



Global Market Advisors

DENVER

LAS VEGAS

SINGAPORE

State Legislative Update on U.S. Sports Betting & Online Gaming – April 2021

In partnership with Truist Securities, Global Market Advisors publishes a monthly legislative update on sports betting and online gaming throughout the United States. This provides insights and commentary on several key aspects of the market and the surrounding political narrative effecting the legalization of sports betting, gaming, and other issues. A link to the full Truist Securities report can found [here](#).

The more things change, the more they stay the same

A year after the start of the Great Shutdown, the gaming and sports worlds are returning. The NCAA Division I Men's basketball tournament ran its course with no major problems. The Masters is in full bloom in Augusta, and MLB threw its first pitch at the start of this month. This is all occurring while fans are returning to games and events as stadium capacity increases.

Legislative sessions are also in full bloom, with most of these sessions hitting their stride as some deadlines have passed while others are fast approaching. Several states are trying to get sports betting across the finish line before their session expires. Many of these are running into challenges, not just from a timing standpoint but also due to the legislative process. As seen in Georgia, sports betting died because of the voter law and the difference between parties. This is just one example of how legislation can either be changed dramatically, get killed, or die under its own death through the sheer weight of the process of legislation. While the issues may change over time, the same factors can make or break the process and cause well-intentioned groups and caucuses come apart because of other issues.

With the one-year mark passing since sports were shut down last spring, new markets will start to respond to a stabilized sports calendar. More established markets will show the ability to maintain the increases they saw once sports returned initially, as well as how markets may stabilize over the coming years. Additionally, new markets including Virginia, which launched at

LAS VEGAS



SINGAPORE



DENVER

www.GlobalMarketAdvisors.com

the end of January, will hope to reap the benefits of commercial sports betting tax revenues that have stuttered thus far.

U.S. Sports Betting Comparables - Select Markets									
State	Timeframe	Sports Betting			Taxes Collected (\$MM)	Total Gaming Revenue (\$MM)	Sports Betting % of Total Gaming	Adult Population (21+, MM)	Sports Betting Win per Adult
		Handle (\$MM)	Revenue (\$MM)	Hold %					
Nevada	TTM Feb'21	\$ 4,389.2	\$ 288.8	6.6%	\$ 19.5	\$ 7,327.2	3.8%	2.3	\$123.45
Delaware	TTM Feb'21	\$ 60.4	\$ 10.4	17.2%	\$ 6.0	\$ 304.5	3.3%	0.7	\$13.82
New Jersey	TTM Feb'21	\$ 6,683.7	\$ 464.1	6.9%	\$ 57.3	\$ 1,410.2	24.8%	6.8	\$68.42
Mississippi	TTM Feb'21	\$ 399.6	\$ 50.7	12.7%	\$ 6.1	\$ 1,874.1	2.6%	2.2	\$23.55
West Virginia	TTM Feb'21	\$ 301.4	\$ 23.6	7.8%	\$ 2.4	\$ 365.1	6.1%	1.4	\$18.76
Pennsylvania	TTM Feb'21	\$ 3,986.9	\$ 226.8	5.7%	\$ 76.2	\$ 1,817.1	11.1%	9.7	\$23.45
Rhode Island	TTM Feb'21	\$ 240.8	\$ 39.6	16.5%	\$ 20.2	\$ 272.3	12.7%	0.8	\$49.01
Arkansas	TTM Feb'21	\$ 37.7	\$ 5.7	15.1%	\$ 0.8	\$ 340.3	1.6%	2.2	\$2.57
Iowa	TTM Feb'21	\$ 798.1	\$ 60.5	7.6%	\$ 4.1	\$ 1,133.0	5.1%	2.3	\$26.23
Indiana*	TTM Feb'21	\$ 2,033.2	\$ 176.3	8.7%	\$ 15.3	\$ 1,301.0	11.9%	4.9	\$36.08
Michigan*	TTM Feb'21	\$ 190.2	\$ 22.3	11.7%	\$ 1.9	\$ 551.9	3.9%	7.4	\$2.99
Illinois	TTM Feb'21	\$ 2,973.8	\$ 86.6	2.9%	\$ 13.0	\$ 480.8	18.0%	9.4	\$9.22
Colorado	Since Launch (May'20)	\$ 1,511.8	\$ 103.8	6.9%	\$ 4.5	\$ 457.9	18.5%	4.3	\$28.82
New Hampshire	Since Launch (Jul'20)	\$ 366.6	\$ 24.4	6.7%	\$ 11.3	N/A	N/A	1.0	\$35.00
Washington D.C.	Since Launch (Jul'20)	\$ 83.5	\$ 12.7	15.2%	\$ 1.3	N/A	N/A	0.5	\$35.00
Tennessee	Since Launch (Nov'20)	\$ 131.4	\$ 13.2	10.1%	\$ 2.4	N/A	N/A	5.1	\$31.58
Virginia	Since Launch (Jan'21)	\$ 324.7	\$ 15.8	4.9%	\$ 0.3	N/A	N/A	6.4	\$15.71
Average Without Nevada				6.7%			12.5%		\$23.83

Source: Global Market Advisors
* excludes tribal gaming revenues

One new state that just launched in the last couple of weeks is North Carolina, which first authorized sports betting for tribal organizations almost two years ago. North Carolina is likely to consider some additional options during its current session as the state released nearly two-year-old studies to evaluate the broader opportunity for sports betting and other forms of gaming. While some view the spectrum of numbers as skewed, it does provide some foray into the initial conversation.

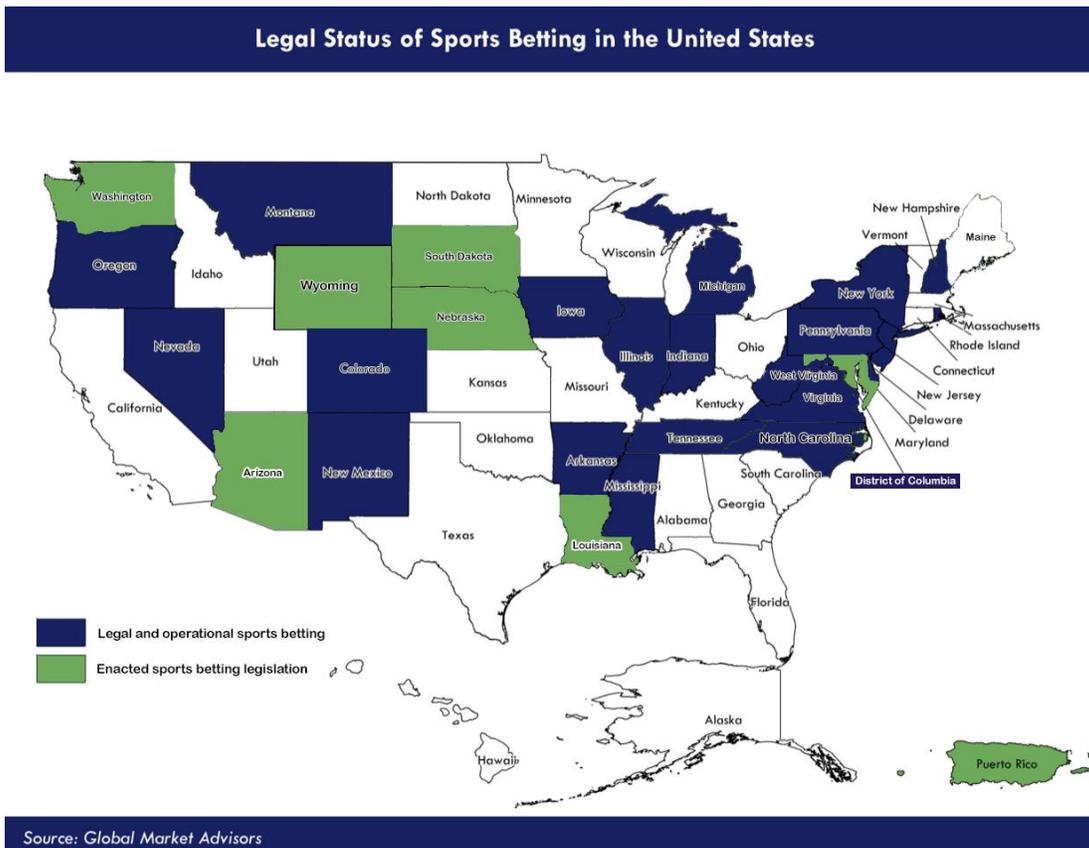
Michigan's launch into iGaming has proven to be a success and provided another strong model for other states to follow. This is even more important as Michigan provides an environment that allows both commercial and tribal entities to coexist and effectively compete against each other. This does add another layer of the process for tribal entities on the regulatory side; on top of dealing with their local commission, they now also must work with the state's commission. However, as has been seen with many of these tribal nations, it has been a good process in their negotiations, and they are having success in the online space to complement their existing brick-and-mortar facilities.



U.S. iGaming Revenues				
State	Timeframe	Revenue (\$mm)	Adult Pop. (mm)	Win Per Capita
New Jersey	TTM Feb'21	\$ 1,062.8	6.8	\$156.80
Delaware	TTM Feb'21	\$ 7.6	0.7	\$10.29
Pennsylvania	TTM Feb'21	\$ 684.4	9.7	\$70.84
West Virginia	Since Launch (Jul'20)	\$ 9.8	1.4	\$11.33
Michigan	Since Launch (Jan'21)	\$ 102.7	7.5	\$86.71
Average Win Per Capita:				\$92.96

Source: GMA

iGaming will still face a slower adoption over the course of time. The revenue opportunity is greater for operators as well as states, but long-held misnomers of cannibalization linger. It is also a greater revenue opportunity under the right tax structure for the state. However, there are challenges on both sides of the aisle (operators and legislators to proceed forward). Part of this can be seen in Nevada where some operators remain opposed to full iGaming, just as they do to mobile registration for sports betting. Its legislature seems more interested in forming an esports commission (which is a strong concept to its credit) over modernizing the gaming regulations as Nevada slips from its status as the gold standard in sports and iGaming regulation.



LEGISLATIVE LANDSCAPE LOOMS

Some states' sessions have already adjourned, and sports betting has passed in South Dakota and Wyoming. Georgia took a pass until maybe next year to address sports betting and land-based gaming to put the issue before the voters. On April 12th, Louisiana starts its effort to proceed forward with its session, with sports betting being one out of multiple gaming related topics that they will consider. As states continue to push forward, they are still well within the window to have their regulatory structure in place to push forward and launch sports betting by the start of the college and professional football seasons late in the summer.

With more than a handful of jurisdictions that are undergoing the regulatory process or renegotiating their compacts, the challenge still remains to get it right. This is not about reinventing the wheel, but rather using sound policy to craft the ideal market for each jurisdiction. Models such as the District of Columbia should not be replicated, both in structure and in regulation. Jurisdictions such as Indiana and New Jersey continue to pave a prudent path forward.

WILL ANYONE BE WANT TO BE A PART OF IT?

New York went into overtime with its budget, missing the April 1st deadline. However, as part of this effort, it did include mobile sports betting along with a request for information (“RFI”) process for downstate casinos in New York in the budget bill. The bill would create a “hybrid” model that allows the Gaming Commission to pick two platforms to operate mobile sports betting in the state, with a minimum of four skins. Each platform will pay a \$25 million license fee. The process for the selection of platform providers will begin on July 1st, and the Commission has 150 days to select the providers. As part of the RFP, bidders will have to discuss the market potential, revenue opportunity, marketing and business plans, timeline for implementation, diversity, integrity, and user experience. The RFP also has a one-word mention of the tribal interests in New York, suggesting that including tribes in the revenue share may garner more points in the RFP process. The two platforms will be taxed at the same tax rate, but that will be part of their bid process and must be greater than 12 percent. The Gaming Commission must also put into place the regulatory structure for mobile sports betting. The land-based casinos will start an RFI process later this year to determine the market potential and value of the license. A report will be submitted to the Governor and Legislature with the RFI findings.

While a wide range of operators are looking for their best partner and will attempt to be a part of the market, the process might be one of the worst ever created for a potentially dynamic market. The bill likely limits the options available to consumers and constrains the market in the number of operators that are willing to pay the high tax rate that is likely going to be included in



individual bids. New Hampshire is the last state to attempt a similar process, and not one jurisdiction – with the exception now of New York – is clamoring to repeat a substandard market outcome.

Plain and simple, this is a bad bill, and no bill at this point would be better than a bad bill. The legislation will leave money on the table and will not maximize the revenue opportunity. It would have been best served to take this out of the budget discussion and fight another day. New Jersey and Pennsylvania will continue to thank Governor Cuomo for his stubbornness on the issue. The “hybrid” model provides little opportunity for competition under a platform/skin model. While there are thoughts of expansion to kiosks, etc., it is yet to be determined how that model may evolve over time, or rather how quickly it will need to evolve.

The initial \$25 million license fee for platforms now becomes the highest in the country; the amount for mobile operators is yet to be determined. The layout of how to operationalize sports betting in New York is that the bill will have to pass before stakeholders even know what’s in it. The tribal communities have one mention in the entire sports betting section that provides little assurance that they would be included in the market, leaving the process, as well as the general constitutionality, open for legal challenges. The timeline for regulations and an RFP is tight and puts tremendous pressure and power in the hands of the Gaming Commission.

The platform model will likely lead to the formation of consortiums to gain access to multiple skins. With two platforms and likely two or more skins per platform, groups like Flutter (FanDuel/FoxBet), Caesars/William Hill, or others may have an edge in the bidding process. The problem still remains that everyone must pay the same rate, so the second-place winner will have to increase their bid in order to be awarded the second platform.

While legislative leadership has asked New Yorkers to abandon their existing sports betting platforms, whether that be illegal books or those based across the border in Pennsylvania or New Jersey, people enjoy convenience, and today’s legislation does little to change those patterns with the potential exception of a few providers. While there continues to be hope that this can be modeled differently, the parameters leave little for this to occur. Legislative leadership should have walked on the issue to fight another day, a day that may not include Cuomo at the table considering his treatment of the issue, on top of other controversies surrounding him. If it holds, Andrew Cuomo may be to sports betting what Mario Cuomo was to NYRA, a meddler who hamstrung the industry by not crafting the right policy for it to succeed.



RIDE'M COWBOY

Wyoming became the second state to pass enabling legislation in 2021. The state crafted a mobile-only market to be regulated by the Wyoming Gaming Commission. As the second mobile-only state, it provides another potential model to craft a market, one that hopefully is better than what Tennessee has become (as discussed below). The Commission is tasked with a September 1 deadline as established by the legislation to have sports betting regulated and moving forward on the high plains. The challenge for this new Commission, which began just a year ago as legislation transitioned from the parimutuel board, will be to handle sports betting more effectively than the skill-based games, which required a clean-up bill this year to address several issues.

ROCKY TOP TROUBLES

Tennessee, which is the first state to have a mobile-only solution for sports betting, ran again into the buzzsaw with the same operator. 24/7 Action, a local Tennessee-based sports book, was already under scrutiny because of its relationship and practices with its sister company, a payday lending business. This has created several challenges in operations and for responsible gaming issues. This came further to a head when in mid-March, as their license was temporarily suspended because of anti-money laundering issues. While a friendly court reinstated their license, the investigation and hearing will still continue. This has caused the legislature to react on a bill already based on the predatory lending that was being done by 24/7 for sports wagering but now has tainted the picture further.

The legislative process for this has likely gone into the next session as time is short, and 24/7 has lobbied heavily to delay the effort. The challenge going forward is how to corral a cowboy organization that taunted the regulator after its judicial process to confirm what every other operator knows is more than a blemish on the industry. There are strong, solid operators in the market, but 24/7 whether out of naivety or lack of effort continues to show why startups that do not want to conform to a strict regulatory market do not belong in this space, even in Tennessee that is poorly crafted with its tax rate and mandatory minimum hold percentage.

HERE COMES THE ROOSTER

Puerto Rico continues to drag along in the process for a jurisdiction that initially legalized sports betting back in July 2019. Granted that this was four Governorships and at least two gaming commissioners later, but Puerto Rico continues to face challenges with implementations of its regulatory structure. As some may recall, the legislation and the regulations even allow those in the Rooster industry (Cockfighting) the ability to have a sports betting license, at no cost for ten years. This is because of the ban implement through the 2018 Federal Farm bill. The current regulations are taken from a page out of the District of Columbia.



The challenge with Puerto Rico is that there are solid casino operators and solid sports betting providers that want to see a properly constructed market. Local officials and stakeholders who are not necessarily in the gaming space today but have an interest in the market do not necessarily share those same views. The same can be said for the Adult Entertainment Machines (“AEMs”) that proliferate throughout the market, and an effort to formally license these machines would cut into the existing gaming market. Unfortunately, under Puerto Rico law, this cannot occur through the Fiscal Board because of the decrease in revenue that will be found in the gaming revenue line of the budget. It will take some time to get this right, but responsible people who understand the industry will have to work through the issues as opposed to those that have tried to set the table to date.

MARYLAND AT THE WIRE

Maryland became the third state to pass sports betting enabling legislation in 2021. While it had been approved by the voters this past November, the Maryland Legislature still had to put forward a piece of enabling legislation; the amendment put before voters was basically an advisory question on whether or not they wanted sports betting in the state. The Legislature is in the same position it was a year ago of trying to get something done at the last minute as the session expires. The Senate was the last body to modify the language but needed the House to concur on its amended version of the bill. The passed version of the bill would provide an interesting construct of an open licensing process, relying heavily on incorporating diverse businesses into the mix. This is the first strong attempt at the diversity question that has started to arise in the mid-Atlantic state. The bill offers enough land-based and mobile licenses to accommodate the usual suspects of operators that are interested in having a license. Maryland now has the task of writing the regulations to operate sports betting. There is no reason that some operators cannot launch by this fall to compete with Virginia and Pennsylvania in the Mid-Atlantic market.

WIN OUT WEST

Arizona became the fourth state to pass sports betting this year, as the Senate concurred with the House version of a bill that had passed weeks earlier. When first introduced at the beginning of the session, two identical bills were introduced, one in the House and one in the Senate. While the House had some issues with its first hearing, the buzzsaw hit on the Senate side and continued to block any movement on sports betting.

In March, sports betting had another hiccup when an amended bill was brought forward to have allowed another license on the sports side of this equation. This would have allowed a convention center to be the recipient of a license based on the Barret Jackson show, a motor show held annually in Arizona. The bill was killed as its drafter left out the thousands that were



originally to be included in the attendance figure, listing 150 individuals as opposed to the correct figure of 150,000. While it is unknown if such bill would have been adopted as part of the overall effort, it does bring into focus the sloppiness that can occur, along with some further doubt in tribal minds to trust what has been negotiated in the amended compacts with the Governor.

After much debate, the Senate approved an amendment to SB1797 with the language from the current version of HB2772. On a 23-6-1 vote, the Senate passed the bill that approved what Governor Ducey had negotiated through the amended compacts that allows sports betting, fantasy sports, and electronic keno. In addition to allowing tribes to offer sports betting on sovereign land, it allows up to ten mobile licenses to tribes and ten to professional sports. There are also operational challenges with this bill in the number of licenses on the sports side that will sit idle, and on the tribal side that may exceed the maximum for statewide mobile wagering. It would have been better served to follow the Michigan model than trying to create a new structure with artificial license limits and guaranteeing professional teams the access to a license, even though they would not face suitability screening directly.

WHAT'S NEXT

The next few weeks will prove interesting as some of the states above close out their sessions. Some other states, such as North Carolina and Maine, have just recently introduced bills on sports betting. Connecticut now has a deal in principle but has to get through the legislative process. Large states like Texas and Florida will continue to dance around the issue in the coming months with maybe some movement, but this will likely become part of a broader conversation over the next year. The same goes for Ohio that claims it will have a bill later this spring, but passage will likely not happen until later this year if consensus can be reached. Nebraska will also debate its 'all games of chance' bill to hopefully start the right regulatory process to move forward with casinos and sports betting in the mix. There is a lot of game to be played with lots of action across the United States.



ABOUT GLOBAL MARKET ADVISORS, LLC

GMA is the leading international provider of consulting services to the gaming, entertainment, sports, and hospitality, industries. The company provides clients with strategic planning, market feasibility studies, primary research, due diligence, general counsel, payroll control, operations analyses, government relations, crisis communications, responsible gaming initiatives, business and marketing plans, and reward program design. GMA also assists governments in developing public policy for integrated resorts, evaluating new markets and opportunities for public and private companies, and with due diligence for potential acquisitions. GMA's clients consist of the majority of public gaming companies, more than 75 Native American tribes, commercial and investment banks, and government agencies. The firm maintains active clients in Asia, the Americas, and Europe with offices located in Denver, CO; Las Vegas, NV; and Bangkok, Thailand. More information can be found by visiting www.globalmarketadvisors.com.



CONTACT INFORMATION

Brendan D. Bussmann

Partner, Director of Government Affairs

bdb@globalmarketadvisors.com

DISCLAIMER

Global Market Advisors, LLC does not represent, through the information contained in this report, the views of any government, nor its agents, nor its officials, nor its affiliates. Global Market Advisors, LLC may, through its advisory and consulting relationships, financially benefit from the success of the subject matter discussed herein. Global Market Advisors, LLC is not a registered investment adviser in any jurisdiction, and it does not represent itself to be. Global Market Advisors, LLC does not provide any recommendations or opinions on financial securities. This research report was prepared independently and no entity other than Global Market Advisors, LLC financially supported the preparation, authoring, and distribution of this report. This research report does not constitute investment advice, financial advice, or advisory services. There could be gross errors contained in this report.

This report is non-specific in nature and no personal specific advice is provided within it. You, or the entity you are affiliated with, shall not use information in this research report as the basis for any decision-making process. Global Market Advisors, LLC, its officers, its members and the author of this report shall not be held professionally or personally liable for any errors or omissions contained herein and are hereby indemnified in full by your agreement with these terms. By accessing, reading, storing, distributing and archiving this research report, you hereby agree, fully, and without dispute, to all terms and conditions contained in this 'Disclaimer, Terms & Conditions of Use'. All terms and conditions herein shall be subject to the full and primary legal interpretation and jurisdiction by courts located in the State of Nevada, United States of America.

Global Market Advisors, LLC does not warrant or imply any guarantees or promises contained in this report; verbally expressed, either explicit or implicit. All trademarks and copyrights contained within this document are property of Global Market Advisors, LLC. Global Market Advisors, LLC is a limited liability company formed and operating under the laws of the State of Nevada, United States of America.