

COMMONWEALTH OF KENTUCKY
FRANKLIN CIRCUIT COURT
DIVISION ____
CIVIL ACTION NO. _____
Electronically Filed

COMMONWEALTH OF KENTUCKY, EX
REL. ATTORNEY GENERAL, RUSSELL
COLEMAN,

Plaintiff,

v.

VGW HOLDINGS U.S. INC,
VGW U.S. INC.,
VGW LUCKYLAND, INC.,
VGW HOLDINGS PTY LTD.,
VGW LTD.,
VGW MALTA LTD,
VGW MALTA HOLDING LIMITED,
VGW GAMES LIMITED,
and
JOHN DOES NOS. 1-50,

Defendants.

COMPLAINT

JURY TRIAL DEMANDED

Plaintiff, the Commonwealth of Kentucky (“Kentucky,” “Plaintiff,” or “Commonwealth”), by and through its duly elected Attorney General, Russell Coleman, in its sovereign and *parens patriae* capacities, brings this suit against the Defendants, VGW Holdings U.S. Inc. (“VGW Holdings”), VGW U.S. Inc. (“VGW U.S.”), VGW Luckyland, Inc. (“VGW Luckyland”), VGW Holdings Pty LTD. (“VGW Holdings Pty”), VGW LTD., VGW Malta LTD (“VGW Malta”), VGW Malta Holding Limited (“VGW Malta Holding”), VGW Games Limited (“VGW Games”), and John Does Nos. 1-50 (together, “VGW” or “Defendants”) for violating the Commonwealth’s gambling laws, and in support thereof states as follows:

INTRODUCTION

Relevant Statutory Background

1. This case concerns Defendants’ operation of illegal gambling websites in violation of the laws and regulations of the Commonwealth of Kentucky. Except under very limited circumstances, none of which apply to the facts and circumstances at issue here, all forms of gambling are illegal in the Commonwealth of Kentucky. *See e.g.*, Ky. Const. § 226(1) (allowing a Kentucky state lottery); Ky. Const. § 226(2) (allowing charitable lotteries).

2. Kentucky defines “gambling” as: “[S]taking or risking something of value upon the outcome of a contest, game, gaming scheme, or gaming device which is based upon an element of chance, in accord with an agreement or understanding that someone will receive something of value in the event of a certain outcome.” KRS § 528.010(6)(a). “Gambling” also “includes playing or offering for play any game, contest, or competition utilizing a gambling device.” *Id.* A “gambling device” includes, but is not limited to, “[a]ny electronic, computerized, or mechanical contrivance, terminal, machine, or other device that[] [r]equires the **direct or indirect payment of consideration . . .**to operate, play, or activate a game; and [o]ffers games the outcomes of which are determined by any element of skill of the player and may deliver or entitle the person playing or operating the device to receive cash, **cash equivalents**, or gift cards or vouchers, billets, tickets, tokens, or **electronic credits to be exchanged for cash** or to receive merchandise or something of value, whether the payoff is made automatically from the device or manually. *Id.* at (7)(a)(4a-b) (emphasis added).

3. Defendants are not permitted to operate gambling websites under Kentucky laws and regulations.

4. Kentucky’s gambling statutes include in the definition of a “gambling device,” the

following: “[a]ny mechanical or electronic device. . . that is offered or made available to a person to play or participate in a simulated gambling program in return for **direct or indirect consideration**, including but not limited to consideration paid for internet access or computer time, **or a sweepstakes entry**, which when operated may deliver as a result of the application of any element of chance . . . any money or property, or by the operation of which a person may become entitled to receive . . .any money or property.” KRS § 528.010(7)(a)(2) (emphasis added).

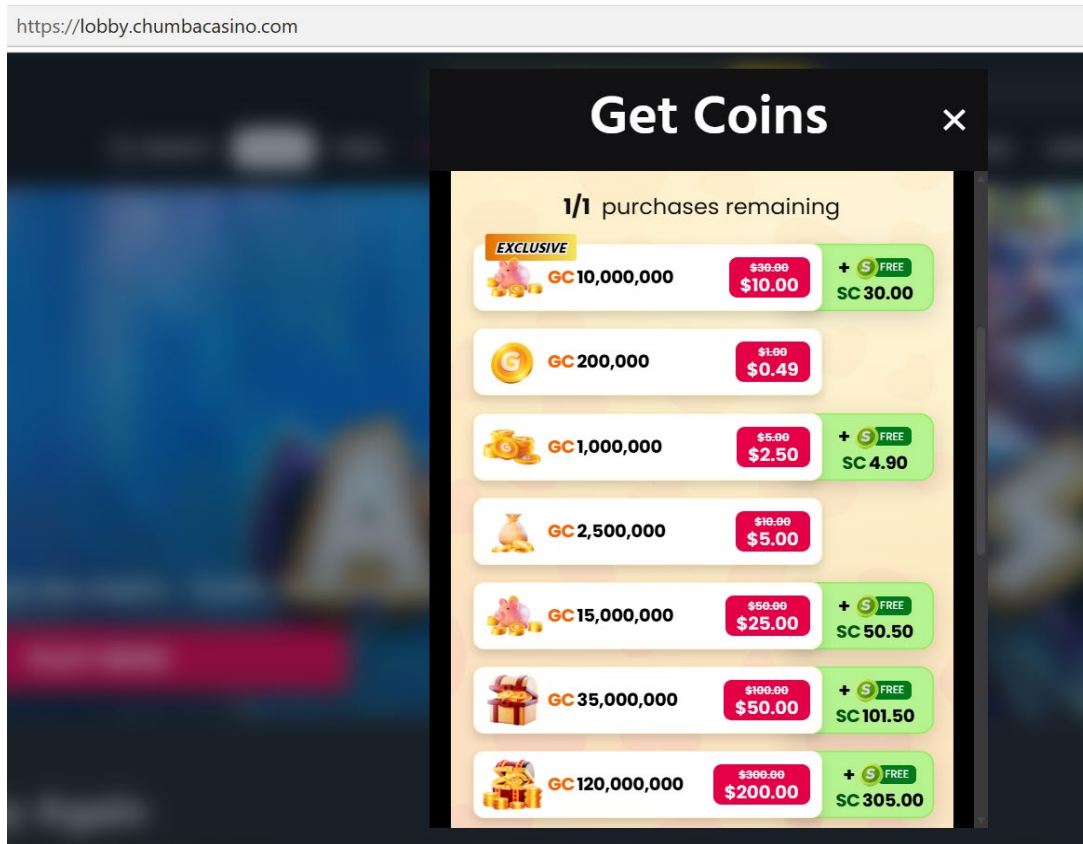
Overview of Defendant’s Scheme

5. Defendants own and operate a variety of popular online “sweepstakes” casino websites including ChumbaCasino.com (“Chumba Casino”), Luckylandslots.com (“Luckyland Slots”), Luckylandcasino.com (“Luckyland Casino”), and Globalpoker.com (“Global Poker”) (together, VGW’s “Sweepstakes Casinos”). As detailed below, Defendants devised a copycat system based on the early twenty first century Internet cafés.

6. Defendants’ Sweepstakes Casinos’ scheme exploits two distinct types of virtual gambling chips. The first type of virtual chips, called “Gold Coins” (“GC”) or similar, ostensibly have no real monetary value and cannot be converted into monetary currency. The second type of virtual chips, often called “Sweeps Coins” (“SC”) or similar, can be directly redeemed for money, cryptocurrency, or digital gift cards on a 1 to 1 United States Dollar (“USD”) basis. To obtain currency-redeemable Sweeps Coins, players purchase a Gold Coins “bundle” and receive “free” Sweeps Coins. But these Sweeps Coins are not free, rather, they are obtained through the purchase of Gold Coins. Players receive at least as much Sweeps Coins credits as the amount they spent in U.S. dollars to purchase the Gold Coins bundle. The pricing and redemption structure confirms the player is depositing USD to receive an equal or greater value in Sweep Coins that can be used to gamble and then later redeemed for USD.

7. Below is an example from one of Defendants’ Sweepstakes Casino pages showing different Gold Coins for Sweeps Coins bundles that are available for purchase:

Figure 1 – Chumba Casino “Get Coins” Page



8. Just like in traditional casinos, players gamble in virtual casino games on Defendants’ Sweepstakes Casinos using Sweeps Coins. If the player wins the bet, they are paid their winnings in Sweeps Coins, which can then later be redeemed for money, cryptocurrency, or digital gift cards. Sweeps Coins are therefore a direct equivalent of traditional casino chips; they have a cash value, can be gambled like cash, and can be cashed out by gamblers for the designated cash value or digital equivalent.

9. The Sweepstakes Casinos offer games that not only function like traditional casino games but are designed to look and feel like them. Below are example images taken from the

Sweepstakes Casinos webpages showing sample slot machine and sample blackjack games:

Figure 2 – Chumba Casino Slot Machine



Figure 3 – Chumba Casino Live Blackjack



10. The Sweepstakes Casinos each offer illegal, real-money gambling to Kentucky residents in violation of Kentucky laws and deprive the Commonwealth of licensing, taxation, and

other revenues gambling entities that are properly regulated by the state must pay.

11. The Sweepstakes Casinos also deceptively portray their offerings to both regulators and consumers as harmless video games when, in fact, they are illegal online casinos that, as detailed below, cause great harm to the Commonwealth and its citizens. Accordingly, the Commonwealth brings this lawsuit to recover its citizens' losses, and to shut down these illegal websites.

PARTIES

12. Plaintiff, the Commonwealth of Kentucky, brings this action, by and through its Attorney General, Russell Coleman, in its sovereign and *parens patriae* capacity to protect the interests of the Commonwealth and its citizens. The Attorney General is authorized to take action against Defendants for violating the Commonwealth's laws and regulations. Russell Coleman is the duly elected Attorney General of Kentucky, an independent constitutional officer of the Commonwealth and its chief legal officer, with full authority to initiate and prosecute all cases in which the Commonwealth has an interest. The Attorney General is vested with specific constitutional, statutory, and common law authority to commence proceedings to enforce Kentucky's Consumer Protection Act, KRS § 367.110, *et seq.* ("KCPA"), to initiate actions necessary to exercise all common law duties and authority pertaining to the office of the Attorney General under the common law pursuant to KRS § 15.020, and pursuant to the Attorney General's *parens patriae* authority, to bring an action in order to protect the Commonwealth's sovereign and quasi-sovereign interests. The Commonwealth is also vested with the authority, as "any other person" pursuant to KRS § 372.040, to sue any gambling "winner" and "recover treble the value of the money or thing lost, if suit is brought within five (5) years from the delivery or payment." See KRS § 372.040; *Commonwealth ex rel. Brown v. Stars Interactive Holdings (IOM) Ltd.*, 617

S.W.3d 792, 798-805 (Ky. 2020). The Commonwealth is entitled to the protections of sovereign immunity. Pursuant to KRS § 49.070(14), the filing of this action shall not be construed as a waiver of that immunity and no counterclaim, set-off, recoupment, cross-claim, or other form of avoidance may be asserted in this action against the Commonwealth. The Attorney General has determined that these proceedings are in the public interest.

13. Defendant VGW Holdings U.S. Inc. (“VGW Holdings”) is a Delaware corporation with its principal place of business at 1881 9th Street, Suite 2002, Boulder, Colorado, 80302. VGW Holdings also maintains an office at 442 Post Street, Suite 900, San Francisco, CA 94102.

14. Defendant VGW U.S. Inc. (“VGW U.S.”) is a Delaware corporation with its principal place of business at 1881 9th Street, Suite 2002, Boulder, Colorado, 80302. VGW U.S. also maintains an office at 442 Post Street, Suite 900, San Francisco, CA 94102.

15. Defendant VGW Luckyland, Inc. (“VGW Luckyland”) is a Delaware corporation with its principal place of business at 1881 9th Street, Suite 2002, Boulder, Colorado, 80302. VGW Luckyland also maintains an office at 442 Post Street, Suite 900, San Francisco, CA 94102.

16. Defendants VGW, Ltd. and VGW Holdings Pty LTD. (“VGW Holdings Pty”) are foreign corporations headquartered in Perth, Australia. Defendants VGW, Ltd. and VGW Holdings Pty do business through their online Sweepstakes Casinos in all counties within Kentucky.

17. Defendants VGW Malta LTD (“VGW Malta”), VGW Malta Holding Limited (“VGW Malta Holding”), and VGW Games Limited (“VGW Games”) are limited companies incorporated under Maltese law, with their principal places of business in Birkirkara, Malta.

18. Defendants John Does Nos. 1-50 are persons and entities whose true identities are not known to the Plaintiff at this time, and who, during the relevant time periods related to this

lawsuit, played or play a role in furthering Defendants' joint enterprise with the common goal of facilitating and promoting illegal gambling by Kentucky citizens via Defendants' Sweepstakes Casinos.

19. Each and every Defendant played or plays a role in furthering Defendants' joint enterprise with the common goal of facilitating and promoting illegal gambling by Kentucky citizens at Defendants' Sweepstakes Casinos.

JURISDICTION AND VENUE

20. Franklin Circuit Court has subject matter jurisdiction over the claims submitted pursuant to KRS § 23A.010 and KRS § 367.190 as the claims enumerated herein arise exclusively under Kentucky statutory and common law and from the *parens patriae* authority of the Attorney General to act on behalf of the Commonwealth and its citizens. The Commonwealth's claims are in excess of any minimum dollar amount necessary to establish the jurisdiction of the Court.

21. This Court also has specific personal jurisdiction over VGW pursuant to KRS § 454.210(2), as they, *inter alia*, contract to provide services and goods in this Commonwealth, have caused tortious injury in this Commonwealth, and have transacted business here. At all times relevant to this Action, VGW targeted their Sweepstakes Casinos to individuals it knew were located in Kentucky, directly targeted advertising to individuals it knew resided in Kentucky, allowed individuals who had verified their identities using Kentucky-issued photo IDs and proof of residence in Kentucky to gamble on the Sweepstakes Casino websites using SC purchased from the Sweepstakes Casinos, and injured these individuals in Kentucky.

22. The causes of action described herein arise in whole or in part from (i) Defendants' active marketing of the Sweepstakes Casino platforms to residents of Kentucky without informing them of their illegality or the dangers associated with the platform, and (ii) Defendants' sale and

use of its Sweeps Coins currency, which it uses to openly flout Kentucky’s gambling laws.

23. All these activities are aimed at Kentucky, and these activities create a substantial connection with Kentucky sufficient to make the exercise of personal jurisdiction over Defendants reasonable for the courts of the Commonwealth.

24. This Complaint does not confer diversity jurisdiction upon the federal courts pursuant to 28 USC § 1332, as the Commonwealth is not a citizen of any state and this action is not subject to the jurisdiction of the Class Action Fairness Act of 2005.

25. Likewise, federal question jurisdiction pursuant to 28 USC § 1331 is not invoked by the Complaint, as it sets forth herein exclusively viable state law claims against the Defendants. Nowhere herein does Plaintiff plead, expressly or implicitly, any cause of action or request any remedy that arises under federal law. The issues presented in the allegations of this Complaint do not implicate any substantial federal issues and do not turn on the necessary interpretation of federal law. No federal issue is important to the federal system as a whole under the criteria set by the Supreme Court in *Gunn v. Minton*, 568 U.S. 251, 260–61 (2013) (e.g., federal tax collection seizures, federal government bonds). Specifically, the causes of action asserted, and the remedies sought herein, are founded upon the positive statutory, common, and decisional laws of the Commonwealth of Kentucky. Further, the assertion of federal jurisdiction over the claims made herein would improperly disturb the congressionally approved balance of federal and state responsibilities. Accordingly, any exercise of federal jurisdiction is without basis in law or fact.

26. In this Complaint, to the extent Plaintiff may refer—either expressly or impliedly—to federal statutes and regulations, Plaintiff does so to state the duty owed under Kentucky law, not to allege an independent federal cause of action and not to allege any substantial federal question under *Gunn*. Thus, any attempted removal of this Complaint based on a federal cause of

action or substantial federal question is without merit.

27. Venue is appropriate in Franklin Circuit Court under KRS § 452.460, which allows venue in the county where the injury was suffered. Whereas the injury is against the Commonwealth, its agents or employees, or the Commonwealth as a whole, venue is proper in Franklin Circuit Court.

FACTUAL ALLEGATIONS

I. Free-to-Play And The New Era Of Online Gambling

28. The proliferation of internet-connected mobile devices has led to the growth of so-called “free-to-play” videogames. With free-to-play games, developers encourage consumers to download and play games for free while selling many low-cost items within the game itself. Developers aim to recoup their costs and make a profit by selling thousands of “in-game” items that start at just a dollar or two. These purchases are commonly known as “micro-transactions” and are paid during the course of playing a game instead of charging an up-front fee to download the game itself.

29. The free-to-play model is particularly attractive to developers of games of chance (e.g., slot machine mobile video games) because it allows them to generate substantial profits. In 2012, free-to-play games of chance generated over \$1.6 billion in worldwide revenue.¹

30. With free-to-play games of chance, developers have begun exploiting the same psychological triggers related to addiction as brick-and-mortar casinos. Experts have studied the effect free-to-play games have on consumers. In one study, the authors compiled several sources analyzing free-to-play games of chance (referred to as “casino” games below) and stated:

¹ Hyoun S. Kim, Michael J. A. Wohl, et al., *Do Social Casino Gamers Migrate to Online Gambling? An Assessment of Migration Rate and Potential Predictors*, Journal of gambling studies / co-sponsored by the National Council on Problem Gambling and Institute for the Study of Gambling and Commercial Gaming (Nov. 14, 2014).

[Researchers] found that [free-to-play] casino gamers share many similar sociodemographic characteristics (e.g., employment, education, income) with online gamblers. Given these similarities, it is perhaps not surprising that a strong predictor of online gambling is engagement in [free-to-play] casino games. Putting a dark line under these findings, over half (58.3%) of disordered gamblers who were seeking treatment stated that social casino games were their first experiences with gambling.

According to [another study], the purchase of virtual credits or virtual items makes the activity of [free-to-play] casino gaming more similar to gambling. Thus, micro- transactions may be a crucial predictor in the migration to online gambling, as these players have now crossed a line by paying to engage in these activities. Although, [sic] only 1–5% of [free-to-play] casino gamers make micro- transactions, those who purchase virtual credits spend an average of \$78. Despite the limited numbers of social casino gamers purchasing virtual credits, revenues from micro-transactions account for 60% of all [free-to-play] casino gaming revenue. Thus, a significant amount of revenue is based on players’ desire to purchase virtual credits above and beyond what is provided to the player in seed credits.²

31. The same authors looked at the link between playing free-to-play games of chance and gambling in casinos. They stated that “prior research indicated that winning large sums of virtual credits on social casino gaming sites was a key reason for [consumers’] migration to online gambling,” yet the largest predictor that a consumer will transition to online gambling was “micro-transaction engagement.”³ In fact, “the odds of migration to online gambling were approximately eight times greater among people who made micro-transactions on [free-to-play] casino games compared to [free-to-play] casino gamers who did not make micro-transactions.”⁴

32. The proliferation of online gambling websites coincides with an increase in

² *Id.*

³ *Id.*

⁴ *Id.*

gambling addiction among minors under the age of 18.⁵ Whereas brick-and-mortar casinos can take steps to exclude minors, the easy access to online gambling on websites like the Defendants’ makes it easy for underage minors to participate in gambling. Websites like Defendants’ Sweepstakes Casinos are contributing to a sharp rise in online gambling addiction among minors. *Id.*

33. The casino gaming industry is one of the most regulated businesses in the United States. A gambling license requires, among other things: (1) meeting state standards; (2) background checks on company officers and directors; (3) adherence to responsible gaming programs; (4) anti-money laundering measures; and (5) myriad other requirements concerning data privacy, security, and responding to customer complaints. Defendants intentionally evade these foregoing requirements by concealing the illegal gambling nature of their websites and market them as free-to-play sites rather than registering them as on-line gambling websites with the State.

II. Defendants Devised a Scheme, Based on Illegal Internet Cafés, to Use Free “Social Gaming” As A Front For Real Online Gambling, in Violation of Kentucky Gambling Laws and the Laws of Other States

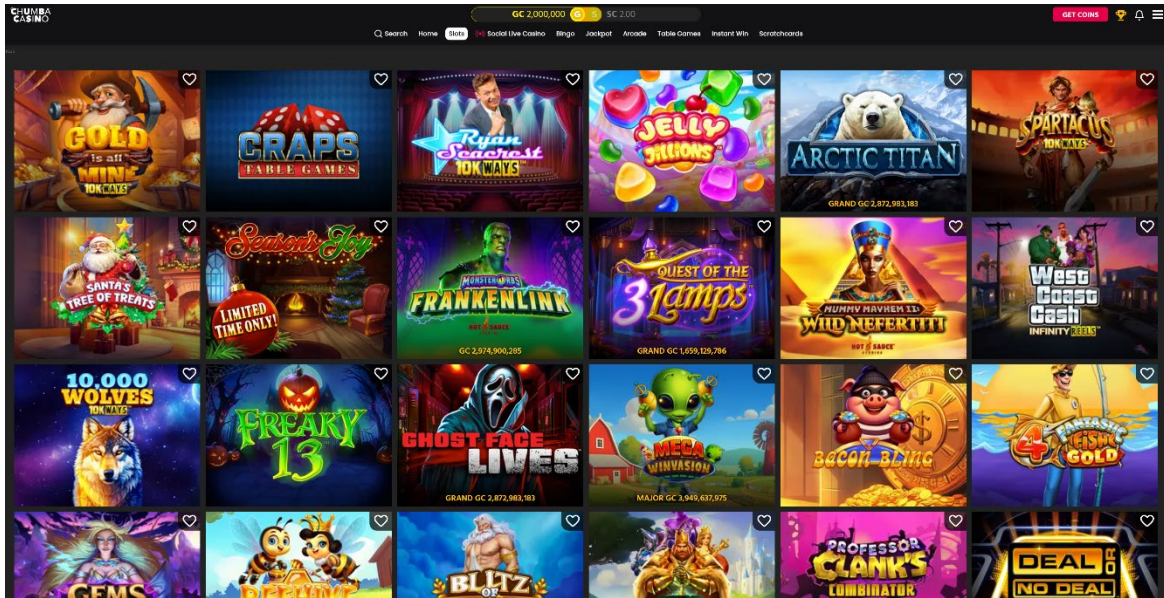
A. The Defendant’s On-line Gambling Scheme

i. Overview of Defendants’ Scheme

34. Defendants own and operate the Sweepstakes Casino websites, ChumbaCasino.com, Luckylandslots.com, Luckylandcasino.com and Globalpoker.com. On each of these websites, visitors gamble real money through numerous electronic versions of slot machine games and other games of chance. Below are various examples of the homepages of Defendants’ websites. *See* Figures 4-9.

⁵ Veselka et al., *Factors Associated With Social Casino Gaming Among Adolescents Across Game Types*, 18 BMC Public Health 1167 (2018).

Figure 4 – Chumba Casino Homepage



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Figure 5 – Luckyland Casino Homepage



Figure 6 – Luckyland Slots Homepage

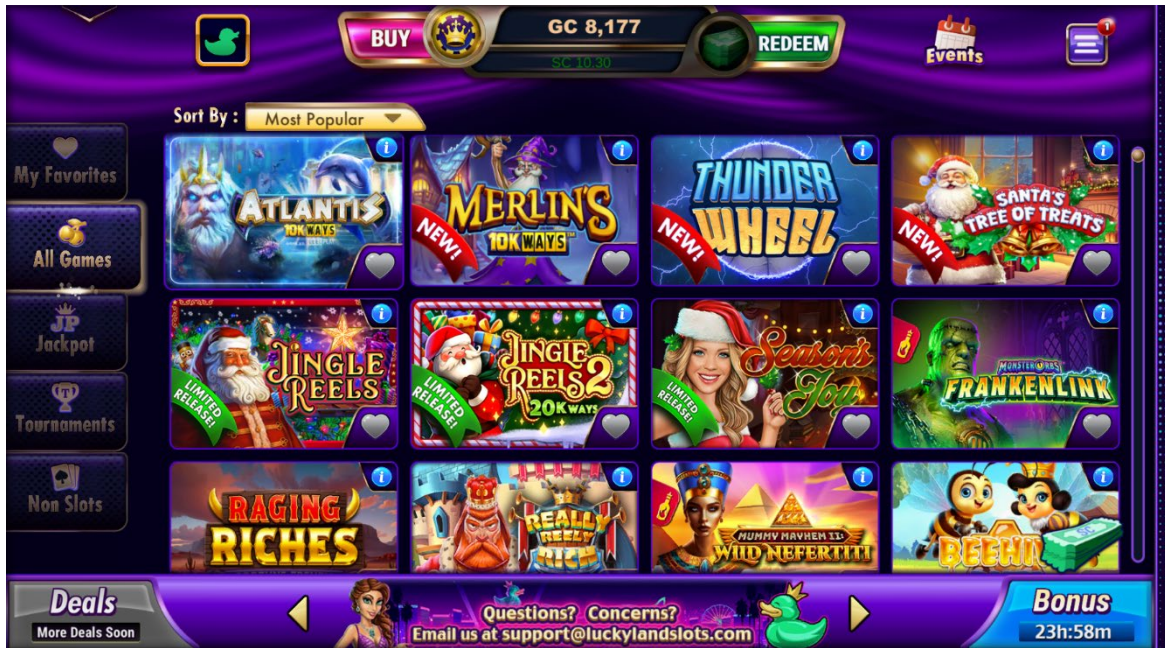


Figure 7 – Global Poker Homepage

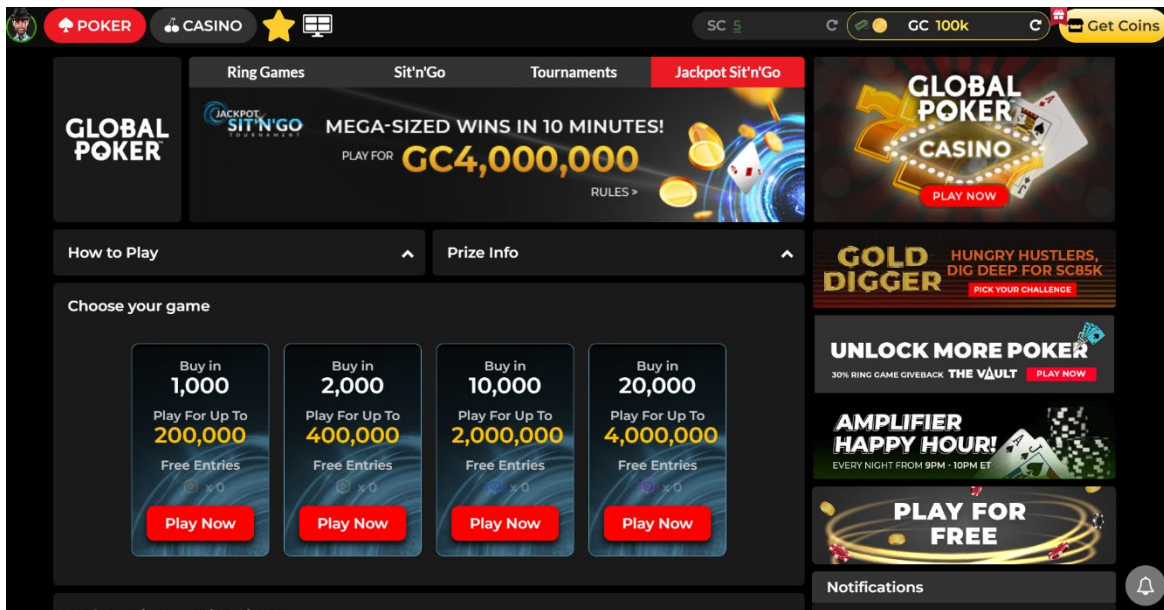
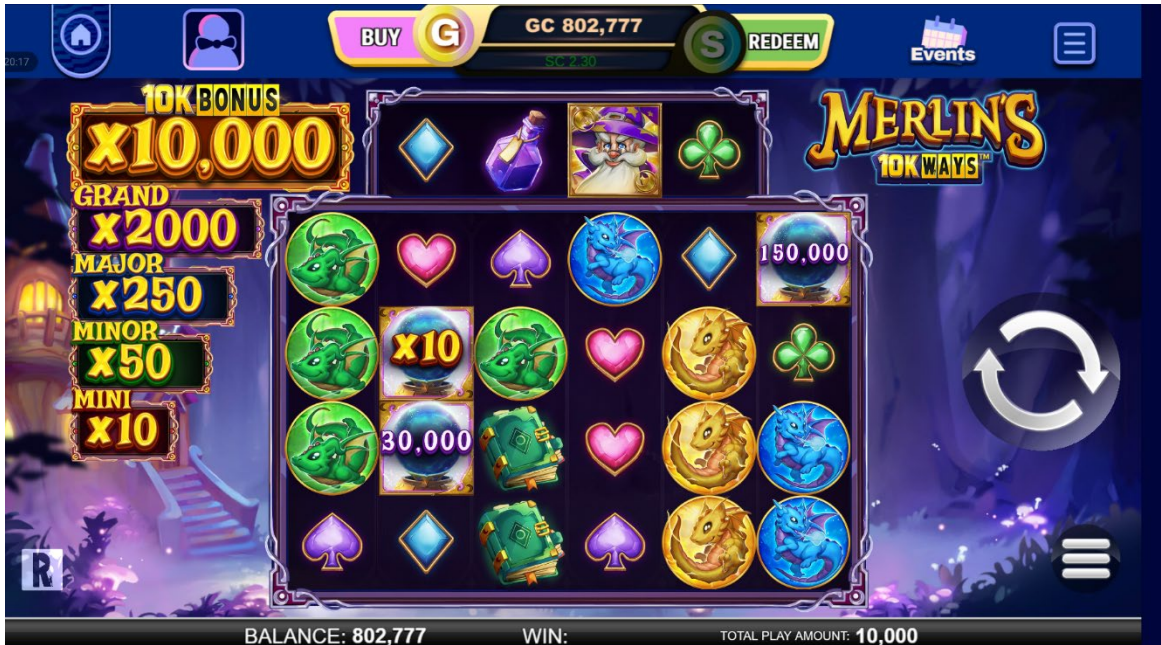


Figure 8 – Chumba Casino Slot Machine Exemplar



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Figure 9 – Luckyland Casino Slot Machine Exemplar



2FEBAE90-37AD-4D84-A732-F055C26CF4B8 : 000016 of 000049

35. The games of chance offered by the Sweepstakes Casinos are no different than the types of games of chance played in a Las Vegas, Nevada casino. Similar to a real casino, players purchase online coins (*i.e.*, gambling chips) and then redeem their winnings for cash or other forms of monetary consideration.

36. However, to conceal their illegal gambling operations, Defendants claim VGW offers “‘Social Plus’ games – a freemium model whereby games are available to play at no cost, but include optional in-game purchases to enhance gameplay along with sweepstakes promotions, where players can collect free entries for the chance to win real-world prizes.”⁶ As explained below, the free “social casino” component of Defendants’ websites is pretext to conceal what is in truth and in fact, an illegal gambling operation.

ii. Getting Started and Registering for an Account

37. The process for creating an account on any of VGW’s websites is straightforward.

⁶ <https://www.vgw.co/company/>

First, a user inputs basic information like their name and email address on the “Create Account” page. See, e.g., **Figure 10**, (Chumba Casino signup page).

Figure 10 – Chumba Casino Signup Page

CHUMBA CASINO
America's #1 Social Casino Experience!

Sign up with Facebook

OR

Sign up with email

First Name Last Name

Your email address

Create a password

Confirm password

I confirm the following:
I am at least 21 years old; I agree to the [Terms and Conditions](#) (which includes a provision requiring arbitration of disputes) and [Privacy Policy](#). I do not have any existing Chumba accounts. I understand Chumba has the right to cancel all duplicate accounts and withhold winnings made with such accounts.

I understand that:
a. if I live in an **Excluded Territory**, as defined in the Terms & Conditions, I am not eligible to play Chumba Casino's games in either Standard or Promotional Play mode; and
b. if I am not an **Eligible Participant**, as defined in the Sweeps Rules, I am not eligible to play Chumba Casino's games in Promotional Play mode.

CREATE ACCOUNT

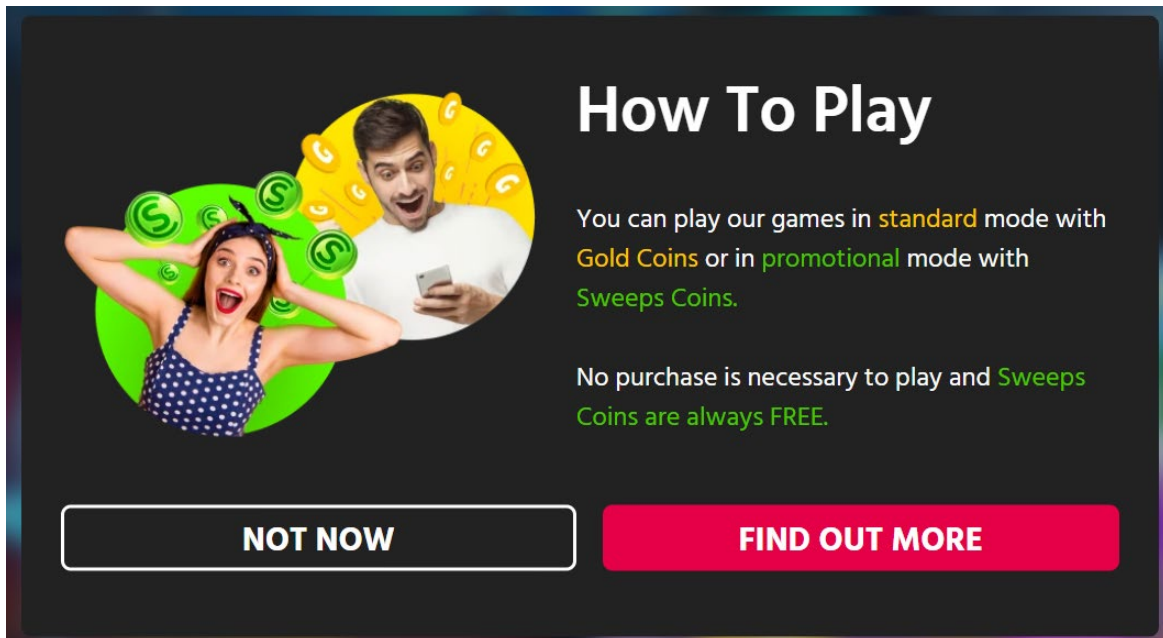
Already have an account? [Log in](#)

38. Once a user creates their account, that user completes a quick account verification process through their email.

39. After a user verifies their account, they are given a tutorial on how the Sweepstakes

Casino operates. The website explains that the casino uses two different types of coins, which correspond to the social gaming and the gambling distinction on its website: “Gold Coins” and “Sweeps Coins.” Both coins can be used to play any of the games on the website, but a player can only win cash or cash equivalents for bets played with “Sweeps Coins.”

Figure 11



iii. Defendants Use “Free” Gold Coins to Falsely Advertise the Sweepstakes Casinos as On-Line Gaming, When Usage of Sweeps Coins Makes Them Gambling Websites

40. When playing games using Sweeps Coins, one coin is equivalent to and redeemable for one U.S. dollar. For example, if someone has 25,000 Sweeps Coins in their account, they have the equivalent of \$25,000 in their account.

41. When a consumer first sets up an account on Defendants’ website, they are given a free bundle of 100,000 Gold Coins and 2 Sweeps Coins equal to \$2.00 USD. If consumers lose their initial allotment of coins, Defendants attempt to sell them additional coins. Consumers cannot play on the website without coins.

42. Generally, the only way to obtain additional Sweeps Coins, apart from winning them in gambling on the Sweepstakes Casinos, is to directly purchase them from Defendants' websites. Defendants claim that they only sell Gold Coins for social gaming and players "[r]eceive Sweeps Coins as a free bonus when purchasing Gold Coins."⁷

43. Purchases for GC or SC can be made via Apple Pay, credit card, or Skrill. Regardless of payment method, coins are instantly available for use on the Defendants' websites.

44. GC can be used to play the casino games in "Standard Mode" mode with no potential to win money. When using GC, a player can only win or lose GC. Upon information and belief, consumers only go to Defendants' Sweepstakes Casinos to engage in real-money gambling, so those GC are largely ignored.

45. Defendants' websites also offer a "Promotional" Mode, where Sweeps Coins can be used to play the casino-style games offered on the Sweepstakes Casino websites but for real monetary value. Sweeps Coins won on games played in "Promotional" mode can be redeemed for cash. To procure Sweeps Coins, players typically must purchase them in a package with Gold Coins. Defendants characterize the Sweeps Coins as a "free" bonus added to the sale of Gold Coins.

46. In truth and in fact, Sweeps Coins are a proxy for real money. Depending on the package bought, there is either a 1:1, or nearly 1:1, correlation between the number of dollars spent and the value of Sweeps Coins provided in each purchase.

47. For example, if a user spends \$20, he or she receives 5 million GC but receives 20.50 supposedly "free" SC. "Sweeps Coins" have a redemption rate of one U.S. dollar, so \$20.50 Sweeps Coins are equivalent to approximately \$20.00—**effectively the same amount that was**

⁷ <https://www.chumbacasino.com/sweeps-rules>

purportedly charged for the Gold Coins. *See* Figure 11, *supra* p. 18.

48. Likewise, Sweeps Coins can be redeemed for “real prizes.” *See* Figure 11, *supra* p. 18.

49. Under the foregoing system, website visitors pay money in exchange for Sweeps Coins just like gamblers pay money in exchange for poker chips at a brick-and-mortar casino. That Defendants choose to falsely label the Sweeps Coins as a “bonus” for purchasing a bundle of Gold Coins does not change this fact.

50. Consumers are able to cash out their winnings, if any, through Defendants’ payment platform once they have won a specified minimum of Sweeps Coins.⁸ If a consumer never reaches that minimum, that user can never receive any cash from Defendants.

51. Defendants maintain win and loss records and account balances for each consumer. Indeed, once the outcome of a game is determined, Defendants display the outcome to the consumer and then adjust the consumer’s account balance. Defendants keep records of each wager, outcome, win, and loss for every player of the games.

52. Yet the word “gambling” is rarely used on Defendants’ websites. Instead, Defendants mislead users by marketing their games as “social play” and “sweepstakes.”

53. As a concession to the true nature and purpose of Sweepstakes Casino websites, Defendants include links to a “Responsible Social Gameplay Policy,” where it provides information about organizations including Gambling Addicts Anonymous and the National Foundation for Credit Counseling for those whose “gameplay may have had, or is at risk of having, a negative impact on your mental health, finances or relationships with friends or family.”⁹

⁸ Chumba Casino allows cashout of SC for gift cards at 10 dollars, but cash payouts at 100 dollars. Defendants’ other Sweepstakes Casinos require 50 SC to cash out.

⁹ *E.g.* media.www.chumbacasino.com/vgwholdings89e8-vgw-prod-817c/media/250710-POL-CHU-RSG-4-0.pdf

54. The Responsible Social Gameplay Policy also explains the “Principles of Gameplay.”¹⁰ This includes the concept of “Return to Player (RTP), [which] is the average return on the winnings and prizes over the lifetime of a slot-type game. For example, if a slot type has an 8% advantage, then the average RTP will be 92%.”¹¹ It also includes the concept of “Advantage: All casino-type games are designed with a slight advantage that favors the operator.”¹²

B. Defendant’s Sweepstakes Casinos Violate the Gambling Laws of Kentucky

55. Defendants’ Sweepstakes Casinos do not qualify as a lottery under Kentucky laws. *See* Ky. Const. § 226(1) (allowing a Kentucky state lottery); Ky. Const. § 226(2) (allowing charitable lotteries). Moreover, because Defendants’ websites, *inter alia*, “require the direct or indirect payment of consideration . . .to operate, play, or activate a game; and offer[] games the outcomes of which . . . may deliver or entitle the person playing or operating the device to receive cash, **cash equivalents**, or . . . **electronic credits to be exchanged for cash[,]**” the Sweepstake Casinos violate Kentucky’s gambling laws. *See* KRS § 528.010(7)(a)(4a-b).

III. Sweepstakes Casinos Harm the Commonwealth and its Citizens in Exchange for Enormous Profits

56. Defendants’ motive to circumvent the gambling laws of Kentucky and other states is clear: enormous profits.¹³

57. As the attached prospectus (Exhibit 1) explains, “**Internet Sweepstakes Cafes []** reported to have turned over **\$10bn (€9.4bn)** in 2015, with **over 5,000** now operating in **12 states**” (emphasis added), and described the “significant opportunity” of adopting the “sweepstakes café

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ Indeed, a federal district court has already held on summary judgment that one of VGW’s competitors that operates materially the same way is an illegal gambling operation, and a jury later awarded close to \$25 million in damages to a class of Washington state residents. *See Larsen v. PTT, LLC*, 737 F. Supp. 3d 1076 (W.D. Wash. 2024).

model.” *Id.* at 95-96.

58. The prospectus was prepared by H2 Gambling Capital, which is described as “the leading authority regarding market intelligence on the global gambling industry.” *Id.* at 68. The prospectus refers to “gambling” 79 times, and noted that “**despite significant prohibition**, [the U.S.] remains by far the largest gaming market in the world.” *Id.* at 69 (emphasis added).

59. Likewise, in an October 2015 press release in Australia, the operators of ChumbaCasino.com stated that its gambling websites are “targeting the global casino market, particularly the unrealised [sic] United States **real-money gaming market**.”

60. VGW’s Sweepstakes Casinos and other gambling websites are enormously profitable. Indeed, CEO Lawrence Escalante reportedly became the youngest billionaire in Australia’s history. VGW’s gambling revenues were reportedly \$2.8 billion in 2024.

61. Unsurprisingly, the success of ChumbaCasino.com and other VGW gambling websites spawned a massive wave of copycat websites. The industry reportedly grew at a 4-year Compound Annual Growth Rate (CAGR) of 60-70% from 2020-2024, with a significant increase during 2023-2024, largely due to new investment in the space.¹⁴ Estimates in June 2025 placed 2024 industry gross and net revenues north of \$10.6 billion and \$3.4 billion, respectively.¹⁵ At that time, projections for 2025 estimated gross and net revenues ranged above \$14.3 billion and \$4.6 billion, respectively.¹⁶

62. These enormous profits come at the expense of the Sweepstakes Casinos users, including Kentucky citizens.

63. It is undeniable that the Commonwealth of Kentucky is harmed by illegal gambling.

¹⁴ <https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2025/sweepstakes-gaming-emerging-industry-primer.pdf>

¹⁵ *Id.*

¹⁶ *Id.*

Indeed, the Supreme Court of Kentucky has explicitly held so:

[T]here is no doubt the Commonwealth of Kentucky is harmed by illegal internet gambling. The Commonwealth is the people—and Kentuckians and their families are harmed by the impact of illegal gambling, not to mention the government funds that have been expended to address the societal and fiscal harm caused by PokerStars[, an illegal gambling entity].

A report on a 2008 telephone survey conducted by the University of Kentucky Survey Research Center indicated there were 9,000 addicted gamblers, 51,000 problem gamblers, and 190,000 who were at risk of developing a gambling addiction in Kentucky. In fact, the “social cost to Kentucky from gambling addiction” is a minimum of \$81,000,000 per year. Annual Report, Kentucky Council for Problem Gambling, *Out of the Shadows, Problem Gambling: From Hidden Addiction to Public Awareness* (Dec. 14, 2020), <https://www.kycpg.org/wp-content/uploads/2017/05/20th-Annual-Report-1.pdf>. *805 This estimate is based on the minimum estimated social harm by the 9,000 addicted gamblers without consideration of any increase caused by the ease of availability of gambling on PokerStars internet website or the 51,000 problem gamblers and 190,000 at risk of developing gambling addiction. The gamblers who developed an addiction while using the PokerStars website are likely to be an ongoing cost of the state for years after PokerStars ceases operations in Kentucky.

In 1996, the United States Senate Committee on Governmental Affairs held a hearing based on the findings of the Gambling Impact Study Commission. The Senate particularly considered the impact of gambling on teenagers and young adults. “[G]ambling is the fastest growing teenage addiction, with the rate of pathological gambling among high school and college-age youth about twice that of adults.” *Id.* According to Howard J. Shaffer, director of the Harvard Medical School Center for Addiction Studies, “there are more children experiencing adverse symptoms from gambling than from drugs ... and the problem is growing.” *Id.*

The laws in Atlantic City restrict casino gambling to people twenty-one years of age or older. In spite of these laws, a survey of teenagers at Atlantic City High School revealed that 64% had gambled in a local casino. Even more shocking, 40% had done so before the age of fourteen. *Id.* Atlantic City casino security personnel report ejecting about 20,000 minors every year. *Id.* When you add the attractiveness of quick, easy-access internet gambling to the fact that the victims of problem gambling or gambling addiction are younger and younger, you end up with a recipe for disaster in the Commonwealth.

Problem gamblers and gambling addicts, desperate to pay off mounting

gambling debt, often turn to the commission of felonious financial crimes such as “embezzlement, check kiting, tax evasion, and credit card, loan, and insurance fraud.” *Id.* The cost to the Commonwealth just to incarcerate the perpetrators would be astronomical. A Florida study conducted to evaluate the impact of legalizing casinos found, “[n]ot counting the cost of prosecution, restitution, or other related costs, incarceration and supervision costs alone for problem gambler criminal incidents could cost Florida residents \$6,080,000,000.” *Id.*

Often, the state must use its limited resources to help individuals and their families who have lost funds to illegal gambling through social welfare programs. From the bankruptcy or death by suicide of its citizens to otherwise law-abiding citizens turning to crime to keep up their gambling addictions, the Commonwealth has certainly faced real and tangible harm from PokerStars’ years of illegal internet gambling in the state.

Commonwealth ex rel. Brown v. Stars Interactive Holdings (IOM) Ltd., 617 S.W.3d 792, 804-05 (Ky. 2020) (emphasis added).

64. Casino gambling such as what is offered by Defendants is illegal in Kentucky. While the Legislature has legalized certain other forms of gambling in Kentucky, those industries are heavily regulated. A gambling license is a privilege that requires, among other things: (1) meeting state standards; (2) background checks on company officers and directors; (3) adherence to responsible gaming programs; (4) anti-money laundering measures; and (5) myriad other requirements concerning data privacy, security, and responding to customer complaints. Defendants’ Sweepstakes Casinos evade all these requirements and put Kentuckians at risk.

65. Underage uses of Defendants’ websites are a particularly vulnerable class of citizens harmed by Defendants’ conduct. According to the American Psychological Association, “people in their early 20s are the fastest-growing group of gamblers,” and one national survey found that two-thirds of children ages 12 to 18 had “gambled or played gambling-like games in

the previous year.”¹⁷ Starting young carries a particularly high burden of psychological distress and a substantially increased risk of developing long-term gambling problems. Although most adults and adolescents in the United States have placed some type of bet without developing a disorder, a significant subset of individuals who begin gambling go on to develop gambling disorder.

66. The American Psychological Association further explains that gambling disorder is defined in the *Diagnostic and Statistical Manual of Mental Disorders (Fifth Edition)* (“*DSM-5*”) as a persistent, recurrent pattern of gambling behavior associated with substantial distress or impairment. Until 2013, gambling problems, formerly known as pathological gambling, were classified as an impulse-control disorder. In the *DSM-5*, however, gambling disorder was reclassified as an addictive disorder, making it the first and, to date, only recognized behavioral addiction in the *DSM*’s clinical section, with growing indications that video gaming disorder may eventually follow. Like substance-use disorders, gambling addiction is characterized by escalating tolerance, requiring increasing levels of gambling over time to achieve satisfaction. Individuals with gambling disorder also frequently experience withdrawal symptoms, including irritability and psychological distress, when they try to quit.

67. The *Harvard Gazette* reported that marketing gambling as “sweepstakes” allows the industry to evade age restrictions and attract younger audiences. Historically, well-recognized risk factors for gambling addiction included lower levels of education and lower socioeconomic status. Victor Ortiz, Director of the Massachusetts Office of Problem Gambling Services, explained that this paradigm is now shifting. Increasingly, individuals with higher levels of

¹⁷ Emily Sohn, *How gambling affects the brain and who is most vulnerable to addiction*, American Psychological Association: Monitor on Psychology (July 1, 2023), <https://www.apa.org/monitor/2023/07/how-gambling-affects-the-brain>.

education and higher economic status are also at risk. As Ortiz noted, his office is now receiving calls from people in significant distress who do not fit the traditional profile of problem gamblers.¹⁸

68. Making matters worse, Defendants’ Sweepstakes Casinos allow players to purchase SC using not only debit cards, but credit cards. Thus, unlike brick-and-mortar casinos, where players can only gamble whatever money they actually have, gambling-addicted players can lose potentially unlimited money gambling in sweepstakes casinos, even where a traditional casino would turn them away.

69. Defendants’ Sweepstakes Casinos routinely fail to pay their taxes. In 2025, the Louisiana Department of Revenue filed lawsuits against two of the nation’s largest sweepstakes casino operators, seeking a combined \$44 million in unpaid taxes, interest, and penalties, against Defendant VGW Holdings (alongside MW Services Ltd., which operates the competitor sweepstakes casinos “WOW Vegas”), alleging they failed to collect and remit sales tax on virtual currency sales to Louisiana residents despite having “a duty to collect and remit sales tax.” Defendants may have also failed to remit sales tax to the Commonwealth of Kentucky.

IV. The Harms Caused by Sweepstakes Casinos Are Exacerbated by Defendants’ Aggressive and Misleading Marketing

70. Defendants’ and their contemporaries’ explosive growth has been driven in significant part by the industry’s aggressive use of social media marketing, particularly through “influencers” who promote sweepstakes casino-style gambling. These promotional campaigns frequently feature videos and posts of prominent influencers and celebrities engaging with sweepstakes casino gaming and are designed to steer substantial commercial traffic to those platforms.

¹⁸ Clea Simon, *Gambling problems are mushrooming. Panel says we need to act now.*, The Harvard Gazette (Jan. 28, 2025), <https://news.harvard.edu/gazette/story/2025/01/online-gambling-is-on-the-rise-panel-says-we-need-to-act-now/>.

71. Defendants advertise and present their Sweepstakes Casinos to consumers in Kentucky as legitimate online businesses.

72. Specifically, Defendants' websites repeatedly and insistently market their offerings as "free social casino games" rather than casinos offering real-money gambling.¹⁹ For example, the Chumba Casino homepage states, *inter alia*:

- "It's never been easier to enjoy free social casino games and exciting slots online at Chumba. Why play free social slots & casino-style games at Chumba Casino?"²⁰
- "Love playing social casino games online for free?"²¹
- "You'll find more slots, jackpots than you can shake a cotton candy stick at. And you can play them all for free instantly, no downloading required."²²
- "There's no better place to play social casino games online for free."²³
- "Our Chumba fam loves adding new members to the clan. And the best bit? It's entirely free to sign up and play."²⁴
- "So what are you waiting for? Play free social casino games online with Chumba Casino. You won't regret it!"²⁵
- "Play social casino-style games and slots online for free at Chumba Casino!"²⁶
- "The fun never stops at Chumba Casino, and neither do our free online social casino games!"²⁷
- "Play our free online social casino games anywhere, anytime, any which way you like. And the best part? You don't have to make a purchase or download a thing! Our social casino online games are always free to play, so you can tap in and tap out as much or as little as you like. We'll bring the fun, you bring your best moves."²⁸

¹⁹ *E.g.* <https://www.chumbacasino.com/>

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

- “Over one million players love playing our free online social casino games. Why shouldn’t you enjoy them too?”²⁹

73. The LuckyLand Casino homepage states, *inter alia*:

- “DIVE INTO OUR FREE SLOT GAMES! Play in LuckyLand, where the slots and jackpots are as wondrous as the games themselves.”³⁰
- “Flocks of fun at your fingertips. Play our free social casino games whenever, wherever you want!”³¹
- “Play Free Online Slot Games at LuckyLand Slots!”³²
- “Whatever mode of play you choose, you can trust LuckyLand is a safe and secure place to play the free slot games you love. We know that peace of mind is a must when it comes to playing slots online. ***Rest assured that playing with us is 100% safe and 100% legal.***”³³

74. The Global Poker homepage states, *inter alia*:

- “GLOBAL POKER: SOCIAL, ONLINE, UNSTOPPABLE”³⁴
- “WHY PLAY FREE SOCIAL POKER ONLINE WITH GLOBAL POKER?”
- “PLAY FREE SOCIAL POKER ONLINE Feel the thrill and excitement of an online multi-table poker tournament. We’ve got every poker format covered, and you can play them all for free! Check out our wide range of free social poker tournaments online. There’s something for every poker player!”³⁵
- “HUGE EVENTS EVERY WEEK! Global Poker is the home of social poker, with huge online social poker tournaments and special events that players can always take part in for free. Test your skills and play free online social poker against the best of the best.”³⁶
- “Playing free online social poker with us couldn't be easier. Not only is

²⁹ *Id.*

³⁰ <https://luckylandslots.com/>

³¹ *Id.*

³² *Id.*

³³ *Id.* (emphasis added).

³⁴ <https://globalpoker.com/>

³⁵ <https://globalpoker.com/>

³⁶ <https://globalpoker.com/>

it entirely free to set up an account— and to play—you'll also find poker rules and hand rankings for Texas Hold'em, Omaha, Crazy Pineapple and other popular poker games, as well as poker strategy tips and helpful how-to guides to level up your poker skills.”³⁷

- “Play whenever, however you want. That’s the beauty of Global Poker — we’re always on, always free, always ready for a game. You choose the way you want to play, and we’ll be there on hand (and with our best hand) to guide you through it.”³⁸
- “At Global Poker, everyone has a shot at winning, and you can always play for free. Our social poker games, tournaments and championships are available to play using Gold Coins and Sweeps Coins. Both are different styles of gameplay, so you can choose the style that suits you most. Play with Gold Coins and the chance to win collectible Global Poker merch, or take part in our Sweepstakes promotions with Sweeps Coins for your chance to redeem some pretty epic prizes. Yeah, you heard us right. Winnings from Sweeps Coins can be redeemed for real prizes! And the best bit is there are plenty of ways to collect Sweeps Coins for free.”³⁹
- “There's no better place to learn and play free social poker online. Global Poker is home to the best social poker events online, including the Global Poker Championships. We also host the biggest weekly tournaments including our flagship Sunday Scrimmage. And the best bit? It’s entirely free to sign up and play. So what are you waiting for? Play free social poker online with Global Poker and show us what you’re made of.”⁴⁰

75. But in fact, VGW’s Sweepstakes Casinos are an illegal enterprise. VGW’s online presence and advertising provides a misleading aura of legitimacy and legality.

76. Adding to its false legitimacy, Defendants employ aggressive targeted advertising, hire celebrity marketing “partners” including Ryan Seacrest⁴¹ and Michael Phelps,⁴² and even sponsor professional sports teams, such as the Scuderia Ferrari Formula 1 team.⁴³

³⁷ <https://globalpoker.com/>

³⁸ <https://globalpoker.com/>

³⁹ <https://globalpoker.com/>

⁴⁰ <https://globalpoker.com/>

⁴¹ <https://www.vgw.co/latest-news/media-releases/ryan-seacrest/>

⁴² <https://www.vgw.co/latest-news/media-releases/vgw-global-poker-partnership-michael-phelps/>

⁴³ <https://www.vgw.co/latest-news/media-releases/vgw-scuderia-ferrari-partnership/>

77. Sweepstakes casino operators, like the Defendants, routinely pay these influencers millions of dollars annually to promote sweepstakes casino gaming through a wide range of digital content, including prerecorded videos, social media posts, live streams, giveaways, and interactive promotions. As intended, these efforts influence consumers in Kentucky and elsewhere to participate in sweepstakes casino gambling.

78. The purpose of this aggressive marketing and sponsorship strategy is clear. By aligning themselves with globally admired influencers, as well as other celebrities, athletes, and teams, sweepstakes casinos seek to normalize online gambling, increase consumer trust, and disguise the inherent risks of gambling behind an appealing, entertainment-focused image.

79. These promotional activities, however, are conducted under deeply misleading and fraudulent pretenses. When influencers purport to gamble or demonstrate gameplay on sweepstakes casino platforms, they often do not do so with their own money, despite representing to the public that they are wagering real personal funds. This material fact is not disclosed to consumers by sweepstakes casino operators or the influencers, thereby creating a false impression of the risks and rewards associated with participating on these platforms.

80. Defendants, like many casinos, also advertise their big “winners” to entice users to continue playing and wagering:

Figure 12 – Chumba Casino “Winner”⁴⁴



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⁴⁴ See Post by Chumba Casino (@ChumbaCasino), X (April 7, 2025, 10:00 AM), <https://x.com/ChumbaCasino/status/1909184374605480156>.

Figure 13 – Global Poker “Winner”⁴⁵



2FEBAE90-37AD-4D84-A732-F055C26CF4B8 : 000032 of 000049

81. Defendants’ representations provide a false perspective on the risks associated with the use of their website and give a misleading impression of the likelihood of winning.

CAUSES OF ACTION

COUNT I: RECOVERY OF MONIES LOST GAMBLING PURSUANT TO KENTUCKY LOSS RECOVERY ACT (KRS § 372.010, et. seq.)

82. Plaintiff incorporates the foregoing allegations as if fully set forth herein.

83. The Commonwealth of Kentucky’s “Recovery of money lost at gambling” statute, KRS § 372.020, provides a losing gambler with a first-party cause of action to recover any losses suffered. It reads:

If any person loses to another at one (1) time, or within twenty-four (24) hours, five dollars (\$5) or more, or anything

⁴⁵ PokerNews, "MrGoldenPair" Ships the 2024 Global Poker X PokerNews Cup Sweep Coins Freeroll Finale, <https://www.pokernews.com/tours/global-poker/2024-global-poker-x-pokernews-cup-sweeps-coins/pokernews-cup-sc-freeroll-finale/chips.668942.htm>.

of that value, and pays, transfers or delivers it, the loser or any of his creditors may recover it, or its value, from the winner, or any transferee of the winner, having notice of the consideration, by action brought within five (5) years after the payment, transfer or delivery. Recovery may be had against the winner, although the payment, transfer or delivery was made to the endorsee, assignee, or transferee of the winner. If the conveyance or transfer was of real estate, or the right thereto, in violation of KRS 372.010, the heirs of the loser may recover it back by action brought within two (2) years after his death, unless it has passed to a purchaser in good faith for valuable consideration without notice.

KRS § 372.020.

84. If a losing gambler fails to bring a recovery action under KRS § 372.020 within six months, KRS § 372.040 permits a third-party cause of action to be brought against the winning gambler by “any other person” and allows for the recovery of treble damages. It reads:

If the loser or his creditor does not, within six (6) months after its payment or delivery to the winner, sue for the money or thing lost, and prosecute the suit to recovery with due diligence, any other person may sue the winner, and recover treble the value of the money or thing lost, if suit is brought within five (5) years from the delivery or payment.

KRS § 372.020.

85. Online poker, slots, and similar casino-style gambling are illegal in Kentucky. *See supra, see also, e.g., Commonwealth ex rel. Brown v. Stars Interactive Holdings (IOM) Ltd.*, 617 S.W. 3d 792, 806 (2020) (holding § 372.020 applied to operator of online poker website).

86. Participation in the games offered in Defendants’ Sweepstakes Casinos constitutes illegal gambling under Kentucky law because the players provide consideration (e.g., purchase SC and wager the SC) and by an element of chance (e.g., by spinning a virtual slot machine or playing a blackjack hand) create a right to some things of value (e.g., additional SC that would otherwise be purchased for cash and can be cashed out for real money or cash equivalents on a 1:1 or near

1:1 basis).

87. The games in Defendants' Sweepstakes Casinos also constitute illegal lotteries under Kentucky law.

88. Defendants' Sweepstakes Casinos and the games therein also constitute illegal gambling devices under Kentucky Law.

89. As a direct and proximate result of Defendants' operation of its illegal gambling devices and lotteries, citizens of the Commonwealth lost money wagering on Defendants' games of chance.

90. Defendants are "winners" under the Loss Recovery Act because they either (1) retain the entirety of players' losses (for games such as slot machines, blackjack, and roulette) or take a "rake" of the pot in every gambling transaction (for games such as poker).

91. Pursuant to KRS § 372.010, *et. seq.*, the Commonwealth seeks (1) recovery of the equivalent value of every loss of \$5 or more within a twenty-four (24) hour period by individuals gambling in the Commonwealth of Kentucky on the Sweepstakes Casino websites within the applicable limitations period; (2) treble damages; and (3) all other relief the Court deems proper.

COUNT II: UNFAIR AND DECEPTIVE ACTS AND PRACTICES IN VIOLATION OF KENTUCKY CONSUMER PROTECTION ACT (KRS § 367.110 *et. seq.*)

92. Plaintiff repeats and realleges the preceding paragraphs of this Complaint as if fully set forth herein.

93. The KCPA prohibits "[u]nfair, false, misleading, or deceptive acts or practices in the conduct of any trade or commerce." KRS § 367.170.

94. Under KRS § 367.190, "[w]henver the Attorney General has reason to believe that any person is using, has used, or is about to use any method, act or practice declared by KRS 367.170 to be unlawful, and that proceedings would be in the public interest," he may seek

injunctive relief, and further may seek (i) a civil penalty of up to \$25,000 per violation of any temporary or permanent injunction issued under KRS § 367.190, and (ii) a civil penalty of up to \$2,000 per willful violation of the KCPA, or where the Defendants' conduct is directed at a person aged sixty (60) or older, a civil penalty of not more than \$10,000 per violation. KRS § 367.990(1)–(2).

95. The unfair, false, misleading, and/or deceptive acts willfully committed by Defendants constitute a breach of the duties enumerated under Kentucky law, including but not limited to the KCPA.

96. At all times relevant to this Complaint, Defendants violated the KCPA by willfully engaging in unfair, false, misleading, and/or deceptive acts or practices in the Commonwealth of Kentucky through the advertising, marketing, promotion, and operation of their Sweepstakes Casinos. These acts or practices are unfair in that they are unconscionable, offend public policy, and are immoral, unethical, oppressive, or unscrupulous.

97. In numerous instances Defendants willfully engaged in unfair, false, misleading, and/or deceptive acts or practices in connection with the advertising, marketing, promotion, and other representations regarding their Sweepstakes Casinos, including but not limited to statements made on their own websites, in their own marketing materials, and to online publications, including but not limited to the means described herein. Defendants made these deceptive representations and omissions, directly or indirectly, expressly or by implication, with the intent that consumers rely on the deceptive representations and omissions.

98. As set forth, *supra*, Defendants willfully failed to disclose material facts concerning the true nature of the transactions and wagers on its Sweepstakes Casino Websites.

99. As set forth, *supra*, Defendants willfully misrepresented to regulators and the public

that its Sweepstakes Casinos are legal “Social Casinos,” when in fact Defendants knew that those representations were false because the Sweepstakes Casinos are illegal gambling enterprises.

100. All the while, Defendants willfully and affirmatively made misrepresentations to the people of the Commonwealth. And, in so doing, Defendants concealed vital knowledge and information from consumers within the Commonwealth of Kentucky, resulting in significant harm.

101. Defendants have access to information and data about the safety and legality of their platform that is unavailable to their consumers, and Defendants do not share that information and data. This asymmetry of information has led to profound harm being visited upon Sweepstakes Casino users and their families.

102. For each of Defendants’ willful violations of KRS § 367.170, the Commonwealth is entitled to recover a civil penalty of not more than two thousand dollars (\$2,000) per violation, as well as all additional available relief, be it equitable (in the form of an injunction, declaratory, or other relief), or damages. The Commonwealth is also entitled to recover a civil penalty of not more than ten thousand dollars (\$10,000) per violation where the Defendants’ conduct was directed at a person aged sixty (60) or older and Defendants knew or should have known that the persons aged sixty (60) or older were substantially more vulnerable than other members of the public. *See* KRS 367.990(2).

COUNT III: UNJUST ENRICHMENT

103. Plaintiff repeats and realleges the preceding paragraphs of this Complaint as if fully set forth herein.

104. Plaintiff brings this Cause of Action for unjust enrichment against Defendants pursuant to its common law and/or *parens patriae* authority, as well as pursuant to the Attorney General’s statutory authority to initiate litigation when in the interests of the Commonwealth per KRS § 15.020(3).

105. As a direct and proximate result of the unlawful conduct described above, Defendants have been and will continue to be unjustly enriched.

106. Individuals within the Commonwealth of Kentucky have conferred a benefit on Defendants in the form of monies spent and lost gambling SC.

107. Defendants have benefited from their unlawful acts, realizing billions of dollars in revenues and profits through, *inter alia*, (i) the sale of SC to users, (ii) users' losses of those SC gambling in Defendants' Sweepstakes Casinos, (iii) the collection, accumulation, harvesting, use, and monetization of vast amounts of susceptible gambling addicts' information and data, and (iv) other revenue streams yet to be uncovered through discovery.

108. It would be inequitable and not in good conscience for Defendants to retain any ill-gotten gains earned as a result of the plainly illegal conduct alleged herein – gains that would not exist but for the misleading of and victimization of individuals in Commonwealth of Kentucky.

**COUNT IV: FORFEITURE; CIVIL PENALTY;
ACTION IN EQUITY PURSUANT TO KRS § 528.100**

109. Plaintiff repeats and realleges the preceding paragraphs of this Complaint as if fully set forth herein.

110. Under Kentucky law, a “gambling device” includes, *inter alia*, “[a]ny so-called slot machine or any other machine or mechanical device which when operated may deliver, as a result of the application of any element of chance, any money or property, or by the operation of which a person may become entitled to receive, as the result of the application of any element of chance, any money or property;” “Any other machine or any mechanical, electronic, or other device, including but not limited to roulette wheels, gambling tables and similar devices, designed and manufactured primarily for use in connection with gambling and which when operated may deliver, as the result of the application of any element of chance, any money or property, or by the

operation of which a person may become entitled to receive, as the result of the application of any element of chance, any money or property;” and “[a]ny electronic, computerized, or mechanical contrivance, terminal, machine, or other device that: a. Requires the direct or indirect payment of consideration which may include and shall not be limited to the insertion of a coin, currency, ticket, token, or similar object, or by depositing funds with the operator or owner of the device, to operate, play, or activate a game; and b. Offers games the outcomes of which are determined by any element of skill of the player and may deliver or entitle the person playing or operating the device to receive cash, cash equivalents, or gift cards or vouchers, billets, tickets, tokens, or electronic credits to be exchanged for cash or to receive merchandise or something of value, whether the payoff is made automatically from the device or manually.” *See* KRS § 528.010.

111. Defendants’ Sweepstakes Casinos, and each discrete application hosted within (electronic slot machines, poker games, etc.) are gambling devices under Kentucky law.

112. Pursuant to KRS § 528.100 “The Attorney General, the Commonwealth's attorney for any locality, or the county attorney for any locality may cause an action in equity to be brought in the name of the Commonwealth or of the locality, as applicable, to: (a) Enjoin the operation of a gambling device in violation of this section; (b) Request an attachment against all such devices and any moneys within those devices pursuant to KRS § 500.090; and (c) Recover the civil penalty not to exceed twenty-five thousand dollars (\$25,000) per device.”

113. The Commonwealth thus seeks (1) an injunction barring the operation of Defendants’ Sweepstakes Casinos within the Commonwealth of Kentucky; (2) civil penalties of twenty-five thousand dollars (\$25,000) per gambling device operated by Defendants and (3) a writ of prejudgment attachment of Defendants’ Sweepstakes Casinos.

PRAYER FOR RELIEF

WHEREFORE, the Commonwealth respectfully prays that the Court grant the following relief:

- (a) Entering an Order finding that the Defendants have violated the statutes set forth herein, and have been unjustly enriched by such, and that judgment be entered against Defendants in favor of Plaintiff;
- (b) Granting Plaintiff all recoverable measures of damages allowable under the claims identified herein;
- (c) Awarding Plaintiff civil penalties of up to \$2,000.00 per willful violation of the KCPA;
- (d) Awarding Plaintiff civil penalties of up to \$10,000.00 per willful violation of the KCPA for Defendants' conduct directed at a person aged sixty (60) or older;
- (e) Awarding Plaintiff civil penalties of \$25,000 per gambling device operated by Defendants;
- (f) Awarding Plaintiff temporary and permanent injunctive relief against Defendants' ongoing violations of the statutes referenced herein, and a civil penalty of up to \$25,000 per violation of that temporary and permanent injunction;
- (g) Awarding Plaintiff disgorgement of all of Defendants' ill-gotten gains;
- (h) Awarding Plaintiff a writ of prejudgment attachment of Defendants' Sweepstakes Casinos;
- (i) Entering an Order finding that, in accordance with the statutes referenced herein, Defendants, their affiliates, successors, transferees, assignees, and the officers, directors, partners, agents, and employees thereof, and all other persons acting or claiming to act on their behalf or in concert with them, be

enjoined and restrained from, in any manner, continuing, maintaining or renewing the conduct, alleged herein in violation of the above stated Kentucky laws, or from entering into any other contract, and/or conspiracy having a similar purpose or effect;

- (j) Allowing Plaintiff to recover the costs and expenses of suit, pre- and post-judgment interest, and reasonable attorneys’ fees as provided by law; and
- (k) Ordering such other and further relief as the Court deems just, necessary, and appropriate.

DEMAND FOR TRIAL BY JURY

Plaintiff demands a trial by jury of any and all issues in this action so triable of right.

Dated: June 17, 2026

Respectfully submitted,

By: /s/ Alex Scutchfield

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* *Pro hac vice* application forthcoming

EXHIBIT 1

For personal use only



PROSPECTUS SYNERGY PLUS LIMITED

TO BE RENAMED VGW GAMING LIMITED

ACN 091 126 082



Corporate Advisors:
indianocean
INDIAN OCEAN CAPITAL ADVISORS PTY LTD

Prospectus

For a public offer of up to 70,000,000 Shares (post-Consolidation) at an issue price of \$0.05 per New Share to raise up to \$3,500,000 (**Public Offer**).

The Public Offer is scheduled to close at 5:00pm (WST) on 9 February 2016 unless extended or withdrawn. Applications must be received before that time to be valid.

This Prospectus also contains:

- an offer of up to 932,183,398 Shares and 95,662,112 Options (post-Consolidation) to the VGW Holdings Vendors in consideration for the acquisition of all of the issued capital in VGW Holdings (**VGW Holdings Offer**). Refer to Section 2.1.2 of this Prospectus for further details of the VGW Holdings Offer;
 - an offer of up to 19,000,000 Shares (post-Consolidation) to the Synergy Lenders in consideration for conversion and repayment of the SNR Lenders (**SNR Lender Offer**). Refer to Section 2.1.3 of this Prospectus for further details of the SNR Lender Offer;
 - an offer of up to 20,000,000 Shares and 6,000,000 Options (post-Consolidation) to Minimum Risk in consideration for conversion and repayment of the Minimum Risk Loan (**Minimum Risk Offer**). Refer to Section 2.1.4 of this Prospectus for further details of the Minimum Risk Offer;
 - an offer of up to 47,350,067 Employee Loan Shares and 96,926,780 Employee Incentive Options (post-Consolidation) to the VGW Holdings employee (**Employee Offer**). Refer to Section 2.1.5 of this Prospectus for further details of the Employee Offer;
 - an offer of up to 9,000,000 Options (post-Consolidation) to the Company's incoming Executive Chairman, Mr Nigel Blythe-Tinker (**Chairman Offer**). Refer to Section 2.1.6 of this Prospectus for further details of the Chairman Offer;
 - an offer of up to 650,000,000 Performance Shares (post-Consolidation) to Lance East Corporation (**Lance East Offer**). Refer to Section 2.1.7 of this Prospectus for further details of the Lance East Offer; and
 - an offer of up to 72,500,000 New Options (post-Consolidation) to Minimum Risk (or its nominee) as part consideration for underwriting the Public Offer (**Underwriter Offer**). Refer to Section 2.1.8 of this Prospectus for further details of the Underwriter Offer.
- (collectively, the **Transaction Offers**)

The Transaction Offers are scheduled to close at 5:00pm (WST) on 9 February 2016 unless extended or withdrawn. Application must be received before that time to be valid.

Completion of each of the Offers is conditional upon Shareholders approving, at the General Meeting to be held on 29 January 2016, various resolutions, including the change in nature and scale of activities, consolidation of capital and the issue of the Shares and Options offered by this Prospectus. Please refer to Section 2.2 of this Prospectus for further details.

IMPORTANT INFORMATION

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

All references to Securities in this Prospectus are made on the basis that the 50:1 Consolidation, unless otherwise stated, for which Shareholder approval is being sought at the General Meeting to be held on 29 January 2016, has taken effect.

This is an important document that should be read in its entirety.

If you do not understand it you should consult your professional advisers without delay. The Securities offered by this Prospectus should be considered highly speculative.

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4 Independent Industry Report

Premium business solutions



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AUSTRALIAN SECURITIES EXCHANGE (ASX) LISTING

US Gaming Industry – Independent Market Report

January 2016

Prepared for: Virtual Gaming Worlds

Prepared by: H2 Gambling Capital

EXECUTIVE SUMMARY

This report has been prepared by H2 Gambling Capital (H2) – the leading authority regarding market intelligence on the global gambling industry. It provides an independent assessment of the current US gaming market to sit within the prospectus documentation relating to the intended listing of Virtual Gaming Worlds (VGW) on the Australian Stock Exchange (ASX) during early 2016. As standard, H2 reports in EUR€ (as the most widely-used currency in the sector) and primarily utilises the ‘gross win’ metric to value the gambling sector.

The report’s findings lead us to conclude that in all 3 segments of real money gaming, social casino and internet sweepstakes, the US market remains strong, with considerable further growth still to come over the next 5 years to the end of the decade. The following numbers in particular sum up the potential:

Global vs US Gaming Market Growth 2014-2020 Overall Summary

	Global GGR			US		
	2014 (€bn)	2020 (€bn)	CAGR	2014 (€bn)	2020 (€bn)	CAGR
Land-based Gaming	332.0	357.0	1.2%	104.8	117.1	1.9%
Real Money Online Gaming	32.0	52.0	8.4%	2.5	6.7	17.9%
Social Casino Gaming	2.6	4.1	7.8%	0.8	2.0	16.0%
Sweepstakes Gaming	N/A	N/A	N/A	11.1	17.3	7.7%

Source: H2 Gambling Capital, 2015

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The following conclusions are drawn:

- 1 Global real money gaming growth is on a **steady upwards trajectory**.
- 2 **The US, despite significant prohibition, remains by far the largest gaming market in the world.**
- 3 Global gaming gross win reached **€364.0bn** in 2014 and will continue to grow at a **2.0% CAGR** from **2015 to 2020** to reach **€409.3bn** by the end of the decade.
- 4 The real money online gaming sector reached **€32.0bn** global gross win in 2014, growing at **8x the rate of its land-based equivalent** over the last 10 years, with no signs of this trend slowing down.
- 5 **750 million** people play social games worldwide, the majority (**24.5%**) aged over **46+ years**.
- 6 In the US, there are over **200 million players**, with 50% of social networking users and 34% of internet users playing social games.
- 7 **'Social casino'** is by far **the most popular form** of social gaming in the world.
- 8 Global social casino revenues were **€2.64bn** in 2014, and by 2019, will reach **€4.14bn GGR**, at a **CAGR of 7.8%**.
- 9 The US represents **the largest social casino market in the world**, with **€0.85bn** or **32%** of the global market in 2014.
- 10 Growth is expected to rise at a **CAGR of 16.0%**, so that by 2019, the US will have **over 50%** of the world's social casino market (**€2.07bn**).
- 11 **'Sweepstakes'** are a unique concept and not classed as gaming within the sector because they are **free to enter**.
- 12 If analysed against the potential value of the US real money online gaming if regulated, the actual market value for the sweepstakes gaming model could be as much as **\$12.2bn** today, or **\$82bn** over a 5-year period.
- 13 **Internet Sweepstakes Cafes** have evolved and proliferated across the US over the last 10 years, **but are equally as applicable** across many of the world's Top 30 gaming nations.
- 14 **Internet Sweepstakes Cafes** are reported to have turned over **\$10bn (€9.4bn)** in 2015, with **over 5,000** now operating in **12 states**.

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SECTION 3: US INTERNET SWEEPSTAKES GAMING

'Sweepstakes' are a unique concept and not classed as gambling within the sector because they are free to enter.

If assessed against the potential value of the US real money online gaming if regulated, the actual market value for the sweepstakes model could be as much as \$12.2bn today, or \$82bn over a 5-year period.

Internet Sweepstakes Cafes provide a land-based example that has evolved and proliferated across the US over the last 10 years, but are equally as applicable across many of the world's Top 30 gaming nations.

Internet Sweepstakes Cafes are reported as turning over \$10bn (€9.4bn) annually in 2015, with over 5,000 now operating in 12 states.

DEFINITION

65 'Sweepstakes' are a particular form of gaming in which all stakes in the game are offered at no charge to the participants, and its associated prizes are divided up amongst its winners. They are a unique concept within the sector as they are not classed legally as gambling or lotteries. They are instead considered a free to enter promotion in which a cash prize is awarded to its participants, even though this is won on the basis of chance, not skill.⁶

66 Sweepstakes are globally used as a form of trade promotion, but they have gained particular traction in the US recently, and are now considered a real market opportunity, as well as an innovative way of combining land-based and online gaming. Under US gambling law, if the sweepstakes participant can play a game for free (i.e. with no paid-in consideration), then it does not matter if the outcome is determined more by chance than skill, prizes can still be won. No-purchase-necessary sweepstakes have been common in the US since at least 1954, when the US Supreme Court ruled that the television game show *Name That Tune* was not a lottery, given contestants at home could enter by sending in a postcard. Sweepstakes do not involve 'consideration' because the player does not pay to enter, rather their entry is supplementary to a related purchase.

67 Over the last 10 years, 'Internet Sweepstakes Cafes' have evolved and proliferated across the US. They operate as internet cafes that offer their customers entrance into a sweepstakes draw upon the purchase of a product, often internet time or telephone call minutes. The participant can find out whether they have won the pre-determined draw by a simple reveal but many choose to do so through a programme that simulates a slot machine or poker game. This may even include an online element, but neither the presentation nor their interaction affects the outcome of the draw.

68 Increasingly sweepstakes gaming has emerged out of these cafes, with consumer products allowing 'free' entrance into games in which cash prizes can be won in return.

MARKET SIZE – GLOBAL V US

69 There is far less reported data on Internet Sweepstakes Gaming (Internet Sweepstakes Gaming or ISG) than any other form of gaming.

70 Sweepstakes are an established form of trade promotion in many of the more developed international economies, and while the US market has demonstrated the highest rate of adoption of the internet sweepstakes cafe business model, it is equally applicable across the majority of the world's top 30 gaming nations (see Fig 6 earlier).

6 <http://www.sweepstakeslaw.com/internet-sweepstakes.html>

US Potential Activity

- 71 There is a significant opportunity for Internet Sweepstakes Gaming in the United States market. The size of the market opportunity could be estimated based on the total size of the US online real money gaming market (particularly casino, poker and lottery) if it was fully regulated and licensed across the US, as this, in comparative terms, ultimately represents the market (estimated below in US\$) within which **the internet sweepstakes cafe model presently operates**.
- 72 Only \$2.82bn (or 2.4%) of all US real money gaming was online in 2014. Although this number positions the United States as the 4th largest online gaming market in the world, H2 is confident that it does not represent anywhere near the present potential for onshore regulated online gaming in the US at this time. This is because the 3 states currently legalised (Delaware, Nevada and New Jersey) have all operated under significant open market constraints – including a lack of a critical mass of other states in the market (liquidity); limited acceptance of payment credit cards, and key restrictions on advertising (the lifeline of the online operator).
- 73 In considering both this and the 'potential' US activity nationwide, H2 believes it is conservative to focus on the 24 states in which land-based gaming is legal and regulated, namely: Nevada, South Dakota, Colorado, New Mexico, Kansas, Oklahoma, Iowa, Missouri, Illinois, Michigan, Indiana, Ohio, West Virginia, Louisiana, Mississippi, Florida, Pennsylvania, New York, Maryland, Delaware, New Jersey, Rhode Island, Massachusetts and Maine.
- 74 H2's has estimated the size of the market opportunity for Internet Sweepstakes Gaming in the US based on its estimate of the size of the online real money casino and poker gaming market, increasing to \$9.3bn gross win within 1 year and reaching \$14.4bn within 5 years, with a total of c\$60bn over the first 5 years. For lottery, it would result in an additional \$2.9bn within year 1, rising to \$4.6bn by year 5, with a first 5 year total of c\$22bn. H2 estimates a total US online real money gaming market size of \$12.2bn today, \$19.0bn in 2020 and a total amount of \$82bn over the full five year period.
- 75 As it is difficult, to predict legislative movement at a US Federal level over the next 5 years, it is reasonable to develop a more realistic 'base case' estimate of the market size, somewhere in the realm of about half of the above estimates. H2 estimates this 'base case' could be achieved if just 8-10 key states, including the addition of the four states actively considering online regulation currently (i.e. California, Illinois, New York and Pennsylvania), which would get the estimation to c50% of the potential value. However this would be predicated on all 3 of the above issues being addressed, including the ability to pool liquidity and operate across states but be locally licensed (as is the case currently with US horse race betting).

US Current Activity

- 76 In terms of current US market size, the American Gaming Association has estimated that there are presently 5,000 internet sweepstakes cafes operating in 12 states across the US.⁷ Internet sweepstakes cafes are estimated to turnover \$10bn (€9.4bn) annually in 2015⁸.

7 ASA 'Internet sweepstakes cafes: unregulated storefront gambling in the neighborhood' - <https://www.americangaming.org/research/white-papers/internet-sweepstakes-cafes> and <http://www.latimes.com/local/lanow/la-me-ln-sweepstakes-games-20150625-story.html>

8 ASA 'Internet sweepstakes cafes: unregulated storefront gambling in the neighborhood' - <https://www.americangaming.org/research/white-papers/internet-sweepstakes-cafes> and <http://www.latimes.com/local/lanow/la-me-ln-sweepstakes-games-20150625-story.html>