

# Sweepstakes Legal Compliance

## Guidance on Sweepstakes Platform Federal & State Compliance

---

### SWEEP

sweepit.org  
978 Worcester St.  
Wellesley, MA 02482  
508.493.2857  
norman.desilva@gmail.com

### To Whom It May Concern:

## Purpose

This memo provides guidance to assist potential operators in understanding why LuckLake.com, a dual-currency gaming platform operated by Rad Software LLC, is permissible under federal and Massachusetts law, as supported by the Duane Morris LLP legal opinion. It details the platform's functionality, including its dual-currency system (Gold Coins and Sweeps Coins), and confirms compliance with federal and state gambling laws. This is not a formal legal opinion; consult your own legal counsel for tailored advice.

## LuckLake.com Platform Overview

LuckLake.com is a social casino platform offering games (slots, poker, blackjack) accessible via mobile browsers or physical LuckLake Terminals using QR-code casting. It operates a dual-currency system:

- **Gold Coins (GC):** Used in Freemium games for entertainment only. Players receive GC free upon account creation (e.g., 10,000 GC), through daily logins, social media giveaways, or may purchase them (e.g., \$4.99 for 50,000 GC). GC are non-redeemable, non-transferable, and have no cash value.
- **Sweeps Coins (SC):** Used in Sweepstakes games, offering chances to win real prizes (e.g., cash, gift cards). SC are provided free via Alternative Methods of Entry (AMOE, e.g., mailing a request card for 5 SC), as bonuses with GC purchases, or through promotions. SC cannot be purchased directly, have no cash value until redeemed, and are non-transferable.

## How It Works

- 1. Account Creation:** Users sign up at LuckLake.com, providing name, date of birth, address, and email. GIDX verifies identity against watchlists (e.g., OFAC SDN list) via API calls.
- 2. Gameplay:**
  - **Freemium Mode:** Users play with GC for fun, with no real-world rewards. GC are replenished via free promotions or purchases.
  - **Sweepstakes Mode:** Users enter Sweepstakes games with SC, earned free via AMOE or bonuses. SC winnings can be redeemed for prizes (e.g., \$100 for 100 SC) after verification.

**3. Physical Terminals:** LuckLake Terminals display gameplay via QR-code casting from users' phones, not processing transactions.

**4. Payments and Withdrawals:** GC purchases use credit or debit cards with SC prize withdrawals via ACH to verified U.S. bank accounts, managed by GIDX.

The Terms of Use and Sweepstakes Rules, prominently displayed, clarify no purchase is necessary, with AMOE details hyperlinked.

## Federal Legality of LuckLake.com

The Duane Morris opinion confirms that LuckLake.com complies with federal laws, including the Unlawful Internet Gambling Enforcement Act (UIGEA, 31 U.S.C. § 5361 et seq.) and the Wire Act (18 U.S.C. § 1084):

### ● UIGEA Compliance:

- **UIGEA** defines "unlawful internet gambling" as placing, receiving, or transmitting a bet or wager involving consideration, chance, and a prize, where the activity is unlawful under federal or state law (31 U.S.C. § 5362(10)(A)).
- **Freemium Games (GC):** Lack a "prize of value" since GC are non-redeemable and have no cash value. No mandatory purchase eliminates consideration, as GC are available for free. The Duane Morris opinion cites *Kelly v. First Astri Corp.*, 72 Cal. App. 4th 462 (1999), affirming non-redeemable virtual currencies are not "things of value."
- **Sweepstakes Games (SC):** No consideration due to free AMOE entry (e.g., mail-in requests), ensuring compliance with sweepstakes laws. SC prizes are promotional rewards, not gambling proceeds, and align with state laws in 46 states. UIGEA requires an underlying state law violation, which is absent in compliant states.
- **Intermediate Routing:** UIGEA's provision (31 U.S.C. § 5362(10)(E)) clarifies that intermediate routing of electronic data does not determine the location of a bet, ensuring compliance even if data crosses state lines.

### ● Wire Act:

- **The Wire Act** prohibits interstate transmission of bets, wagers, or related information for sporting events or contests (18 U.S.C. § 1084(a)).
- **Compliance:** The First Circuit's *New Hampshire Lottery Comm'n v. Rosen*, 986 F.3d 38 (1st Cir. 2021), and the District of Rhode Island's *Int'l Game Tech. PLC v. Garland*, 2022 WL 4245579 (D.R.I. Sept. 15, 2022), confirm the Wire Act applies only to sports wagering. LuckLake.com's games are non-sports-related, and GC's lack of value excludes them from the Act's scope. SC games, compliant with state laws via AMOE, are unaffected by interstate data routing.

- **Safe Harbor:** The Wire Act's safe harbor provision (18 U.S.C. § 1084(b)) exempts transmission of information assisting bets from a state where betting is legal to another where it is legal. LuckLake.com operates in compliant Designated States.

- **Illegal Gambling Business Act (IGBA):**

- **IGBA** prohibits conducting a gambling business that violates state law, involves five or more persons, and operates continuously for over 30 days or earns \$2,000 daily (18 U.S.C. § 1955).
- **Compliance:** LuckLake.com does not violate state law in the 46 Designated States due to the absence of consideration (via AMOE) and, for GC games, the absence of a valuable prize. Without an underlying state law violation, IGBA does not apply.

- **Travel Act:**

- **The Travel Act** prohibits using interstate commerce to distribute proceeds of or promote unlawful gambling activity, defined as violating state or federal law (18 U.S.C. § 1952).
- **Compliance:** Since LuckLake.com complies with state laws in Designated States and federal laws (as above), it does not constitute unlawful activity under the Travel Act.

- **Bank Secrecy Act (BSA):**

- **BSA** requires anti-money laundering programs for licensed casinos with over \$1 million in annual gaming revenue (31 C.F.R. § 1021.200).
- **Compliance:** LuckLake.com is not a licensed casino and does not meet this threshold.

Federal precedent defers to state regulations. The no-purchase-necessary structure and separation of GC (entertainment) from SC (prizes) align with precedents like *Kelly v. First Astri Corp.*, ensuring LuckLake.com does not constitute illegal gambling federally.

## Massachusetts Legality of LuckLake.com

Massachusetts regulates gambling under Mass. Gen. Laws ch. 271, which prohibits various forms of illegal gaming, including unauthorized lotteries (§ 7), keeping gaming houses (§ 5), and possessing gaming devices (§ 17). Illegal gambling or lotteries typically require three elements: (1) consideration (payment), (2) chance, and (3) a prize of value, as established in case law such as *Commonwealth v. Lake*, 317 Mass. 264 (1944), which emphasizes that schemes involving payment for a chance at a prize are unlawful. The Duane Morris opinion confirms compliance:

- **Freemium Games (GC):**

- **No Prize of Value:** GC are non-redeemable entertainment credits, not "of value" under Massachusetts law, as they cannot be exchanged for cash or property.

- **No Consideration:** Free GC via sign-up, promotions, or giveaways eliminates mandatory payment, distinguishing it from illegal gaming.
- **Amusement Alignment:** Outcomes are for amusement only, not a valuable reward, and do not constitute illegal gaming devices or lotteries under ch. 271, § 17 or § 7, as there is no prize of tangible value.

#### ● **Sweepstakes Games (SC):**

- **No Consideration:** Free AMOE (e.g., mail-in requests) ensures no payment is required, removing the gambling element. SC are treated equally for paid and free entries. Bonuses with bona fide GC purchases (at retail prices) do not attribute consideration to the sweepstakes.
- **Prize Compliance:** SC winnings (e.g., cash) are promotional rewards, not gambling proceeds, as no purchase is needed. The games do not constitute unauthorized lotteries under ch. 271, § 7, or de facto gambling, as consideration is absent. Additionally, Mass. Gen. Laws ch. 271, § 5B prohibits electronic devices for promoting sweepstakes through entertaining displays that mimic gambling, but LuckLake.com's online platform and QR-code casting for display (without transaction processing) do not involve possession of prohibited physical machines, and the structure avoids mimicking illegal gaming by emphasizing free entry.

The Duane Morris opinion concludes that a court applying reasonable judgment should not find LuckLake.com's Freemium or Sweepstakes games to violate Massachusetts' gambling laws, given the absence of consideration and, for GC, a valuable prize. Similar platforms operate in Massachusetts under this model.

## Massachusetts Sweepstakes Regulations

Massachusetts regulates promotional sweepstakes under 940 CMR 30.00, which prohibits unlawful lotteries and sweepstakes that involve payment for a chance to win a prize, deeming them unfair and deceptive acts under Mass. Gen. Laws ch. 93A, § 2(a) (consumer protection against unfair trade practices). However, legitimate promotions without required consideration are permitted. LuckLake.com complies:

- Not subject to charitable lottery limits, as it is a commercial promotion, and no additional state-specific requirements apply beyond general promotion law (e.g., no registration for non-charitable sweepstakes).
- **Prohibited Sponsors and Prizes:** The platform avoids tobacco-related sponsorships, which are prohibited for sweepstakes in Massachusetts, and does not offer live animals, alcohol, or other restricted prizes.
- **Tax and Reporting:** Prizes over \$600 are treated as miscellaneous income; winners must pay taxes, and sponsors issue IRS Form 1099, as required under federal and state tax laws.
- Avoids telemarketing, exempt from additional disclosures under consumer protection rules.

- Disclosures: Terms of Use and Sweepstakes Rules state no purchase necessary, with AMOE details prominently displayed, aligning with unfair trade practice standards under ch. 93A to ensure transparency and prevent deception. The rules also comply with 940 CMR 30.04 by not soliciting payment for entry.

Transparent rules ensure compliance with consumer protection standards.

## GIDX Certification and AML Compliance

**LuckLake.com's compliance is enhanced by GIDX certification:**

- **Customer Identification Program (CIP):** GIDX collects name, date of birth, address, email, and IP address at account opening, deposit, and contest entry, verifying against watchlists (e.g., OFAC SDN) via API calls. Suspicious cases trigger escalation to the Chief Compliance Officer for Suspicious Activity Report (SAR) filing within 10 days.
- **Ongoing Monitoring:** GIDX performs real-time checks to prevent fraud, VPN spoofing, or duplicate accounts. It flags suspicious activities (e.g., structuring deposits) and monitors head-to-head contests every 6 hours, banning accounts with <25% win/loss ratios and filing SARs.
- **BSA Compliance:** The platform adheres to the Bank Secrecy Act (BSA) and USA PATRIOT Act, responding to FinCEN 314(a) requests within 14 days and maintaining SAR confidentiality. Payments are processed securely via credit cards/PayPal, with ACH withdrawals to verified accounts.

## Legislative Risk

While LuckLake.com is currently legal federally and in Massachusetts, legislative changes could pose risks. For example, New York's Senate Bill S-9226 (June 2023) banned sweepstakes gaming, citing consumer protection concerns. Massachusetts has no such legislation as of August 12th, 2025, but operators should monitor developments, as states like Maryland have proposed bans on dual-currency systems

For Further Discussion Contact:  
Raymour Radhakrishnan  
rad@radsoftware.io  
790 N. Milwaukee Street, Third Floor  
Milwaukee, WI 53202

Sincerely,

**Norman C. deSilva**

President, SWEEP