasks and 24/7 monitoring, configuration and management of the hardware and software required to conduct sports wagering according to a set of industry standard service levels.¹⁸⁶ This includes all change management, repairs, maintenance and incident and resolution reporting.

¹⁸⁰ Rhode Island Lottery interviews and documentation.

¹⁸¹ Bally's Sports Wagering Operational and Compliance Personnel, per Rhode Island Lottery.

¹⁸² Second Amendment to Sports Betting Agreement – Executed on 4.6.23, per Rhode Island Lottery.

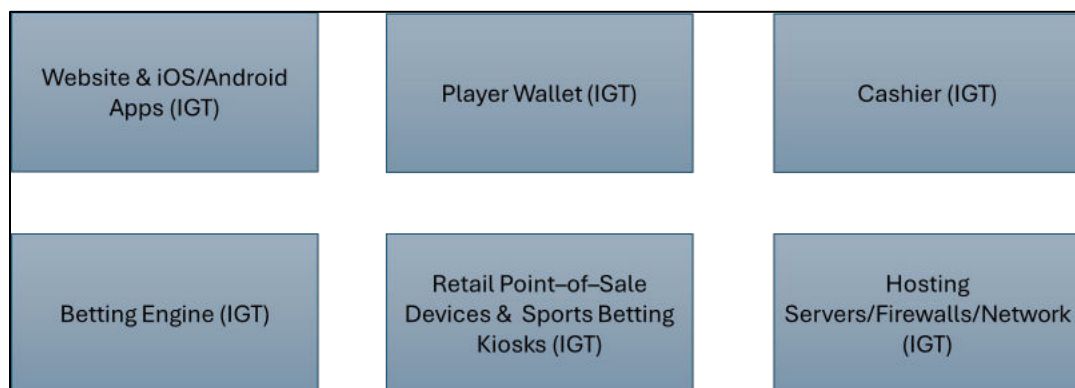
¹⁸³ R.I. Gen. Laws § 42-61.2-5. <https://webserver.rilegislature.gov/Statutes/TITLE42/42-61.2/42-61.2-5.htm>

¹⁸⁴ IGT Sports Betting Contract Documents – Redacted, Rhode Island Lottery.

¹⁸⁵ Definitions found in Rhode Island Lottery Rules and Regulations.

¹⁸⁶ Spectrum experience, and IGT Sports Betting Contract Documents – Redacted, per Rhode Island Lottery.

Figure 3: Sportsbook Rhode Island technology and hardware providers



Source: Rhode Island Lottery, Spectrum Gaming Group

Hosting

In accordance with the Rhode Island Constitution, State law¹⁸⁷ requires that all sports wagering be conducted on servers physically located within Rhode Island at the Host Facilities (the Bally’s casinos) where the Lottery already maintains jurisdiction, with agents stationed onsite.

While IGT operates and monitors all sports-wagering system hardware in the Host Facilities data center, they hold no hosting agreement directly with the Host Facilities. Rather, the Lottery has negotiated a commercial contract with the provider of the Host Facilities (Bally’s)¹⁸⁸ to provide IGT with infrastructure and IT support related to hosting its sports-wagering platform within the data centers of the Bally-managed Host Facilities. The primary data center is located at the Lincoln facility while the primary backup is located at the Tiverton facility.

The cost of internet, support and monitoring staff and annual third-party cyber security auditing to support and host the sports-wagering platform is borne by IGT.¹⁸⁹

The cost of infrastructure, physical hosting and onsite “remote hands” IT support of the sports-wagering platform are borne by the Host Facilities. Any additional investment in infrastructure and the Host Facilities themselves, required to support the hosting of sports-wagering platforms, are negotiated between the Lottery and the Host Facilities.¹⁹⁰

The Lottery maintains auditing procedures for all data centers and data security, data center operations and change management activities of IGT and the Host Facilities. These audits are conducted against the Lottery’s hosting facilities procedures,¹⁹¹ which describe and define all the requirements of hosting a sports-wagering operation.

¹⁸⁷ Rhode Island Lottery Rules and Regulations.

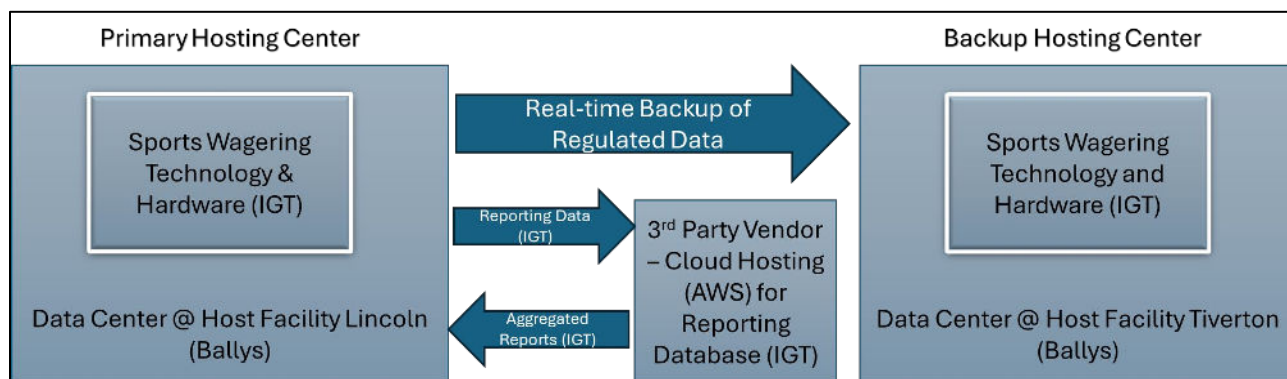
¹⁸⁸ Rhode Island Lottery, Sports Wagering Host Agreement (between Lottery and UTGR).

¹⁸⁹ IGT Sports Betting Contract Documents – Redacted, per Rhode Island Lottery.

¹⁹⁰ Letter Agreement re Data Center Infrastructure (IGT and LOT), per Rhode Island Lottery

¹⁹¹ Rhode Island Lottery, Sports Wagering Procedures.

Figure 4: Sportsbook Rhode Island hosting diagram



Source: Rhode Island Lottery, Spectrum Gaming Group

Compliance

Using the statutes governing sports wagering, the Lottery has created a list of Sports Wagering Procedures¹⁹² that address all interpretations of statutory intent related to rules and regulations. From these procedures a set of MICS has been created to govern the operations required for sports wagering at the Host Facilities and online sports wagering.¹⁹³

These MICS take into consideration Rhode Island’s unique position, which incorporates multiple entities into a single-provider marketplace with an emphasis on player experience and daily audit of that experience. At the same time, Spectrum finds the MICS to be, in most cases, industry standard and best practices, with clear similarities to larger jurisdictions such as Massachusetts¹⁹⁴ and New Jersey¹⁹⁵ as well as a comparative market size such as Washington, DC, which also supports a multi-operator framework.¹⁹⁶

The responsibility for compliance with all sports-wagering procedures and MICS lies with the Lottery as the operator; however, the activities subject to audit that are performed on behalf of the Lottery are segregated between IGT and the Host Facilities who are contractually obligated to uphold the terms and conditions¹⁹⁷ governing the use of Sportsbook Rhode Island. These activities will often lie with a single owner, such as IGT, having the sole ability to perform updates to their sports-wagering platform

¹⁹² Rhode Island Lottery, Sports Wagering Procedures.

¹⁹³ Rhode Island Lottery, Sports Betting Mobile MICS, August 24, 2022, and Sports Betting on Premise MICS, August 24, 2022.

¹⁹⁴ Commonwealth of Massachusetts Code of Regulations, “205 CMR 238.00: Additional uniform standards of accounting procedures and internal controls for sports wagering,” March 14, 2025.
<https://www.mass.gov/regulations/205-CMR-23800-additional-uniform-standards-of-accounting-procedures-and-internal-controls-for-sports-wagering>

¹⁹⁵ State of New Jersey Regulations, Chapter 690, Internet and Mobile Gaming.
<https://www.nj.gov/lps/ge/docs/Regulations/CHAPTER690.pdf> (accessed February 8, 2025)

¹⁹⁶ District of Columbia Government, Office of Lottery and Gaming, Regulation and Oversight Division, “Sports Wagering Minimum Internal Control Standards (MICS),” June 13, 2023.
https://dclottery.com/sites/default/files/2023-06/DC%20OLG%20Sports%20Wagering%20MICS%20Effective%206-13-2023_Verison%203.1_9.pdf

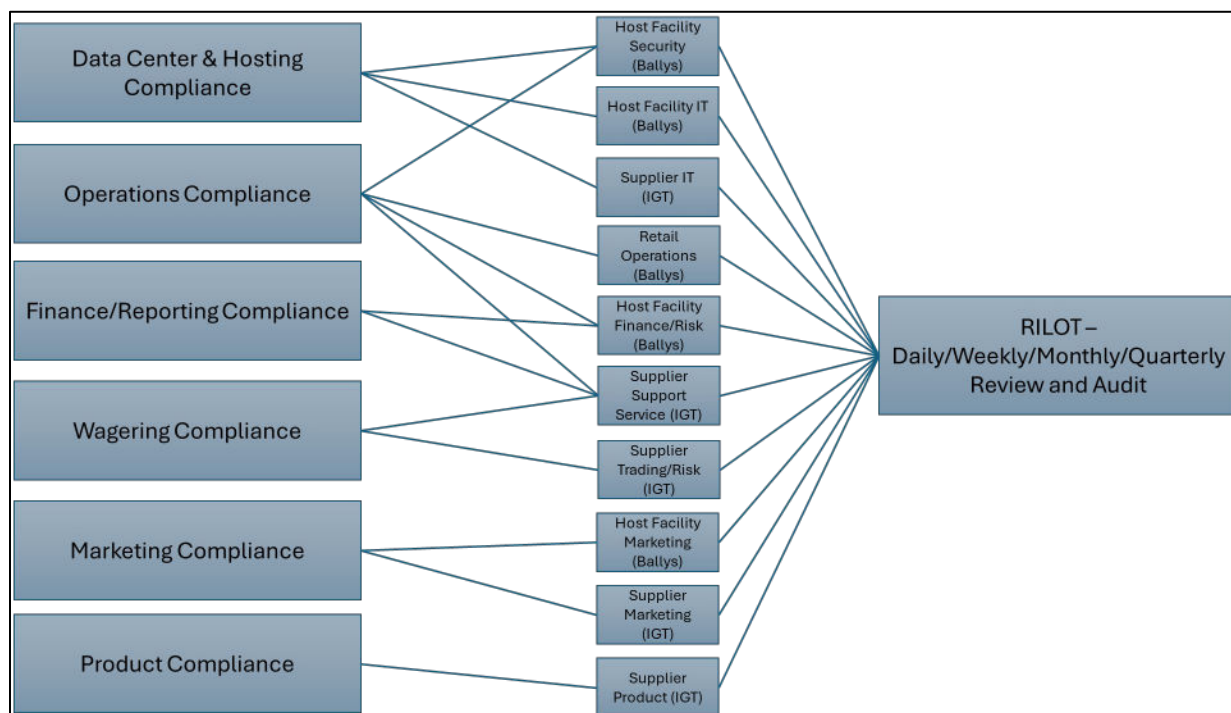
¹⁹⁷ SportsBook Rhode Island, “Terms and Conditions,” June 18, 2024.
<https://sportsbetrhodeisland.com/en/info/terms-and-conditions>

and the Host Facilities having the sole ability to manage access to their data centers and sports-wagering machines.

However, any software or hardware changes would require the combined activities to update a platform via network and physical access. The Lottery audits this type of procedure as a single process with clear understanding who owns each part of the procedure required to be compliant with its execution.

To ensure consistency with a partner's activities external to the Lottery sports wagering, each partner submits its own MICS and policies governing the offering of sports wagering; i.e., house rules, operating hours, support and withdrawal response times and all other forms of proprietary procedure. The Lottery reviews these MICS and governing policies and procedures to confirm compliance with the sports-wagering procedures.

Figure 5: Sportsbook Rhode Island compliance obligations



Source: Rhode Island Lottery, Spectrum Gaming Group

Operations

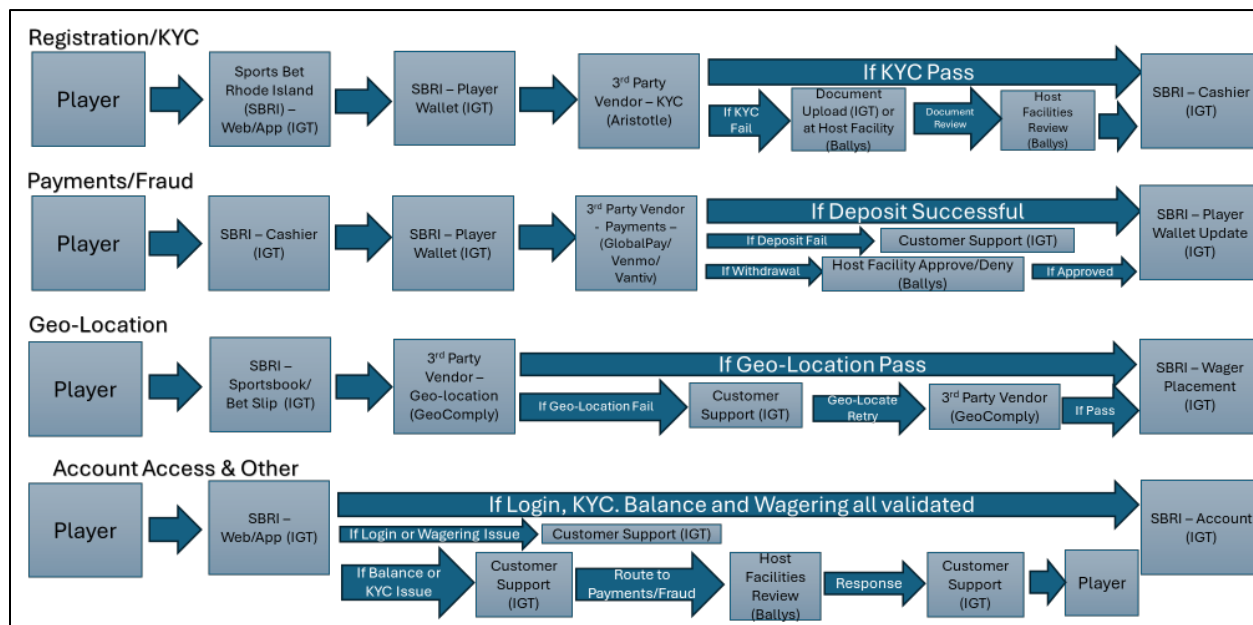
The Lottery, as the operator of sports wagering, relies on various processes and partner entities to conduct compliant end-to-end sports-wagering operations. In doing so, the Lottery's primary operational focus is that of conducting compliance and auditing reviews of these processes and partner activities. This auditing oversight applies to both internal partner-to-partner operations and external partner-to-player operations governed by the Lottery-approved MICS. As the operator, the Lottery has first-hand knowledge of the impact the current rules and regulations have on SBRI operations and can implement changes as necessary to evolve with industry trends and new technologies to optimize the consistency of compliance efforts and techniques.

In online sports wagering, IGT is responsible for providing 24/7 frontline player support via its call center, fielding any number of generic issues ranging from difficulty registration and identity confirmation

and logging in or making a deposit, to player complaints and any other issue related to online account access and wagering. The Lottery will audit player-support logs and player compliant resolution status' daily and address all performance issues with its partners accordingly.

Depending on the player query, the Host Facilities provide second-line support related to fraud prevention and collections, financial transaction approvals and reconciliation as well as suspicious activity reporting. Regardless of the nature of the query, the Lottery maintains final decision on any and all issues that require escalation beyond the scope of day-to-day operations.

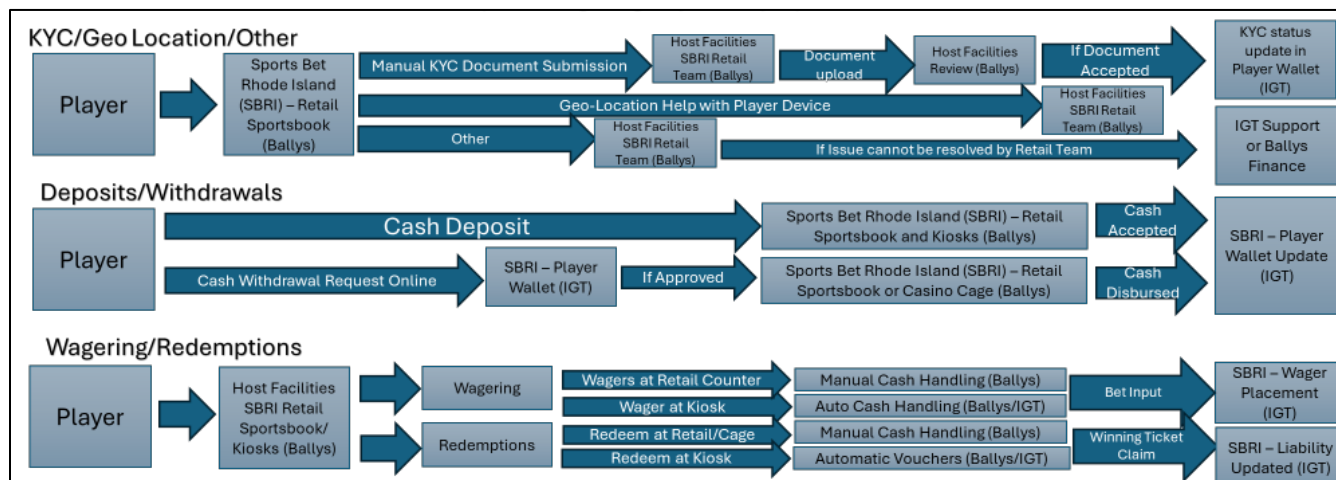
Figure 6: Sportsbook Rhode Island online day-to-day operational flows



Source: Rhode Island Lottery, Spectrum Gaming Group

At the Host Facilities, Bally's is responsible for all frontline support and operations related to retail sports wagering, cash deposits and withdrawals and manual KYC, with IGT providing second-line support for issues related to the use of their sports-wagering machines and platform. As with online sports wagering, the Lottery has the final decision on any and all issues that may arise.

Figure 7: Sportsbook Rhode Island retail day-to-day operational flows



Source: Rhode Island Lottery, Spectrum Gaming Group

Marketing

Sportsbook Rhode Island marketing is made up of advertising campaigns, conversion and retention promotions.

All costs associated with advertising are split between the Lottery, the Host Facilities and IGT, with the Host Facilities responsible for paying all invoices and the accounting associated with them for which they are paid back quarterly minus their allocation of the costs.

All marketing is planned, approved, developed and measured by a committee of four parties.¹⁹⁸ This committee is made up of the revenue-share partners – the Lottery, Host Facilities and IGT and two third-party marketing operations resources, McGuinness Media and Marketing (“MMM”) and a business-to-business division of Caesars Interactive (“Caesars”) by way of its contract with IGT to provide such services to IGT’s clients.

For acquisition and advertising campaigns, the marketing committee confers and agrees on four different agendas at various times throughout the year:

- **Quarterly Budget Process:** defines the advertising and media plans for the following three months. MMM owns this agenda, and all planning and execution with support from Caesars for assets and website/app maintenance as applicable.
- **Monthly Marketing Spend:** Tracks and allocates budget to the approved plans with any increases to the expenditure in excess of 10% or more requiring disclosure to the committee as soon as it is known for potential mitigation if needed. MMM owns this agenda and will pass all approved advertising invoices to the Host Facilities for processing.
- **Marketing Expense Accounting:** Approved advertising invoices will be paid by the Host Facilities, who shall maintain all accounting and reconciliation of the quarterly budget and calculate all reimbursements they are owed by the Lottery and the percentages each party is allocating to the costs from their revenue share. The Host Facilities own this agenda and must reconcile all costs and allocations via report to the Lottery, which will then deduct those allocations from monthly sports-wagering revenues earned.
- **Marketing Expense Review:** The Host Facilities will provide the Lottery with a monthly report of marketing expenses paid and shall include all applicable reconciliation information including the actual invoices, proof of payment and details on spend. The effectiveness of current marketing efforts is discussed, and any potential adjustments or improvements are then implemented.

All advertising and marketing costs related to sports wagering and executing the approved Quarterly Budget are shared among the three revenue-share partners including but not limited to:

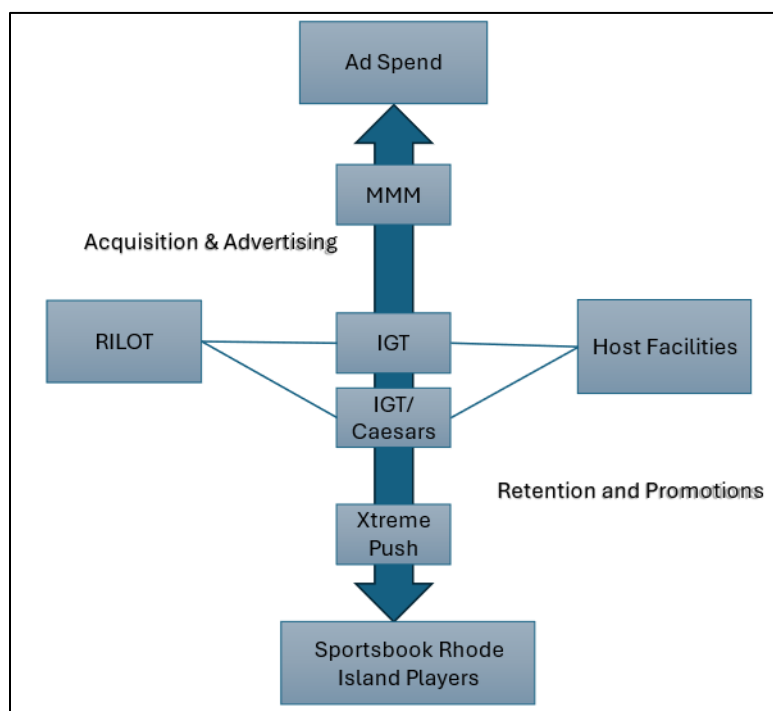
- Advertising
- Branding logo/creative
- Player incentives/complimentaries
- Website
- Direct mail

¹⁹⁸ Sportsbook Rhode Island, Marketing process (V2).

- Promotional expenses
- Social media costs
- Agency fees
- Advertising collateral
- Advertising production
- Betting guides/odds sheets
- Rack cards

During any monthly or quarterly reviews, any variances leading to increased expenditure will be classified as either minor (which will be carried over to the next quarter) or major (10%+), which may be addressed in the current month's allocation of deductions from revenue.

Figure 8: Sportsbook: Rhode Island marketing participants



Source: Rhode Island Lottery, Spectrum Gaming Group

For conversion and retention activities, per the statutes, these costs are not classified as shared advertising costs among the three revenue-share partners, rather all promotional money is removed from sports-wagering handle calculations prior to calculating net revenue. For example,

- Player A registers a new account and deposits \$100, to which SBRI awards a \$50 bonus for a balance of \$150 available to wager.
- Player A wagers all \$150 on Team A to win.
- Team A loses and player's balance is now \$0.
- For the purposes of revenue sharing, there is only \$100 in revenue derived from Player A, which will be split between the partners.

While the Lottery does not subscribe to a capped amount of retention and promotional money awarded, it allows Caesars to curate the retention programming and conversion funnels using

reinvestment of revenues into these retention activities.¹⁹⁹ To do this, Caesars uses third-party marketing technology provider Xtreme Push to create, provide and analyze all campaigns. Through December 21, 2024, SBRI had run 107 promotions, issuing vouchers worth nearly \$4.9 million, which resulted in \$775,000 in net revenues, equating to a 15% return on investment.²⁰⁰

Examples of these promotions include:

- New registration first-time deposit match: 50% bonus up to \$50
- Free bet vouchers when betting on specific sports, games and bet types
- Accumulation award for placing X number of wagers
- VIP awards for players meeting wagering thresholds

In late December 2023, Caesars began utilizing Xtreme Push to create a more consistent promotional schedule and by May 2024 had added opt-in promotional tools allowing easier award, use and tracking of promotions. With newfound tools, SBRI has clearly accelerated its promotional activities year over year, as shown in the following table

Figure 9: Sportsbook Rhode Island average monthly marketing activities, 2024 actual and 2025 projected

SBRI Promotions	2024 Actuals	2025 Projected	YoY Change
No. of Vouchers Issued	12,881	46,786	363%
Value of Vouchers Issued	\$265,299	\$814,949	307%
Value of Vouchers Used	\$85,736	\$311,399	363%
Value of Vouchers Expired	\$179,352	\$500,045	279%
Voucher Actual Cost	\$46,872	\$200,979	429%

Source: Rhode Island Lottery, Spectrum Gaming Group²⁰¹

Trading and Risk

The primary responsibilities of trading and risk management lie with IGT as part of its sports-wagering system agreement;²⁰² however, IGT assigns this responsibility to Caesars, which provides a business-to-business trading and risk management service and data feeds to IGT’s clients that require it.²⁰³

Using IGT’s betting engine, IGT Margin Maker, Caesars resources are assigned to ensure the compliant offering of 21 approved sports and more than 120 professional leagues from around the world currently approved for wagering on in Rhode Island.²⁰⁴ Caesars has configured the IGT betting engine to conform with a set of House Rules governing the settlement of all Sportsbook Rhode Island wagers as well as the maximum bet and payout available by sport and event/market type. These rules and configurations are reviewed and modified by the Lottery to ensure compliance with the Sports Wagering Act and any

¹⁹⁹ Phone interview with Mike O’Rourke, Deputy Director, Rhode Island Lottery, January 22, 2025.

²⁰⁰ SRI Promo Log Dec 2024.

²⁰¹ SRI Promo Log Dec 2024.

²⁰² IGT Sports Betting Contract Documents – Redacted.

²⁰³ O’Rourke, January 22, 2025.

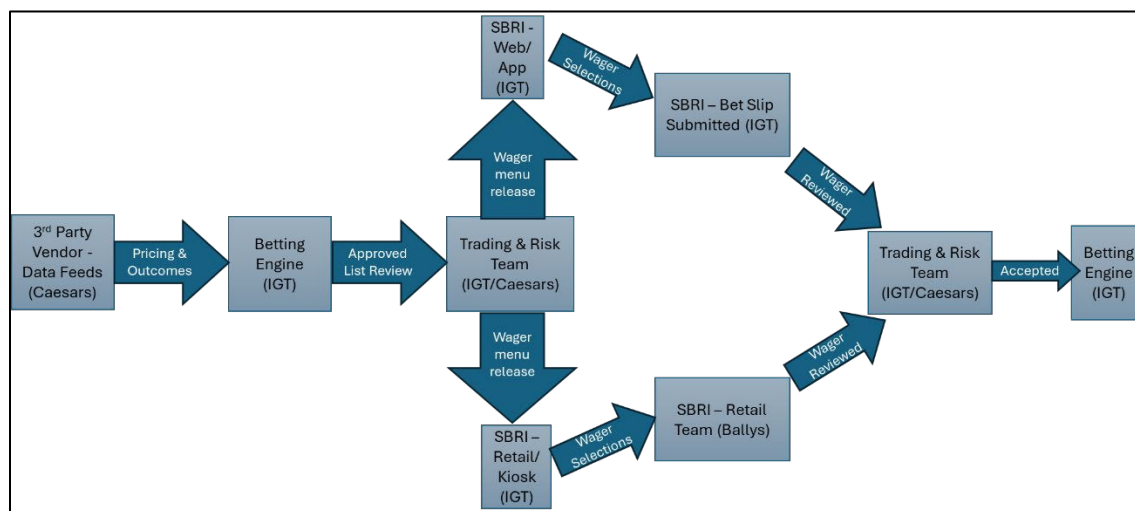
²⁰⁴ Sports Events Approved, 18Sept2024.pdf.

updates to the Sports Event Approved List. In addition to rules settings, risk settings governing exposure to liability described in the House Rules are designed to manage volatility and risk of losses. At present, the Lottery reserves the right to cap the maximum payout for any wager at 1,000:1 odds; however, individual events and markets will be assigned maximum wager amounts to further limit risk associated with lower liquidity sports pools.

In addition to the configurations set within the IGT betting engine, the Caesars trading team has tools to screen each wager being placed, with a number of filters that allow for automatically accepting or flagging a wager. The flagged wagers can be accepted manually by the trading team or rejected if found to be outside the bounds of specific risk parameters or current events unfolding that may indicate an incorrect price or handicapping assigned to the event or market.

In addition to Caesars monitoring each wagering being placed, the SBRI retail teams at the Host Facilities are also responsible for a level of wagering review, placement and acceptance of sports wagers related to sports-wagering MICS that supplement the entire wager review and acceptance process.²⁰⁵ Both Bally's and IGT/Caesars are responsible for establishing procedures to monitor for, identify and report abnormal wagering and as approved by the Lottery.²⁰⁶

Figure 10: Sportsbook Rhode Island trading and risk responsibilities



Source: Rhode Island Lottery, Spectrum Gaming Group

The wagering menu at Sportsbook Rhode Island offers players a standard US-focused wagering menu consisting of all applicable US wagering types including:²⁰⁷

- Straight bets
- Parlays up to 10 selections
- Same-game parlays up to 10 selections

²⁰⁵ Rhode Island Lottery, Sports Betting on Premise, August 24, 2022.

²⁰⁶ Rhode Island Lottery, Sports Betting Mobile MICS, August 24, 2022, and Sports Betting on Premise MICS August 24, 2023.

²⁰⁷ "Online Sports Wagering House Rules," Sportsbook Rhode Island, January 10, 2025.
<https://sportsbetrhodeisland.com/en/info/rules>

- Teasers
- Round robins
- Live in-play straight bets
- Odds boosts

Despite a low promotional reinvestment and less inducements focused on high-hold wagering types, SBRI's trading and risk strategy has outperformed or is outperforming other multi-operator jurisdictions in terms of annualized hold percentage, a key performance indicator of any trading and risk team. While the hold percentage does not dictate handle volumes directly, it does provide insight into the responsible management of the wagers it receives with no inflation to handle as by law, all promotional funds are deducted from handle figures prior to revenue calculation.

Figure 11: Hold percentage comparison, SBRI vs. Pennsylvania and New Jersey

Aggregate Handle	SBRI	Pennsylvania	New Jersey
2020	9.3%	6.5%	6.6%
2021	10.3%	7.9%	7.1%
2022	7.7%	7.2%	6.7%
2023	10.0%	9.5%	8.3%
2024	8.4%	9.0%	8.4%

Source: State regulators, Spectrum Gaming Group. Note: SBRI and Pennsylvania operate on fiscal year, New Jersey on a calendar year.

Product

The various components that Spectrum considers to be part of the product pillar are supplied entirely by IGT's sports-wagering system and are developed, deployed, managed and maintained by their various teams. These components include the tools used to create a seamless and compliant registration, funding, wagering and redemption experience.

The registration process at Sportsbook Rhode Island is considered industry standard and consistent with all requirements including email, password, first/last name, date of birth, address, last four digits of Social Security number, mobile number, and security question and answer. The information collected is deemed standard and consistent with all other jurisdictions, and the method in which it is being collected is similar to other operators and is able to evolve should any changes to the required information or the manner in which it is collected found to be appropriate.

The funding process for SBRI is simple and straightforward, with easily recognized methods including debit card, ACH or Venmo. However, the flow from registration to converting a new depositing player could be enhanced and streamlined.

The wagering products offered are in parity with the essential US wagering experience, offering a familiar bet-slip presentation with American odds and supporting all US wagering types, straight bets, ability to buy points, parlays, same game parlays, pre-packaged parlays, teasers, live in-play and all major market types that could be found in any Las Vegas sportsbook.²⁰⁸ However, there is no loyalty program associated with SBRI and therefore those players who commute to nearby jurisdictions daily – or simply

²⁰⁸ For example: <https://www.circasports.com/betting-menu-odds>

cross state lines for the primary purpose of wagering – may find more value in placing wagers with operators in other jurisdictions if they find there is value in it.

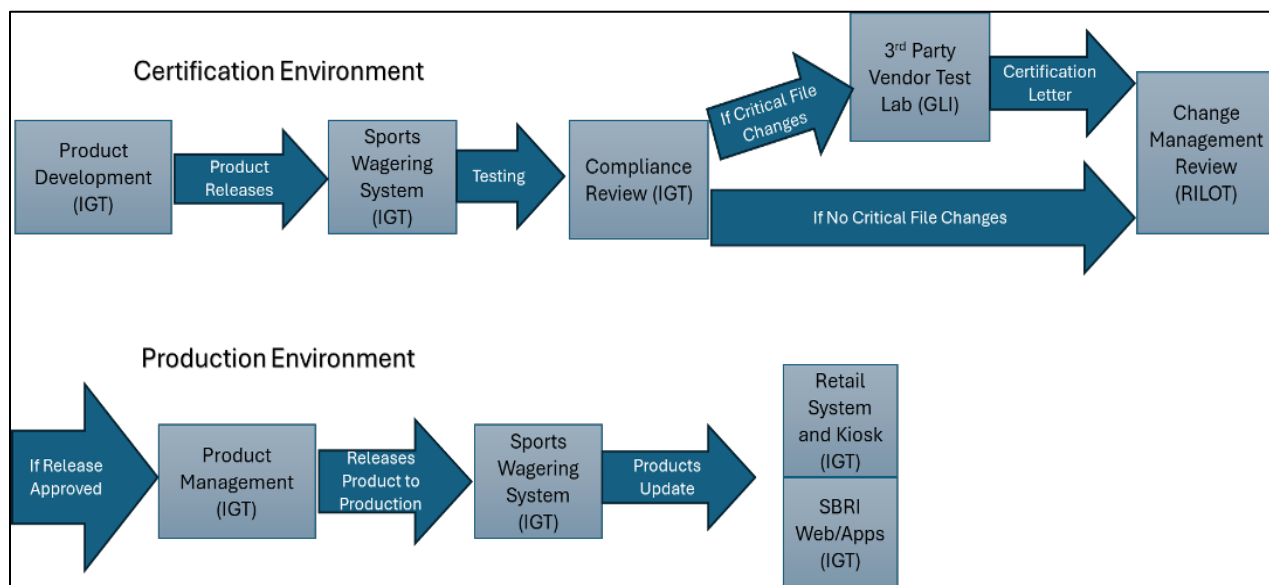
Redeeming online winning wagers with SBRI is standard in that all winning wagers are credited automatically to the players’ balance, while all retail winning wagers must be claimed at the Host Facilities’ casino cage, retail sportsbook, kiosk or by mail. The methods used for withdrawal from an online account are the same as those used to deposit, however there is a lack of promoting withdrawals in cash at the Host Facilities over more costly processing methods, which may drive more foot traffic and keep those winnings within the Lottery gaming ecosystem.

When providing new product releases, it is Spectrum’s experience that each change or addition to previously certified and approved products are screened for compliance by the vendor of the sports-wagering system (IGT), which will then resubmit their system or individual component to a third-party testing laboratory to further validate the change or addition does not alter or change the systems compliance with the local jurisdiction it is being certified for. Upon obtaining this certification, IGT will follow the prescribed change-management procedures as approved by the Lottery prior to release to their production environments and making the product available for player use.

In those cases where product developments do not require third-party testing and certification due to the changes being benign in nature, the prescribed change-management process is executed requiring the Lottery’s approvals.

The frequency of new product releases appears to be sporadic, with the last significant product releases occurring in August 2024, when SBRI received a new mobile app refresh and in September 2024, when kiosks were upgraded to provide deposits into online wagering accounts. Future product releases are scheduled in Q2 2025²⁰⁹ related to enhanced promotional tools.

Figure 12: Sportsbook Rhode Island product release process



Source: Rhode Island Lottery, Spectrum Gaming Group

²⁰⁹ Sportsbook Rhode Island, Timeline of Events.

Finance

Due to the Constitution and statutory requirements, all banking related to sports wagering must be managed through the Host Facilities. Therefore, Bally's manages and maintains all financial operations related to bank accounts, payment processing, cash handling, chargeback investigations, player redemptions, liability and the reporting obligations related to revenue calculations and audits of any kind related to sports wagering within the state.

Bally's owns, in trust for the State of Rhode Island, and manages two accounts used for SBRI operations:

- **Online Wagering Liability Account**, consisting of cashable balances, pending withdrawals, and pending bets. This account is also used for conducting weekly sweeps of net gaming revenues invoiced by the Lottery.
- **Merchant Account** for payment processing used for keeping a rolling reserve and reconciling transactions credited and debited from the Online Wagering Liability account.

The nature of sports-wagering transactions and the maintenance required for reconciling cash transactions performed by a human and online payments performed by players and vendors require an extensive auditing procedure using a combination of human procedures and documentation coupled with system reports from certified sports-wagering systems. Breakdowns in any processes or procedures that result in negative revenue variances or chargebacks are borne by the Host Facilities.²¹⁰

Per the agreement with the Host Facilities and the Lottery, Bally's will execute all sports-wagering MICS and procedures related to Finance and as required by the Lottery, including but not limited to:²¹¹

- Daily reconciliation of all cash handling and wagering at the Host Facilities
- Daily reconciliation of Not In Computer voids and hand-pays
- Daily review of deposits and withdrawals for all channels and methods
- Daily approval of online wagering withdrawals
- Daily reconciliation between Host Facilities' manual reporting and sports-wagering system reports
- AML and anti-fraud checks against all transactions and chargeback investigations
- Investigate any retail sports-wagering variances of \$100+
- Review and certification of requested player documentation
- Daily audit of sports-wagering system related to wagering and settlements
- Weekly audit of payment processing against sports-wagering system and payment processors
- Account maintenance related to dormant account balances, fraud review and blocked accounts

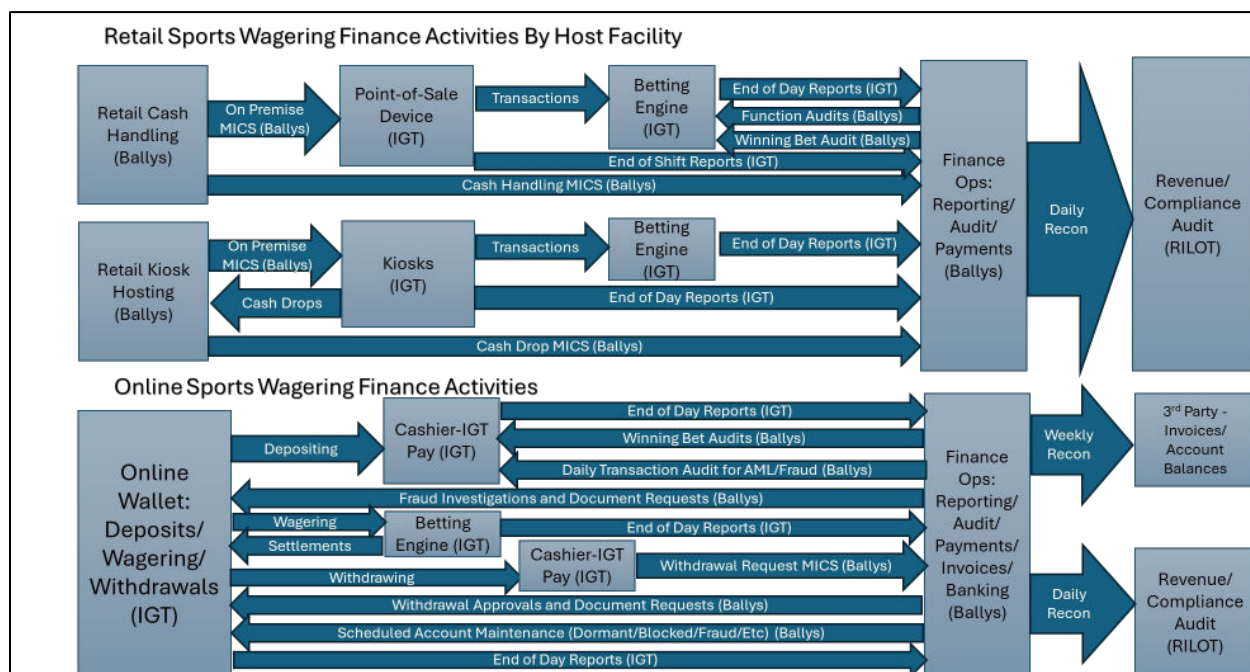
²¹⁰ Sports-wagering Host Agreement between Lottery and UTGR.

²¹¹ Sports Betting Mobile MICS, August 24, 2022, and Sports Betting on Premise MICS, August 24, 2022.

- Retail wagering system function audits for placing and settling wagers
- Review of all wagers and wins over a specific threshold
- Provide daily reconciliation packages to the Lottery
- Pay invoices related to all payment processing and chargeback costs
- Process weekly payments to the Lottery
- Process all marketing expenses
- Process all payments to host communities

While this list does appear to be extensive, it is assumed from the list of eight resources identified²¹² that Bally's finance team is well versed in applying similar procedures from their online casino and retail casino operations and that their existing teams are able to scale their processes and procedures to maintain efficient operations compliant with all applicable rules, regulations and controls.

Figure 13: Sportsbook Rhode Island finance operations



Source: Rhode Island Lottery, Spectrum Gaming Group

Third-Party Vendors

Sportsbook Rhode Island relies on the use of third-party vendors for compliance, payments and marketing activities.

Payments offered via debit card are generic, and the selected vendor is influenced by who is already integrated and available within the IGT Pay cashier, in this case Worldpay,²¹³ and is used for deposits only. For ACH (electronic check) deposits, SBRI is using VIP Preferred by Pavillion Payments, which

²¹² Host Facility – Bally's POC.

²¹³ Worldpay, "What they say: IGT," YouTube, June 21, 2024. https://www.youtube.com/watch?v=iDe82Yp_2Q

utilizes its own databases to recognize those players who have previously used this method to deposit or withdraw with other online sports-wagering operators. This provides a convenient method for onboarding existing players familiar with this option and reduces fraud and failed deposits due to input errors. Pavillion's built-in anti-fraud tools monitor each player's transaction volumes to determine the amounts they are allowed to deposit in a single transaction and – as it is a warranty transaction – there is no risk of non-sufficient fund chargebacks via ACH. Recently introduced Venmo is the last online deposit method offered and is considered by Spectrum to be a comparable method to other prominent e-wallets like PayPal.

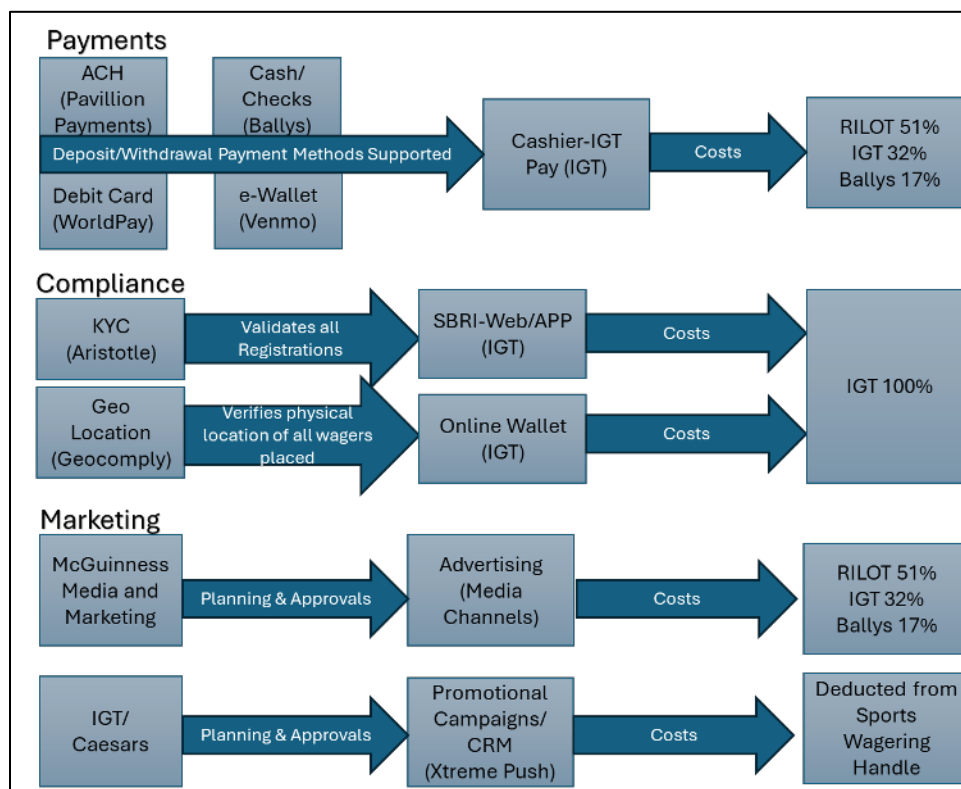
In addition to these online payment methods, SBRI accepts cash deposits at kiosks located in the Host Facilities; in this manner, IGT is the payment provider. For withdrawals, SBRI utilizes VIP Preferred for ACH, fast funding back to debit card, casino cage withdrawals and paper checks. All fees associated with payment processing are deducted from net gaming revenue calculations equal to the amount each revenue-share partner in SBRI earns.

Compliance with the Sports Betting Act requires specific vendors licensed to conduct certain activities for which there are fewer choices. As with payment processors, the choices in compliance vendors are dictated by what is integrated with the sports-wagering system. In the case of SBRI, Aristotle is used for KYC identification verification and GeoComply for geolocation services, ensuring only those players physically located within the state are able to place wagers. As the sports-wagering system provider (IGT) has dictated the use of these specific vendors, their agreement with the Lottery is that they are responsible for paying the entire costs of these vendors.²¹⁴

Marketing operations are divided into advertising – which all revenue-share partners share the cost of – and promotions and customer-relationship management (“CRM”), of which all promotional funds are deducted from sports-wagering handle before calculating net gaming revenues. Advertising and media marketing is subject to a committee approval for quarterly planning. It is managed and executed by McGuinness Media and Marketing. Promotions and CRM are also subject to quarterly planning and approval, with all planning, management and execution conducted by Caesars via a pass-through service agreement with IGT as part of their obligations to the Lottery. All retention and promotional communications to the existing player database are programmed by Caesars with the use of third-party marketing technology provider Xtreme Push, which is integrated with the sports-wagering system to provide seamless and scheduled communications with players based on their transactions.

²¹⁴ Email interview with Mike O'Rourke, Deputy Director, Rhode Island Lottery.

Figure 14: Sportsbook Rhode Island third-party vendors



Source: Rhode Island Lottery, Spectrum Gaming Group

Regulator

The Lottery as the primary regulator and legal operator of Sportsbook Rhode Island is charged with enforcing the law described within the Sports Betting Act and supporting rules and regulations as well as the obligations of its partners and vendors from both a commercial and compliance perspective.

To ensure the Lottery's vendors adhere to all applicable regulations and standards, it has developed a list of auditing and commercial responsibilities its agents conduct on a daily, weekly, monthly and quarterly basis. These activities are defined as operational, finance, IT, legal and administration.

Operational responsibilities include but are not limited to:

- Maintain all rules and regulations associated with online and retail sports wagering
- Ongoing evaluation of rules and regulations for potential changes proposed to State auditors
- Audit of operational responsibilities of all revenue-share partners
- Approval, oversight, review and audit of all marketing and advertising initiatives
- Conduct regularly scheduled meetings with all revenue-share partners and vendors to assess the current state of SBRI

Finance responsibilities include but are not limited to:

- Reconcile all accounting and audit procedures associated with the SBRI policies and procedures
- Audit and reconcile all revenue-share partner reporting and calculations

- Daily, weekly, monthly and quarterly report preparations and reconciliations
- Random end-to-end reconciliations of individual player transactions and winning mobile wagers
- Review and audit all retail cash handling and sports-wagering activities involving manual human interactions
- Calculate all sports-wagering revenue-share and distribute to the revenue-share partners

IT responsibilities include but are not limited to:

- Audit internal controls and third-party vendor activities within the data center at the Host Facilities
- Maintain control over all access and permissions of the sports-wagering system and its related components
- Review and approve all change management requests related to SBRI
- Audit all System and Organization Controls reports from the sports-wagering system provider

Legal and administrative responsibilities include but are not limited to:

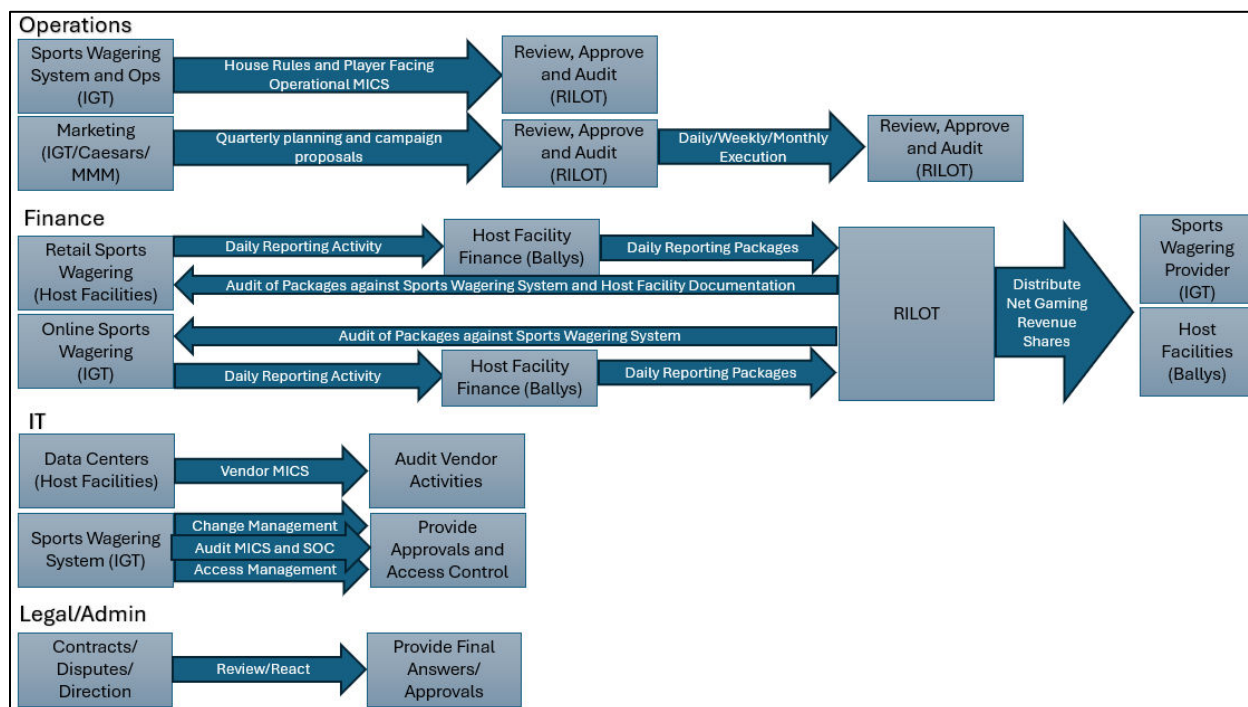
- Reviews and approvals of all SBRI-related contracts, agreements, requests for proposals and the like
- Serve as internal counsel in defense of all SBRI and provide guidance on any legal matters that may arise
- Work with operational Lottery agents to author and approve any updates or changes to all rules and regulations governing SBRI
- Provide oversight of all matters related to SBRI and provide final direction if needed

The Lottery has assigned a total of 15 agents whose day-to-day responsibilities include the above-mentioned duties in addition to operating other forms of gaming and, per interviews, has confirmed these processes and duties to have become streamlined and dependable²¹⁵ after years of constant improvement in technology and techniques provided by its revenue-share partners. This dependability is further demonstrated by the fact the Lottery has not experienced egregious breaches of compliance requiring financial penalty levied from its revenue-share partners for matters related to SBRI.²¹⁶ However, Spectrum highly recommends that incremental additions to its resources be aligned with incremental increases in the number of providers allowed in the state.

²¹⁵ Phone interview Anissa Colson, Finance Administration Manager, Rhode Island Lottery, January 30, 2025.

²¹⁶ Rhode Island Lottery, Operating Fines.

Figure 15: Sportsbook Rhode Island regulator activity



Source: Rhode Island Lottery, Spectrum Gaming Group

While the duties, processes and procedures related to the compliant operations of Sportsbook Rhode Island appear to be quite extensive and complex in nature, interviews, research and Spectrum’s own experience suggest the Lottery is operating very similarly to any other online sports-wagering operator. As such, it would be logical that incremental resources be added proportional to the scenario where multiple providers are present.

The obligations, audits and procedures undertaken are all actions dictated by statute, rules, regulations, MICS and contract agreements – just as any operator in any jurisdiction would have to comply with. Additionally, the reliance on a sports-wagering platform provider for turnkey services related to player support, trading/risk management and marketing services is considered a standard combination for any small-market operator.

Due to the unique legal requirements of the Host Facilities for direct involvement in operations and finance for SBRI, they receive a 17% share of the revenue. This arrangement is consistent with the State’s approach to managed gaming with enough separation between operations and regulatory to efficiently audit and maintain compliance with all required procedures.

C. Summary

Using the specific relationships and flows between the operational pillars illustrated in Figure 2 as a baseline for all subjects of research, Spectrum considers these pillars to be standard and present in any sports-wagering operation regardless of jurisdiction and number of operators present.

These pillars and their role in the SBRI operation have been used as the subjects of Spectrum interviews and document requests from the Lottery. Using the supplied documents to track the flow of player interactions with Sportsbook Rhode Island, the various entities involved and their obligations in

providing a compliant solution for the Lottery and its players, Spectrum drew on our experience in regulated gaming operations to combine this analysis into an objective review of similarities and differences to other jurisdictions.

These similarities and differences are of varying degrees and require comparisons to mature multi-operator jurisdictions that govern the same types of gaming as the Lottery. For this, Spectrum analyzed multiple multi-operator jurisdictions offering retail and online sports wagering including New Jersey for use in comparisons and contrasts.

As a result of this approach, Spectrum has been able to identify key differences in the current requirements of sports wagering in Rhode Island and how these differences may have an impact on the introduction of multiple sports-wagering platform providers and their ability to comply with such requirements.

As of today, the Lottery can legally contract with any sports-wagering service providers it wants,²¹⁷ if all statutes and rules are adhered to, including the direct inclusion of the Host Facilities and the Lottery into the sports-wagering service provider's hosting, finance, operations, IT and marketing initiatives. Therefore, all analysis has been based on current statutory requirements with recommendations referencing any statutory changes that may be needed to facilitate a successful and compliant multi-operator jurisdiction.

1. Conclusions

Sports-Wagering Tech and Hardware

The Lottery's use of third-party independent testing labs to confirm the compliance of sports-wagering platforms and sports-wagering machines²¹⁸ is consistent with most other sports-wagering jurisdictions where the Regulator does not operate its own testing lab. These platforms and machines are subject to GLI33 and GLI20 standards recognized internationally, as the baselines for all sports-wagering components and functions for which many regulators reference when drafting their own operational and functional requirements. In this sense, Spectrum believes the Lottery to be conducting the best practices, which are consistent with many other successful multi-operator jurisdictions and regulatory regimes.

Hosting

The requirement to host all sports-wagering data and server-based gaming systems within the Host Facilities' datacenters is a unique requirement of the State Constitution that Spectrum believes is specific to the state due to the number of viable hosting locations; i.e., the facilities, available, where the Lottery already maintains jurisdiction and a physical presence. As a single-provider jurisdiction, this approach is consistent with the Lottery's hosting requirements for other forms of gaming and in a small market such as Rhode Island is an appropriate requirement which the Lottery can manage and maintain efficiently.

²¹⁷ Phone Interviews with Rhode Island Lottery officials, 2025.

²¹⁸ Rhode Island Lottery Rules and Regulations – Sports Betting Excerpt.

Compliance

Referring to the Lottery's rules and regulations combined with all MICS governing online and retail sports wagering has revealed numerous similarities to nearly all jurisdictions that regulate sports wagering and its operators. Each jurisdiction has drawn on its established compliance and auditing procedures that were in place pre-sports wagering related to cash handling, wagering status and making the appropriate adjustments to compensate for the specific scenarios dictated by statute and the unique processes required of sports wagering that may not be present in online casino and retail casino operations. In this regard, Spectrum believes the Lottery is consistent in its approach to operational compliance requirements that any other multi-operator jurisdiction would impose on its operators. A key difference is the scale and tools used by these regulators to ensure compliance by multiple operators while maintaining efficient auditing processes. In those cases where there are breakdowns and breaches of compliance, multi-operator jurisdictions have become accustomed to issuing more frequent monetary fines. This approach is aimed at promoting more emphasis on operator-audited compliance procedures vs. the regulator intensifying their efforts to monitor compliance in real-time.²¹⁹ As there is only a single sports-wagering operation to monitor, Spectrum believes all the processes and procedures the Lottery follows have created a consistent and efficient approach to compliance but is subject to revision and update based on efficiency, technology and techniques.

Operations

The manner in which the Lottery allows its sports-wagering platform supplier and Host Facilities to meet all operational obligations and compliance requirements is similar to that of any multi-operator jurisdiction where a standard set of rules and regulations are used as the boundaries for which operators may propose MICS specific to its own operations, technology and techniques. This creates sufficient separations between the multiple parties involved while allowing the Lottery to be objective in its auditing of any approved MICS vs. what is practiced. Should the Lottery or its partners determine that new technology, techniques or procedures become available that would create a net benefit to the entire SBRI operation, the Lottery has processes in place to make such changes to existing rules and regulations.²²⁰ These processes include house rules updates based on the approval of new sports, events and markets as well as modifications to MICS and reconciliation and auditing processes associated with sports-wagering system integrity and front-line player support. The consideration of these items and regularly scheduled reviews of all operational components is considered best practice regardless of applying to a single operator or multi-operator jurisdiction.

Marketing

In any other jurisdiction where the regulator is not the operator, the processes and procedures around marketing compliance can vary dramatically from state to state, whereas any restrictions or requirements beyond that stated in the statutes or initial rules are often the result of complaints or non-compliance. As marketing is very difficult to track in any jurisdiction, especially when performed by

²¹⁹ Tom Nightingale, "New Jersey dishes out \$40K in fines to betting companies," SBC Americas, December 24, 2024. <https://sbcamericas.com/2024/12/24/new-jersey-fines-draftkings-rsi-kambi/>

²²⁰ Rhode Island Lottery SRI Operations List and Employees, January 6, 2025, Items 3 and 9.

multiple operators, regulators are continuously reacting to operators' inventive campaigns with new rules to ensure compliance with statutory intent and public safety.²²¹ In contrast, SBRI is conservative in its approach to marketing and advertising, using a quarterly review and approval process to manage their marketing campaigns based on results vs. forecasts. By relying on standard inducements related to registration, current events, retention and conversion, SBRI's marketing and promotions are indicative of a profit-first approach to sustainable marketing practices that do not require significant action or technology to provide. This correlates to the Lottery's single-provider model within the state and less need to educate the public about their options for sports wagering and the inducements offered. This approach is fiscally responsible, supports transparency and reduces the risk of problem gambling. As such, Spectrum considers SBRI's marketing procedures, inducements and conversion funnels to be in line with best practices in a single-operator jurisdiction.

Trading and Risk

SBRI's use of a turnkey trading and risk-management service from its sports-wagering platform provider is common for any operator that does not have those skill sets in-house or does not wish to be involved in such activities. In a single-operator market, pricing differentiation is a non-factor and therefore a conservative risk and optimal pricing strategy are considered to be best practice. As the Lottery maintains vigilant oversight of all offerings, the House Rules governing those offerings and active review and audit of winning wagers over specific thresholds, Spectrum considers their use of managed trading to be in line with best practices in single-operator jurisdictions. However, due to the state's size and tendency for its residents to travel outside the state daily, this trading and risk approach may expose SBRI's players to better value found in the surrounding multi-operator jurisdictions where trading and risk strategies are more fluid and reactive to higher volumes of wagers. Those markets where players are able to find greater value in pricing may come with greater risk of reduced margins and lower hold percentages. Therefore, attempting to compete with multi-jurisdictional operators on pricing may subject the Lottery to lower margins, thus negating its primary charge of maximizing revenues for the State.

Product

The products provided by SBRI's vendors have been assessed against other offerings in multi-operator jurisdictions and have been found to be sufficient for its purposes. With no competitors, SBRI's approach to fewer payment methods and simple bonus mechanics reduces the need for player support and the overall risk associated with online deposit methods and fraud. Its sports-wagering platform provider's emphasis on US-style wagering options and simple presentation is on par with other smaller single-operator markets and in Spectrum's summation, a conservative and practical approach to both retail and online sports-wagering offerings. In a single-operator market with no competitive benchmarks to measure against, Spectrum considers the SBRI product to be sufficient and maintainable under the current framework of obligations among the partners.

²²¹ TJ McBride, "Massachusetts Considers Following Ohio's Lead With New Sportsbook Advertising Rules," PlayMA.com, July 3, 2024. <https://www.playma.com/news/massachusetts-considers-new-sportsbook-advertising-rules-like-ohio/>

Finance

The finance operations and auditing conducted by the Lottery and its partners are recognized to be consistent with most any regulated gaming jurisdiction whereas different sources of truth are used to establish reconciliation between multiple platforms and departments. All reporting and reconciliation tools used for compliance and revenue reporting are consistent with those supported by any GLI33-certified sports-wagering platform and can be produced with common data available on any sports-wagering platform that subscribes to these standards. Additionally, the use of vendors and partners to process invoices and pay expenses related to the entire operation of sports wagering is also considered common and addressable in nearly all contract negotiations for such services. However, the statutory requirement that all banking be conducted by the Host Facilities is considered a unique requirement and would be viewed as a hinderance to most operators that would not find this requirement feasible for integrating into their scaled multi-jurisdiction operations and would require material changes to statutes to address. Despite this, Spectrum recognizes that the inclusion of the Host Facilities in sports wagering is the result of consistency with the Lottery's other gaming operations and the Constitution.

Third-Party Vendors

The vendors utilized by SBRI are recognized as widely used within the US sports-wagering industry and, in many cases, provide best-of-breed solutions. However, the lack of implementing newer technologies and solutions adapted from other ecommerce industries may eventually prove disruptive based on evolving player habits, preferences and consumption methods. By adopting new solutions to provide enhanced operational capabilities the Lottery may increase margins and decrease costs from inefficiencies or outdated approaches to sports-wagering operations. For example, while the limited amount of deposit and withdrawal methods are sure to curtail and limit the risks of fraud, it may hinder player conversion from registration to deposit if their preferred method is not available for use.

Regulator

When assessing the best practices and industry norms related to a regulator's role in their state's sports-wagering operations, Spectrum has determined that the Lottery's current oversight and auditing programs described in their sports-wagering procedures and MICS are consistent with multi-operator jurisdictions.²²² The processes in place are considered efficient for all partners involved and can be updated as determined by the Lottery with an emphasis on efficiency, compliance and profitability vs. a single view of compliance which can conflict with efficiency and profitability if not structured appropriately. In this regard, the Lottery is directly impacted financially by its own prescribed processes and statutory laws. In this respect, Spectrum believes the Lottery to be proactive in identifying these efficiencies and opportunities for increased profitability and therefore behaves as an operator vs. that of only a regulatory body.

As such, the current procedures and rules in place are likely to facilitate the most efficient and compliant operations based on the laws the Lottery is charged with enforcing. However, as the basis for

²²² State of New Jersey Sports Betting Regulations.
<https://www.nj.gov/oag/ge/docs/SportsBetting/FinalAdoptionRegisterPublishedOct7.pdf> (accessed February 8, 2025)

all compliance is measured against existing gaming operations and the core of those requirements is not likely to change materially, Spectrum has concluded that there are no best practices for this type of framework other than working with the best vendors and partners that are able to adapt and comply consistently with all such regulatory requirements and ensuring transparent and open communications amongst the parties involved. In this regard, the Lottery appears to be conducting the best practices and is clearly invested in and actively engaged in the success of their sports-wagering industry.

2. Recommendations

When considering current conditions and requirements to operate sports wagering in the state, Spectrum theorized the impact of these factors on a multi-provider scenario. For consistency, each of the sports-wagering operational pillars have been analyzed. The recommendations and statements made are based on what Spectrum's own experience indicates would foster a successful transition from the current framework to a new or adjusted framework allowing for a multi-provider presence in the state.

Sports-Wagering Tech and Hardware

The Lottery's use of GLI standards to qualify a sports-wagering platform and system for use in the state is a baseline that would not change in a single- or multi-provider framework. This is considered a proven model to ensure consistency with player protections, regulatory auditing tools and operational proficiency and is already part of nearly all multi-jurisdiction operators' processes and procedures for entering a new market. Should a multi-provider framework be adopted, those requirements and certifications that are required today would not appear to need further update to support multiple sports-wagering platforms and systems.

Hosting

The legal requirement to host all data and hardware related to sports wagering at the Host Facilities is consistent with the state's other gaming activities. However, in a multi-provider framework, with only two facilities available to host primary and backup systems, there are space and infrastructure considerations that must be understood to ensure the viability of hosting multiple providers within the Host Facilities. In the event multiple providers were to enter the state, Spectrum believes reforms to the State Constitution would be needed to adopt new sports-wagering procedures and standards to qualify hosting sites outside of the Host Facilities. Applying the same security, surveillance and infrastructure requirements to data centers not located in the Host Facilities would create more options for providers and meet the Lottery's requirements at the same time. Hosting outside casinos is a common occurrence and there are multiple vendors who specialize in this type of service²²³ and have a deep understanding of the regulator's role and expectations for any hosting operation where the data and datacenter is under regulator jurisdiction.

Compliance

As described throughout this section, the compliance requirements currently in place are deemed standard and consistent with many other states that regulate multiple forms of gaming. However, in the

²²³ Continent8 Technologies, "Unrivalled speed to market in the US sports betting market," <https://www.continent8.com/locations/us/> (accessed February 9, 2025)

case of monitoring compliance for one operation vs. multiple operations, it is advised that the daily auditing procedures be revised to more weekly and monthly reconciliation processes using aggregated reporting. While this approach may allow for breaches in compliance to go unseen for a period, the consequences of these breaches could be significant fines on the provider leading them to place more emphasis on their own compliance monitoring vs. the Lottery intensifying its efforts. To date, Spectrum is not aware of any compliance breach in any sports-wagering market so grave that players were materially harmed, or that the regulator was unable to resolve, which resulted in the operator's license being revoked. Regardless of the size of the market, the risk of non-compliant events is directly impacted by the number of operators conducting regulated activities.

Operations

In terms of retail sports wagering, the State's requirement that it only be conducted within the Host Facilities is considered responsible and best practice, especially for the size of the state. From an online sports-wagering perspective, multi-jurisdictional operators are accustomed to operational procedures and MICS varying from state to state and should not find issue in complying. However, the Lottery should be prepared to monitor more robust and complex modes of operations.

Marketing

The Lottery's marketing processes are considered by Spectrum to be prudent and responsible with a profit-first approach. However, this process is considered a non-starter for many operators conducting marketing campaigns on a national scale and whose retention and promotion activities are extremely sophisticated with many moving parts. The provider's ability to react to current events and trends would be severely limited if all their efforts and planning had to be approved by the Lottery first, as is required by law currently. And while these operators consider themselves innovative, their techniques are increasingly questioned as predatory and potentially promoting problem gaming.²²⁴ Furthermore, the costs of these marketing campaigns being paid for by the Host Facilities first, who are then reimbursed later, presents potential cash-flow issues for the Host Facilities, which Spectrum does not believe would be responsible and create an undue burden on their finances and resources to service.

Should these processes be revised, it is recommended that a hands-off approach to marketing approvals be implemented with clear definitions of gross gaming revenue to control any deductions allowed. These changes in processes would only be allowed through change in statute and the definition of sports wagering revenues. To ensure compliance and player protection within marketing campaigns, the use of enhanced financial penalties are becoming a more acceptable way to encourage responsible sports-wagering marketing activities.

Trading and Risk

SBRI's current trading and risk solution is deemed to be sufficient for its use, but it does come with specific risks related to generic processes and automation that may not serve the State adequately. In terms of actual trading strategy, the use of third-party feeds are believed to be adjusted for the regional

²²⁴ Allison Parshall, "How 'Dark Patterns' in Sports Betting Apps Keep Users Gambling," *Scientific American*, January 23, 2025. <https://www.scientificamerican.com/article/how-sports-betting-apps-use-psychology-to-keep-users-gambling/>

bias that can be expected in the New England market. Additionally, the requests for new sports and events to be approved are normally the result of the operator wishing to sell specific wagers or achieve a wagering menu parity across all the markets they operate in.

Should a single sports-wagering platform provider continue to be used, it is recommended to reduce the size of the sports event approved list to focus on core sports that produce the most wagering volume. In the event multiple providers were allowed to enter the state, the risk and likelihood of unauthorized wagers is likely to increase, for which stiff penalty and sanction can be implemented to encourage ample compliance monitoring in this regard.

Product

In terms of products, SBRI appears to be making use of all the opportunities its sports-wagering platform provider can make available at this time with Spectrum's main observations for product improvement related to conversion funnels from registration to first deposit and payment funnels curated to reduce risk of fraud and workload of support services. However, should SBRI attempt to compete with a multi-jurisdiction operator, the product offering may be found lacking in the areas of promotions, funnels, wagering options and payments. From a compliance standpoint the current product management processes and schedules appear manageable and are defined by the sports-wagering platform provider. In a multi-operator jurisdiction, the cadence of new product submissions for approval are expected to accelerate as many of these operators also own their wagering tech and control their own product development leading to additional review requests from Lottery resources.

As innovation and new product releases continue to accelerate due to fierce market competition, the Lottery could expect to be presented with new types of products more frequently, and those products need to be reviewed and assessed for legal use. Should Rhode Island remain a single-provider market, Spectrum strongly advises the combining of SBRI and Bally Bet Casino into a single offering creating a single player wallet for both sports and casino, bringing consistency to the player experience across multiple gaming products from a single set of platforms. This approach facilitates an omni-channel loyalty program capturing all of the player's gaming transactions in one view that when combined with the Host Facilities' loyalty program creates a value proposition that the online-only operators cannot match. This strategy is advisable regardless of whether it combines SBRI with another entity or allows for multiple providers in the state.

Finance

The description and flow of all current finance operations and obligations related to SBRI are considered best practice when assessed against the state's other gaming operations for which the Lottery owns the player data. However, the current law regarding the Host Facilities' obligations to participate in all finance operations related to sports wagering is considered a hinderance and non-starter to any multi-operator jurisdiction discussion. There are multiple aspects of this requirement that Spectrum does not believe would be acceptable to most multi-jurisdiction operators, including exposing financial data to a potential competitor (Bally's) and the reliance on a third party to approve and execute all payments of any sort. Not only would this create undue workload on the Host Facilities to manage multiple providers and execute all their payments, but it also incurs a significant cost to the providers for services they already conduct themselves, at scale.

To mitigate this issue, other multi-operator jurisdictions that have tethered their online licenses to existing retail casinos have allowed the online operators to simply buy market access using a master sports license skin while all finance operations are conducted internally and regulator audit and approvals communicated directly to the licensee. From a pure operational perspective, in the current scenario, the Host Facilities, who are viewed as conservative in their approach, would likely struggle to adapt logistically to the processes and initiatives multiple operators functioning at national scale would require. This includes items such as wagering platform audit and integrity check, chargebacks, payment transaction volumes and payment processing fees which are almost certain to accelerate in a multi-operator environment. Therefore, it is likely that in any multi-provider scenario, the State would need to revise statutes to allow for the exclusion of the Host Facilities' required involvement and transition to a more open-market setting allowing operators to control all their own finance operations subject to audit and fines for non-compliance by the Lottery. Additionally, the act of removing promotions from sports-wagering handle prior to calculating gross gaming revenue is likely to have a materially adverse impact on hold percentages and net revenue as many multi-jurisdiction operators are much more aggressive with their promotional spending levels – reaching 20% to 30% of gross revenue.²²⁵ To counter this impact, states like New Jersey do not allow promotional deductions from gross revenues or handle and have left the impact of promotions on profitability to the operators to mitigate. Should Rhode Island decide to transition to a multi-provider framework, statutory law would need to be amended to account for such promotional activity and the impact to revenue.

Third-Party Vendors

Upon review, Spectrum finds no immediate concern with the vendors used by SBRI or the process for vendor registration. However, in a multi-provider jurisdiction, the expectation is that the Lottery would be inundated with new vendors applying to enter the market and contract with entities who are not the Host Facilities. Requiring the Host Facilities to execute an agreement with a vendor to support an external provider creates more contractual liability concerns and complications that may not warrant the effort for the vendor to enter the market. This change may create the need for updated statutes and due diligence processes to support and may create additional risk of non-compliance by vendors due to their increased count and activity within the state. In this regard, Spectrum believes that the use of fines and vendor license revocation for non-compliance is ample motivation for these vendors to ensure their compliance with all applicable rules and regulations associated with their services.

Regulator

Today, the Lottery owns the operations, marketing, compliance and revenues from SBRI, however, by law it must rely on the Host Facilities for essential services and support in core areas. For these services and support, Spectrum believes the mandated 17% of net gaming revenue is fair and more

²²⁵ Elizabeth Sramek, "How Much Sportsbooks Spend on Marketing (2025 Updated Stats!)," Scaleo, October 24, 2024. <https://www.scaleo.io/blog/how-much-sportsbooks-spend-on-marketing-2024-updated-stats/#:~:text=Some%20top%20sportsbooks%20spend%20between,million%20annually%20on%20marketing%20alone>.

than accounts for the costs the Host Facilities incur to meet their obligations based on the number of resources assigned.²²⁶

However, when applying this model to multiple providers, it is unlikely that the Host Facilities would be able to service all obligations at current staffing levels. Further commercial considerations may be needed to counter increased costs of meeting these obligations. In a multi-provider model where B2C providers manage all responsibilities of the Hosting Facilities, save for server hosting, change in statutes would be required to allow for the transition of these responsibilities and create an additional 17% of revenues which the B2C provider would retain, preserving the Lottery's 51% effective tax on revenue model and provide enough incentive to make it worth the while of the provider to enter the market.

Regardless of any change in shift from a single provider to multiple providers where the Lottery maintains ownership of the player data, the costs associated with these services should be a product of open market negotiations vs. statutorily mandated revenue shares. Apart from commercial review of agreements, Spectrum considers the Lottery's partnerships for SBRI to be adequate but not expected to overperform. In any other framework, it is advised the Lottery to explore new methods for managing compliance and oversight at scale that does not overburden its existing resources while putting more dependence on fines to address events of non-compliance vs. increased staff to proactively deter potential non-compliant events.

Summary

While it is understood that many sports-wagering players regularly play with multiple operators, this does not necessarily translate into increased revenues, as increasing the promotions available to players may reduce their profitability to the Lottery.

Further considerations should be given to the total addressable market size which the Lottery wishes to capture and feels it has not. In a mature market the size of Rhode Island, with an adult population of 830,000 people of whom about 9% have an account registered, the addressable market appears to either be uninterested in sports wagering or uninterested in wagering with SBRI. This compared to the 19% of Americans a recent Siena College survey²²⁷ has identified as having an account with an online sportsbook, of which 71% registered due to inducements (free money). Therefore, it is possible that roughly 10% more Rhode Islanders may be available to convert into sports wagering. However, the evidence indicates that any growth is likely in the form of new players aging into legal wagering and increased wagering from existing players. With expected growth to come in the form of more aggressive marketing and inducements aimed at generating top-line revenue, these revenues are not expected to transfer into materially more profits for the State. Due to the size and revenue potential of the state, despite any allowance for multiple providers, it would be important to question their willingness to enter any market where they must share 51% of profits to the State and 17% to a competitor to manage their financial operations. At only 32% of revenue share – after promotional costs, wagering

²²⁶ Bally's Sports Wagering Operational and Compliance Personnel, per Rhode Island Lottery.

²²⁷ Siena College Research Institute, "22% of All Americans, Half of Men 18-49, Have Active Online Sports Betting Account," February 18, 2025. <https://scri.siena.edu/2025/02/18/22-of-all-americans-half-of-men-18-49-have-active-online-sports-betting-account/>

tech costs, hosting costs, compliance and operational costs – there is unlikely enough revenues to support more than a single provider in the current framework. Should the State adopt a multi-provider framework such as New Jersey’s with all of the same applicable tax rates, rules and regulations, it is still questionable whether there are enough revenues available to justify the efforts and costs to enter the market if there is more than a single provider present.

Spectrum believes the current framework and statutes governing sports wagering in Rhode Island are both responsible and sustainable, and any perceived underperformance to date under the current statutes and framework is unlikely to be resolved through the introduction of increased providers. Rather, further emphasis should be placed on an omni-channel strategy that provides players in the state with more value-add propositions that cannot be matched by online-only operators in other jurisdictions.

III. Appeal of Rhode Island Sports Wagering vs. Other States

In this section, Spectrum quantifies the relative attractiveness of the Rhode Island sports-wagering market to other similar states. To make the comparisons relevant, we selected markets similar to Rhode Island instead of reviewing every state where sports wagering is legal in the United States. Our reason for focusing the review in this way is that some of the states, for various reasons, have limited to no probity value relative to Rhode Island. For example, New York is the fourth-largest state by population and the largest state with legal sports wagering that is proximate to Rhode Island. Other factors that make New York an unrealistic benchmark is the significant daily commutation from residents living in nearby states that work in New York City. According to the New York City Planning Commission, “nearly 1 million workers enter NYC every day for work.”²²⁸ Compare the 1 million commuters to New York City with the 1.1 million population of Rhode Island. Of less importance is tourism to NYC, which reached “nearly 65 million visitors ... the second highest figure in city history”²²⁹ in 2024 and is expected to exceed pre-pandemic levels in 2025. New York also delivers one of the more competitive sports-wagering markets with nine online sportsbooks, including FanDuel, DraftKings, BetMGM, and Fanatics. It should be noted that FanDuel and DraftKings are, by far, the market leaders, generating a combined three-quarters of New York market handle.

Spectrum’s choice of comparable markets to review is also driven by the legislation and regulations in Rhode Island, which mandate that the Lottery is the operator and licensee of sports-wagering in the state. It should be noted that only six states have a quasi-monopoly to operate their sports-wagering operations: Delaware, Florida, Montana, New Hampshire, Oregon and Rhode Island. Of the five beyond Rhode Island, we include three in our group of comparable sports-wagering states. We reviewed demographic and betting data for states that fell within one of two cohorts:

- **Proximity:** The New England states with sports wagering that would have common characteristics with Rhode Island, such as affinity for the same professional sports teams.
- **Lottery-Operated:** The state lottery is the primary regulator and/or operator.

²²⁸ New York City Planning Commission, “The Ins and Outs of NYC Commuting, An Examination of Recent Trends and Characteristics of Commuter Exchanges Between NYC and the Surrounding Metro Region,” September 2019. <https://www.nyc.gov/assets/planning/download/pdf/planning-level/housing-economy/nyc-ins-and-out-of-commuting.pdf>

²²⁹ Office of the Mayor of New York City, “Mayor Adams Celebrates Nearly 65 Million Visitors to NYC in 2024, Second Highest Number of Visitors in City History,” December 20, 2024. <https://www.nyc.gov/office-of-the-mayor/news/941-24/mayor-adams-celebrates-nearly-65-million-visitors-nyc-2024-second-highest-number-visitors>

Figure 16: Regulatory detail of comparable sports-wagering markets to the Rhode Island market

State	Allowed		Effective Tax Rate on Gaming Revenue		Licensing Fee	Permitted Licenses
	Retail	Online/ Mobile	Retail	Online/ Mobile		
Rhode Island	Yes	Yes	51%	51%	N/A	2 retail casinos, 1 online
Proximity Comparable States						
Connecticut	Yes	Yes	13.75%	13.75%	\$250,000 payable by online operators, the Tribes are exempt	3 online/15 retail
Maine	Yes	Yes	10%	10%	\$200,000 online/\$4,000 retail	2 retail; tribes authorized to offer online/10 retail authorized
Massachusetts	Yes	Yes	15%	20%	\$5 million, renewable after 5 years	3 retail, up to 13 online
New Hampshire	Yes	Yes	50%	51%	N/A	10 retail/5 online
Vermont	No	Yes	N/A	31.7%*	\$550,000	Minimum of two/maximum of 6 online operators
Lottery-Operated Comparable States						
Delaware	Yes	Yes	50%	50%	N/A	3 racinos/1 online
Oregon	Yes	Yes	(2)	(2)	N/A	Online operated by DraftKings for the lottery
Washington, DC	Yes	Yes	(1)	(1)	Class A: initial \$1 million for 5 years, \$500,000 renewal. Class B initial \$100,000 for 5 years, \$50,000 renewal. Class C: initial \$2 million for 5 years, \$1 million renewal.	Class A: offered by the District's sports teams within the confines of their arena and via mobile within a 2-block radius. Class B: lottery-designated retailers. May not be located within the 2-block radius of a Class A offering. Class C: District-wide mobile offering. May not be accessible within the 2-block radius of a Class A offering.
West Virginia	Yes	Yes	10%	10%	\$100,000	Up to 5 retail/each retail may offer up to 3 online skins

Source: State regulators, American Gaming Association. (1) There is no defined effective tax rate. The Lottery receives an undisclosed percentage of revenue after certain expenses. (2) Class A rate is 20% of gross gaming revenue ("GGR"), Class B is 10% of GGR, Class C is 30% of GGR. *By statute, the Vermont minimum rate is 20%, but operators can pay more through a competitive-bidding process.

A. Proximity Comparable States

Connecticut: Before online sports wagering was enabled, legal gaming could be offered only by the two Native American casino operators in Connecticut. With the legislation allowing online sports wagering, the Connecticut Lottery is also permitted to offer sports wagering. There are three sports-wagering websites in Connecticut: DraftKings, affiliated with Foxwoods; FanDuel, affiliated with Mohegan Sun; and Fanatics, affiliated with the Connecticut Lottery.

Maine: While the state’s two commercial casinos are authorized to offer retail sports wagering, neither operator does. The operators have cited “regulatory hurdles and the time it takes to get everything set up properly”²³⁰ as the reason no retail sports-wagering operations are currently operating. However, the annual renewal fee is relatively low compared to other jurisdictions, DraftKings and Caesars Sportsbook are operating online, and creating a retail location has been accomplished in other jurisdictions by the operators, all of which suggests other reasons for the lack of action. Spectrum believes the small population and distance from the professional New England sports teams is another likely reason, making the investment less profitable than operating an online sportsbook. The state’s federally recognized Native American tribes have partnered with the commercial casinos to offer online sports wagering – launched in November 2023 – through Caesars and DraftKings mobile apps.

Massachusetts: Massachusetts is the largest and best-performing sports-wagering market in terms of absolute gross gaming revenue (“GGR”) and per capita statistics among all the comparable jurisdictions Spectrum reviewed for this analysis (New England and lottery-operated states). This is, in part, a function of the large population of Massachusetts, the wealth of residents particularly in financial services and life sciences, the proximity of major sports teams, and the large numbers of super commuters²³¹ into Boston. According to a 2017 Boston Region Metropolitan Planning Organization study, many of these super commuters come from outside of Massachusetts, including Maine, Connecticut, Rhode Island, New Hampshire and New York.²³²

New Hampshire: The state is comparable to Rhode Island in terms of population, cost of living index,²³³ and affiliated professional sports teams.²³⁴ The effective tax rate on GGR for both New Hampshire and Rhode Island is also comparable. However, handle per capita, GGR per capita and effective tax revenue per capita are 30+% higher in New Hampshire. At this point, Spectrum notes that state law allows up to 10 retail locations and five online sportsbooks in New Hampshire. However, DraftKings proposed a 51% share with New Hampshire if it were the only online sportsbook authorized.²³⁵

Vermont: Sports wagering in Vermont commenced in early January 2024 and is online only. (Vermont, Tennessee, and Oregon are the only states that have legalized sports wagering via only the online channel, although, from a practical perspective, Maine is also online only.) In its first year of

²³⁰ Maxwell Liebler, “Maine Sports Betting: Marking One Year of Legal Sports Betting in Maine,” *Northeast Times*, January 14, 2025.

²³¹ For purposes of this report, Spectrum defines a super commuter as a person who travels more than 25 miles.

²³² Boston Region Metropolitan Planning Organization, “Long-Distance Commuting in the Boston Region: Necessity or ‘Strategic Mobility Choice?’” September 2017.

²³³ The Cost of Living Index for Rhode Island and New Hampshire is 110.5 and 115, respectively according to World Population Review. <https://worldpopulationreview.com/state-rankings/cost-of-living-index-by-state>

²³⁴ Neither Rhode Island nor New Hampshire is home to a major professional sports team, but are home to minor league sports teams. Their residents typically are fans of the professional sports teams in Massachusetts.

²³⁵ The online sportsbook GGR tax rate declines to 21% if New Hampshire grants licenses to one to two additional operators.

operations of sports wagering, Vermont generated \$20 million in revenue, which exceeded internal projections. This was the second-lowest GGR, above only Delaware, despite having the smallest population.

B. Lottery-Operated Comparable States

Delaware: Delaware offers sports wagering at the state’s three racetrack casinos and online via a single online operator – BetRivers by Rush Street Interactive – “via a partnership with the Delaware Lottery and the State’s three racinos.”²³⁶ BetRivers launched online sports wagering in December 2023. During the 2024 legislative session, legislation was introduced to authorize additional online operators. The bill – House Bill 365 – would have authorized each of the state’s racinos to partner with a “maximum of two prospective internet sports lottery operators.”²³⁷ However, the legislation failed to pass, and Delaware continues to operate with a single online sports operator.

District of Columbia: In 2019, the District of Columbia authorized the DC Lottery to directly operate sports wagering in the District, which was accomplished through licensed lottery retailers and a mobile platform. GamebetDC was granted a monopoly to offer mobile wagering, but was replaced by FanDuel in 2024. Additionally, the four major sports arenas within the District were also authorized to offer retail sports wagering within the confines of the arena and limited mobile wagering within a two-block radius of the arena. The law was amended in late June 2024 to allow for an open competitive online sports-wagering market.

Oregon: Oregon offered a limited form of sports wagering in 1989 and, as a result, was one of the states exempted from the 1992 Professional and Amateur Sports Protection Act (“PASPA”). There are factors associated with sports wagering in Oregon that make it a less compelling product than other states, such as:

- There is no specific state law addressing sports wagering; it is classified as a lottery game.
- There are no retail locations in Oregon, and the product is online only.
- DraftKings was granted a monopoly to offer sports wagering in the state.
- Wagering on all college sports is prohibited. This is different from other states that typically prohibit wagering on universities in the state, but allow wagering on other college events.

West Virginia: The West Virginia Lottery regulates gaming at West Virginia’s four racetrack casinos and one retail casino with each facility offering sports wagering. Under the West Virginia Lottery Sports Wagering Act, “all sports wagering authorized by this article shall be West Virginia Lottery games owned by the State of West Virginia.”²³⁸ Each casino is authorized to partner with up to three

²³⁶ State of the States 2024,” American Gaming Association, May 2024. <https://www.americangaming.org/wp-content/uploads/2024/05/AGA-State-of-the-States-2024.pdf>

²³⁷ Delaware House Bill 365, Introduced April 11, 2024. <https://legis.delaware.gov/BillDetail?LegislationId=141175>

²³⁸ West Virginia Lottery Sports Wagering Act, Article 22D-6b. <https://code.wvlegislature.gov/29-22D-6/>

online/mobile skins, for a maximum of 15 online sports-wagering operators. Currently, there are eight active operators in West Virginia.

In the table below, Spectrum presents the operating performance of the sports-wagering industry in our comparison sets. This enables us to benchmark the performance of Rhode Island relative to the comparable jurisdictions and assess the state from both an attractiveness standpoint and to identify if there is opportunity for incremental growth that new market entrants can exploit to achieve a return that would make it worthwhile to enter the state. It should be noted that the hold percentages from the different states are not comparable because there are some differences in how states treat certain promotional items and report the data, with some states showing both a net and gross GGR for certain deductions. Additionally, some states include promotional incentives redeemed in their handle value, while others do not and some states report handle as cash received, including futures, while other states report handle on completed events (accrual basis). Rhode Island does not include promotional incentives redeemed in its handle value. Where data are available, Spectrum endeavored to show both the unadjusted revenue²³⁹ and the effective taxable revenue.

Figure 17: Relative operating performance of the comparable sports-wagering states, LTM ended December 2024

State	Revenue			Hold percentage		Taxes paid (\$M)	Effective Tax Rate	Per Capita		
	Handle (\$M)	Unadjusted (\$M)	Taxable (\$M)	Unadjusted	Taxable			Handle	GGR	Effective Taxes Paid
RI	483.7	38.1	38.1	7.9%	7.9%	19.4	51.0%	\$434.9	\$34.2	\$17.45
Geographic Comparable States										
CT	2,173.9	232.5	187.3	10.7%	8.6%	27.6	14.8%	\$591.5	\$63.3	\$7.52
ME	524.4	59.7	55.4	11.4%	10.6%	5.5	10.0%	\$373.2	\$42.5	\$3.94
MA	7,401.1	670.7	650.8	9.1%	8.8%	130.2	20.0%	\$1,037.1	\$94.0	\$18.25
NH	793.4	79.1	72.3	10.0%	9.4%	36.8	50.9%	\$563.1	\$56.1	\$26.15
VT	198.8	21.9	19.9	11.0%	10.0%	6.3	31.9%	\$306.5	\$33.8	\$9.78
Mean	2,218.3	212.8	197.1	10.4%	9.4%	41.3	25.5%	\$574.3	\$57.9	\$13.13
Lottery-Operated Comparable States										
DE	213.6	14.6	14.6	6.8%	6.8%	8.7	59.9%	\$203.1	\$13.9	\$8.30
DC	353.9	37.9	37.9	10.7%	10.7%	7.9	20.8%	\$504.0	\$54.0	\$11.20
OR	864.7	94.4	94.4	10.9%	10.9%	(1)	(1)	\$202.4	\$22.1	(1)
WV	562.3	62.6	62.6	11.1%	11.1%	6.3	10.0%	\$317.7	\$35.4	\$3.54
Mean	498.6	52.4	52.4	9.9%	9.9%	7.6	30.2%	\$306.8	\$31.3	\$7.68
All States Mean	1,454.0	141.5	132.8	10.2%	9.6%	28.7	27.3%	\$455.4	\$46.1	\$11.08

Source: State regulators, US Census Bureau. (1) There is no defined effective tax rate. The Lottery receives an undisclosed percentage of revenue after certain expenses.

²³⁹ Unadjusted revenue is a calculation of the reported handle by the state's regulatory body less payout of better winnings. Taxable revenue reflects the GGR used to calculate taxes paid to the state, which may be different from the unadjusted figure.

Spectrum highlights Oregon and Delaware, which are the two lowest-performing sports-wagering markets in terms of handle per capita and GGR per capita, and by a significant margin (down one-third from the next-lowest performer). The common thread is that both markets are single-operator, lottery-operated models. Deeper analysis provides evidence that, in general, the lottery-operated model is less efficient than the New England-area market-driven model. New Hampshire is also a single-operator state, but is a high-performing market in terms of handle per capita. It should be noted that New Hampshire has a thriving, three-season tourism industry with a high number of annual visitors.

We also assessed livability factors for each state to identify how that may affect wagering on sports wagering within the state. To identify livability, Spectrum reviewed the Cost of Living Index as compared with Median Household Income.²⁴⁰ Interestingly, only Connecticut, New Hampshire and, to a lesser extent, Delaware had a relative household income greater than the cost of living index.²⁴¹

Figure 18: Assessment of household income to cost of living

State	Cost of Living Index	Median Household Income (HHI)	HHI to US average
Rhode Island	110.5	\$74,008	106.9
<i>Proximity Comparable States</i>			
Connecticut	113.4	\$83,771	121.0
Maine	111.5	\$64,767	93.5
Massachusetts	148.4	\$86,945	125.6
New Hampshire	115.0	\$88,465	127.8
Vermont	114.9	\$72,431	104.6
<i>Lottery-Operated Comparable States</i>			
Delaware	102.6	\$71,091	102.7
District of Columbia	148.7	\$90,088	130.1
Oregon	115.1	\$71,562	103.3
West Virginia	90.3	\$51,248	74.0

Source: US Census Bureau

Based on Spectrum's analysis, we found certain commonalities of the high-performing and low-performing sports-wagering markets:

- A competitive market with multiple operators is the No. 1 criteria, in our opinion, in achieving success as measured by handle, not effective tax revenue to the state. The District of Columbia, notably, experienced a 254% year-over-year increase when it expanded its offering beyond the initial online monopoly. To note, the incumbent provider was not considered to be localized, nor operated in a manner conducive to best practices compared to neighboring markets. Only after reforming operations to include localized scale and brand recognition was such a large increase achieved.

²⁴⁰ US Census Bureau.

²⁴¹ The Cost of Living Index is a numerical measure that compares the relative cost of living for a geographic area. When measuring across states the average cost of living in the US is considered the baseline and set to 100.

- Proximity to professional sports teams and their fanbase seems to have a minor correlation with per capita wagering.
- A high effective gaming tax rate has an impact on relative performance of a sports-wagering market as operators adjust line items, such as marketing spend and promotional allowance. Generally speaking, some operators will also adjust odds and payout rate to partially offset the higher gaming effective tax expense. Executives of the Rhode Island Lottery have indicated that its provider does not make these adjustments. Still, at a handle of \$435 per capita, Rhode Island exceeds the per capita handle of all the lottery-operated competitive set and, at a 51% revenue-share arrangement, the \$17.45 per capita effective taxes paid to the State is the second highest among the competitive set.
- Median household income, regardless of the cost of living index, does appear to be an indicator of sports-wagering performance. We note that Rhode Island, with a median HHI of \$74,000, is slightly above the median for the peer group.

C. Summary

Rhode Island has pros and cons as a sports-wagering market. Notably, there is a small population base and the Rhode Island effective tax rate, after taking into account both the 51% retained by the lottery and the 17% due to Bally's as the host of the server and financial operations, is among the highest in the industry. Without Constitutional, regulatory, and/or legislative changes in the online sports wagering operating environment, Spectrum believes operators would be interested in becoming a Rhode Island provider. However, in Spectrum's opinion, this interest would be driven more by enticing bettors with funds deposited in Rhode Island to place wagers in the lower-tax states of Connecticut and Massachusetts. The impact of this type of enticement is driven by player behavior and the promotional mechanics used by providers to induce such behavior.

Figure 19: Relative pros and cons of Rhode Island as an attractive online sports-wagering market

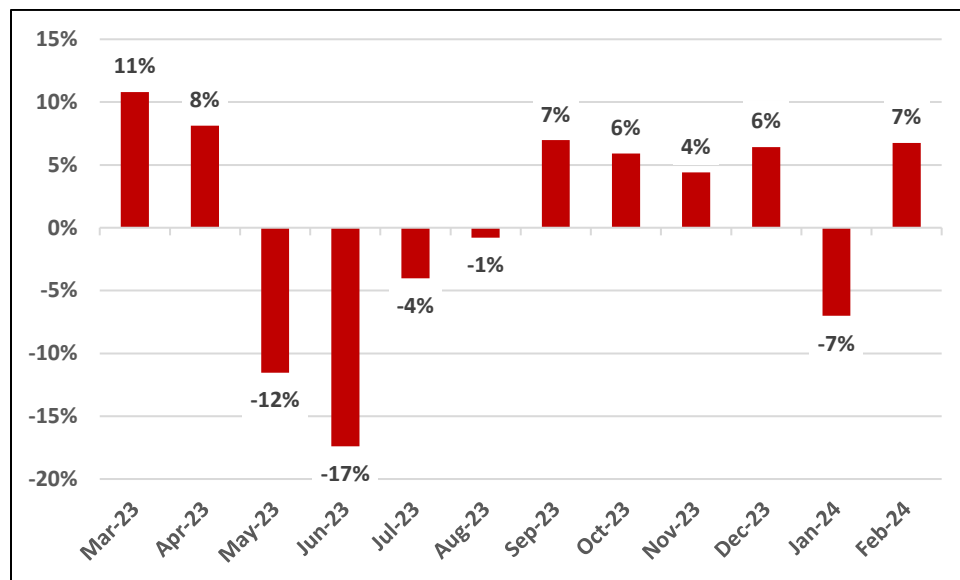
Pros	Cons
<ul style="list-style-type: none"> ▪ Very low disparity between the cost of living and the median household income ▪ Only one consumer option of online sports wagering ▪ Current hold percentage is 200 basis points below the peer group suggesting upside potential from adjusting odds and offering different wagers ▪ Proximity to the professional sports teams in Boston, which Spectrum has identified as a factor in increased interest in sports wagering 	<ul style="list-style-type: none"> ▪ High effective tax rate relative to other markets in New England ▪ Relatively small population base of 1.1 million ▪ Current regulations that require Bally's to be responsible for certain customer functions related to banking and fraud

Source: Spectrum Gaming Group

Holding all else equal, if Rhode Island were to change the fee structure for the sportsbooks to be similar to the regional competition, the effective tax revenue to the State would decline because Rhode Island has the highest effective tax rate in the New England region (equal to New Hampshire's rate of 51%). However, Spectrum believes that a reduction in the effective tax rate combined with allowing new market entrants would lead to higher GGR, thus partially offsetting the reduced effective tax rate. Competition leads to increased advertising, which, in turn, should lead to increased market awareness and penetration until the point of diminishing returns is reached. In fact, we have already witnessed this

phenomenon in Rhode Island. Massachusetts commenced online sports-wagering operations in March 2023. In the following 365 days, Rhode Island online sports handle increased 0.4% and retail sports handle decreased by 50.9%. During that same 365-day period since Massachusetts wagering commenced, year-over-year handle increased in 7 of 12 months. Spectrum does not believe that Rhode Island has reached the level of market awareness that would result in diminishing returns on advertising and promotional spend.

Figure 20: Year-over-year changes in Rhode Island online sports-wagering handle after Massachusetts commenced



Source: Rhode Island Lottery

Likewise, we believe the current Rhode Island sportsbook is not achieving its full revenue potential. This opinion is derived due to the calendar year 7.9% hold percentage on the sportsbook, compared with approximately 9.4% hold on taxable revenue for the entire New England region (range of 8.6% to 10.6%), propped up by promotional focus on high-hold wagering products. For calendar year 2024, the Rhode Island sportsbooks generated gross wagers of \$483.7 million. If the Rhode Island hold percentage was 9.4%, the mean adjusted hold percentage for New England, GGR would have been \$7.5 million higher without an increase in handle. Based on the current 51% effective tax rate, Rhode Island would have net an incremental \$3.8 million in GGR tax revenue from a higher hold percentage.

In the table below, we analyze potential GGR tax revenue to the State from revising the effective tax structure to be comparable to the other sports-wagering markets in the region. In Vermont, there is no legislative effective tax rate on retail sports betting because the state is online only. As such, we use the same 32% effective tax rate across both retail and online. The table below also provides illustrative examples if sports-wagering GGR were to increase by 10% and 20% as a result of changing the effective tax structure.

Figure 21: Analysis of potential Rhode Island GGR effective tax revenue under alternative scenarios

	Effective Tax Rate on Gaming Revenue		GGR Taxes Collected Under New Effective Tax Rate			Difference between Actual Effective Taxes Collected and Calculated Taxes Rates in Other NE States
State	Retail	Online	Retail	Online	Total	
Status Quo						
Rhode Island	51%	51%	N/A	N/A	N/A	N/A
If Using the Effective tax Rates of:						
Connecticut	14%	14%	\$0.7	\$4.5	\$5.2	(\$14.2)
Maine	10%	10%	\$0.5	\$3.3	\$3.8	(\$15.6)
Mass.	15%	20%	\$0.8	\$6.6	\$7.3	(\$12.1)
N. Hampshire	50%	50%	\$2.6	\$16.4	\$19.0	(\$0.4)
Vermont	N/A	32%	\$1.7	\$10.5	\$12.1	(\$7.3)
Plus 10% GGR						
If Using the Effective tax Rates of:						
Connecticut	14%	14%	\$0.8	\$5.0	\$5.8	(\$13.7)
Maine	10%	10%	\$0.6	\$3.6	\$4.2	(\$15.2)
Mass.	15%	20%	\$0.9	\$7.2	\$8.1	(\$11.3)
N. Hampshire	50%	50%	\$2.9	\$18.0	\$20.9	\$1.5
Vermont	N/A	32%	\$1.8	\$11.5	\$13.4	(\$6.1)
Plus 20% GGR						
If Using the Effective tax Rates of:						
Connecticut	14%	14%	\$0.9	\$5.4	\$6.3	(\$13.1)
Mass.	10%	10%	\$0.6	\$3.9	\$4.6	(\$14.8)
N. Hampshire	15%	20%	\$0.9	\$7.9	\$8.8	(\$10.6)
Maine	50%	50%	\$3.2	\$19.7	\$22.8	\$3.4
Vermont	N/A	32%	\$2.0	\$12.5	\$14.6	(\$4.8)

Source: State Regulatory Commissions, Spectrum Gaming Group analysis.

Based on this analysis, Spectrum concludes total GGR effective tax revenue to the State of Rhode Island would likely decline with effective tax rates equal to the surrounding New England states. Other structural reforms, which we address later in this report, are necessary to maximize GGR and revenue. Our intent with showing the analysis assuming higher GGR and a lower effective tax rate highlights the high effective tax rate for Rhode Island. Even though the effective tax rate limits the providers from maximizing GGR, the revenue to the State is dependent upon other market-oriented reforms to maximize effective tax revenue. Mathematically, if Rhode Island were to reduce its effective tax rate to 25% on retail and online, then GGR would need to improve 104% for the effective tax revenue to remain consistent with current levels. At an effective tax rate of 30%, GGR would need to increase 70%. This analysis does not take into account any upfront or renewal license fees.

IV. Determining Optimal Number of Online Providers

Based on Spectrum's assessment of Rhode Island and its pros and cons relative to its proximate peer group, as well as our knowledge of the revenue and profit opportunities for sports-wagering providers, we believe that any operators that choose to enter the market would do so on a cost-effective basis. Because of the effective tax rate plus the fee to Bally's, combined with the small population of Rhode Island, Spectrum believes there would be a limit to the number and quality of potential bidders in the absence of other legislative and/or regulatory reforms. We previously highlighted the State share of GGR due to the State and the additional fee to the Host Facility. After these two components, there is only 32% of GGR left for providers. With increased competition in the State, there would be increased expenses, particularly in customer acquisition costs, thus making it challenging to achieve profitability as a sports-wagering provider in Rhode Island.

Spectrum assesses the potential to entice new operators to the market and the optimal number of providers. Absent changes to the state's online sports wagering to make it more competitive, Spectrum believes there would not be a market response to opening the state to additional operators and the following discussion is moot. However, if structural market reforms are enacted to make Rhode Island more competitive from an effective tax and cost perspective then there would be limited interest to offering wagering in Rhode Island from some of the largest – and therefore most cost efficient – operators.

Assessing the appropriate amount of providers to allow is more art than science, which is why there is such a wide variance of allowed operators across the various markets. In attempting to quantify the optimal number of providers, Spectrum compares the other regional markets and the number of operators across various characteristics, including:

- Population
- Daily commuters
- Wagering as a percentage of household income

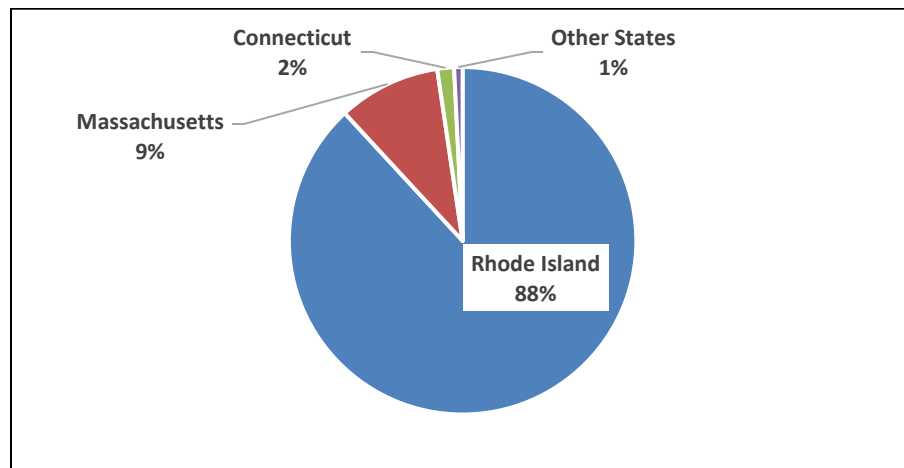
With a population of only 1.1 million, Rhode Island is likely somewhat limited in the number of online operators that would find the state a good value proposition. However, Vermont, which has a population of 649,000, has three online sportsbook operators, but during calendar year 24, 40% of its users were from out of state due to tourism thus making Vermont an attractive market despite the low population. The effective tax rate in Vermont is under 32%, less than half the revenue share to the State of Rhode Island plus the fee to the Host Facilities. With a comparable effective tax rate, Rhode Island, with a population 72% larger and its own tourism season, would be a good value proposition for sportsbook operators even before taking into consideration any of the other positive attributes.

Likewise, nearly 59,500 people commute into Rhode Island on a daily basis to work.²⁴² This represents an incremental 5% increase in population during the work week. The majority of these

²⁴² Rhode Island Department of Labor and Training, "Rhode Island Commuting Patterns," January 2019. <https://dlt.ri.gov/sites/g/files/xkgbur571/files/documents/pdf/lmi/commutingpatterns.pdf>

commuters come from Massachusetts, where there are seven licensed online sportsbook operators. The importance of the other licensed operators is because of the ability to use the same wallet to place bets either from your home, place of work, or during your commute. Thus, allowing additional operators presents a complementary product to drive additional revenue to the State. This is more than offset by the nearly 83,000 Rhode Island residents who commute out-of-state on a daily basis.

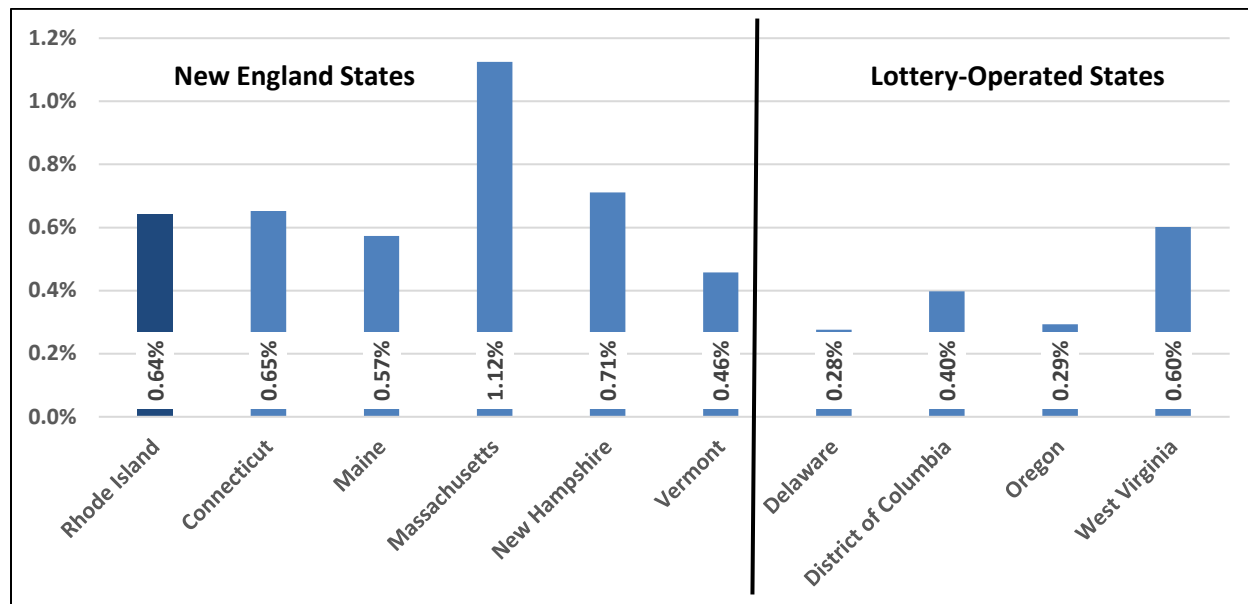
Figure 22: Where Rhode Island workers live



Source: Rhode Island Department of Labor and Training, "Rhode Island Commuting Patterns"

There is a clear difference in median wagering as a percentage of market income in the lottery-operated states vs. the market-oriented states in the New England geographic region. Of the lottery-operated states, only West Virginia would be competitive in the New England region and West Virginia is, arguably, the most market-oriented competitive market amongst the lottery states. In Rhode Island wagering as a percentage of income is 0.64%, which is around the median for New England, but is the best performing market among the lottery operators.

Figure 23: Analysis of handle as a percentage of income



Source: State regulators, Federal Reserve Bank of St. Louis

Based on the above analysis, taking into account the population of Rhode Island, the relative wealth of its citizens, in-state and out-of-state commutation, and participation in sports wagering, Spectrum believes Rhode Island should open its market to a maximum of four to six online sports wagering providers, combined with other structural reforms such as a lower effective tax rate and reducing or eliminating the host fee to Bally's. When comparing Rhode Island to the other New England states, we look at both allowed online operators, as well as the amount licensed and in operation. For example, the range of providers allowed but not necessarily operating is one skin per 108,000 residents at the low end and one skin per 1.2 million residents at the high end. When considering the live operators the range is between 216,000 and 1.4 million residents per operator. Even if we eliminate the low end figures to reflect tourism to Vermont, the range would be between 315,000 and 1.2 million residents (allowed but not necessarily in operation) or 703,000 and 1.4 million residents (operating).

A. Financial Analysis of Allowing Multiple Online Providers

As noted previously in this report, Spectrum believes market-based reforms would result in higher GGR to the State of Rhode Island. The upside potential for GGR is somewhat limited because the amount wagered on a per capita basis is already relatively high compared with other lottery-operated sports-wagering states. But the wagering per capita of \$435 is about 30% below the median for the rest of New England. The below-market wagering statistics, combined with the low hold percentage, suggests upside potential from reforms. While reforms would lead to higher GGR, in our opinion, the actual benefit to the State would be minimal – or it could result in reduced effective tax revenue given the highest-in-the-nation effective tax rate paid on sports-wagering GGR in Rhode Island. Still, we believe even with reduced effective tax revenue, Rhode Island should consider market-based reforms because of the competition from nearby states and the possibility that sportsbook operators from Massachusetts, Connecticut and other New England states would incentivize Rhode Island customers to wager in those states, leading to market-share losses and effective tax revenue declines under the current legal framework. Of note, the scenario of multiple retail providers conducting activities from the Host Facilities was not contemplated on the grounds that more retail operations are not considered fiscally viable to the State and would only introduce further compliance risks related to cash handling and anonymous wagering.

In the table below, Spectrum analyzes the anticipated increases in GGR and new effective tax revenue to Rhode Island under four market-based reform scenarios as follows:

- **Scenario 1:** The same effective tax rate and fee to Bally's but the market is open to multiple providers. The Lottery owns the player data, which would be less attractive to outside market participants and the Host Facilities perform banking operations for all providers
 - In this scenario, Spectrum assumes the market attracts one other provider. However, this provider does not reinvest extensively in the market in terms of promotional allowances and marketing, resulting in a small (+5%) increase in wagering per capita.
- **Scenario 2:** Same effective tax rate, promotions are not deductible, Bally's receives a guaranteed fee of \$200,000 instead of 17% of GGR. The Lottery owns the player data, which

would be less attractive to outside market participants. The sports-wagering provider performs all banking operations.²⁴³

- With a reduction in the fee to Bally's and the opportunity to more cost effectively warehouse the servers used to run the backbone of the sports-wagering operation, Spectrum believes there would be approximately three providers in the market, including Bally's. There may need to be a phased approach to reducing the fee to Bally's to get its buy-in to these market reforms. Under this scenario, wagering per capita increases 10% from the current base to reflect enhanced market awareness and options.
- **Scenario 3:** Same effective tax rate, promotions are not deductible, Bally's receives a guaranteed fee of \$200,000 instead of 17% of GGR. Bally's offers online sports wagering through its online skin and The Lottery offers an online skin through a third-party provider. The individual sports-wagering service providers retain ownership of player data and perform all banking operations.²⁴⁴
 - Under this scenario, other multi-provider-friendly regulations are enacted, such as a single player wallet across both the sports wagering and online casino platforms
- **Scenario 4:** A \$1 million license fee, renewable yearly. The operator can house its server anywhere in Rhode Island, removing all fees to Bally's. The effective tax rate is reduced to 20% of GGR, promotions are not deductible. The operator owns the player data, which is the more attractive option.
 - This is the most market-oriented reform and should lead to the highest GGR, but not necessarily the highest revenue to the State. In this scenario, Spectrum assumes wagering/capita adjusts to the median for the New England peer group, reflecting a 30% increase and five online sportsbook operators, the mid-point of the four to six we estimated in Section IV. Still, with a 20% effective tax rate on GGR, the effective tax revenue to Rhode Island falls to \$17.5 million per year, a 16% decline.
 - As noted previously and reiterated here, Scenario 4 is not allowable under the current Constitution of the State of Rhode Island. To pursue, such a large-scale change in the operating dynamics would require a Constitutional amendment and voter referendum to approve.

In the following table we present our analysis of the effective tax revenue to the State from the scenarios we previously highlighted as potential reforms to the market.

²⁴³ This scenario would require a change to the state Constitution.

²⁴⁴ Spectrum acknowledges the need for further study of scenarios 2 and 3 from a legal perspective to ascertain whether this change can be accomplished via legislation or regulation or if it would require an amendment to the Rhode Island Constitution.

Figure 24: Effective tax revenue analysis assuming different effective tax and market scenarios

Scenario	No. Providers	Handle per Capita	Hold %	GGR (M)	Annual License Fee (M)	Effective GGR Tax Rate to State of RI	Statutory Fee to Bally's	GGR Share to RI (M)	Fee to Bally's (M)	Remainder to Providers (M)
Status Quo	1	\$435	7.9%	\$38.1	\$0.0	51%	17%	19.4	6.5	12.2
Scenario 1	2	\$457	7.9%	\$40.0	\$0.0	51%	17%	20.4	6.8	12.8
Scenario 2	3	\$479	10%	\$53.3	\$0.0	51%	\$200,000	27.2	0.6	25.5
Scenario 3	2	\$527	10%	\$58.7	\$0.0	51%	\$200,000	29.9	0.4	28.3
Scenario 4	5	\$574	10%	\$63.9	\$1.0	20%	0%	17.8	0.0	46.1

Source: Spectrum Gaming Group, Rhode Island Lottery

While Scenario 4 reflects the most market-oriented reforms, resulting in the highest GGR, it does not necessarily lead to the highest effective tax revenue to Rhode Island. Again, this is because of the current effective tax rate specified in Rhode Island's legislation. However, increasing the effective tax rate to 25% in Scenario 4, combined with the \$1 million annual licensing fee, GGR to the State would be maximized and the effective tax to Rhode Island would be consistent with the effective tax currently paid to the State. However, Scenario 3 – which maintains a 51% effective tax rate, reduces the host fee due to Bally's, and allows both Bally's and the Lottery to offer a sports-wagering skin – results in the highest effective tax revenue to Rhode Island and the second-most GGR that accrues to the sportsbook provider.

In scenarios 2, 3 and 4, the forecasted increase in hold percentage is derived from the expectation that there will be more aggressive inducements offered, with a focus on selling betting products such as same-game parlays that present a significantly higher hold percentage for the provider. As promotional wagers are to be included in the total handle, the increase in wagering per capita projected is attributed to the same player making more wagers with multiple providers, taking advantage of all available inducements.

V. Assessing Deductibility of Promotional Credits

Spectrum analyzed the deductibility of promotional credits and/or the federal excise tax²⁴⁵ on wagering in each scenario (see Chapter IV above) to identify how the deductibility would affect the operative tax rate compared to the statutory tax rate. The treatment of the promo credits, whether they are deductible or not, may not be a factor in an operator's decision to enter a state, but it does affect how each sportsbook operates in terms of setting odds or reinvesting in player acquisition.

The Lottery does not pay federal excise tax and deducts all claimed promotional spend from handle figures. This is not considered a standard method of promotional deduction because it does not impact the effective taxable gross gaming revenue. In our comparison groups of proximate and lottery-operated states, only Connecticut and Oregon allow operators to deduct promotional credits. The states that allow operators to deduct the federal excise tax are: Connecticut, Maine, Massachusetts, Oregon and Vermont. Outside of our comparison groups, the deductibility of promotions is allowed to some degree in more than 10 states while deductions for federal excise tax are available in more than 15 states.

Figure 25: States that allow deductions to taxable sports-wagering revenue

State	Promotional Allowances	Federal Excise Tax	Loss Carryforwards	State	Promotional Allowances	Federal Excise Tax	Loss Carryforwards
Rhode Island	Yes	Yes	Yes	Michigan	Yes	No	Yes
Arizona ¹	Yes	Yes	No	N. Hampshire	No	No	Yes
Arkansas	No	No	Yes	New York	No	No	Yes
Colorado	Yes	Yes	Yes	N. Carolina ³	No	No	Yes
Connecticut ²	Yes	Yes	No	Ohio ²	Yes	No	No
Illinois	No	No	Yes	Oregon	Yes	Yes	No
Indiana	No	No	Yes	Pennsylvania	Yes	Yes	Yes
Iowa	Yes	No	Yes	S. Dakota ⁴	Yes	Yes	Yes
Kansas	Yes	Yes	Yes	Tennessee	No	Yes	N/A
Kentucky	No	Yes	Yes	Vermont	No	Yes	Yes
Louisiana	Yes	No	Yes	Virginia ⁵	Yes	Yes	Yes
Maine	No	Yes	No	W. Virginia	No	No	Yes
Maryland ²	Yes	Yes	Yes	Wyoming	Yes	Yes	Yes
Massachusetts	No	Yes	Yes				

Source: State regulations, Spectrum Gaming Group. (1) Arizona allows deductions, up to a percentage of the amount wagered, but phases the deduction out over five years. (2) Yes with restrictions. (3) Tax loss carryforwards are only permitted for online operators. (4) Promotional allowances are allowed under specific criteria. In practice, the criteria has not been met so effectively there is no deduction. (5) Virginia operators can deduct promotional allowances for the first 12 months

In practice, promotional allowances are higher in the first years of operations but decline as markets mature. Spectrum believes this is due to both refining marketing initiatives after more data on customers can be analyzed and to rationalizing expenses. Rationalizing market expenditures is particularly

²⁴⁵ Internal Revenue Code 4401(a)(1) imposes a 0.25% tax on any amount wagered on legal sports betting. Note this tax is on handle and not on revenue. Applying the 10.5% hold percentage of the peer group would suggest a 2.38% incremental tax on GGR. The Federal Excise Tax is not imposed on stage agencies such as the state lottery.

important, as there can be public backlash from the number of advertisements to which the public is exposed.

From a financial perspective, the demands from the investment community for the publicly traded operators to begin to show positive cash flow and earnings has become more of a focal point as market expansion has slowed. The phenomenon of depreciating player value is also an ever-present risk, as less inducements may lead to less overall activity when the player has been trained to wait for an inducement prior to making a deposit or wager. As such, the benefits from an aggressive inducement policy may benefit tax collected at the initial opening of the market; however, the long-term effects of these inducements remains to be seen. Spectrum believes they are likely to be more impactful in a smaller-population state with multiple operators all targeting the same players. We highlight that a GGR tax is, essentially, a value-added tax. In most sports-wagering states, promotional allowances can range anywhere from 20% to 50% of GGR. Most states do not report promotional allowances in their public filings of GGR from sports wagering. Instead, Spectrum provides these data based on information from earnings reports from the publicly traded sports-wagering operators, as well as proprietary information and conversations from experience in numerous projects, reports and analyses of the industry since PASPA was overturned by the Supreme Court of the United States in 2018.

In the following table, we present an illustrative example of changes in tax due when promotional allowances are deductible. From a fairness standpoint, allowing promotional allowances to be deducted is fairer to the operator because the tax is paid on the actual cash transaction, net of a specific customer acquisition cost.

Figure 26: Analysis of sports-wagering revenue taxes paid with or without promotional allowances

	Non-Deductible	Deductible
Cash Wager	\$500	\$500
Promotional Allowance Value	\$50	\$50
Total Handle	\$550	\$550
Hold Percentage	10%	10%
Gross Gaming Revenue	\$55	\$55
Deduct: Promotional Allowance Value	\$0	\$50
Taxable GGR	\$55	\$5
Tax at 25% Rate	\$13.75	\$1.25

Source: Spectrum Gaming Group

Even in states where promotional allowances are not deductible, competitive forces still result in operators providing incentives to customers to wager. From Spectrum's observations and analyses, we believe operators adjust odds or incentivize riskier wagers, such as parlay bets, to result in a higher GGR from the same handle to offset the promotional allowances. The types of promotional allowances can include, but are not limited to:

- **Loyalty bonuses:** A method to reward long-term customers through the operator's loyalty program.

- **No-deposit bonuses:** Reserved for new customers, the operator allows the new customer to place wagers, usually limited to a small amount, without providing deposit or credit card information, instead the first bet is using “house” money.
- **Referral bonuses:** A customer-specific link that can be shared with friends. The player is given a bonus when a new user signs up using that user’s referral link.
- **Risk-free bets:** A bet in which the customer is given something of value, such as credit or cash, if the risk-free bet is a loss. Usually reserved for new customers.
- **Welcome/deposit bonus:** Online sportsbooks match a player’s first deposit into his or her new account.

From our assessment of other states, Spectrum believes promotional allowances in Rhode Island under a multi-operator system would be consistent with other states – even those with higher effective tax rates – at an amount equating to between 20% and 30% of GGR. This business environment, as found in other states, provides a significant source of effective tax revenue that would allow multi-state operators, such as DraftKings, FanDuel and Fanatics, to operate in Rhode Island in a manner similar to other neighboring jurisdictions without materially different offerings.

We know from experience that operators, especially in competitive states, provide incentives to bettors to engage in wagers on higher-hold percentage propositions that benefit the operator. In other words, promotional expenditures are designed to grow the market, capture market share, and/or push a higher margin wager mix. In the most market-oriented states, promotional allowances can reach as high as 50% of handle by providing incentives for customers to bet on higher-house-advantage products such as same-game parlays, where hold rates can reach 15%+, compared to straight wagers, where the nationwide hold rate is generally 5% to 7%, depending on seasonality and sport.

The table below provides Spectrum’s analysis of the scenarios (as proposed in Chapter IV above) with our assumptions on the promotional activities of the sports-wagering operators. We highlight that as the reforms become more market-oriented versus the monopolistic current legislation, the promotional allowances become a larger percentage of handle.

Figure 27: Analysis of expected promotional allowances and effective tax revenue under different market-reform scenarios

Scenario	Estimated Promotional Allowances (as % of Handle)	Incremental Handle (M)	Estimated Hold %	Incremental GGR (M)	Incremental Revenue Share to RI (M)
Scenario 1	5%	\$25.4	7.9%	\$2.0	\$1.0
Scenario 2	30%	\$160.0	10.0%	\$16.0	\$8.2
Scenario 3	35%	\$205.3	10.0%	\$20.5	\$10.5
Scenario 4	50%	\$319.4	10.0%	\$31.9	\$6.4

Source: Spectrum Gaming Group

In the above analysis, Scenario 4 – which is a generic, mass-market, highly competitive, promotional-led scenario – generates the most incremental GGR, but may be impractical to implement due to the need for a Constitutional amendment. However, because the effective tax rate remains higher,

Scenario 3 generates the most effective tax revenue but would also require Constitutional amendment. This is consistent with our conclusion in the preceding chapter.

VI. Recommended Lottery Staffing to Accommodate Expanded Online Sports Wagering

To project any potential increase in staffing the Lottery would need to ensure all statutory and regulatory requirements are being met in a multi-provider framework, Spectrum used the following scenarios as a basis for comparison. To note, Spectrum understands that aside from Multi-Provider Scenario 1, some recommendations are not compatible with the current Constitution and statutes. The inclusion of these incompatible recommendations are the result of operational analysis and what Spectrum considers best practice regardless of current law and number of providers present in the state:

- **Multi-Provider Operations Scenario 1:** Multiple online providers use the Host Facilities, and their obligations, described in the Sports Wagering Procedures – Section 3, and the Lottery owns the player data, as the law prescribes today
- **Multi-Provider Operations Scenario 2:** Multiple online providers are responsible for all Host Facility obligations described in the Sports Wagering Procedures – Section 3, and the Lottery owns the player data
- **Multi-Provider Operations Scenario 3:** Open-market model of multiple online providers who own the player data and are responsible for all procedures, processes and MICS
- **Multi-Provider Operations Scenario 4:** This scenario has been intentionally omitted from the discussion below, as the staffing considerations related to processes and procedures for compliant operations are equivalent to those of Scenario 3.

To note, the scenario of multiple retail providers conducting activities from the Host Facilities was not contemplated on the grounds that more retail operations are not considered fiscally viable to the State and would only introduce further compliance risks related to cash handling and anonymous wagering.

To understand the optimal resources required for regulating multiple providers, Spectrum conducted interviews with various employees of the Lottery to understand their current efforts related to a single provider. These efforts were assessed and applied to a multiple-provider framework to understand the potential need for increased resources to ensure all current requirements are satisfied. When analyzing the current procedures, it has become clear that the only potential need for increased resources would be applicable to finance, legal, and IT operations, where daily auditing and reconciliation is required.

For comparison, regulators in Ohio who currently oversee 16 online sports-wagering operators were interviewed to ascertain what they believe to be best practices related to regulating multiple online operators at scale. The result of our interview provided Spectrum with a list of probable best practices as conducted in mature, multi-operator jurisdictions using existing teams who are also responsible for the jurisdictions other forms of gaming.

A. Operational Requirements

As illustrated in Chapter II of this report, the Lottery and the Host Facilities conduct multiple audit and reconciliation processes on a daily, weekly, monthly and quarterly basis. These cadences and processes are dictated by the Lottery to ensure compliance with all statutory intent in a consistent and efficient manner. Additionally, should the Lottery find that specific standards or procedures are outdated due to advancement in technology and techniques, there is a transparent process in place involving the approvals from State auditors for allowing updates to such standards and procedures, facilitating further efficiencies.

Pursuant to all existing requirements of the Lottery described in its procedures and minimal controls, the core considerations of potential increases in staffing can be correlated to the exact number of additional providers they must monitor. However, despite the number of providers present, the Lottery's reliance on the certification processes to ensure sports-wagering platforms meet the requirements of the State and the self-reporting related to incidents described in 1.12 of the Sports Wagering Procedures are consistent with any other multi-operator jurisdiction and no material changes to definitions of the Lottery's operational activities are expected with the presence of multiple providers.

Using the 10 pillars of operation described in Chapter II of this report, Spectrum has analyzed the potential impact on the Lottery's resources regarding each pillar and the scenarios defined above.

1. Wagering Tech

Multi-Provider Operations Scenario 1: The State's current requirements defined in Section 2 of the Sports Wagering Procedures related to sports-wagering systems and their minimal requirements are based on GLI standards, recognized and accepted by all US jurisdictions that do not support their own testing lab. Sports Wagering Platform Providers are already responsible for obtaining all certifications from an approved independent testing lab and providing the Lottery with all required diagrams and system architecture for future auditing and reference. Therefore, any increase in providers would result in increased review of these certifications and documentation and may require additional supplemental resources from the Lottery to carry out compliantly and efficiently.

Multi-Provider Operations Scenario 2: See description for Scenario 1. As the Host Facilities do not participate in approving, reviewing and auditing the functional compliance of the Sports Wagering Platforms, their exclusion from this scenario has no impact on existing procedures conducted by the Lottery, however additional Lottery resources are likely to be required to monitor and audit the functional compliance of multiple providers using different platforms.

Multi-Provider Operations Scenario 3: In an open market, the description in Scenario 1 is consistent with any US jurisdiction with multiple operators and no regulatory testing lab of their own, and there are no expected changes to the Lottery's activities other than the need to address the additional volume of monitoring required of multiple providers.

2. Hosting

Multi-Provider Operations Scenario 1: The required hosting of Sports Wagering Platforms and Systems in locations where the regulator maintains full jurisdiction and control over all regulated data is a standard requirement that any online operator is subject to and familiar with regardless of jurisdiction. The Lottery's presence and activities within the Host Facilities related to monitoring and auditing of hosting procedures are not expected to intensify in the presence of multiple online providers; however, the number of non-Host Facilities personnel accessing the datacenters, submitting change requests and generating security operations center reports would increase. As such, the approval and auditing procedures related to these types of activities may require assistance from supplemental resources due to the processes and procedures governing multiple gaming vendors already present in the Host Facilities via scaled approach. Furthermore, commercial terms can be achieved with the Host Facilities to provide "remote hands" and other assistance as needed thus reducing the number of persons entering the data centers and risks of non-compliance.

Multi-Provider Operations Scenario 2: Should Host Facility obligations be removed via Constitutional and statute reform, online providers would be free to conduct open market discussions with any hosting facilities within the state that satisfy all existing requirements that qualify the Host Facilities datacenters approval for use. While it is not expected that the Lottery would station agents physically at hosting locations outside of the Host Facilities, the same surveillance, monitoring and security auditing tools would be available to them to ensure consistency with all existing procedures. In this scenario, it is possible that more agents may be needed to conduct physical inspections of these locations, however the quantity of approved hosting locations can be limited by the Lottery to ensure that any additional location monitoring is limited.

Multi-Provider Operations Scenario 3: See the description for Scenario 2 above. In an open market, the Lottery's procedures and requirements regarding the hosting and maintenance of regulated systems are not considered unique and would be recognized by any licensed hosting provider maintaining regulated environments.

3. Compliance

Multi-Provider Operations Scenario 1: All compliance-related requirements as described in Sports Wagering Procedures – Section 3, related to operations, notifications and reporting infer a clear involvement by the Host Facilities in day-to-day compliance, however many of these items are related to retail sports wagering where the Host Facilities are conducting all of these activities. In contrast, any compliance related to systems and processes strictly supporting online wagering are shared by the Sports Wagering Platform Provider and Host Facilities, each responsible for specific components as described in the MICS and their contractual obligations. In the case of multiple online providers, the Host Facilities may require more staffing than is currently assigned to online sports-wagering compliance to meet all their obligations in the Sports Wagering Procedures and the MICS and their contract with the Lottery. However, the auditing processes related to multiple online providers would assuredly require more monitoring and therefore it is likely that additional resources from the Lottery would be needed to maintain all required audits as described in Sports Wagering Procedures – Section 2. The exact number

of additional resources depends on the number of online providers and their ability to demonstrate consistent and efficient processes for meeting all obligations for both compliance as well as contractually.

Multi-Provider Operations Scenario 2: Assigning all responsibilities for compliance monitoring and reporting to an online provider reporting directly to the Lottery would create efficiencies from a logistical perspective and likely faster resolution to any issues as they would not require action from the Host Facilities. However, the need for additional resources from the Lottery to monitor and audit multiple providers in a timely and consistent manner in accordance with all Sports Wagering Procedures would likely remain.

Multi-Provider Operations Scenario 3: See the description for Scenario 2. The direct interaction between provider and regulator without intermediaries has been observed by Spectrum in nearly all open-market jurisdictions where the providers are receiving the licenses and are responsible for the requirements to maintain compliance with that license.

4. Operations

Multi-Provider Operations Scenario 1: As online operations are conducted by the sports-wagering platform providers, the inclusion of the Host Facilities in this aspect is immaterial save that of know your customer validation checks, which can be easily mitigated through technology and enhanced automated services. However, from a player-support and responsible gaming perspective, more online providers with varying levels of products and functions may create more scenarios that require more player contact or potential for non-compliance, including self-exclusion breaches and unintentional Responsible Gaming limiting. These increased contacts are likely to require increased scrutiny from the Lottery but are also likely to be more promotional dispute oriented as multi-jurisdictional operators are perceived to invest in more automation related to payments and proactive outreach methods,²⁴⁶ that would limit complaints in that regard. Per interviews with the Lottery,²⁴⁷ the player-support rates currently experienced fluctuate with seasonality and, at their highest levels, are considered manageable by Spectrum. Any material increase in player support and the compliance audit of this support are believed to be a result of non-compliant marketing, operations or system failure, which would be resolved in short order and not believed to require an increase in the Lottery's resources to maintain and manage.

Multi-Provider Operations Scenario 2: See the description in Scenario 1. The exclusion of the Host Facilities in online operations is likely seen as positive for all parties involved where logistics and timely reactions directly impact player conversion and retention and may lead to less player contact overall. In a multi-operator market, innovation and efficiency in these areas are recognized as

²⁴⁶ DraftKings, "How do I track my withdrawal with DraftKings (US)," <https://help.draftkings.com/hc/en-us/articles/4405567511315-How-do-I-track-my-withdrawal-with-DraftKings-US> (accessed March 26, 2025)

²⁴⁷ Phone interview, Kayla Grossi (Digital Product Manager) and Mike O'Rourke (Deputy Director), Rhode Island Lottery, February 2, 2015.

continuously improving contact deflection by anticipating player issues and resolving prior to player contact.

Multi-Provider Operations Scenario 3: See the description for Scenario 2. In an open market, providers are continuously competing on player experience due to ease of switching online providers if not satisfied. This has led to an emphasis on developing their products and procedures meant to reduce the player contact rate as much as possible, which leads to a superior experience overall. In this regard, the Lottery is not expected to need any further resources to audit the operations of multiple online providers, but it may revise specific MICS to account for multiple providers where potential for product and function superiority by one provider is not creating substantially different player experiences from another provider.

5. Marketing

Multi-Provider Operations Scenario 1: The inclusion of Host Facilities in the Lottery's existing marketing procedures and approval processes has been determined to cause incompatibility within a multi-provider framework. This is because multi-jurisdiction operators conduct advertising on a national scale for which attributing costs specifically to Rhode Island could be arbitrary and inconsistent. The dollar amounts these types of providers spend would surely cause a cashflow issue for the Host Facilities, who are not considered equipped to monitor and process such extensive and likely complex invoices with contingencies based on channelization. The Lottery would likely need to allocate more resources to planning, review, approval and audit processes regarding marketing and the compliance measures governing it.

Multi-Provider Operations Scenario 2: See the description in Scenario 1. Despite removing the Host Facilities' obligations from the established marketing procedures, the complexity of auditing such large marketing teams and budgets would require more robust processes and increased efforts on the Lottery to maintain and manage.

Multi-Provider Operations Scenario 3: In an open market, regulators have multiple tools available to them relating to marketing compliance requirements and ridged approval processes to regulate these marketing activities in a highly competitive jurisdiction. With reform to State auditing procedures and the removal of performance and spending audits from the consideration and review process, the Lottery is anticipated to replace those efforts with a focus only on compliance of marketing activity. Considering the increase in volume and value of marketing spend expected, the Lottery's current processes for review of marketing compliance is likely to require additional resources.

6. Trading and Risk

Multi-Provider Operations Scenario 1: As the Host Facilities are not involved in trading and risk management for online sports wagering, their involvement is immaterial. However, the increase in trading and risk teams' activities and the wagering menus and house rules they maintain are deemed to constitute increased vigilance by the Lottery due to those applicable requirements described in the Sports Wagering Procedures. Further activities described in the MICS related to the terms on which wagers can be made available – as well as the integrity checks of the systems accepting and settling those

wagers – introduce the need for closer monitoring and rigid auditing may require an increase in resources. This is due to the extensive offerings many of these providers make available and the complicated mechanics of wagering functions they support in other jurisdictions which may not be compliant in the state.

Multi-Provider Operations Scenario 2: See the description in Scenario 1. This potential need for increased resources to monitor and ensure compliance is present with or without the Host Facilities involvement.

Multi-Provider Operations Scenario 3: In an open market, many regulatory bodies rely on the house rules as their baseline for approving an operator’s offering and rules for the settlement of that offering. While certified sports-wagering platforms meet the standards required for the acceptance and settlement of any wagers, it is the risk of unauthorized wager options that likely pose the greatest risk of non-compliance. In these cases, the reporting and auditing tools available to the Lottery via the sports-wagering platforms to review and audit the wagering offerings are considered sufficient and the reliance on self-reporting and fines for non-compliance are encouraged to incentivize operators to enhance their own internal compliance measures. However, it is logical that increased providers making increased requests for one-off non-traditional events will require increased review and audit from the Lottery’s resources.

7. Product

Multi-Provider Operations Scenario 1: The monitoring and approval of sports-wagering platforms, systems and player-facing products are managed by multiple teams within the Lottery depending on the nature of products or system in question. However, there is no involvement from the Host Facilities in this regard. As the Lottery reviews and assesses all new releases and change requests prior to their approval for deployment, they control the approval rate. While many multi-jurisdiction operators may submit more product approval requests than the Lottery experiences with its current Sports Wagering Platform Provider, the Lottery is not obligated to match pace with these requests unless an emergency release is required to address compliance breaches. In Spectrum’s experience, many operators reserve larger bulk releases of new products to release on a quarterly basis and therefore plan months in advance. Within this planning period, discussions with the Lottery would be expected to ensure efficient and timely review of any legal considerations a new product may require. In this regard, it is not believed that additional resources would be necessary to support multiple providers’ product releases, and the Lottery would not need to alter their current activities and review processes.

Multi-Provider Operations Scenario 2: See the descriptions in Scenario 1.

Multi-Provider Operations Scenario 3: See the descriptions in Scenario 1.

8. Finance

Multi-Provider Operations Scenario 1: In the areas of finance, the Host Facilities’ obligations as described in the Sports Wagering Procedures – Section 3 and applicable MICS related to online wagering finance obligations, presents the greatest challenge to a multi-provider framework. Upon assessing the

number of resources allocated by the Host Facilities and the nature of player complaints related to withdrawals and documentation review, it is considered highly unlikely that the Host Facilities would be able to support the same activities they do today for multiple online providers. From the Lottery's perspective, however, the addition of multiple providers does not necessarily require additional resources. Interviews with the Lottery's finance team²⁴⁸ have indicated relative comfort with the current processes in place, which are deemed consistent and scalable. However, in a multi-provider setting, the number of daily, weekly and monthly reporting reviews and preparations the Lottery is responsible for are likely to require at least one supplemental resource, concerned only with online sports-wagering audits, who are then supplemented by other members of the Lottery's finance team.

Multi-Provider Operations Scenario 2: See the descriptions in Scenario 1. In the event the Host Facilities were relieved from their obligations related to online sports-wagering finance operations, there is no expected change in the Lottery's activities as it already audits all reporting and financial activity directly per reports they receive from the Sports Wagering Platform's wallet and betting engine. Therefore, the removal of the Host Facilities from the process would likely create more efficiencies for all parties involved, as any discrepancies would be addressed with the subject matter experts from the online providers, considered to be more equipped to address such issues vs. a Host Facilities team that would likely not have the information needed to resolve or explain system related issues causing errors to financial reporting.

Multi-Provider Operations Scenario 3: See the details in Scenario 1 and 2. Per interviews with regulators in Ohio,²⁴⁹ their jurisdiction's 16 operators are managed by the existing team and resources that were present prior to the launch of online sports wagering. Rather than increase staffing, the regulator has opted to use technology and data aggregation of required reporting and delivery requirements imposed on the operators, which are designed to support the regulator's scaled activities without scaled resources.

9. Third-Party Vendors

Multi-Provider Operations Scenario 1: The approval for use of all third-party vendors providing services to online sports-wagering providers lies strictly with the Lottery, and while the inclusion of the Host Facilities may dictate the use of specific services, ultimately, the Lottery's processes and procedures are not considered to be burdened by the review and approval of multiple third-party vendors. This is further evident from the numerous vendors already approved to provide services to its various gaming operations in the state today. However, it is expected that with multiple providers, there may be significantly more vendors applying for licensing that must be monitored for ongoing compliance.

Multi-Provider Operations Scenario 2: See the description for Scenario 1. Excluding the Host Facilities and any vendor tools they may use to fulfil their obligations and replacing them with new vendors likely has little to no impact on the Lottery's ability to review and approve these additional

²⁴⁸ Phone interview with Anissa Colson, Finance Administration Manager, Rhode Island Lottery, February 4, 2025,

²⁴⁹ Phone Interview with Craig Donahue, Ohio Casino Control Commission, February 6, 2025.

vendors. However, the nature of some of these vendors' activities may need further scrutiny. The Lottery is likely able to provide such scrutiny using existing processes and procedures without additional resources.

Multi-Provider Operations Scenario 3: See the description for Scenario 2.

10. Regulator

Multi-Provider Operations Scenario 1: The Lottery's responsibilities related to control and audit of user access controls in a multi-provider framework are expected to create a significant increase in activity. This is due to these providers employing hundreds of people within support and operations with the potential for high turnover rates which could make the handling of user access controls and any such approvals and implementation of changes a logistical burden to the Lottery. In regard to contract agreement audit, the expected amount of increased oversight required is strictly dependent on the obligations within the agreements, however, the basic legal obligations the Lottery provides is a clear set of services required for the compliant operation of online sports wagering, with the balance of these services allocated to the Sports Wagering Platform Provider. Despite all agreements with the multiple providers being consistent, the increase in legally required SOC audits for each provider is likely to cause a need for additional resources to review and audit.

Multi-Provider Operations Scenario 2: A scenario in which all regulator audits are conducted directly with the online provider without any inclusion of the Host Facilities likely streamlines the Lottery's efforts and removes points of potential breakdown in the overall compliance processes. Therefore, a multi-provider framework where the online providers take on all current obligations of the Host Facilities related to operation likely do not lead to increased efforts by the regulator, however the number of providers present would undoubtedly correlate to the time it would take the Lottery to complete their scheduled audits.

Multi-Provider Operations Scenario 3: See the description for Scenario 2.

11. Summary

The question of what the Lottery can expect in a multi-provider framework from a monitoring and auditing perspective is subjective to the changes in procedures and MICS associated with that framework. As all current activities have been contemplated within the context of a single operator, the Lottery would be remiss not to re-evaluate these activities in the scope of multiple providers using different sports-wagering platforms with large-scale internal processes that already conduct those responsibilities currently held by the Host Facilities. In this regard, Spectrum believes the current procedures in place are easily reassigned to the online providers, which the Lottery is already auditing against the Host Facilities regardless of their involvement or not. The legal obligation of the Lottery owning the player data and delegating operations via contract and regulatory obligations to the online providers is not considered materially different from simply regulating the providers in an open market and therefore is manageable with a reasonable increase in the Lottery's resources, subject to the final number of providers allowed to enter the state.

B. Current Lottery Resources Allocated to Sports Wagering

As it stands today, the Lottery has drafted all procedures and MICS to be consistent with the other forms of gaming they operate and regulate. In this manner they have integrated their existing teams into these processes, and sports wagering is treated as just one more form of gaming whose scheduled reporting and review cadences are consistent with one another and provide familiarity and efficiency.

Through interviews with the Lottery's teams involved in sports wagering, the consistent theme of using existing resources vs. scaling up teams has been the preferred approach, and it has proven successful. This is evident by the lack of critical compliance breaches over the last six years of the existence of Sportsbook Rhode Island and relatively small team tasked with splitting their daily duties to ensure compliant operations on a daily basis.

As of today, the Lottery has allocated a total of 15 resources, including the Director, to oversee, audit and direct all aspects of Sportsbook Rhode Island in the areas of Operations, Finance, IT, Legal and Administration, which they are conducting in addition to other lottery/casino/online-casino-related responsibilities.²⁵⁰

C. Best Practices and Industry Norms

The framework in place today is unique, where the Lottery is both the operator and regulator of its various partners, who are contracted to conduct activities on the Lottery's behalf. It is important to note that allowing multiple providers to use different sports-wagering platforms and systems that provide varying experiences and product sophistication to the same players is a hallmark of any open market framework. However, with the Lottery owning the player data and online providers relying on a potential competitor in the Host Facilities to conduct all their finance operations, this open market is quickly reduced to a pseudo white-label network where the concept of "equal but different" is likely to dissuade many operators from pursuing activities in the state due to paying 17% of their net revenue to have less control over many of the core components of any successful online wagering operation – namely speed and validation of payment processing and risk and fraud activities. This is in stark contrast to a traditional multi-operator model where the player data belongs to the operator, the banking belongs to the operator and commercial arrangements are agreed to for compliant server hosting which would require Constitutional amendment to achieve.

The conflicts that arise from such a framework create undue dependency on the Host Facilities, which manage multiple other forms of gaming for the Lottery, and their processes and procedures are designed to preserve their own compliance and logistical capabilities vs. that of consistency with an online operator's standards in other jurisdictions.

²⁵⁰ Rhode Island Lottery SBRI Operations List and Employees, January 6, 2025, Items 3 and 9.

From a regulatory enforcement perspective, the dependency on the Host Facilities to manage essential elements related to online wagering and the Lottery auditing the online providers directly, using the same sources of data used to execute Host Facilities obligations, would appear to be redundant.

While the Sports Wagering Procedures and MICS that are in place today are deemed to be following all the best practices in a single-operator jurisdiction, from a practicality and consistency standpoint, not all current practices are deemed industry norms when applied to a multi-provider setting, namely, control over all sports-wagering platform accesses and marketing activities. However, these practices are required by the Constitution.

All regulatory procedures related to review, audit and approvals have been found to be applicable to multi-operator frameworks and can be controlled at a pace that the Lottery is believed to be capable of maintaining efficiently with additional resources. To note, multi-jurisdiction operators are accustomed to different procedures from state-to-state, and should they wish to operate in Rhode Island, they would comply with whatever procedures the Lottery requires.

To conclude, the Lottery's Sports Wagering Procedures are designed specifically for compliance with the Sports Betting Act and in the current framework, considered the best practices for their obligations as both operator and regulator. The application of these procedures to more than one provider, however, was not considered at the time of their development. While additional providers that may enter the market may not find disruptive issues with the MICS or the Lottery's ownership of the player data, those processes that require the Lottery to conduct more direct intervention and oversight are likely to require review and update for compliance with Constitutional requirements.

D. Recommendations

To further identify applicable recommendations to the State, Spectrum conducted an interview with the Ohio Casino Control Commission ("OCCC") due to Ohio being a multi-operator model where multiple operators have launched and subsequently closed due to economic viability concerns and where significant financial penalties have been used as a deterrent to non-compliance. As a result of interviews conducted with members of the Lottery²⁵¹ and the Ohio Casino Control Commission,²⁵² along with a review of all resources and procedures associated with Online Sports Wagering in the state, Spectrum has developed the following recommendations.

1. Operations Portal

The Lottery is advised to take a technology-first approach to all communication and data collection from its online providers in a manner consistent with what the OCCC has created with its online compliance portal.

²⁵¹ Various times between January 2, 2025 and February 7, 2025.

²⁵² Phone interview with Craig Donahue, Director of Compliance, and Natasha Jones, Audit Manager, Ohio Casino Control Commission, February 6, 2025.

Through this portal, the OCCC can request and collect required documentation from operators in a single location with full transparency and availability to all the regulator’s teams. This documentation relates to suspicious wagering activity, emergency releases, incident reporting, change requests, player complaints, updates to MICS, and any other information required of their Administrative Rules or MICS. The notification capabilities of the portal are designed after workplace project management and efficiency tools such as Jira or Monday to provide real-time notifications of approval, comment or rejection for any documentation and transparency to understand where items in the approval process currently sit and who they sit with. While this approach does increase efficiency and transparency, it undoubtedly comes with an initial cost to implement and ongoing software licensing and support fees which may be the equivalent or more of an additional full-time employee.

This method has created clear communication and business continuity between the regulator and the providers, removing ambiguity and communication breakdowns that can regularly occur between multiple entities handling numerous requirements that may require input and guidance from the regulator prior to operator action.

2. Player Account Monitoring

All activities related to monitoring individual online player wallets against wagering and payment processing should be transferred to the online providers, with monthly reconciliation audits performed by the Lottery. As the providers are responsible for the calculated net gaming revenues regardless of what they collected or paid out, this activity is not considered to be required of the Lottery to audit. Should any discrepancies with a player’s balance occur, it is likely the player would be the first to notice and report such issues directly to the provider, which would have the most information at hand to resolve expediently.

3. Data Collection and Reconciliation

It is recommended the State adopt a collection and delivery method of scheduled reporting from the sports-wagering systems via Secure File Transfer Protocol (“SFTP”). This method is likely to create more consistency in collecting all the required daily reporting at the same time each day, which can be accessible by all applicable members of the Lottery that may need to conduct auditing procedures for that day. In a multi-provider setting, this method is widely used and considered a best practice as opposed to reliance on individuals to receive the daily reports via email and then action them.

Updates to the required daily reporting are suggested in the form of combining all required data into a single report vs. multiple reports for easier reference and consumption among multiple providers. Additionally, the implementation of automated reconciliation software²⁵³ can be required of providers to ensure proactive detection of any discrepancies by the Lottery at scale.

²⁵³ Ledge, “Automate Your Cash Reconciliation in Real-Time,” <https://www.ledge.co/> (accessed February 1, 2025)

From a data-processing perspective, adding more online providers under the current daily auditing requirements would likely require a dedicated resource who is supplemented by supervisory personnel.

Sports Wagering System Integrity Audits

The daily Sports Wagering System integrity checks related to winning wagers are deemed excessive and likely redundant in the absence of any recent Sports Wagering System updates. Therefore, it is recommended that these types of checks be instituted as a probationary measure upon the release or update of any sports-wagering system vs. the daily audits, which would increase exponentially with the addition of multiple providers. Furthermore, the access, navigation and use of multiple platforms to conduct these checks and ensure proper voiding of any integrity tests may prove burdensome and present risk of inaccurate revenue calculation.

To avoid inconsistent wagering experience for its players when playing with multiple providers, the Lottery should have its standard set of House Rules governing the acceptance and settlement of wagers apply to all providers.

4. IT Auditing

It is recommended that all access control approvals be transitioned to the online providers, with the Lottery focusing primarily on the audit of all MICS related to the handling of the provider's user accesses and permissions. This is due to the size of many providers and the potential for hundreds of employees for whom to manage access. The transition of these approvals can be defined via a service contract based on a standard set of requirements governing when approvals can be granted. The audit of these approvals and supporting documentation would be compared to standard contract review for breach. In this manner, Spectrum believes the Lottery can maintain its operator status while preserving the intent of current constitutional and statutory law.

The introduction of remote monitoring agents and authentication tools such as OSSEC²⁵⁴ are recommended for use by the Lottery's IT team to aid in the automation of monitoring changes in the numerous pieces of hardware that would be utilized in a multi-provider setting which varies from provider to provider based on their platform's technology.

From a contract and security auditing perspective, the addition of multiple providers compounds the efforts of ensuring compliance with these obligations in a continuous manner. In this regard, it is recommended that the Lottery's IT team be supplemented by at least one resource per incremental increase in providers to efficiently process all required SOC reports and perform continuous information security audits.

²⁵⁴ OSSEC, "OSSEC+ Available for Free." <https://www.ossec.net/> (accessed February 5, 2025)

5. Hosting

While the Host Facilities can support the state's current providers and vendors in the existing locations, it is recommended that alternative datacenters be investigated for potential use in the event of space or infrastructure restrictions at the Host Facilities accompanied by the appetite to institute reforms and constitutional change to allow for such potential use.

6. Marketing

The Lottery's marketing activities and procedures as they are defined today would be inefficient in a multi-provider framework where multi-jurisdictional operators would have little appetite to comply. To simplify, Spectrum suggests a change in policy disallowing any promotional deductions from sports-wagering handle and instead treating all provider winnings from promotional funds as part of the gross revenue calculation. This model is expected to curtail excessive inducements for which the provider would be responsible.

7. Contractual Breach by Operating Partners

Spectrum believes that the propensity for non-compliance occurrences is elevated in a multi-provider environment and, as such, the Lottery should be prepared to create more depth to the contractual obligations applicable to compliance than may have been necessary in a single-provider model.

Any events of non-compliance would be met with applicable financial penalties assessed via a method determined by the Director as described in the contracts, while considering the provider's history of conduct in the state as well as other jurisdictions where the provider has incurred fines.

8. Summary

Through multiple interviews with the Lottery, it has been made clear that after six years of online sports-wagering operations, using multiple platforms and partners, there are clear learnings that have been applied to their processes and procedures to ensure consistency and efficiency with all their obligations. As these processes have been found to be effective to date, the question of scaling these efforts likely leads to supplemental staffing in specific areas related to finance legal and IT, with additional dependencies on automation tools and a more liberal approach to a provider's compliance where all responsibility remains with the provider partners and any event of non-compliance is met with monetary penalties as an avenue for promoting more vigilance on the provider's side.

Spectrum estimates that despite the multi-provider operations scenario enacted, there will be a need for incremental increases in Lottery resources coinciding with the number of providers ultimately permitted to enter the state. Spectrum did not net these costs from any incremental State revenue values within this report.

Figure 28: Estimated increase in Lottery resources required under multi-provider scenarios

	Finance	Legal	IT
Multi-Provider Scenario 1	1-2	1	1-2
Multi-Provider Scenario 2	2-3	1	1-2
Multi-Provider Scenario 3	3-4	2	2-3
(All incremental estimates are subject to the total amount of providers ultimately allowed to enter the state.)			

Source: Spectrum Gaming Group