

EN North
America

January 2022



Quarterly Report

- Mohegan Gaming & Entertainment's Ray Pineault
- Eilers & Krejcik Gaming's market trends
- US slots tracker
- LinkedIn employee insights
- The startup space with Avenue H Capital
- Michigan's journey towards regulation
- John Pappas on legislative hurdles in 2022



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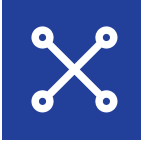
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- CALIFORNIA
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- KANSAS
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/EDITOR'S LETTER/

This issue...



Welcome back to the *EGR North America Quarterly Report*, and what a quarter it has been for the sports betting market.

Looking back at my previous editor's letter, it is perhaps apt that we first focus our attentions on New York, where the Empire State regulator has approved licenses for a pantheon of the industry's biggest names to commence operations, and boy was it a great debut. That lucky quartet took more than \$600m in bets during just the first nine days of operation, one of the largest combined handle in US sports betting history, and with more approvals expected, this figure is likely to be surpassed over the coming months. New York even managed to overshadow Arizona, which reported \$777m in revenue during its first two months of operation, and Connecticut, which achieved \$150m during December.

However, for every up there is always a down, and so it has proven in Florida, where a stand-off has taken hold between the Seminole Tribe, rival operators, and Sunshine State officials, as well as the Federal Courts and US Department of the Interior. Firing the first shot in November, a US District Court effectively invalidated the tribe's new 30-year gaming compact, killing off the Hard Rock Sportsbook in the process. The weeks and months since have seen

suit and countersuit, as well as several rival lobbying initiatives emerging, and with no clear end in sight for Florida's bettors, this looks like it will go right to the wire.

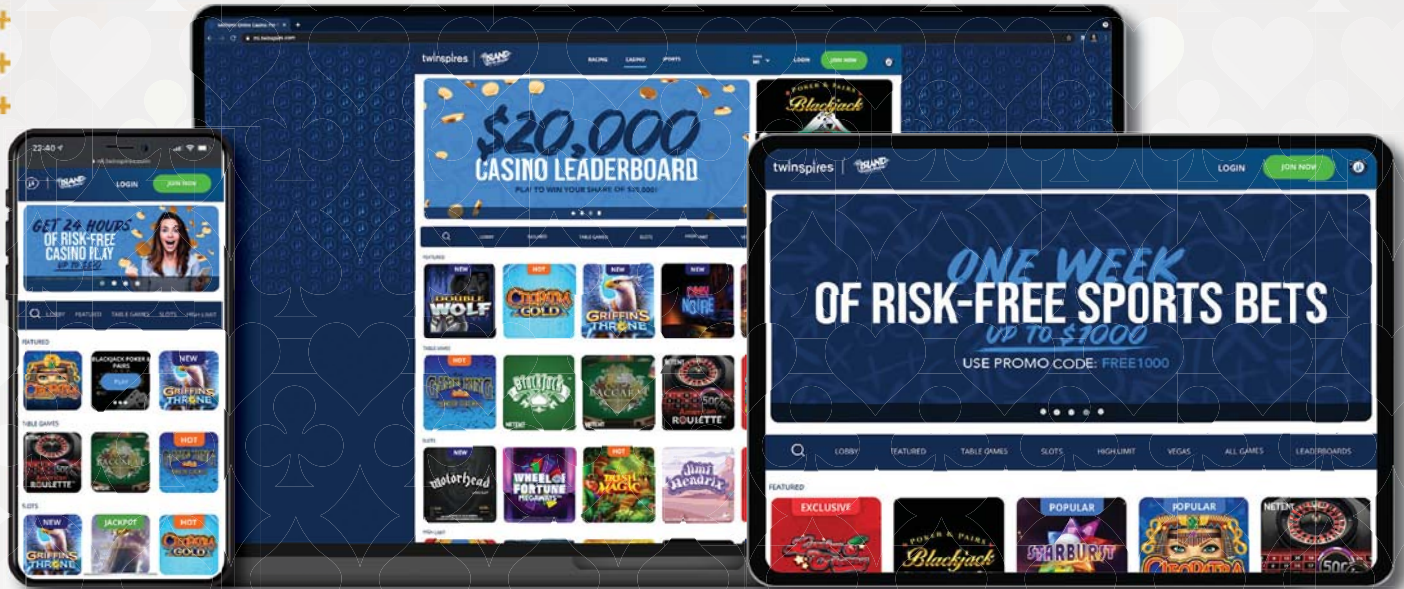
Our first report of 2022 includes data and insights from Chalkline, Eilers & Krejcik Gaming, and SEO specialist firm ICS-digital, as well as the latest slots rankings, gaming stock movements, and a state-by-state snapshot. In new additions to this report, we look at the hiring habits of FanDuel and DraftKings, as well as doing a deep dive into the regulatory process with Michigan Gaming Control Board deputy director David Murley and assess emerging start-up trends with industry expert Benjie Cherniak. Not to be left out, this report also includes expert commentary from industry veteran John Pappas, the state of play of US sports betting legislation, and our cover interview with Mohegan Gaming & Entertainment president and CEO Ray Pineault.

Enjoy!

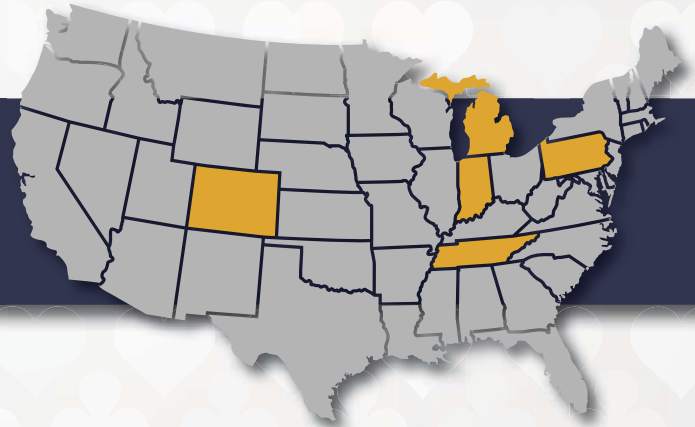
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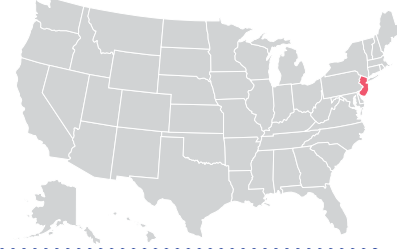
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EGR NA examines the US sports betting legislative landscape and casts an eye over the Canadian market



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New Jersey betting and gaming tracker



When was sports betting regulated?

New Jersey Governor Phil Murphy placed the first legal sports bet at Monmouth Park Racetrack on June 14, 2018. DraftKings was the first operator to launch a mobile sports betting app (on Resorts' license) on August 6, 2018.

Regulator details

New Jersey Division of Gaming Enforcement
1300 Atlantic Avenue
Atlantic City, NJ 08401
609-984-0909
info@njdge.org
Director: David L. Rebeck

Is sports betting permitted online?

Yes, but operators must also have a physical sportsbook to be permitted to make up to three online partnerships with B2C brands.

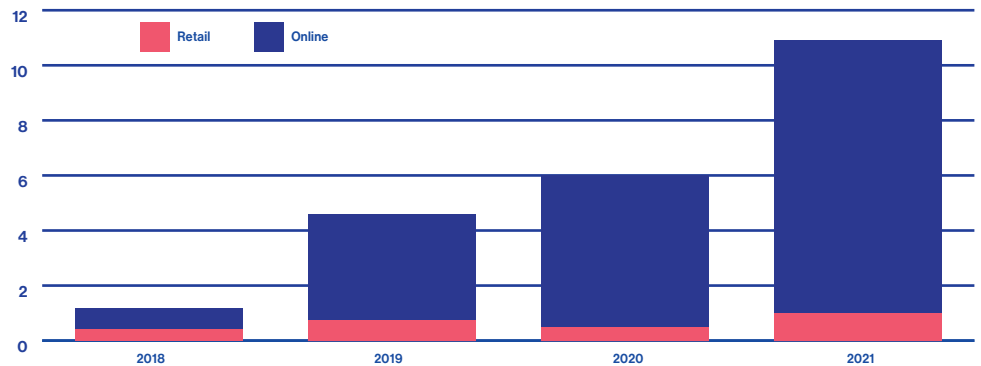
Is there any specific legislation for DFS?

New Jersey introduced DFS regulation in August 2017. Operators are taxed at 10.5% of gross revenue.

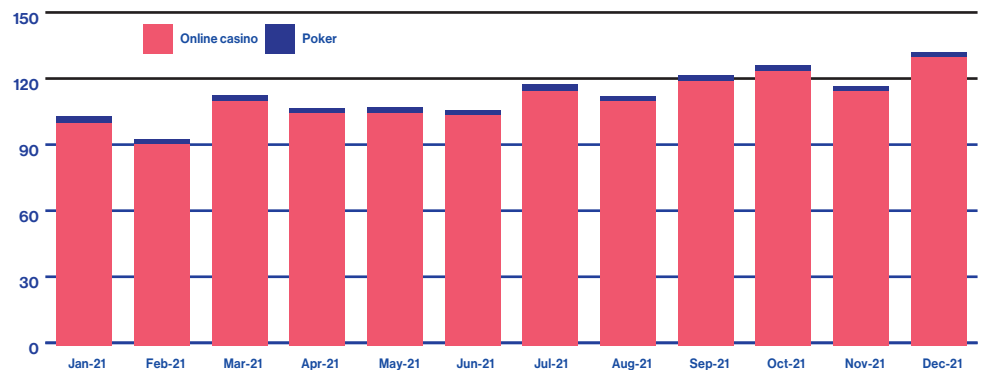
What type of licenses are available?

Sports betting, DFS, online casino, and online poker.

Sports betting handle since launch (\$bn)



Combined online gaming revenue (\$m)



Go live date
June 2018

Online went live in August 2018



Sports betting handle
\$1.2bn

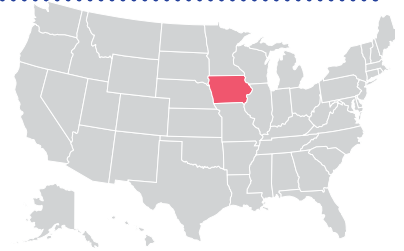
Data from December 2021



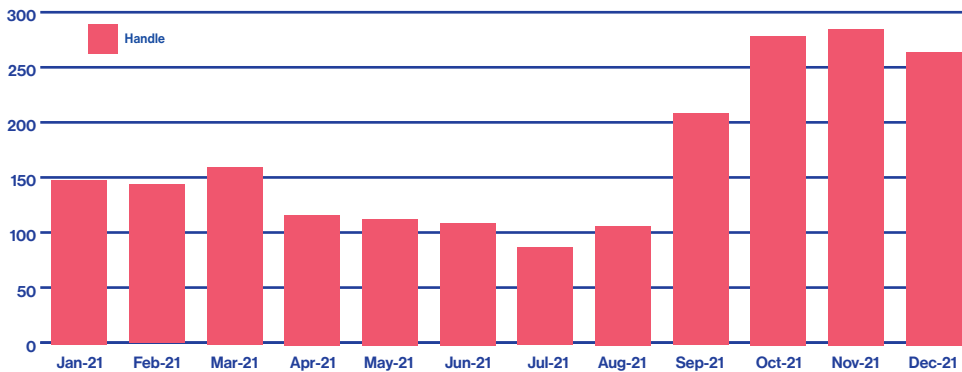
Population
9 million



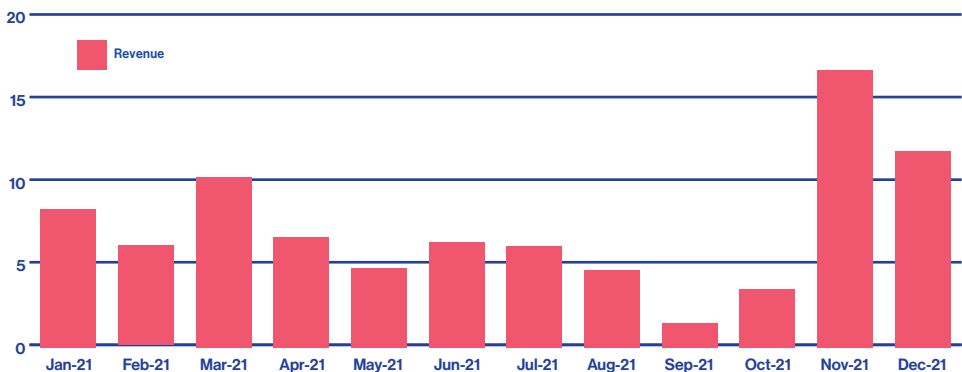
Iowa betting and gaming tracker



Monthly sports betting handle — B&M and mobile combined (\$m)



Monthly sports betting revenue — B&M and mobile combined (\$m)



When was sports betting regulated?

Governor Kim Reynolds signed bill S 617 in May 2019, legalizing sports betting for the state's 19 casinos both in-person and online. Caesars Sportsbook was the first app to go live in Iowa in August 2019 and operates with four casino partners: Prairie Meadows Racetrack & Casino, Lakeside Casino, Isle Casino Waterloo, and Isle Casino Bettendorf.

Regulator details

Iowa Racing and Gaming Commission
DMACC Capitol Center
1300 Des Moines Street,
Suite 100
Des Moines, IA 50309
irgc@iowa.gov
<https://irgc.iowa.gov>
Director of gaming: Brian Ohorilko

Is sports betting permitted online?

Yes. Iowa's 19 casino operators have been able to offer sports betting since August 2019, with eight online sports betting operators receiving licenses from the IRGC.

Is online registration required in person?

No. In-person online registration was abolished in January 2021.



Go live date

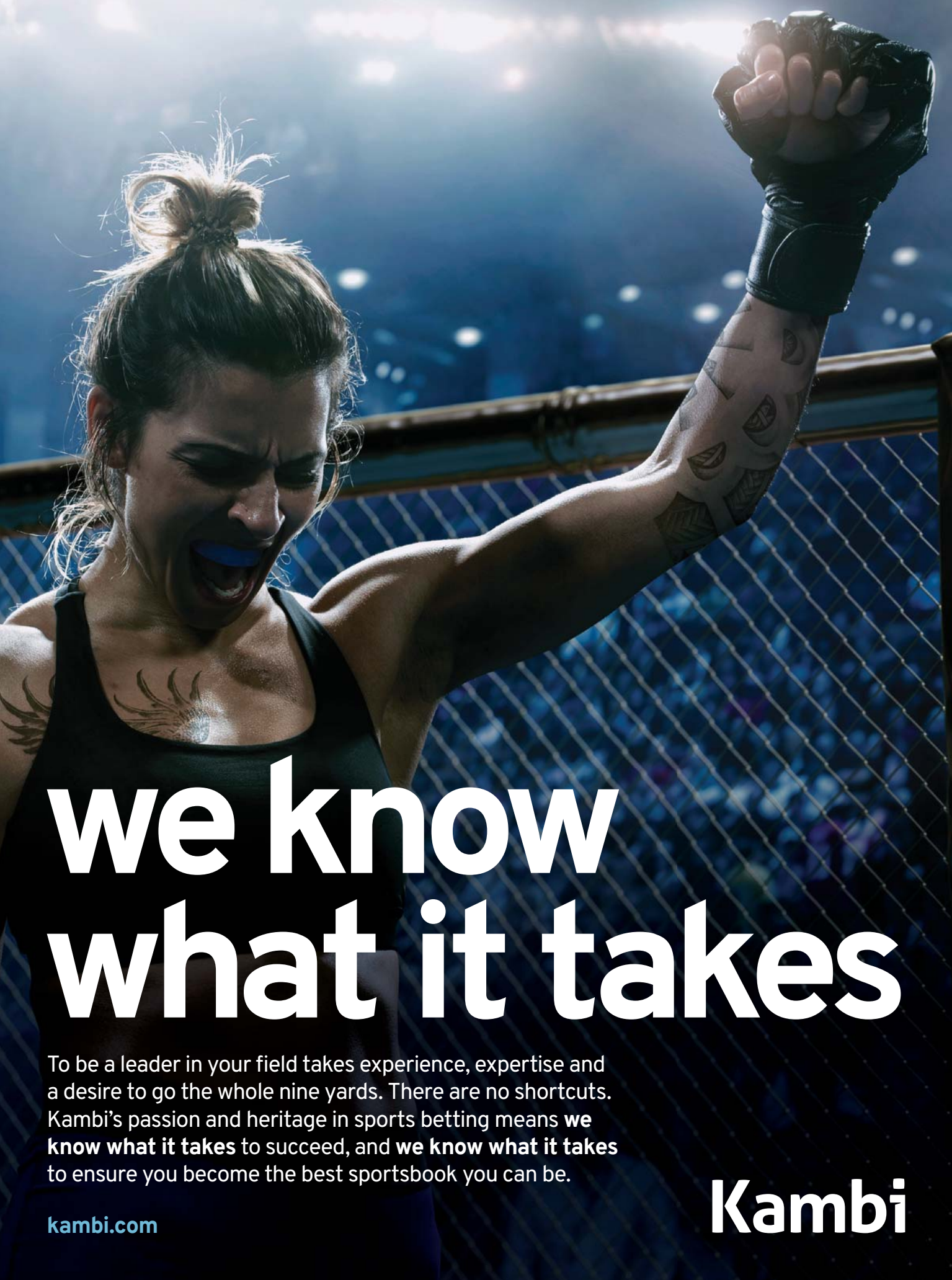
Aug 2019

Sports betting handle

\$266.5m*Data from December 2021*

Population

3.2 million



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Stocks tracker: Is the party over for US investors?

EGR NA analyzes the share price movements of key industry players in the online gambling space, with a focus on Penn National Gaming and Rush Street Interactive

Despite being buoyed by launches in Connecticut and latterly New York, Rush Street Interactive's share price was the victim of a dramatic plummet in Q3, freefalling from an October 25 closing price of \$20.89 to a closing price of just \$9.63 on January 24 — a drop of 54%.

The period saw three significant days of trading on the Nasdaq: January 6, when volumes amounting to 3,642,800 shares were traded, and just 12 days later, on January 18, when 3,493,500 were shuffled around the New York Stock Exchange between investors.

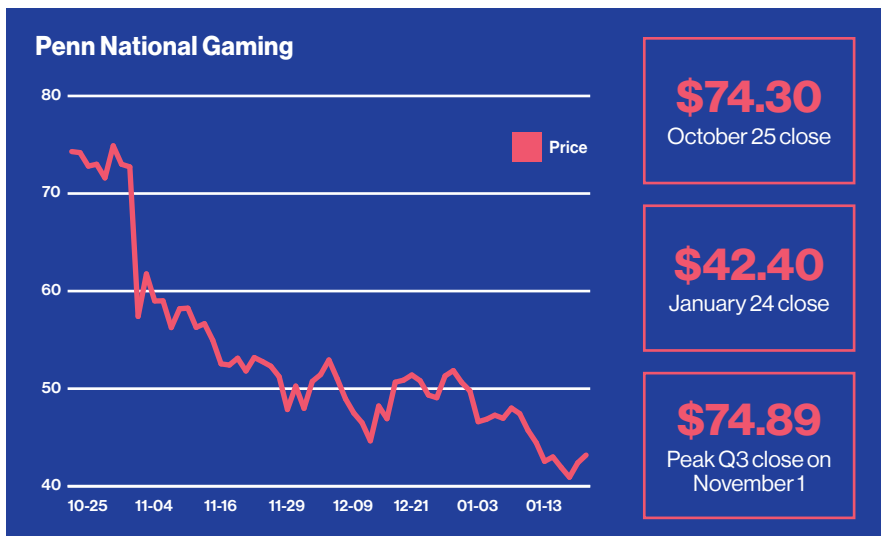
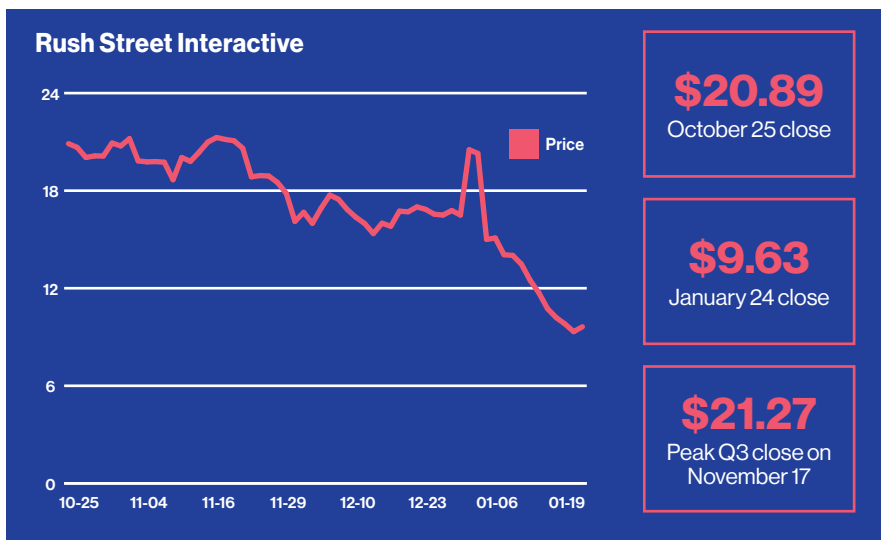
The trio of multi-million-share trades was completed on January 24, when 3,577,100 shares were traded in RSI stock. One potential reason for the negative investor opinion could be the stuttering progress in the highly competitive New York sports betting market.

Meanwhile, Penn National Gaming's fluctuating stock price during Q3 was a bump in the road by comparison.

PNG stock closed at \$74.30 on October 25, dropping 43% in Q3 to a January 24 close of \$42.40. Shares in the Barstool Sportsbook operator traded in significant volumes throughout November and December, and most particularly on November 4, when a record 52 million were traded.

The record activity came on the same day Barstool Sports CEO Dave Portnoy was hit with allegations concerning sexual violence against women.

Later declines could also be attributable to the firm's denial of a sports betting license in New York.





10 \
Data analysis
US sports betting

The month in US sports betting

Adam Krejcik and Chris Krafcik from Eilers & Krejcik Gaming analyze the latest market and policy movements across the regulated US sports betting landscape

What's driving the bear market for US online gambling stocks?

In the table below, we highlight the stock performance of a basket of companies with exposure to the US sports betting and online casino market. At the time of writing, the average stock in this basket was down by a precipitous 42% from its 52-week high. That's in contrast to the NASDAQ, which was down by 8.5%.

We believe this broad underperformance is being driven by a handful of factors, namely:

- **Valuation uncertainty:** Growth names in general (especially those trading on revenue multiples and future TAMs) have been among the worst performing stocks of late, as sentiment has shifted and multiples have significantly contracted. This issue is compound-

ed for unprofitable companies, as it becomes difficult to argue what an appropriate valuation floor is.

• **Bonusing distortion:** That is, how much market and revenue growth is attributable to promotional and bonusing spend, and what a 'normalized' market looks like in the future.

• **Slowing expansion:** Based on our model for new state openings, we believe the addressable market for sports betting customers is going to be somewhat capped over the next few years, barring a major surprise opening (e.g., online sports betting in any of California, Texas, or Florida).

• **Ambiguity around winners and losers:** We believe there is still a high degree of uncertainty around who the ultimate winners and losers will be. We also believe the looming potential for ESPN and Fanatics (in addition to other players) to gain meaningful market share is likely weighing on some incumbents.

Still, there are catalysts that could turn the tide. These include:

- Faster than anticipated market expansion
- M&A
- Companies — more specifically operators — consistently demonstrating the ability to drive positive top-line growth and positive unit economics amid reduced promotional activity
- Greater transparency in results filings. Indeed, we believe the majority of companies need to be more transparent, as the lack of KPI disclosures (and resultant inability of investors to do sufficient analysis) is a major hindrance for the US online gambling sector, in our view.

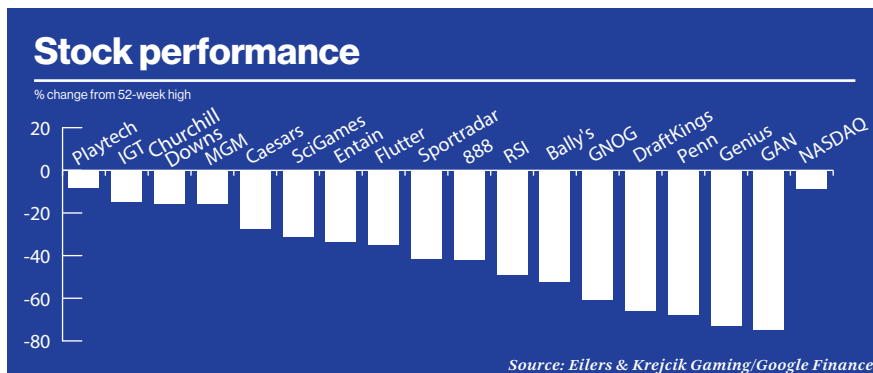
Data deal on the radar?

Data provider STATS Perform has been on the block for a few months now and channel checks pegged Sportradar as the most likely buyer, with a value in the range of \$2bn-\$3bn. The recent plunge in the value of Genius Sports won't have helped Perform here.

What does STATS Perform include?

- Opta, which provides a lot of the player-based stats that drive the important props/bet-builder market. Mainly focused on soccer.

- Runningball, which is widely considered the best live soccer data product.
- Livestreaming Watch & Bet product, which covers sports events like La Liga and WTA.
- Data feeds for DFS/fantasy companies in the US.





Channel checks noted Sportradar was a natural fit, since Perform is strongest where Sportradar is relatively weak — notably football and women's tennis. Any deal could also spark further consolidation among the data giants, with Genius and IMG likely to look at a tie-up to combat a more powerful Sportradar.

Whither next, bet365?

Not among those awarded licensure in New York was bet365. In our view, the company's New York application — in which it bid as a standalone entity and did not secure bonus scoring points via a revenue-sharing agreement with a New York tribal partner — was merely the latest indicator that in the US, bet365 will do things its own way or not at all.

As we've noted previously, the globally diversified, privately held online sports betting giant can afford to be picky in the US in a way that its competitors cannot. Having established itself in New Jersey from a licensing suitability and operational perspective, we expect the company will continue to seek out tier-one (or tier one-ish) online sports betting opportunities. To that end, we note that the company already appears to be laying track for a Texas market-entry bid via an advance-marketing integration with the San Antonio Spurs.

FanDuel on top

In the side table, we show our proprietary estimates of online sports betting gross gaming revenue (GGR) on a by-brand, by-state basis in the three-month period through November 2021. FanDuel is winning the biggest markets — Illinois, New Jersey, and Pennsylvania — which is helping it win the national market. Indeed, the Flutter-owned fantasy sports specialist has 37% national GGR share, according to our tracking, which includes the low-visibility markets of Nevada, Colorado, and Virginia.

Grabbing a slice of the sports betting pie

Market	Top brand	Trailing three-month online GGR (estimated)	GGR share
Arizona	DraftKings	\$37.0m	32%
Colorado	DraftKings	\$26.2m	30%
Connecticut	DraftKings	\$10.6m	51%
District of Columbia	GambetDC*	\$2.3m	100%
Illinois	FanDuel	\$70.1m	44%
Indiana	FanDuel	\$35.4m	39%
Iowa	FanDuel	\$8.1m	37%
Michigan	FanDuel	\$35.8m	35%
Nevada	Caesars/William Hill	\$38.9m	57%
New Hampshire	DraftKings*	\$13.5m	100%
New Jersey	FanDuel	\$122.9m	48%
Oregon	Scoreboard*	\$8.7m	100%
Pennsylvania	FanDuel	\$77.6m	50%
Rhode Island	Sportsbook RI*	\$6.9m	100%
Tennessee	FanDuel	\$31.2m	36%
Virginia	FanDuel	\$48.8m	45%
West Virginia	FanDuel	\$4.2m	41%
Wyoming	DraftKings	\$2.0m	64%
Total US	FanDuel	\$492.1m	37%

*Only available online sports betting brand in the state
Source: State regulators/Eilers & Krejci Gaming estimates

Eilers & Krejci Gaming uses a blend of channel checking, Google Trends data, Sensor Tower data, and other data to generate its proprietary online sports betting GGR-by-brand estimates.

Eilers & Krejci Gaming LLC is an independent research and consulting firm with branches in Orange County, California and Las Vegas, Nevada. The firm's focus is on product, market, and policy analysis related to the global regulated gambling market. Clients include operators, suppliers, private equity and venture capital firms, institutional investors, and state governments. To learn more about the firm, visit <http://www.ekgamingllc.com>.



SEO snapshot: How do the big five of New York betting compare?

Martin Calvert, marketing director at ICS-digital, delves deeper into the key players in the Empire State market

On January 8, 2022, legal mobile sports betting arrived in New York, a state that's understandably expected to become a major center of growth for the industry — as well as a key battleground for SEO professionals.

With tens of millions of potential players — more than any individual state where legal betting has arrived — not only does New York represent an enormous opportunity, but success in this market will also give clues about how operators and affiliates can capitalize in other populous states in the future.

For those with an eye on SEO performance and digital acquisition more generally, there are just a handful of operator brands to focus on at this point, with the gaming commission giving the green light for Rush Street Interactive's BetRivers brand, DraftKings, FanDuel, and Caesars Sportsbook/William Hill to start taking on mobile bets, joined swiftly afterwards by BetMGM.

While paid acquisition, advertising, and big media pushes are par for the course in the frenzied US betting landscape, in this short article I'll draw on some of the ICS-digital team's snapshot analysis to consider how the 'big five' mentioned above compare in SEO terms.

In the short term, mobile marketing and ASO will inevitably be paramount given the current focus on app releases, but the future potential of each site in SEO will be a significant aspect of long-term growth and profitability.

SEO health and potential is increasingly scrutinized not just by marketers, but also by the C-suite and investment hous-

es as an indicator of brand health and longevity. While paid media campaigns can bring the quick traffic and FTDs that can be reassuring in the initial land-grab phase of new market entry, this spend can badly eat into profitability.

Organic search performance and the ability to capture 'free' traffic is therefore key in these battleground states, and may dictate who is still standing as the market matures.

When writing this article across the first couple of weeks of January 2022, one thing that was evident was some peculiar on-site errors, broken links, and thin content — perhaps surprising given the potential for these five brands to take an early lead online with ultra-focused, in-depth New York-specific content.

Given New York state is notable as having high-profile teams active across all four major US sports loved by bettors, there is significant scope to bulk out content capitalizing on fan excitement around the Rangers, Islanders, Knicks, Nets, Yankees, Jets, Bills, and so on — and the Super Bowl is around the corner.

While in-app content is an understandable priority, it does feel that, at this stage, all brands featured can do better at extending onsite content and developing their brands in line with both fan appetites and the informational content that new bettors need to make a confident decision to deposit.

FanDuel and DraftKings have, of course, been laying the groundwork in terms of fan-friendly content for years, and this is illustrated in their total number of ranking keywords — effectively

the footprint they have based on depth of content. However, in all cases these top contenders seem to be lacking content specifically designed to help and support new bettors, as well as a lack of content with focus on specific state matters.

While having brands like BetMGM lean on big money partnerships with the Knicks and Rangers, that brand visibility and familiar associations doesn't result in SEO dominance, unless backed up by a rigorous approach to onsite content and commercially driven keywords.

Looking at the SERPS, affiliates seem to be mostly filling this knowledge gap at the moment, which should give some confidence to those considering whether the US is a practical market for smaller brands. For the sites looked at, however, a focus on broad content and a potential 'rushed' journey to app download calls to action may ultimately be a barrier to those crucial app downloads.

Ranking trends

As the market matures, we expect that SEO comparison, specifically of New York-focused pages, will be fruitful, but at this early stage — and with the presence of rather general content/efforts to push apps — above all else it feels like comparing sites at the domain level is more useful, as this 'strength' will underpin future SEO strategies, whatever shape they may take.

In comparing keyword visibility for the terms where these brands share rankings, we can see where some of the key battles for organic search visibility are currently being fought, but, as we might



expect, DraftKings and FanDuel dominate in terms of number of top rankings and for broad sports betting terms.

However, it's notable that at this point, for New York-specific queries, it's news and information-based affiliate sites that seem to be taking up many top positions in organic search. This is likely, in part, down to the nature of queries that potential bettors have at the moment — about legalities, deposits, latest news — as well as being a reflection of the comparative lack of informational depth on the sites of these five brands.

While DraftKings and FanDuel may be ahead of the curve in terms of capturing keywords relevant to sport fans, there's still scope to go deeper with a long-tail search, and more timely queries aligned to where the market finds itself. Nevertheless, the strength of both sites in SEO terms means that enhancing strategies in these areas would likely lead to some fairly quick success, with the offsite SEO situation also favoring these brands.

When comparing site 'strength' and potential, one indicative measure is the quantity, quality, and topicality of sites linking to the brand. When we look at referring domains, there are some clear trends. This is notable, as referring domains (i.e. links to the site) are what allows Google to discover new sites, index its content, and rank sites accordingly — more than this, the strength, topicality, and relevance of the sites linking are themselves a direct influence on rankings at the page and domain level.

While Google is keen to clamp down on spammy, manipulative practices when it comes to procuring and purchasing links, the authority, trustworthiness, and topicality of inbound links is critical to a competitive SEO strategy — so SEO-savvy brands purposefully pursue link acquisition strategies.

However, there's more to search performance than just SEO insights and systematic, technical strategy. The power of brand names like BetMGM and Caesars (and the global footprint/operator know-how of William Hill) is reflected in high brand searches, high direct traffic, and brand awareness more generally.

There's a lot to be said for familiarity and trust, and if similar big-name brands — which hope to launch in New York in the foreseeable future — can add an extra element of onsite and offsite

Keyword visibility rankings

Keywords	betivers.com	fanduel.com	draftkings.com	betmgm.com	williamhill.com
pga betting	61	1	3	14	42
can you withdraw bonus bets	64	1	8	6	49
sports book	70	2	1	5	12
sports gambling	92	2	1	22	87
www.sportsbook.com	94	2	3	32	11
nfl sportsbook	49	2	1	17	8
can i withdraw bonus bet winnings	37	2	17	5	68
endless treasure slot	90	2	80	13	39
all nfl live odd	68	2	4	20	67
can you withdraw bonus bet winnings	35	2	11	7	56
sportsbook tennis	100	2	1	19	5
open golf in play betting	52	2	24	12	19
sportsbook	48	3	1	12	13
sportsbook.com	65	3	2	20	14
sportsbook betting	47	3	1	7	15
nfl live odds	29	3	2	16	91
live tennis odds	33	3	6	11	15
sports betting wv	75	3	14	22	26
mma round betting	37	3	5	26	21
online sports betting odds	54	3	9	8	55
online sportsbook	50	4	1	5	64
geocomply plugin	39	4	3	47	5
sportsbook com login	36	4	3	10	19

Source: SEMrush, week commencing January 17, 2022

SEO planning and delivery, they'll be well placed to capitalize.

Summing up

It's clear that while digital-first VC-backed brands like FanDuel and DraftKings have a legacy footprint that is paying off in part now, there are still areas for potential opportunity, particularly around anticipating the most-specific of bettor queries and concerns in the rapidly evolving market.

For those launching new sites or perhaps leaning into above-the-line tra-

ditional marketing supported by offline roots, it's worth being mindful that the market will only get more competitive, so moving towards a mature, organic SEO strategy as a prioritized part of the marketing mix will likely be fundamental to future success.

For those preparing to enter the markets, it's clear that many opportunities exist for those who can prioritize genuinely superior, fan-first content while developing an approach to offsite SEO and link acquisition that minimizes risk while pushing 'money' pages forward.

The year ahead: Opportunities and challenges for the industry

Daniel Kustelski, CEO of Chalkline, takes a closer look at the key trends likely to impact the US sports betting sector over the coming 12 months

If 2021 is anything to go by, 2022 should be another fun year for legal sports betting in the US. As we move into 2022, I think it will be useful to reflect on 2021 so we can better understand what is in store for the coming 12 months.

If 2021 has taught us anything, it is that there will be high levels of scrutiny on marketing spend, headline-grabbing M&A activity, and more states legalizing sports betting and/or igaming. Growth in the US sports betting industry more than doubled from 2020 to 2021 and that momentum will undoubtedly continue.

There were plenty of revenue records set in numerous states during the football season — New Jersey and Nevada both had handle figures above \$1bn.

Most of that handle was from depositing customers or cash bets in retail sports betting locations, but some of that handle was a function of the bonus money provided to players.

Sports betting accounts for 7%-8% of the total gambling GGR (land-based and online) across the US and this trend will continue. In 2017, Nevada's sports betting percentage was just 1%-2%.

Spending smart as well as spending big

With that growth, we will continue to see operators spend big on marketing. There will undoubtedly have been at least one operator that forked out \$1bn on marketing in 2021 and that level of marketing spend will surely continue into 2022.

But the biggest difference between 2021 and 2022 will be a focus on ROI. Operators are starting to pull back the marketing spend (WynnBET is a good example of this) with a level of scrutiny that we haven't seen in the past.

The M&A train will continue full steam ahead

Operators and media organizations acquired companies in 2021 that offered skills, tech, and audiences they didn't organically have access to.

Billion-dollar transactions like the sale of Golden Nugget Online Gaming, the acquisition of theScore, and Gamesys's merger with Bally's became the norm, and we will see plenty more over the next 12 months.

Given these mega-deals and mergers, it was hard to keep up with the pace of transactions at a smaller scale, especially relating to the media and affiliate sector. The M&A trend will continue as North American operators are still looking for skills, tech, and access to new audiences.

With land-based operators like San Manuel and Hard Rock entering Las Vegas for the first time, it is clear that these operators and others are looking



Taxes generated by legal sports betting exceeded \$500m in 2021

to expand their retail and sports betting footprint as well as their access to on-line gaming in key states.

So much so, I expect a land-based casino group without organic sports betting to acquire one of the top 10 online sportsbooks in 2022.

Affiliates and media companies will continue to acquire skills and audiences they don't currently have to take advantage of customer acquisition opportunities. Customer acquisition will take on a higher priority as operators have now established the states they want to operate in.

This will see localized content and audiences as well as niche sports audiences become more and more valuable to both affiliate and media companies for consolidation.

More states means more opportunities

We just recently went over 33 states with legal sports betting in the US and with Canada looking to expand into single-game betting this year too.

With sports betting taxes to states topping over \$500m in 2021, this year should see plenty more states passing legislation knowing full well they are leaving money on the table if they don't. Regardless of the profitability of operators, states will want to earn much needed revenue and the number of states that legalize sports betting should tip to more than 40 this year.

Unfortunately, and as some states can attest to, the lag between legalization and earning tax revenue can be months, and sometimes even years, but starting the process with legalization is the biggest step forward and one that I encourage lawmakers to take.

With the growth of sports betting and gaming, the importance for responsible gambling awareness and campaigns grows too. Looking at the effort that the National Council for Problem Gambling and the awareness the American Gaming Association is creating as the industry grows is critical.

One campaign in particular that demonstrates the importance of responsible gambling is the NFL and the NCPG teaming up together. The NFL is the



Kustelski expects a land-based casino "without organic sports betting" to buy a top online sportsbook

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"The biggest difference between 2021 and 2022 will be a focus on ROI. Operators are starting to pull back the marketing spend (WynnBET is a good example of this) with a level of scrutiny that we haven't seen in the past"
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most bet-on league in the US and for it to lean in on responsible gambling and create awareness during games is a great example for all leagues to follow.

Opportunities abound for horseracing and DFS

Horseracing companies played a key role this past year in the wider US sports betting industry. Considering some of the difficulties sports operators were having finding bettors, they looked to adjacent industries for players that may cross over to wager on sports.

Online horseracing continued to grow from a record 2020 and this caught the

eye of savvy sportsbook operators. In that regard, it wasn't surprising to see BetMGM partner with the New York Racing Association and launch horseracing betting apps in Ohio and Florida.

Daily fantasy sports has also played a critical role in customer acquisition for FanDuel and DraftKings since the legalization of betting. Both companies have said that 30%-40% of DFS players have converted to sports bettors. Operators and media companies are now looking at the DFS industry as a means to either service and entertain DFS players or simply acquire them and attempt to convert fantasy players into sports bettors.

Bally's bought Monkey Knife Fight in 2021 and other operators snapped up smaller DFS brands to fill their bouquet of entertainment for their customers. This will carry over into 2022 as independent DFS operators continue to acquire customers that can be valuable players to sports betting operators.

Generally, we will see more of the same strategies in 2022 as we did in 2021 and previous years as it relates to the sports betting industry.

The execution of the strategy will alter slightly as operators will continue to look to spend their marketing money more efficiently and customer acquisition becomes more of a challenge. That singular hurdle will be the focus for 2022 and the years to come.

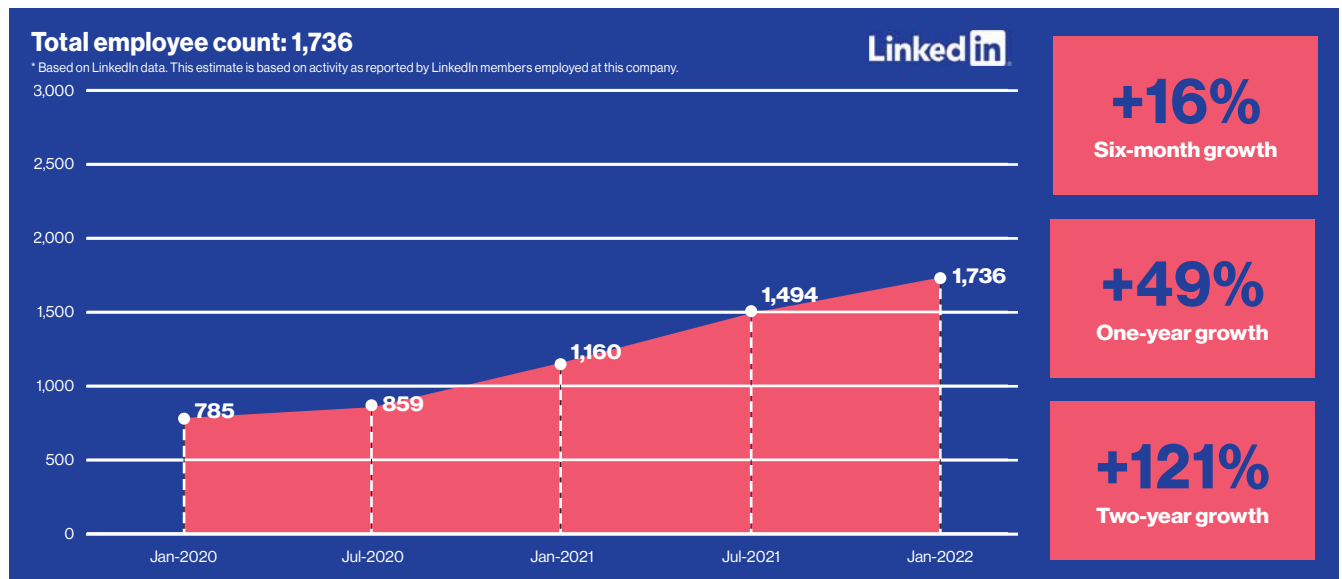


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Data analysis

LinkedIn insights

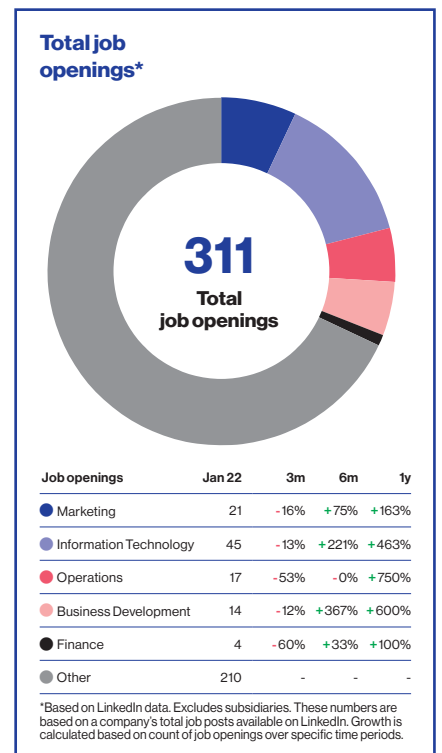
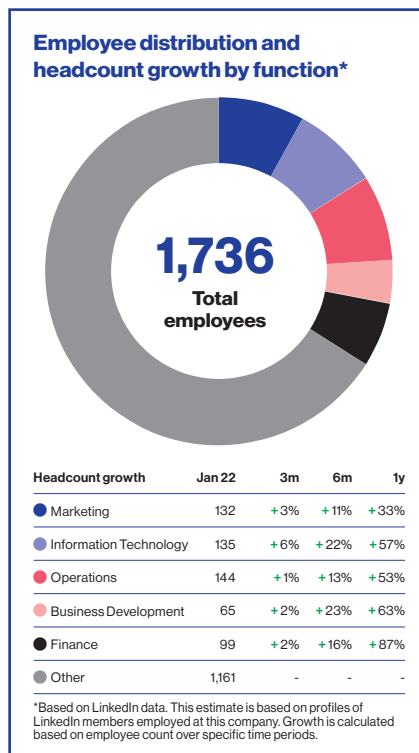
LinkedIn insights: FanDuel



In the first of a new series utilizing data from business networking site LinkedIn, *EGR North America* examines the hiring history of the biggest sports betting and gaming operators in the US. No deep-dive into industry talent trends would be complete without the top trailblazers of legal sports betting, FanDuel and DraftKings, so it is fitting we kick things off with this prominent duo.

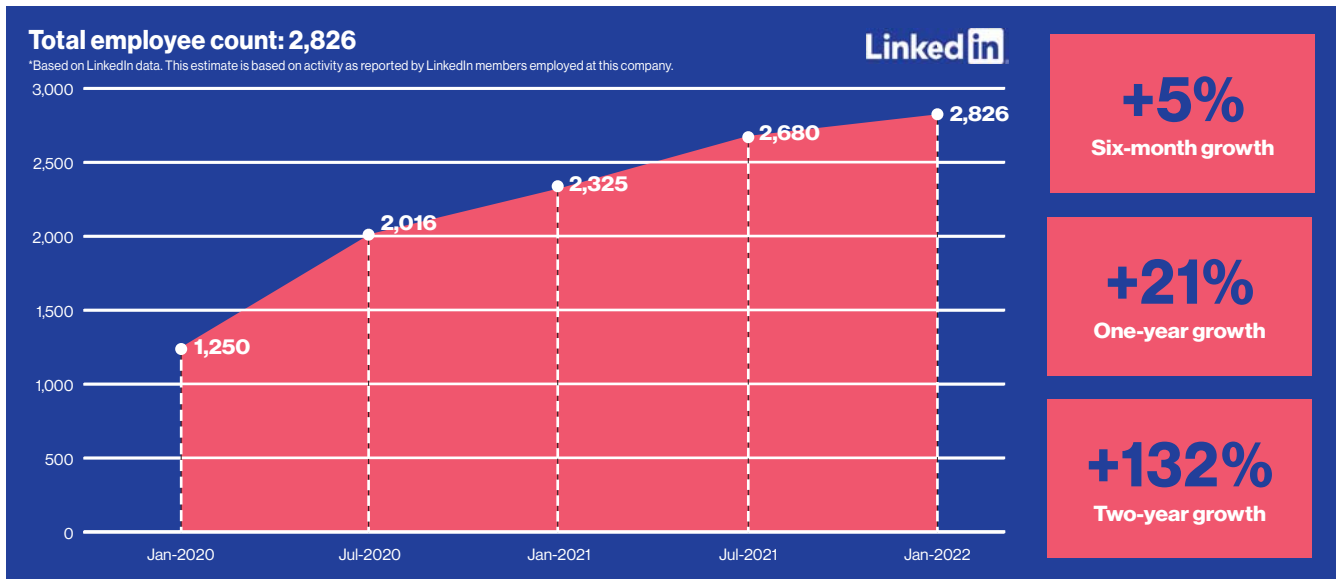
In line with its rapid expansion and ascent, FanDuel's hiring figures have rocketed since 2020, with total employee headcount rising 121% in two years to a total of 1,736 employees. On a 2021 basis, personnel numbers were up 49%, with 311 current job openings at the Flutter subsidiary.

Of these, the biggest growth in recruitment has been in operational roles, up 750% year on year (YOY), while business development recruitment jumped 600% over the same period. In respect of employee headcount, the biggest growth was seen in financial roles, with employee numbers growing 87% YOY to 99 employees in this function.





LinkedIn insights: DraftKings

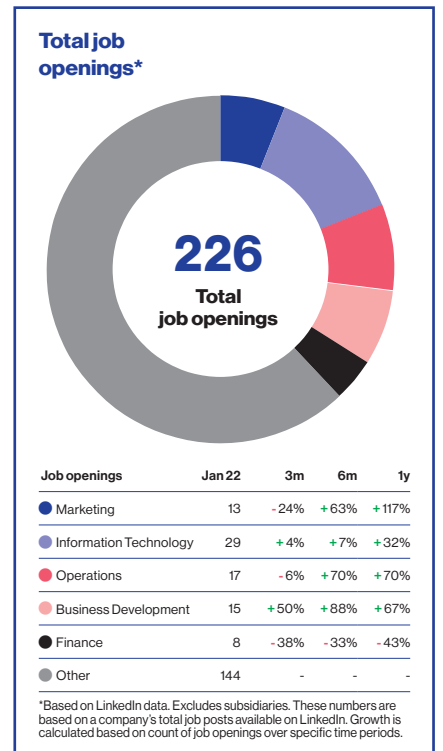
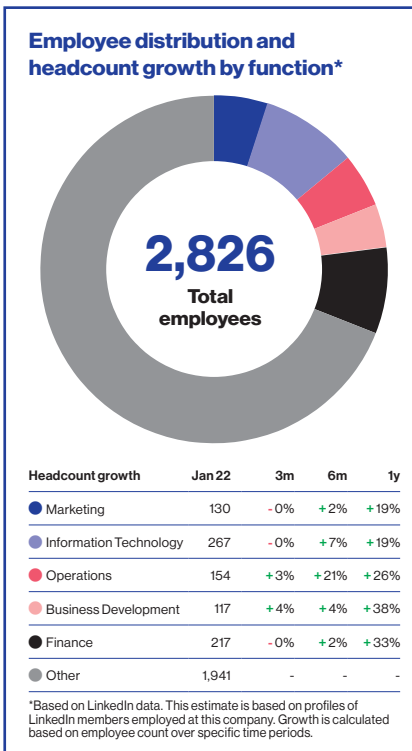


DraftKings, in contrast, had almost 1,100 employees more than its closest rival FanDuel during 2021, with 2,826 staffers registered on LinkedIn. Over the last two years, DraftKings' total employee numbers have risen by 132%, partly due to its multi-billion-dollar merger with SBTech.

Of this headcount, the biggest YOY growth was in business development where employee numbers rose by 38%, closely followed by DraftKings' financial department, which swelled by more than 33% YOY during 2021.

Operational roles registered the next largest growth on a year-on-year basis, increasing 26% to 154 employees, while IT and marketing employee headcounts each rose by 19% YOY to 267 and 130.

In respect of new vacancies, DraftKings has a total of 226 job openings, with the bulk of those concentrated in non-categorized roles. In line with growth in the headcount, the largest functions for job openings are in IT, where the firm has 29 roles and operations which accounts for 17 roles.





18 \ Data analysis Slots rankings

Slots tracker: New Jersey, Michigan, and Pennsylvania

Ken Muir, managing director at iGaming Tracker, presents the latest slots data from New Jersey, Michigan, and Pennsylvania

As part of our expanded slots tracker, we look at each casino website in New Jersey, Michigan, and Pennsylvania, and track which casino slots are present.

The final month of 2021 saw no change in the EGR US slots tracker rankings, with SG Digital's 88 Fortunes, Evolution's Divine Fortune, and IGT's Cleopatra all managing to retain their podium positions. December data from the New Jersey, Michigan, and Pennsylvania markets showed no change in the top three, with all the jostling for positions occurring further down the top 20.

Fruit Shop Christmas from Evolution re-entered the rankings in fourth position, while November's biggest faller, IGT's Wheel of Fortune Triple Extreme Spin, spectacularly rebounded from 13th position back up to fifth place.

December saw a record six slots games re-enter the rankings, with two new entrants, Jin Ji Bao Xi Megaways from SG Digital and AGS's Tiger Lord, making their debut.

The other re-entrants were Evolution's Jingle Spin, Jumanji and Mercy of The Gods, plus IGT's Da Vinci Diamonds and Wheel of Fortune Megaways slot.

However, while some rise, others fall and December was no exception, with eight slots experiencing drops in their rankings position. The largest faller was Win Studios' Mirage Mega Magma, which slumped to 17th position, taking the wooden spoon off SG Digital's 5 Treasures, which dropped eight spots to 16th.

November's fourth-, fifth-, and sixth-placed slots each respectively slid three positions in the expanded rankings during the final month of 2021.

A total of 32 sites were scrutinized in the tri-state sample, including 154 web-pages and 1,154 games.

Game	Supplier	December	November	Change
88 Fortunes	SG Digital	1	1	0
Divine Fortune	Evolution	2	2	0
Cleopatra	IGT	3	3	0
Fruit Shop Christmas	Evolution	4	n/a	re-entry
Wheel of Fortune Triple Extreme Spin	IGT	5	13	8
Jingle Spin	Evolution	6	n/a	re-entry
Dancing Drums Explosion	SG Digital	7	4	-3
Bonanza	Evolution	8	5	-3
Jin Ji Bao Xi Endless Treasure	SG Digital	9	6	-3
Jumanji	Evolution	10	n/a	re-entry
Starburst	Evolution	11	9	-2
Jin Ji Bao Xi Megaways	SG Digital	12	n/a	new
Fortune Coin	IGT	13	10	-3
Da Vinci Diamonds	IGT	14	n/a	re-entry
Tiger Lord	AGS	15	n/a	new
5 Treasures	SG Digital	16	8	-8
Mirage Mega Magma	Win Studios	17	7	-10
Mercy of the Gods	Evolution	18	n/a	re-entry
Wheel of Fortune Megaways	IGT	19	n/a	re-entry
Bison Fury	Win Studios	20	15	-5

Data December 1-31, 2021

How it works

Games are ranked by their position throughout the month on all online casino sites in New Jersey, Michigan, and Pennsylvania. Only the 'main' page of the casinos is taken into account and the top 20 most prominent positions on those pages. The ranking is calculated as the total number of hours the game was in the top 20 positions throughout the month. Each casino page is tracked at least once every 24 hours. Table games such as roulette and blackjack are excluded from the rankings, as are live casino games.

EGR UPCOMING EVENTS 2022



9 February 2022

Virtual

EGR Australia Summit

A one-day summit for Australia's leading operators



16 February 2022

Argentina, Buenos Aires

EGR Power Latam Summit

An in-person summit for South America's leading operators



24 February 2022

The Westin Dragonara Resort, St. Julian's, Malta

EGR Nordics Briefing & Awards

A one-day briefing for the Nordics region's leading operators followed by the awards ceremony and dinner



11 - 12 May 2022

Marbella, Spain

EGR Power Affiliates Summit

The leading residential in-person event for affiliates



9 - 11 May 2022

Marbella, Spain

EGR Power 50 Summit

The renowned two-day summit for the industry's biggest operators



April 2022

New York, US

EGR East Coast Briefing & North America Awards

A one-day briefing for leading operators based on the East Coast followed by the awards ceremony and dinner



June 2022

Virtual

EGR Portugal Briefing 2022

A virtual briefing for the Portuguese region's leading operators



June 2022

London, UK

EGR B2B Awards

Honouring igaming's best service providers



June 2022

London, UK

EGR Marketing & Innovation Awards

Rewarding the most innovative operators' marketing campaigns of the past year



October 2022

Virtual

EGR Central and Eastern European Briefing

A virtual briefing focused on the Central and Eastern Europe regulated markets



September 2022

California, US

EGR US Power Summit

The leading event for North America's leading operators



July 2022

Chicago, US

EGR Midwest Briefing

A one-day briefing for online gaming operators based in the Midwest states



October 2022

Rome, Italy

EGR Italy Briefing & Awards

A one-day briefing for Italy's leading operators followed by the awards ceremony and dinner



November 2022

London, UK

EGR UK Summit

A one-day summit focused on how to build a safer gambling industry



November 2022

London, UK

EGR Operator Awards

The industry's biggest awards featuring a live ceremony and dinner

Find out more at

www.EGR.Global/events

or contact us at virtualsupport@egr.global



Q&A: Strike up the band

Mohegan Gaming & Entertainment president and CEO Ray Pineault talks *EGR North America* through the challenges of being one of the largest tribal operators in the US and how its experience in New Jersey laid the groundwork for its expansion into Connecticut

With their entitlement to operate gaming guaranteed under the 1988 Indian Gaming Regulatory Act (IGRA), Native American tribes have enjoyed a strong foundation and clearer trajectory towards igaming and sports betting than some of their non-tribal counterparts. Yet of the 251 tribes (according to October 2021 data from the National Indian Gaming Commission) operating gambling establishments in the US, the number with igaming and sports betting can be counted on one hand.

One tribal trendsetter is the Mohegan Tribe, whose Connecticut-based Mohegan Sun brand has blazed a trail into igaming, and most recently sports betting, that serves as a model for tribal operators everywhere. Mohegan Gaming & Entertainment president and CEO Ray Pineault speaks to *EGR North America* about the unique journey the tribe has undertaken in its path to success.

EGR North America (EGR NA): *What are the biggest challenges as a tribal gaming operator in the US market?*

Ray Pineault (RP): I don't think there's any challenge as a tribal operator that we face unique to us — we're regulated like any other commercial operator. We've got commercial operations in New Jersey, Las Vegas, as well as Pennsylvania, so we face many of the same challenges that your average commercial operators will face.

Covid-19 has obviously been the biggest challenge facing everybody over the last 12-19 months, so things like supply chain issues have been difficult — can

you get the products you need? Can you get them quickly? Can you get them cost-effectively?

And things like competition for labor. There's been labor shortages throughout the United States. In the resort and hospitality industry, they are calling it the great resignation. There's a large portion of the labor force resigning from their jobs and moving on to other things or finding different things to do. We're always worried about new competition as new competitors enter the market,

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“The amount of effort between our partners at FanDuel and our teammates here was incredible. They worked tirelessly to get it up and running in and around the 90-day period”

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how we deal with them and stay ahead of the competition. So, our challenges are substantially, in all material respects, similar to a commercial operator and we work through them on a day-to-day basis.

EGR NA: *Where does Mohegan Gaming & Entertainment see itself in terms of the US market?*

RP: From a digital footprint perspective, we're just dipping our toes in the water. We have launched in Connecticut [and

although] we've only been live for three months, we've had tremendous success. We're very pleased with the results that we're seeing. We're looking at Canada, particularly in Niagara where we have two properties, and we have a huge database to launch right from the Niagara property.

We're looking at other digital jurisdictions in the United States, including bordering states such as Massachusetts, and we already operate in Las Vegas and Pennsylvania. From a bricks-and-mortar perspective, we first opened as a small little travel casino in south-eastern Connecticut in 1996 with 2,000 slot machines and 100 table games. Since then, we've grown to a facility with over 3,500 slot machines, over 200 table games, an arena, 1,600 hotel rooms, and a convention space. We've added Niagara, Pocono, New Jersey, Washington, along with South Korea to our portfolio, so I see us as a competitor in the gaming market — one that's going to continue to look for opportunities for growth and expansion and bring our form of hospitality to the resort industry.

EGR NA: *Much was made in the press about Connecticut's sports betting soft launch issues. Can you shed any light on the matter?*

RP: Contrary to those reports, we didn't really face any challenges from the soft launch. As with any state, Connecticut's launch was their first foray into sports betting and online gaming, so the regulator wanted to make sure it was working in accordance with the regulations they had set and that was going



Mohegan's Falls View Casino in Niagara Falls, Canada

to provide them with the reports and information they wanted to see.

We only had limited time to launch. As part of it, we reached out to a limited number of guests wanting to make sure the experience was right and that the state was comfortable with how it was operating. We had to obviously work with the state and with our partners, as well as our competitors at Foxwoods and DraftKings, to ensure we were able to launch. The amount of effort between our partners at FanDuel and our teammates here was incredible. They worked tirelessly to get it up and running in and around the 90-day period. Everybody worked very well together to get this up and running very quickly.

EGR NA: *What assistance did you receive from authorities in Connecticut during this process?*

RP: We've had lots of support from the state during that period, and indeed continuing to this day, as they are our partners in this and we have a lot of the same objectives. They want to create jobs while we want to generate revenue and provide something for the local community in terms of entertainment

options, and obviously we both want to boost tax revenue for the state. We both have a vested interest in rolling this out and making sure it's successful.

On a day-to-day basis, we have regular discussions with the Department of Consumer Protection, as well as with state leadership to ensure we're providing an experience to our guests which is well received.

EGR NA: *How have Connecticut residents embraced sports betting? Has anything surprised you about customer habits/preferences?*

RP: There's not been any surprises in how [bettors] are going about sports wagering. From a bricks-and-mortar perspective, we're seeing what we expected, which is the majority of bets are placed at kiosks and not betting windows. The one thing we expected, and this is typical in many US local jurisdictions, is that people bet heavily on their home teams. From a receptivity standpoint, our guests have been highly enthusiastic about our new sportsbook offering. We do not have our permanent sportsbook open, yet we've been using a temporary facility at one of our sports bars. We look

forward to opening up our full sports facility in the coming months. I know there's a lot of excitement around doing that in combination with FanDuel, and our guests can't wait for it to happen.

EGR NA: *In tandem with sports betting in Connecticut, you have Mohegan Sun online casino sites. Are there any potential cross-sell opportunities with these two businesses?*

RP: Absolutely, and we're already doing it. We actually launched it with that in mind, so bricks and mortar was going to support online and vice versa.

As an example, when we first launched this, the first place we went to was our database. We probably own the largest database in the state of Connecticut and we utilize the bricks-and-mortar database to introduce people to our online offerings using the bricks-and-mortar space to set up online registration areas. We did some unique events on-property around registering people to join the online gaming experience, so we could have that omni-channel interaction and approach to our guests.

We are also in the process of integrating our rewards earnings online and on-premise, so it will be the same rewards program you can use to redeem things online such as credits to play or redeem items on-property. So, we think they're going to be working symbiotically moving forward. It's similar to the MGM rewards program but we call ours the Momentum program, and we're launching it online as it's already in our bricks-and-mortar properties.

EGR NA: *How does the tribal exclusivity on your Connecticut compact help MGE with sports betting?*

RP: There are two tribes here in Connecticut: The Mohegan Tribe and the Mashantucket Pequot Tribe. Both tribes have negotiated a compact with the state of Connecticut, which gives them exclusivity over gaming and the ability to introduce sports wagering. This was part of our compact negotiations with the state and something that's allowed us to create the conditions for a limited market. There are only three permitted sportsbooks: The two tribes and Rush Street Interactive, working in combination with the Connecticut Lottery Corporation. That's it and that's all it'll ever

be. There are only two online casinos allowed in the state, one through the Mohegan Sun skin and one through the Foxwoods skin.

I think the compact and having negotiated that exclusivity allowed us to have that closed market, which will allow us to compete head-to-head, rather than as we've seen in other states, where you have 15, 20, 25 operators competing with each other, overspending in promotions, and not really driving profitability. In contrast, we can compete head-to-head and run profitable operations from the get-go.

EGR NA: *You famously discontinued Mohegan's sports betting platform agreement with Kambi in favor of signing a separate agreement with US market leader FanDuel. Can you explain the rationale behind this move?*

RP: We did an evaluation of the market and our competitors, and when we looked at the market for Connecticut, we decided FanDuel was the best option for us to go forward. Our relationship with Kambi is fantastic. We're already looking to work with them in other jurisdictions or for them to help us expand into others, so Kambi is going to continue to be a partner of ours. It just wasn't the right fit for the Connecticut market.

EGR NA: *How would you characterize your relationship with FanDuel?*

RP: It's fantastic. I think we're both learning a little bit. We're learning because we've only been in the digital mobile gaming market for six to nine months here in Connecticut. FanDuel was built as a B2C operator and they're operating as a B2B operator with us, so we're both learning.

Our relationship has the right principles moving forward and is founded on building the best operation we can. We both have similar goals and objectives. We talk on a regular basis; our president of digital is working with them regularly to make sure we're maximizing our opportunities with our partners.

EGR NA: *There has been data to suggest New Yorkers are traveling to Connecticut to place bets. Is this something you've encountered since the launch?*

RP: I haven't investigated how many bets are specifically placed by New Yorkers.



The 10,000-seat Mohegan Sun Arena, located in Connecticut

However, we share a border with New York, Massachusetts, and Rhode Island, and I can tell you that we're seeing wagers from all three states sharing that border. When you look at our bricks-and-mortar facility, a good percentage of our guests come from New York, Massachusetts, and Rhode Island. I fully suspect this will continue, particularly when we add in our rewards program.

I'm sure those guests that are already guests of ours to the bricks-and-mortar property will see the advantage of continuing to earn points from their play on our digital site that can be utilized in the bricks-and-mortar site when they come to visit us.

EGR NA: *What lessons have you taken from your experiences in the New Jersey market that can be transposed to Connecticut, and more widely should greater Mohegan expansion occur?*

RP: The one advantage we had in being in the New Jersey market, and being partners with the New Jersey operation, is we got to see it from the ground up. As soon as PASPA was overturned, they [New Jersey] were one of the first to enter the market. We were able to see what

the platforms were, what the customers' expectations were, and what the operations were going to be. We could see what it took to get the operations up and going, what the platforms could provide, what we needed to improve upon, their challenges, where we could do better, and continue to improve the market. It gave us a great bird's eye view of how to set this up and operate a successful business.

EGR NA: *What would be the one lesson you, as a tribal gaming operator, would impart to other tribes eyeing potential expansion into igaming?*

RP: I think the most important thing I would tell any tribe or any organization as they're building or entering new ventures is to be true to yourself, your core values, and your organizational values.

Our tribe likes to talk about 13 generations to come. We're not building for the next stock or annual report at the end of the year, we're building an organization that will enable the tribe to be here for 13 generations. Stick to those values and don't waver from them. It's our foundational principles and that's what's made us so successful.



The startup corner: Social betting and the next generation of sportsbooks

In the first of a regular column series, Avenue H Capital's Benjie Cherniak analyzes the emerging trends in the sportsbook startup space

We are well into Q1 2022 and the betting industry continues to evolve at a frenetic pace. Additional M&A is a certainty as the leading sportsbook, media, and technology behemoths navigate their respective paths forward in the ever-expanding North American market. In the startup world, trends are emerging as entrepreneurs position their companies for growth, culminating in eventual acquisition. Here are a few such trends — and companies — to keep an eye on.

The single-screen experience

Providing sports fans and bettors with a dynamic second-screen experience that complements the way they consume sports is not a new concept and, while 'second screen' remains a buzzword du jour, we are already talking about the next frontier. Watching a game and betting on it directly from a single screen on your handheld device is where we are headed. Operators and broadcast rights holders will need to figure out how to share this pie but the streaming technology to enable it is coming. Keep an eye on companies that can help reduce the latency of live stream video (i.e. Phenix Real Time Solutions) and the other on companies like StreamLayer and Panda Interactive which create interactive overlays to enable immediate call to action.

The evolving in-game dynamic

In-play wagering will increasingly drive our betting experience moving forward. The majority of today's in-play handle remains top-line markets but that will

evolve over time. Micro markets allow for betting on bats, drives, and individual plays. Led by SimpleBet, micros are gaining steam and appear headed towards mainstream adoption. In-game player props and related player markets present endless betting opportunities, and companies such as Swish Analytics and Sports IQ are running front and center. Conversely, enhanced data provision to power in-play markets such that companies enabling sensors in player equipment, biometrics, and 5G tech could eventually become central to the storyline.

Marketplace wagering

Could 2022 be the year that this format breaks through? Market makers are aligning with the likes of Sporttrade and Prophet Exchange in anticipation of a new form of sports betting that will mirror high-frequency trading, while player-to-player startups such as Lucra and Wagr are geared to the casual punter. B2B companies like Betswap embed an online secondary marketplace directly to a sportsbook operator's platform, allowing their players to buy and sell existing bets. The emergence of decentralized exchanges such as BetDEX is another storyline to watch, as blockchain and sportsbook potentially, if not inevitably, collide.

The social betting experience

For years we have been saying that betting needs to be more social and we are now seeing the emergence of companies that can enhance the social experience.

Betsperts is an established social picks platform that allows bettors to share information and track results, whereas Chalkboard is more along the lines of Discord, allowing friends and fans to communicate and bet together. Kero Sports creates a watch party environment for fans to engage with one another during the game and can sit within either a team app or operator platform.

Next-generation sportsbooks

A final trend is the emergence of a new generation of sportsbooks, each sure to offer creative user experiences that could shake the status quo. We all await the highly publicized Fanatics entry as they bring with them a gargantuan user base from day one. Underdog, a fantasy leader, is now adding a sportsbook component via its unique proprietary platform, and Instabets, a startup that will leverage micro-betting technology and leading influencer pedigree to attract a new generation of casual bettors.



Benjie Cherniak is an investor and advisor to emerging companies in the sports betting space via his company Avenue H Capital. Previously, he was principal and MD at Don Best, the leading provider of in-play pricing services and sports information products relevant to the North American sports betting industry, acquired by Scientific Games in 2018.

Can 2022 live up to the 2021 hype?

John Pappas, founder of Corridor Consulting, examines the big potential issues in sports betting regulation during 2022

The year 2021 will probably go down as one of the most active in the history of US gaming expansion. Fourteen states, representing 36% of the entire US population, either legalized and/or launched sports betting. This includes Michigan and Connecticut, which now offer online casino games, and Florida, which launched sports betting but stopped a few weeks later after a federal judge invalidated the tribal compact.

Frankly, it's hard to imagine that 2022 can top 2021. But of course, there is always California.

The votes are in for California

The Golden State is going to dominate the headlines because it's the fifth largest economy in the world and there is always drama. The legislature has tried and failed to legalize sports betting, so now it is up to the voters to decide. There are four competing initiatives and, to the dismay of some and the delight of the offshore sportsbooks, the initiative that has qualified for the ballot so far only allows for retail sports betting at tribal casinos and horse tracks.

The three other initiatives all permit mobile betting but, as of now, only one of them is legitimately vying to get on the November ballot. An effort led by several of the large national online sports betting companies is well on its way to collecting the required signatures (close to one million) so they can be verified by the state before the end of June. If they reach the ballot, then the drama will unfold. While some tribes have

drawn a clear line that they will oppose all efforts to have mobile sports betting, other tribes that don't want to be on the outside of the lucrative mobile market may be hedging their bets.

For my money, I'd bet on California voters seeing the merits of legal sports betting, whether it is at a casino or on their phone. If tax revenue creation is a consideration, then I'd double down on mobile sports betting getting approved in November. Either way, I believe Californians will legalize sports betting, in one form or another, in 2022.

On the path to 40

As I write this, 35 US states (including Washington DC and Puerto Rico) have legalized sports wagering. Most of the 'low-hanging fruit' has been plucked, and what's left are on those hard-to-reach branches. While this is true, sports betting has uniquely proven to be an issue that lawmakers of all political stripes readily support. When legislation falls apart, it's usually the gaming stakeholders, not the politicians, who are holding the frayed pieces of a promising bill.

With so many states already in the sports betting business, it is going to motivate other states to keep pace and some bills are going to get done, over the objections of various elements within the gaming industry. Exasperated by the stakeholder fights, lawmakers are now saying "get in line or get run over."

States in the mix to get the US to 40 legal jurisdictions are: Missouri, Kansas, North Carolina, Maine, Georgia, Mississippi (state-wide mobile), and California.

And just like Wyoming last year, there is always a state (or two) that materialize when you least expect it — looking at you Alabama and Vermont!

New heights

2021 was the year that igaming showed its revenue potential. Each of the three largest states that allow igaming — MI, NJ, and PA — blasted past \$1bn in revenue over the course of the year.

Smaller markets, like Connecticut and West Virginia, will grow rapidly, building off the important cross promotion from sports betting. According to projections released in October by Eilers & Krejeik Gaming, igaming revenue across the US is expected to rise to over \$3.5bn in 2022. Yet despite the impressive year for igaming revenue, it will not likely lead to more states legalizing it in 2022.

Indiana has the most realistic shot, but a short legislative session and uncertainty about a looming scandal related to a casino (which lost its gaming license) could mean the bill slips to next year.

While New York sports betting is already creating massive headlines, we are just scratching the surface on another busy year for the digital gaming industry.



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Lessons learned from Michigan's launch

David Murley, deputy director of online gaming and legal affairs at Michigan Gaming Control Board, shares his tips and insight for aspiring state regulators drawing on the Wolverine State's own two-year regulatory process

Almost a year before our internet gaming laws passed, we began studying how other states approached gaming. We assembled a team to review the gaming statutes and regulations of New Jersey, Pennsylvania, Indiana, and Nevada in order for us to learn how these jurisdictions addressed issues such as player accounts, licensing requirements, and remote gaming systems.

We assigned each team member a topic area and required written analysis of the other jurisdictions and recommendations for Michigan. This exercise was very difficult, time-consuming, as well as frustrating. However, when the gaming laws passed, we were familiar with the gaming best practices of other jurisdictions.

To the extent possible, you must engage during the legislative process. Politics being what it is, states may not want gaming regulators involved in negotiations over substantive provisions of the bills, such as tax rates, promotional deductions, etc. That said, it is important you get the regulatory tools you need to regulate gaming — maybe it's absolute confidentiality of all materials submitted in a license application, the ability to issue substantial fines, funding for your agency, or other matters. You will be the ones that regulate this, and if you don't have the tools you need, maintaining the integrity of gaming will be impossible.

After the law passes

Now the pressure is on! Stakeholders, legislators, and the media will be calling

to ask when you will be launching gaming. Hopefully you already have a head start, as this will be a very intense and stressful period. Regulations, licensing, technical standards, and other difficult tasks are all on the horizon.

The leader of the gaming commission needs to address the agency with the clear and unequivocal message that gaming is not retail gaming. Sure, there are similarities — odds, RNGs, payouts — but the risks are much different. Internet gaming cannot be regulated the same way as retail gaming. You want the agency to try and think critically and take a risk-based approach to things, instead of applying a retail casino regulatory model to an entirely different industry, where some requirements might not fit the same way. It is very important that this message be sent from the top.

In preparing to launch gaming, involve employees from across your agency. Online gaming will impact all of your major functions and organizational units — licensing, lab/technology (platform and game approvals), responsible gaming, audit, internal controls, etc. Leverage your employees' diverse knowledge and experiences and let them help craft any rules and policies they will be responsible for enforcing. The more experience and familiarity they have, the better they'll be at understanding, communicating, and administering your regulations.

Develop licensing and regulatory processes as soon as possible. Hire and/or allocate staff and establish roles and responsibilities, expectations, reporting

structure, etc. Determine priorities specific to online gaming and throughout the agency. What agency activities will have to be paused or reduced to spend time on gaming? Can people work overtime? As launch approaches, the fires will start and escalate quickly. If you aren't prepared, you will spend all your time putting out fires.

Develop a timeline and share it

Create and share a timeline to keep your agency on track and manage the expectations of everyone else. You may even want to create three timelines: Fast, slow, and medium. Put them on your website and share them with stakeholders. Make them credible, but factor in some flexibility to account for the unknowns.

Balance is necessary when establishing a timeline. For some operators, legislators, government officials, and future customers, the launch can't come soon enough. Availability of legal online gaming and the tax money it will generate are their top priorities. But, some operators will need more time to prepare and won't want others to gain a first-to-market advantage. And regulators and other interest groups (e.g. responsible gaming advocacy groups) may prefer a more slow and measured approach, with a focus on crafting the best possible rules and making the proper licensing and regulatory decisions.

Your timeline could include due dates for comments about regulations, for when licensing applications are due, when internal controls must be submitted, when platforms and games must be



submitted, etc. A few months into our process, when we had an idea about what our rules would say, we sent licensing applications to operators and explained all of the information they would need to provide to get a license and all other required approvals.

In addition, we told them they were responsible for ensuring that any platform providers and gaming suppliers they wished to use also received a license. We set deadlines, but with a carrot — if the required documentation was turned in by a certain date, the operator would be more likely to be in the first wave of launches.

Not your typical licensees

Commissions used to regulating commercial casinos will be surprised. Management at commercial casinos and their licensed suppliers are often very familiar with your state laws and regulations, have worked on internal controls over a period of years, and often have a close working relationship with regulators. These commercial casino management teams are usually a highly experienced group that knows what their regulator expects.

Our initial experience with internet gaming has been somewhat different. Many of the platform providers we worked with were still assembling their gaming teams and were dividing their attention among multiple jurisdictions that were launching at nearly the same time. Some necessary skills, such as drafting internal controls, were in great demand but relatively low supply. People

at these companies did the best they could and sometimes had to learn on the fly.

Further, these companies are working on a national (if not international) basis. Don't be surprised if many are unfamiliar with your state's standards and expect to apply their national business model in your state.

It may take some time, negotiation, and creativity for licensees to grasp the nuances of your state's requirements and mold their business models accordingly. What's more, both you and your licensees may need to realize that some compliance essentials, such as internal controls, will have to develop and improve over time.

Final advice

Here are some final pieces of advice for you to consider. Firstly, involve stakeholders when writing rules and establishing regulatory processes. They have knowledge and experience, and their feedback is invaluable. At the same time, remember that these are your decisions to make based on your statutory requirements, public policies, regulatory objectives, etc.

Second, have a coordinated launch that includes as many operators as possible. Try to avoid a first-to-launch advantage. The immediate success of the Michigan market shows the value. Things move faster in the online environment. Operators view everything as urgent and will want immediate responses and action. Set early expectations regarding turnaround time and responsiveness.

Third, online gaming advertising is sure to be a source of controversy in your jurisdiction. The massive amount of advertising will have the general public hoping for the return of election commercials. Consider the extent to which you want to regulate advertising, whether you can limit or restrict it, and whether you want to tie it to responsible gaming requirements.

Lastly, when writing rules and establishing processes, do be aware of your limited resources and take a risk-based approach. You can't regulate everything, nor should you. Take an active role in monitoring the highest risk activities, and delegate most others to the operators, independent test labs, independent auditors, etc. Put the responsibility on them and make them report to you.

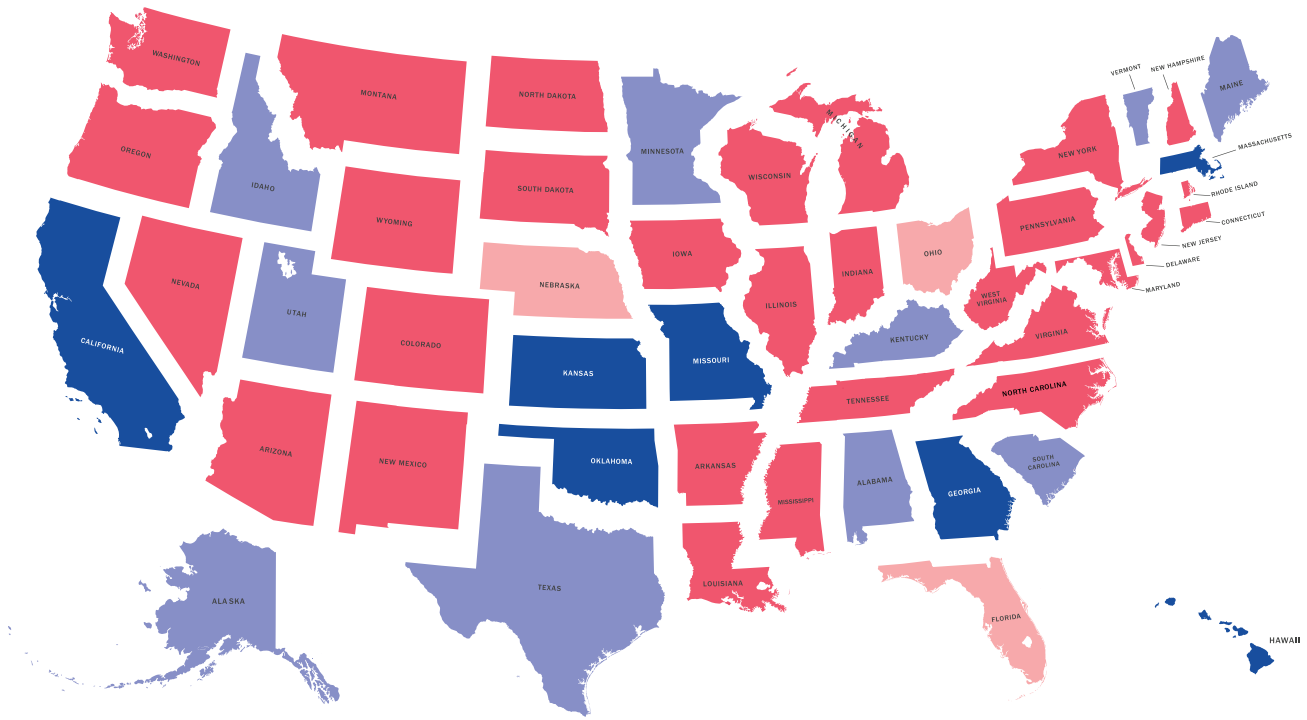


David Murley is the deputy director for online gaming and legal affairs for the Michigan Gaming Control

Board. In his role, he has assisted with the passage and implementation of internet casino gaming, internet sports betting, fantasy sports, and advance deposit wagering. Previously, he worked as deputy legal counsel for former Governor Rick Snyder, led the state's compact negotiation efforts, and helped launch iLottery. He also served as general counsel to the Michigan House of Representatives and as an attorney with the Michigan Office of Regulatory Reform.



The state of play



- Live and legal
- Active or pre-filed legislation in place
- Legal but not operational
- No legislation

Every quarter we look at which states have launched sports betting, those that have yet to launch but have legalized betting, those that have embarked on the journey to regulated sports betting, and those where the prospect of regulated sports betting is not currently present.

The last quarter has seen some significant movements in the US sports betting market, most notably in Arizona, Connecticut, and New York, all jurisdictions where regulated operations began for the first time. All three states enjoyed a strong debut, with Connecticut shaking off bureaucratic issues to launch on October 9. New York has also seen strong interest from bettors since its launch on January 8, quickly rising through the sports betting rankings.

Of those looking to launch, Ohio per-

haps made the biggest headlines during the quarter, with senators passing enabling legislation for the first time. Nebraska continued its trajectory towards a sports betting launch, following on from the successful legalization in August, however its precise date remains uncertain. Florida's journey towards sports betting caused significant issues during the quarter, with the US courts effectively torpedoing the Sunshine State's 30-year compact agreement with the Seminole Tribe, litigation which is still ongoing.

Georgia, Missouri, Kansas, Oklahoma, and California all filed bills to legalize sports betting, however, in the case of California that legislation is facing a significant challenge from rival legislative initiatives aiming to force their way onto the November 2022 electoral ballot.

Canada focus

Building on the successful passage of legislation enabling single-event sports betting in August, Canada's provinces laid the foundations to begin the licensing process, with Ontario, Alberta, and Saskatchewan making overtures to do so throughout the quarter. Ontario is perhaps the biggest mover during the period, with Loyalist province regulators unveiling licensing rules early in August, and while progress has been largely kept out of the public eye, regulators have proceeded with many operators circling.

This process has, however, been pushed back following concerns regarding amendments to Canada's criminal code, a process which is expected to be resolved in Q1 2022. Of the runners up, Alberta looks the most likely to launch early, having unveiled its licensing standards, with Saskatchewan authorities looking later in 2022 for a launch.

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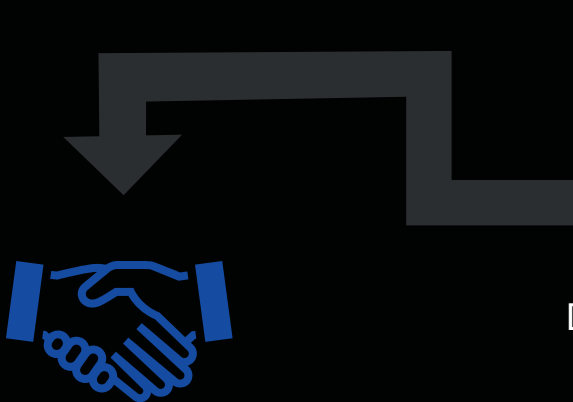
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