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State Legislative Update on U.S. Sports Betting & Online Gaming – March 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](#).

March Madness is Upon Us

For the first time in two years, sports fans will be able to wager on the NCAA Division I Men's basketball tournament. While the tournament went dark last year because of the Great Shutdown, legal sports betting has expanded significantly across the country since last March. However, this does not preclude though the office pools that will still take place, especially in jurisdictions that still do not have legal sports wagering. The NCAA tournament is one of the largest wagering opportunities in the year, in addition to the Super Bowl that took place just over one month ago.

One of the challenges that will be faced those in legal states is the ability to wager on the 'home team', as several of these states have banned wagers placed on local teams and contests including college sports taking place in that jurisdiction. States across the country are looking to provide these same athletes with the ability to profit from their name, image, and likeness ("NIL") but provide them "cover" when it comes to wagers being placed legal on them. However, keeping student-athletes off the legal books only allows an illegal market to continue, exposing these athletes to more harms than protections. For the integrity of the tournament and student-athletes, the best place for any sports wager is in the legal market without restrictions.

This is in addition to the amount of wagering by state that continues to increase month over month. Over twenty jurisdictions now have legal sports betting, including strong examples for those states looking to still expand, as well as states that offer examples of what not do to in the

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creation of a competitive market through strict regulation. This is the other March Madness that is occurring across the country right now as some legislatures have already adjourned, some are just starting their session, and others are heading into the home stretch. While every state legislature meets in 2021, sports betting continues to be a topic in most states. This includes those states that are looking to legalize with numerous states having one or multiple versions of bills. Additionally, other states that have already legalized are tweaking their model.

One example of this is Virginia, the most recent jurisdiction to go live. While Virginia only has a little over one month under its belt, the legislature made changes to the sports betting legislation that provided clarity on licenses as well as the types of allowable wagers. Virginia did stumble out of the gate as operators loaded up on marketing in this new market while also continuing the drip of licensees into the market. Having a solid launch date for the bulk of operators would have been a better approach, as the naivete of a new regulatory body constructed through a lottery has become apparent.

U.S. Sports Betting Comparables - Select Markets								
State	Timeframe	Handle (\$MM)	Sports Betting		Taxes Collected (\$MM)	Total Gaming Revenue (\$MM)	Sports Betting % of Total Gaming	Sports Betting Win per Adult
			Revenue (\$MM)	Hold %				
Nevada	TTM Jan'21	\$ 4,483.7	\$ 295.0	6.6%	\$ 19.9	\$ 7,597.5	3.7%	\$126.10
Delaware	TTM Jan'21	\$ 60.1	\$ 9.8	16.3%	\$ 5.6	\$ 309.1	3.1%	\$13.01
New Jersey	TTM Jan'21	\$ 6,017.0	\$ 407.2	6.8%	\$ 50.0	\$ 1,512.4	21.2%	\$59.93
Mississippi	TTM Jan'21	\$ 386.3	\$ 48.2	12.5%	\$ 5.8	\$ 1,872.3	2.5%	\$22.33
West Virginia	TTM Jan'21	\$ 306.4	\$ 23.5	7.7%	\$ 2.3	\$ 390.3	5.7%	\$17.16
Pennsylvania	TTM Jan'21	\$ 3,844.5	\$ 200.8	5.2%	\$ 72.3	\$ 1,934.5	9.4%	\$20.72
Rhode Island	TTM Jan'21	\$ 221.9	\$ 24.1	10.8%	\$ 12.3	\$ 307.9	7.2%	\$29.72
Arkansas	TTM Jan'21	\$ 29.1	\$ 3.7	12.7%	\$ 0.5	\$ 355.2	1.0%	\$1.67
Iowa	TTM Jan'21	\$ 711.4	\$ 53.5	7.5%	\$ 3.7	\$ 1,147.4	4.5%	\$23.16
Indiana*	TTM Jan'21	\$ 2,003.5	\$ 170.4	8.5%	\$ 14.7	\$ 1,487.8	10.3%	\$34.80
Michigan*	Since Launch (Mar'20)	\$ 166.4	\$ 22.3	13.4%	\$ 1.9	\$ 465.5	4.6%	\$3.25
Illinois	Since Launch (Mar'20)	\$ 2,464.0	\$ 70.2	2.8%	\$ 10.5	\$ 480.8	14.6%	\$8.08
Colorado	Since Launch (May'20)	\$ 1,245.3	\$ 93.3	7.5%	\$ 4.2	\$ 457.9	16.9%	\$28.55
New Hampshire	Since Launch (Jul'20)	\$ 315.6	\$ 22.6	7.2%	\$ 10.5	N/A	N/A	\$36.67
Washington D.C.	Since Launch (Jul'20)	\$ 72.4	\$ 12.0	16.5%	\$ 1.2	N/A	N/A	\$37.28
Tennessee	Since Launch (Nov'20)	\$ 131.4	\$ 13.2	10.1%	\$ 2.4	N/A	N/A	\$31.58
Average Without Nevada				6.5%			11.0%	\$21.81

Source: Global Market Advisors
* excludes tribal gaming revenues

One jurisdiction that continues to struggle is D.C. that recently cut its revenue forecasts significantly. The forecast dropped from \$22.6 million to \$6.2 million for FY 2021. This was after only \$352,000 was transferred over from sports betting versus the \$9.6 million that was estimated for the period ending on September 30. This is also after two key employees resigned unexpectedly before last week's meeting where the change in revenue was made. GambetDC has never had a solid footing since the beginning. The Intralot-powered sports book was given the contract after a "study" suggested that a no-bid contract was the best option, followed by

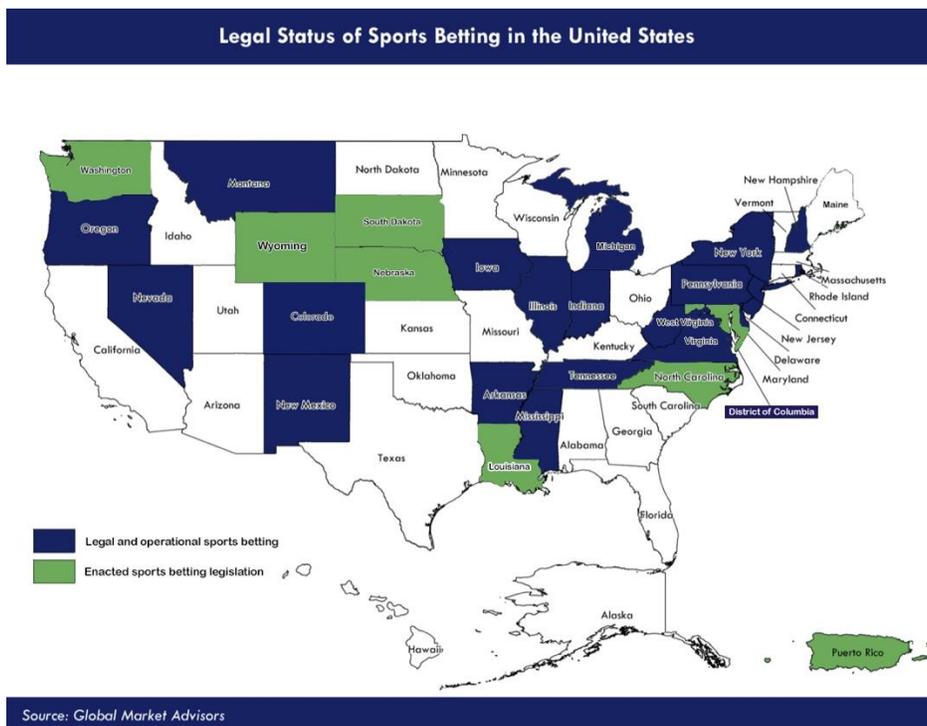


self-dealing by a now resigned City Councilman. The D.C. market, with the exception of the William Hill Sports Book at Capital One Arena, has been a disaster from the first blemish, and this will be the case until they restart their process and create a competitive market to rival their neighbors in Maryland and Virginia. This includes allowing a respected entity to be the regulator as opposed to the current regulator established through the lottery.

U.S. iGaming Revenues				
State	Timeframe	Revenue (\$mm)	Adult Pop. (mm)	Win Per Capita
New Jersey	TTM Jan'21	\$ 1,021.0	6.8	\$150.63
Delaware	TTM Jan'21	\$ 7.2	0.7	\$9.71
Pennsylvania	TTM Jan'21	\$ 561.7	9.7	\$58.14
West Virginia	Since Launch (Jul'20)	\$ 9.8	1.4	\$12.89
Average Win Per Capita:				\$86.69

Source: GMA

iGaming revenue continues to enjoy a strong showing as it supplements land-based gaming that is starting its return to pre-pandemic levels. While there have been many predictions for iGaming revenue, the latest hope for expansion in Indiana has stalled as the issue could not emerge past the committee level. Predictions run strong for iGaming and iLottery revenue in the future, but the legislative landscape makes it a challenge. Reporting from active iGaming and iLottery jurisdictions continues to show positive numbers, but not enough to sway legislators to add this expansion to their bag of gaming tools to drive additional revenue.



LEGISLATIVE LANDSCAPE LOOMS

Louisiana is the only state that has not started its session this year while Virginia has already adjourned and is awaiting signature from the Governor on sports betting language. March Madness continues on with a flurry of activity across the country. Major markets like New York, Texas, and Florida have options on the table, but smaller markets such as South Dakota have been moving more quickly. Other states continue their regulatory push that may see states like North Carolina (which has been legal but non-operational for almost two years) and Washington (which legalized about a year ago) finally moving forward with tribal-only models. Other jurisdictions like Puerto Rico are still working through the regulatory structure, one that was copied off of the District of Columbia, with unrealistic timelines for implementation.

WHEN WILL NEW YORK BE A PART OF IT?

The state's budget is scheduled to be solidified by April 1st, and there continues to be optimism for mobile sports betting in the state. The latest volley came on March 14th when the Senate introduced an amended budget bill (S2509B) that allowed for mobile wagering in addition to expansion of brick-and-mortar facilities in the South. The bill, which is the latest of many attempts by the Legislature to legalize mobile sports wagering, adds to the limited spectrum of options available to a state that is hemorrhaging money to its neighbors. The Assembly and the Governor continue to dance around the issue without any knowledge of the horse trading that may occur in the next couple of weeks. The Legislature though clearly is pushing the issue setting up first its own showdown on how mobile sports betting may look and then to hopefully compromised with the Governor.

The convergence of the budget provides what may be the best opportunity to nudge these stakeholders to move forward but also may leave money on the table if not crafted properly. The desire to fill the revenue gap in the short term had dissipated with the bailout granted through the \$1.9 trillion American Rescue Plan that was signed last week. New York had been facing a roughly \$15 billion budget gap but is now getting a \$26 billion bailout. Gaming should never be viewed as a short-term revenue fix, but New York has continued to explore gaming through this budget bill and other interim solutions as the panacea for the current budget challenges. This can be further seen in the amount required for a New York City casino license of \$500 million.

The politics of Albany right now makes this challenging because of the desire to get this across the finish line in the next two weeks. While the Governor faces his own challenges because of either his governance during the pandemic or the accusations about his personal behavior, there likely is not enough to completely neuter Cuomo to have him not give up on his solution for sports betting. Sports betting will likely be worked into the budget, but a challenge remains in whether



or not there is a definitive solution on how mobile sports betting will be implemented along with the potential for land-based gaming locations downstate.

THE CIRCUS MOVES TO ARIZONA

In a state that was viewed as an easy win for sports betting – one that should have passed last year had the Great Shutdown not occurred – Arizona has morphed into a three-ring circus between the House, the Senate, and the Governor. Arizona originally introduced identical bills in the House and the Senate. The House version (HB2772) went through a rough committee hearing and barely made its way to the floor because of all of the questions that surround the bill. Part of this stemmed from what may be a poison pill as it relates to the current and future compact with the tribes in the state. Others stemmed from whether or not teams should be allowed a license while the bars and taverns were asking for their shot at becoming a sports betting licensee. The only thing that was consistent was the lack of clarity on what was allowed, but the bill lived to fight another day because of a strong effort by the tribes.

While the House had its own issues, the comparable bill in the Senate (SB1797) that was split between the Commerce and Appropriations committees saw similar results. While making it out of the Commerce Committee under similar chaos as the House Commerce Committee, the bill was rolled into a Historical Horse Racing (“HHR”) bill (SB1794) in the Appropriations Committee. The HHR Bill would definitely violate the poison pill. While proponents say that it would generate \$100 million in revenue, they would leave a lot more on the table by violating the compact. The internal politics of the Republican Party and the division between some members of the Senate and the Governor’s office helped contribute to this issue. It has put the bill in question across the board.

While there is still time in Arizona to get this across the finish line, it still has a long way to go. This bills are some of the worst that has been written to date for sports betting across the country. It allows teams a license to conduct sports betting but does not answer the question of whether or not they have to pass suitability along with their chosen sports betting partner. It only allows 10 tribes to have access to full statewide mobile wagering while there are more than 10 tribes in Arizona. It also allows 10 teams the same full wide statewide wagering; however, there are not 10 professional sports teams in state. It seems that none of the writers of this bill have either listened to an expert or tried to operationalize that bill. While it is part of the compact to allow tribes to conduct sports betting, it may have to wait if clearer heads do not prevail to get this over the line in Arizona. It also might behoove stakeholders to start over with a better bill as opposed to the poorly written language put forward by the Governor’s Office.



SOUTH DAKOTA BECOMES FIRST

South Dakota with Senate Bill 44 became the first state in the country this year to have a sports betting bill or enabling legislation pass both houses. While it still awaits the Governor's signature, it is likely that this will occur since the bill was initially crafted as part of the Department of Revenue's sports betting offering. The Deadwood Gaming Association did have input into the process, but it was clear that this was the package that was going forward as two other bills in the House that would have called for an expansion beyond Deadwood were sent to the 41st day, which kills a bill in South Dakota.

The bill only allows sports betting in Deadwood, but clearly there is an appetite amongst some legislators to find a way to expand and allow mobile wagering within the city limits of Deadwood. Throughout the sports betting debate, it was noted that Iowa benefits dramatically from some locations due to its proximity to the Sioux Falls market. Assuming that Governor Noem signs her bill, the task ahead will be the regulatory framework. There is no reason why South Dakota should not be able to start taking wagers by football season this year. Other jurisdictions have proven this path to allow the legal market to move forward. South Dakotans, with their level-headed approach, have the ability to get it done in short order as well.

WYOMING WRANGLERS

Sports betting (HB0133) was introduced late into the session but has moved quickly through the House, having passed through committee initially on a late-night session. It progressed all the way to a third reading before it hit a buzzsaw. The challenge was between what the bill allowed for statewide mobile operators and what tribes would be able to offer. The bill initially failed out of confusion but was resurrected the next day on a motion to reconsider. It now heads to the Senate after coding. The Senate will probably have an easier path than the House and will likely have this state become the next jurisdiction to legalize sports betting in 2021.

MARYLAND

Maryland was one of four states to legalize sports betting on the ballot in November 2020. The House last week passed a bill to allow sports betting through up to 40 different licensees. HB 940 passed by a vote of 130 to 9, calling for a 15% tax rate with license fees at \$250,000 for a tethered license and \$500,000 for mobile licenses with renewal fees at five years. The bill that also grants licenses to the casinos, racetracks, and the current flavor of teams, allowing an inclusion of diverse ownership of some licensees.

The bill still has to clear the Senate, so challenges still exist in moving forward to have legalized sports wagering in Maryland, which link the east coast sports betting marketplace from New Jersey to Virginia. GMA does believe that sports betting will get across the finish line in Maryland



considering the openness to the structure that was provided in the House bill for a competitive market. However, some existing stakeholders may view this as too open of a market and try to kill the bill or change the parameters that would send it back to be debated again in the House.

DOTTING THE “I” IN OHIO MAY TAKE SOME TIME

The Senate formed a Select Committee on Gaming this session to explore and come to consensus on sports betting and electronic bingo. Both of these topics failed to get across the line in 2020. Every Wednesday, this committee meets to hear wide-ranging testimony that offers various opinions on how a market should be crafted. At a more recent hearing, Intralot, the same group that oversees GambetDC, suggested that they should be in control of sports betting by granting a license to the Lottery Commission and the Casino Commission at a tax rate of 40%. This is a group that got the no-bid contract from a study that was as baked as the no-bid contract. If D.C. is any example of their desire to be in the sports betting business, Ohio should pass and do so quickly.

Ohio will take some time to develop a bill but remains hopeful that something will start to develop about halfway through the year. The key will be to designate the Casino Commission as the regulator with a competitive market for existing and new market entrants.

MASSACHUSETTS

The Commonwealth is in much of the same situation as Ohio, in that it lacks directions. However, as opposed to having a committee to develop consensus, it now has over a dozen bills that take each a different approach to sports betting. The state, which up until now has taken a thoughtful approach to sports betting, probably took some steps back on potential passage when it seemed imminent last fall after the Economic Development Bill last July brought parties together to say they would resolve it in the fall. It will be some time before Massachusetts passes a sports betting bill and still may not occur this year. Until all of the parties can come together with a sound bill, the thoughtful approach will take a back seat.

NEBRASKA

Nebraska now has a priority bill that would put framework on sports betting, one of many things that were approved on the ballot last November under the “all games of chance” model on the ballot. The bill made it out of the General Affairs committee and will now go to the floor of the Unicameral for debate. The challenge with passage in Nebraska is that it requires a two-thirds vote because it was passed through the ballot initiative process. From a 2004 initiative, anything done through this process requires a supermajority vote to override anything approved by the voters within the first two years. The initiative process is viewed as the people’s ability to be the



'second house' in what is the only U.S. state to have a non-partisan Unicameral. It will also have to overcome a veto from anti-gaming Governor Pete Ricketts.

Even with passage, the regulatory process remains one of the sticking points not just for casinos but also for sports betting. No one is entitled to a gaming license, but the proponents of the initiative sure believe that they are, and they will likely try to craft the rules as such. The state's leadership would be wise to lean on gaming industry experts who also understand the political dynamics of Nebraska to craft a solid casino and sports betting market. Having a home-baked solution will not necessarily craft the best market possible.

NORTH DAKOTA

The North Dakota House passed four bills earlier this month that would take sports betting and iGaming to the voters in 2022. Two bills would modify the state constitution, and the other two provided enabling legislation; both sports betting and iGaming each require both a constitutional amendment and enabling legislation. The measures now head on to the Senate and will be heard this week. Time will tell if this makes it out of both houses, but taking the issues to the voters has been a proven option if handled properly. South Dakota did it right, Colorado did not, and New York should have done it two years ago.

CONNECTICUT

For the first time in four years, sports betting seemed to be moving in the right direction. The years of Groundhog Day-like legislative hearings seems to have some traction this year with the Administration saying they were close to a compromise with both of the state's tribal gaming entities. However, only a deal with Mohegan was announced, leaving Foxwoods upset that a deal was announced. Comments afterwards from Foxwoods made reference to the action dating back to the Pequot Wars hundreds of years ago. The deal that was announced was reasonable but did expand gaming beyond the tribes to allow other sports betting operators. While a deal still may happen, the movement to try and get both tribes on the same page the day of the hearing had failed, and so the state may be back to ground zero. Only time will tell if a compromise can still be reached.

WHAT'S NEXT

The next month proves pivotal in many states that are starting into the home stretch on their sessions. Will there be a Midwest mover in Kansas or Missouri? Will a large state like Texas (which has several bills including those with casinos) get to a hearing in the State Affairs Committee? Will Alabama try again to establish a pathway to take gaming to the voters on the 2022 ballot. There are lots of moving parts in over a dozen states that are active in the conversation. Stay tuned – we are just at tip off of March Madness.



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