



Global Market Advisors

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State Legislative Update on U.S. Sports Betting & Online Gaming – June 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 Race to the Starting Line

It has now been more than three years since the repeal of PASPA, with the New Jersey and Delaware markets reaching their three-year anniversary since launching sports betting operations. It has also been three years of ups and down with the sports calendar and with sports betting revenue. Revenue for the most part continues to climb, although it is difficult to find a stabilized year of data over the last twelve months due to the pandemic. While it may be some time as the border wars continue, it will be critical to understand the full growth potential for this expansion opportunity in the gaming industry.

The industry continues to face the challenges of SARS-CoV-2, as seen most recently during the Memorial Tournament on the PGA Tour. Jon Rahm, who at the time was up by six strokes, had to withdraw from the tournament because of a positive test. While the PGA let him finish the round and notify him in a bizarre 18th hole revelation, it reminds the sports community that this pandemic is far from over, especially on a global scale. Sportsbooks took the change in the market in different ways with some counting it as a withdrawal and returning wagers to players, while others took it as win for Rahm who had a dominant lead. This did lead to several conversations throughout the industry on how to deal with these and other incidents in the future, as well as the implications on responsible gaming and potential effects into the future.

Heading into the fall, this will likely not be the last of such incidents that could change the outcome of a game, contest, or individual wager. Some challenges have been seen during the European Championship in soccer where last-minute accommodations being made to deal with

outbreaks among teams. The Olympics will likely prove to be the next major test as the Games will go on in Tokyo. While special measures including GPS tracking will be a part of one of the most interesting Games in a generation (if not a lifetime), it will continue to remind the sports world of the challenges, obstacles, and strides made to overcome the pandemic. This event will also serve as a reminder of what sports look like without fans in the stands. Most venues in the United States have returned to pre-pandemic capacity levels, and many other jurisdictions around the world are on track to do the same in the near future.

Sports betting revenue continue to chart upwards across most reportable U.S. jurisdictions. As new markets emerge, it is a race to become the next market to reach \$1 billion in handle to see how quickly a state can achieve this level of wagers. While there are several factors that may skew the comparison state by state, it does go to show the potential for continued growth of legal sports betting. This includes not only those that are new to the action, but also the transition from the black market into the legal market. The latter is still dependent on crafting the right market that allows legal operators to compete with low tax rates and significant up-front marketing expenses against an entrenched market that does not pay taxes; in many cases, people believe their illegal platform would ne be legal because the market had been legalized.

U.S. Sports Betting Comparables - Select Markets								
State	Timeframe	Sports Betting			Taxes	Total Gaming	Sports Betting	Sports Betting Win per Adult
		Handle (\$MM)	Revenue (\$MM)	Hold %	Collected (\$MM)	Revenue (\$MM)	% of Total Gaming	
Nevada	TTM Apr'21	\$ 5,376.3	\$ 353.8	6.6%	\$ 23.9	\$ 8,813.3	3.9%	\$152.04
Delaware	TTM Apr'21	\$ 68.7	\$ 10.8	15.7%	\$ 7.0	\$ 279.0	3.7%	\$14.51
New Jersey	TTM Apr'21	\$ 7,306.8	\$ 563.8	7.7%	\$ 69.7	\$ 1,699.6	24.9%	\$83.06
Mississippi	TTM Apr'21	\$ 472.4	\$ 59.6	12.6%	\$ 7.2	\$ 2,276.5	2.6%	\$27.66
West Virginia	TTM Apr'21	\$ 521.7	\$ 40.0	7.7%	\$ 4.0	\$ 347.2	6.7%	\$18.37
Pennsylvania	TTM Apr'21	\$ 4,767.7	\$ 287.6	6.0%	\$ 90.4	\$ 2,235.5	11.4%	\$29.74
Rhode Island	TTM Apr'21	\$ 298.8	\$ 45.9	15.4%	\$ 23.4	\$ 346.6	11.7%	\$56.74
Arkansas	TTM Apr'21	\$ 46.1	\$ 7.0	15.3%	\$ 1.0	\$ 455.9	1.5%	\$3.17
Iowa	TTM Apr'21	\$ 997.8	\$ 75.3	7.5%	\$ 5.1	\$ 1,422.6	5.0%	\$29.34
Indiana*	TTM Apr'21	\$ 2,485.2	\$ 246.9	9.9%	\$ 19.0	\$ 1,422.6	14.8%	\$50.49
Michigan*	TTM Apr'21	\$ 238.1	\$ 26.7	11.2%	\$ 2.2	\$ 712.8	3.6%	\$3.58
Illinois	TTM Apr'21	\$ 3,606.5	\$ 105.0	2.9%	\$ 15.7	\$ 445.4	23.6%	\$11.16
Colorado	TTM Apr'21	\$ 2,057.2	\$ 141.7	6.9%	\$ 6.6	\$ 676.1	17.3%	\$32.78
New Hampshire	Since Launch (Jul'20)	\$ 469.1	\$ 32.0	6.8%	\$ 14.7	N/A	N/A	\$36.64
Washington D.C.	Since Launch (Jul'20)	\$ 102.9	\$ 15.4	15.0%	\$ 1.5	N/A	N/A	\$33.93
Tennessee	Since Launch (Nov'20)	\$ 131.4	\$ 13.2	10.1%	\$ 2.4	N/A	N/A	\$31.58
Virginia	Since Launch (Jan'21)	\$ 865.2	\$ 61.8	7.1%	\$ 3.2	N/A	N/A	\$29.20
Average Without Nevada				7.1%			13.2%	\$29.40

Source: Global Market Advisors
* excludes tribal gaming revenues

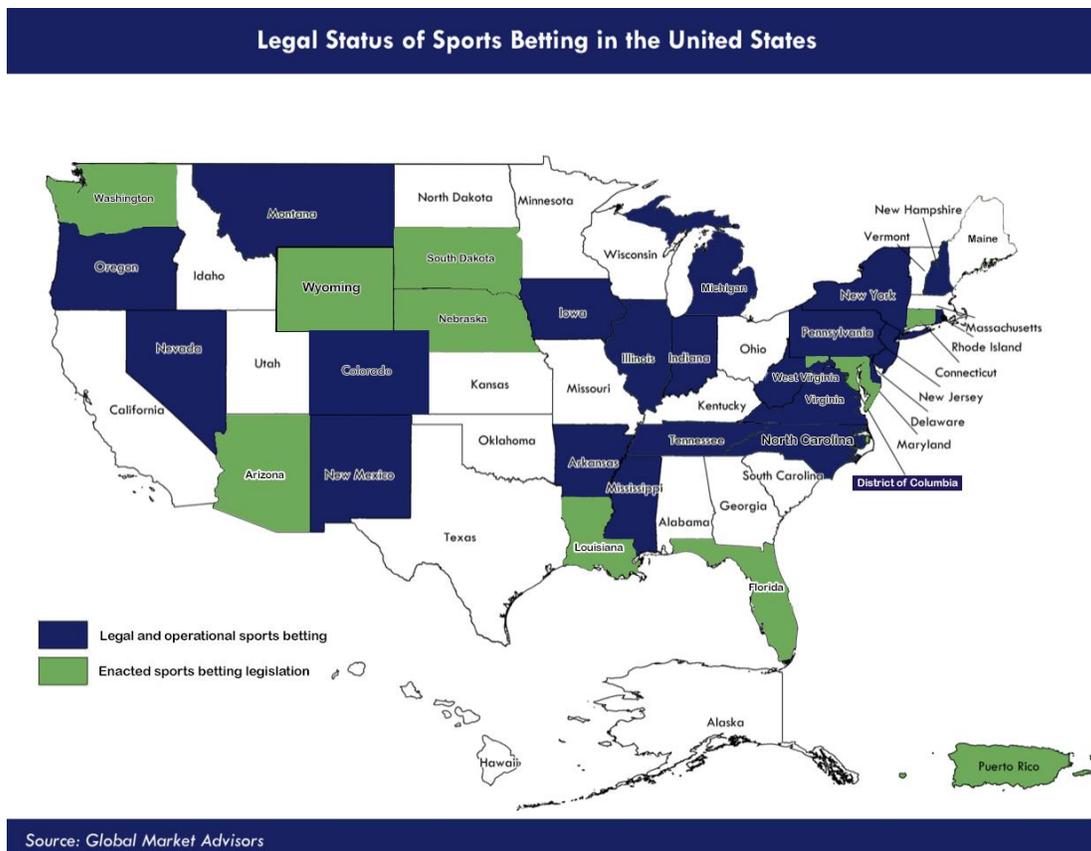
iGaming was thought to be a rapid expansion across the United States, but only Connecticut has moved forward to date. Florida looked to include iGaming in the original compact, but it was sidelined through the process. iGaming will have its revolution over the course of time. The states that do have iGaming continue to provide a road map on how to craft a market.



U.S. iGaming Revenues				
State	Timeframe	Revenue (\$mm)	Adult Pop. (mm)	Win Per Capita
New Jersey	TTM Apr'21	\$ 1,111.3	6.8	\$163.60
Delaware	TTM Apr'21	\$ 9.1	0.7	\$12.18
Pennsylvania	TTM Apr'21	\$ 804.3	9.7	\$83.25
West Virginia	Since Launch (Jul'20)	\$ 23.8	1.4	\$22.16
Michigan	Since Launch (Jan'21)	\$ 299.0	7.5	\$122.00
Average Win Per Capita:				\$86.38

Source: GMA

In Nevada, the Gaming Control Board has rescheduled its iGaming hearing that was originally scheduled for May but was postponed because of the legislative session that adjourned at the end of that month. Some states may use this downtime to explore the options through study committees, but those discussions are only just beginning. The key with this, as it is with other expansions, is how it would interact with sports betting and what other expansions may be the table.



CURRENT LEGISLATIVE LANDSCAPE

There are now 32 jurisdictions in the United States that have legalized sports betting. This includes 30 states plus the District of Columbia and Puerto Rico. Of those that have legalized, 22 are operational today in some form. While expansion was robust during this legislative cycle, the effects of the pandemic are still being felt either through delaying a potential compromise or seeing some states move that may have legalized last year but ran out of time. The prospects for 2022 remain strong. Those states that may have to take it to ballot will have to try and get something across the finish line to allow the voters the opportunity to have their say, as they will in California now that the tribes have qualified their measures.

REGULATIONS EN MASSE

A host of states that passed sports betting have now entered into the regulatory phase in hopes of getting launching sports betting operations before the start of the football season. This includes Wyoming, Washington, South Dakota, Louisiana, Connecticut, and Arizona. Other jurisdictions will likely fall short of launching prior to the kick-off to college or professional football, including Florida, Puerto Rico, Maryland, Nebraska, and New York.

WYOMING

The Cowboy State just recently approved the regulations that now go on to another public comment period, as well as approval by the Governor. However, with a deadline of September 1st per legislative mandate, it still has yet to determine how it will push forward with licensure. As this process has yet to be defined, it will be the next task that the Gaming Commission tackles, a commission that is still in its infancy. Operators will still likely add comments to the regulations, as the consultant for the Commission continued to take a tone-deaf approach to some important issues, showing their lack of understanding of the general regulatory and operational structure of sports betting.

WASHINGTON

Last week, the Washington State Gaming Commission approved sports betting regulations and the compacts of 15 tribes. Four of these tribes have their own language associated with sports betting. The remaining 11 lifted language from one of the other four to amend their compacts. While operators were allowed to push forward with pre-licensure, many partnerships have yet to be announced despite hopes to start by this fall. This state seems like it might be the last across the finish line to launch by kickoff of football season.



SOUTH DAKOTA

The second round of regulations was released last week in South Dakota that hopes to have sports betting live in Deadwood by the kickoff of football season. This set of regulations will be reviewed by the Gaming Commission at a special meeting in July, but everything remains on track for September. The Commission will meet this week to make a quick amendment to the initial set of regulations with a place-holder to discount the excise tax, which will require a full legislative fix in 2022.

LOUISIANA

With the concurrence by the Senate on the House amendments, the sports betting in Louisiana pushes forward. In a state that has been slow to adopt regulations for the voter approved initiative, the legislation now only awaits the Governor's signature for up to 41 different service providers. This includes 40 commercial providers plus the lottery to conduct sports betting in the bayou.

CONNECTICUT

Connecticut also recently approved sports betting in a bill filed late in the process that allows the two tribal casinos (Mohegan and Foxwoods) to conduct sports wagering along with the lottery. The Lottery has received five proposals as part of its modified RFP process to select its partner. It will be a race to kickoff for all three providers, but the goal is achievable for Connecticut to become the next state that borders New York to push forward with sports betting.

ARIZONA

Arizona is scheduled to release its initial draft of the regulations this week in its first-of-its-kind tribal/sports team-based approach. The statewide mobile market includes ten licenses for tribes and ten for sports teams. What continues to be a challenge is what happens when the eleventh tribe comes to the table and wants a license, which would exceed those that were crafted in the original language. It is also yet to be seen how these entities will be licensed from the ten team-based licenses. The Arizona Department of Gaming is a well-intentioned gaming board that has a strong track record. Hopefully, the regulatory structure gleans from best practices and is not so out of the norm, as the initial legislative language was in this market.

TIME IS NOT ON THEIR SIDE

There are a handful of other states that may or may not launch in time for football season. Florida through their compact stated that sports betting would not begin until October 15th. This assumes that the compact holds up and, arguably more importantly, that the legislature did not violate the voter approved amendment to the constitution with an expansion of gaming. Many



questions remain in the monopolistic approach to sports betting that likely will see a legal challenge at a minimum, if not a ballot measure to craft a better market.

Puerto Rico and Maryland look poised to move at some point this fall, but it is just a matter of when. Neither is pushing forward aggressively with the regulatory process but look for something to occur sometime this fall provided no surprises come up. Maryland still needs to finalize its regulatory process. Puerto Rico on the other hand still has had two versions of its regulations but nothing confirmed while the new Director of the Commission awaits his own confirmation.

Nebraska is just launching its regulatory process and ability to license stakeholders. While the horsemen would like to start as soon as tomorrow with temporary facilities, this will take time if they want to get it right. Maybe by the 2022 season, sports betting will be alive in the land-based approach, but significant progress would be needed for that to happen, and that's assuming there are not any short cuts.

New York will launch its RFA ("Request for Application") on or before July 1st. In a state that continues to push for a 50 percent or greater share, it would be difficult at best to think that operators can achieve what the state desires in revenue. Time will tell once the RFA is released, but the goal by Legislative Leadership was to launch in time for the Super Bowl. Time will tell if this can work in the first place and does not face additional challenges. The limited spectrum for which Governor Cuomo has set the table make this even more of a challenge.

NORTHERN LIGHTS

There continues to be speculation on the potential for sports betting to become legalized north of the border in Canada. Throughout this spring, Canada has been debating single-event sports betting through Bill C-218. The bill has passed the Senate Standing Committee on Banking, Trade, and Commerce but still faces a few parliamentary procedures before it would allow sports betting at the provincial level. Should it then pass, it still faces the need to establish the regulations before it can go live. In discussions with stakeholders, this may be the more precarious portion of the process that has already been exhaustive. This is due in part to challenges from several stakeholders including those with a strong stance on the potential social effects as well as the First Nations. Each provincial governing body has taken a different stance on how quickly the process could move to launch should sports betting pass. However, there are several hurdles in the way of launching single-game wagering, beyond the legal parlay bets that exist today. GMA hopes that this expansion occurs but knows there is a significant amount of work to do before it can get done, most importantly on getting the regulatory structure right and not relying on self-governance.



WHAT'S LEFT

As most legislative sessions have ended their sessions for 2021, there are still a few states that may see sports betting action in 2021. This includes four states that have been having these conversations for several years, or one that is looking to potentially expand its current tribal offering. Ohio, Massachusetts, Maine, and North Carolina are not new to the game but are still in the discussion phase on how to craft a market. Below provides a brief update on each:

STILL DOTTING THE 'i'

The Ohio Senate has had numerous meetings on the topic of sports betting dating back to the initial meeting of the select committee in January of this year. Another meeting will occur this week in hopes of getting something across the finish line. While the goal of the Senate is to have a bill done before the end of the month, the House has not signaled its intentions one way or another. Market players continue to push forward with the desire to get Ohio across the finish line, but it is yet to be determined if they will. In two brief hearings last week, there continues to be announcements of changes to the bill, but nothing appears to be concrete as it shifts across the legislative landscape. Ohio will be a strong market but likely will return to discussions in the fall unless the House intends to concur out of the gate and forgo the debate.

THE SPORTS BETTING HEARING IS COMING . . .

Massachusetts has a strong casino market that is still maturing. It appeared as though sports betting was going to get across the finish line last year, but a compromise following the Economic Development Bill never materialized. With now over 20 different versions of a sports betting bill, it finally has its first hearing this week. With a plethora of options to debate, there does not appear to be consensus as to what will make it out of committee and to the larger body. Massachusetts will be a strong sports betting state because of its support of its local sports team. Without consensus, it appears that this may be a long debate yet again. Time will tell where the body stands with the hearing later this week, but this is likely headed for a fall finish if compromise can be reached.

TWO STATES LEFT FOR 2021

North Carolina and Maine remain as the two states that may still do something with sports betting before the end of 2021. North Carolina continues to flirt with an expansion of gaming. Its statewide study over a wide-ranging spectrum of revenue options (some of which seems advantageous at best) continues to attract operators to the potential for mobile sports betting in addition to the tribal approach that went live in the state earlier this year.



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