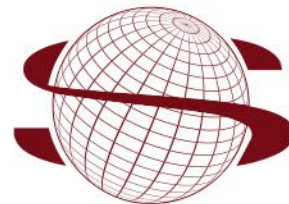


GAMING MARKET ANALYSIS: POTENTIAL NEW GAMING OPTIONS IN NORTH CAROLINA

Prepared for Greater Carolina

January 23, 2023



SPECTRUM
GAMING GROUP®

Executive Summary

- Greater Carolina engaged Spectrum Gaming Group to independently estimate the total revenue potential of gaming expansion throughout the state – and to estimate the revenue potential under gaming expansion parameters being considered by the North Carolina legislature
- North Carolina has the potential to generate the following gross gaming revenues and state gaming-tax receipts by type – *assuming each were the only form of expansion authorized by the state*:

Gaming Type	Assumed Scope of Delivery, Based on Plans Being Considered by State of North Carolina	Gross Gaming Revenue (M) Potential	State Gaming-Tax Receipts (M)			
			At 20% Rate	At 25% Rate	At 30% Rate	At 35% Rate
Sports Betting	Digital and selected retail locations statewide	\$263	\$53	\$66	\$79	\$92
Video Lottery Gaming	30,000 machines at lottery retailers, distributed proportionate to population	\$1,896	\$379	\$474	\$569	\$664
Commercial Casinos	3 casinos – in Anson, Nash, Rockingham counties	\$1,682	\$336	\$420	\$504	\$589

- Spectrum found that there may already be sports wagering leakage to Virginia and Tennessee in the amount of \$8.3 million in gross gaming revenue
- Virginia casinos in Danville and Hampton Roads will be well positioned to attract North Carolinians when they open; Spectrum estimates a potential leakage to Virginia of \$259 million in gross gaming revenue



Project Scope

- Greater Carolina, “a coalition of forward thinking, pro-free-market conservative leaders from across North Carolina dedicated to ensuring a strong economic future for *all* of North Carolina,” engaged Spectrum Gaming Group (“Spectrum, “we” or “our”) to independently estimate the potential of gaming expansion throughout the state.
- This study has two components:
 - **Gaming Revenue Forecasts:** Spectrum projects the gaming revenues and state-level tax receipts that will be generated by the following forms of gaming – and does so assuming each is the only form of gaming expansion that would be authorized (so as to show the full potential of each type):
 - Sports betting
 - Video lottery gaming
 - Commercial casinos

Based on our gaming revenue forecasts, we project the state gaming-tax receipts based on four fixed rates for each form of gaming analyzed: 20%, 25%, 30% and 35%

- **Leakage Analysis:** Spectrum estimates the annualized expenditures by North Carolinians on gaming activities in neighboring states, including on commercial casinos and sports betting in Virginia and on sports betting in Tennessee.

Definitions of Terms Used in this Report

- **Commercial Casino:** A state-regulated gambling facility with a large number of slot machines or similar electronic gaming devices; many also have live table games. Excludes tribal casinos.
- **Digital:** Any type of gaming (casino, poker, sports betting) that takes place via internet or mobile channels; as opposed to retail (in-person) gaming.
- **Gross Gaming Revenue (“GGR”) or Win:** The amount of money players wager minus the amount players win, before any expenses or taxes have been deducted. This is the key metric in analyzing and forecasting gaming performance.
- **Handle:** The amount bet.
- **Igaming:** Casino-style games played via the internet, whether on a mobile device, personal computer, or other online device. Igaming excludes digital sports betting. Also called “icasino” or “online casino.”
- **LTM:** The last-12-months period; used in statistical analysis to denote annualized performance.
- **Retail:** Gaming that takes place in person at a facility open to the public, most notably at a physical casino; as opposed to digital gaming.
- **Video Lottery Gaming:** A type of **distributed gaming** in which a limited number (typically 5 to 10) of **video lottery terminals (“VLTs”)** operate in bars, truckstops or other authorized retail locations.

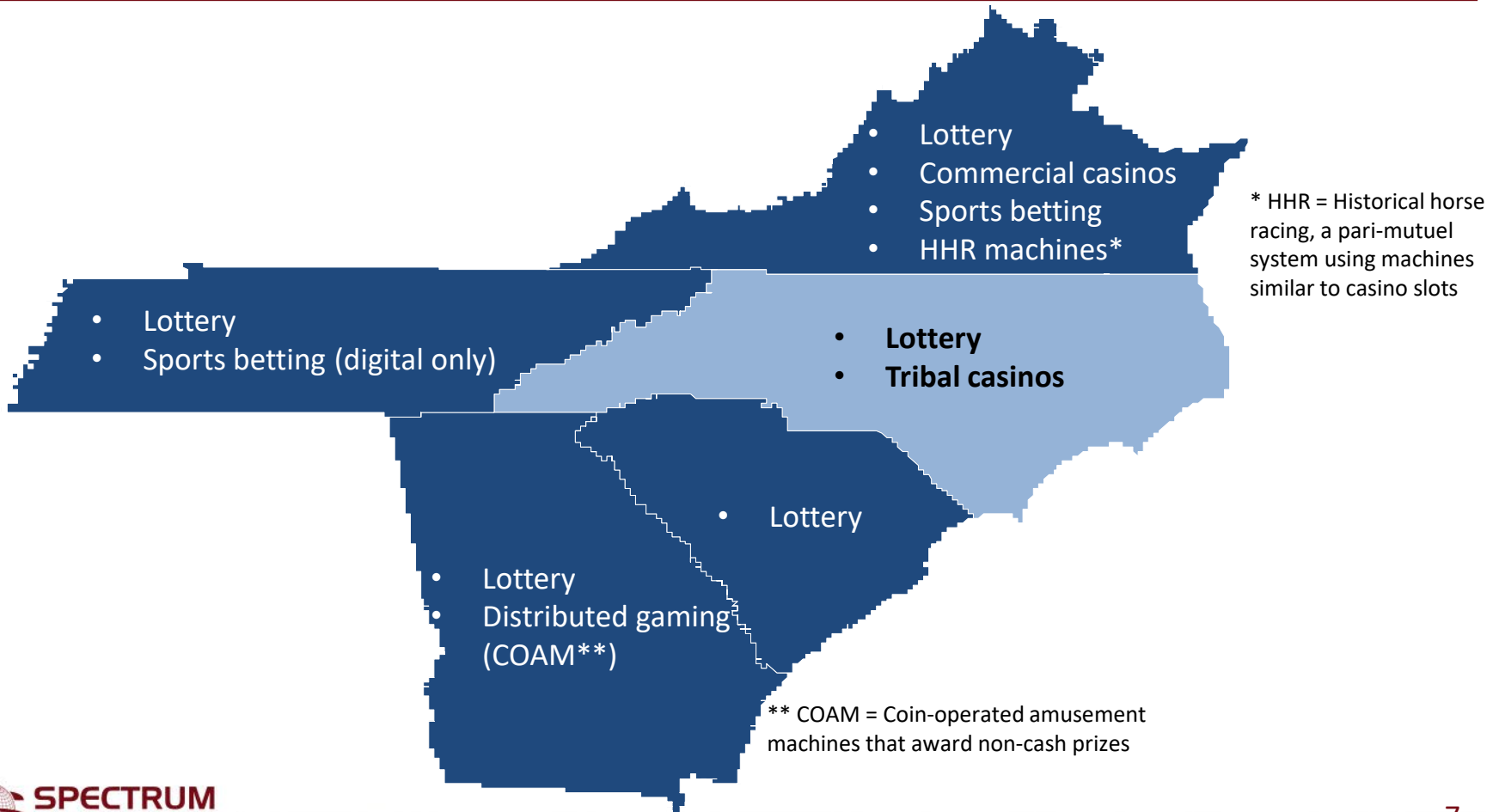
Leakage Analysis Methodology

- For sports betting and commercial casinos, Spectrum sought to quantify the extent that North Carolina residents are gambling in neighboring states (the leakage for video lottery gaming is de minimis)
 - At this time, such activity would be primarily betting on sports in Virginia via mobile device
 - Virginia has two operating casinos in Bristol and Portsmouth
 - Casinos being developed in Danville and Norfolk are sure to attract North Carolinians when they open
 - South Carolina and Georgia have no casino-style gaming (other than the COAMs in Georgia)
 - Tennessee offers digital sports betting, but it is difficult to access by significant numbers of North Carolinians due to geographic constraints
- The first step to developing a leakage analysis is to develop an estimate of the market potential for casino and sports betting in North Carolina (see slides 12, 30)
 - Analyzing the population and incomes of areas close to borders allows us to develop estimates for casino leakage and sports betting leakage
- Leakage for digital sports betting will likely be higher than leakage for casino gaming
 - Placing a digital sports wager merely requires crossing into the state, whereas playing at a casino requires travel to a fixed location and spending time

North Carolina Gambling Today

- North Carolina has three forms of legal gambling:
 - **Traditional lottery**, which is operated and regulated by the North Carolina Education Lottery.
 - **Tribal casinos**, which are offered and regulated by Native American tribes. The casinos offer slot machines, table games, poker, and sports betting.
 - The Eastern Band of Cherokee Indians operates two casinos: Harrah's Cherokee Casino Resort and Harrah's Cherokee Valley River Casino & Hotel, both on tribal lands in the western part of the state.
 - The Catawba Nation operates one casino: Catawba Two Kings Casino, which is east of Charlotte on land placed into trust for the Nation.
 - **Charitable gaming**, which is offered by registered organizations and regulated by Alcohol Law Enforcement, a division of the North Carolina Department of Public Safety. Games include bingo, raffles and "game nights."
- Illegal/unregulated gambling is also present in North Carolina (as it is in every state); most pervasive in North Carolina are tens of thousands of electronic gaming devices, many operating in plain sight.

Regional Gaming Competitive Landscape





NORTH CAROLINA GAMING FORECASTS

SPORTS BETTING: The Big Picture

- The 2018 US Supreme Court decision in *Murphy v. National Collegiate Athletic Association* overturned the federal prohibition on sports betting outside of Nevada (and three other grandfathered states that did not have active betting)
- Today, 32 states plus DC offer sports betting; 4 more states have legalized betting but have yet to implement it
 - Digital betting is available in 23 states
 - Tennessee and Wyoming are only states to authorize digital-only betting (i.e., no retail betting)
 - Betting is limited to retail locations in 9 states
- In states with both digital and retail betting, digital typically accounts for 80% to 90% of total GGR
- For LTM ending September 2022, sports betting GGR was \$5.4 billion
- Sports betting tax rates range from 6.75% (IA and NV) to 51% (NY)
- 17 states have restrictions regarding betting on in-state college sports and/or athletes
- In 7 states, sports betting is offered by or via the host state lottery
- The legal sports betting age is 21 in all but 5 states (age 18 in those states)

SPORTS BETTING: North Carolina Demographics Compared to Other, Relevant States

- Spectrum compared the demographics of other, relevant states with sports betting to North Carolina
- Indexing the states' per capita disposable income allows comparisons of large states vs. small states, and wealthy states vs. less-wealthy states
- States in our sample chosen because of:
 - Presence of professional and college sports teams
 - Length of established sports betting
 - Geography

State	Disposable Personal Income (\$M 2021)	Estimated Adults 21+ (2020)	Per-Capita Disposable Income	Index to North Carolina
Illinois	\$743,388	9,363,657	\$79,391	116%
Indiana	\$344,088	4,840,170	\$71,090	103%
Louisiana	\$228,862	3,382,539	\$67,660	98%
Michigan	\$504,687	7,401,228	\$68,190	99%
New York	\$1,275,164	14,694,172	\$86,780	126%
Pennsylvania	\$734,853	9,634,772	\$76,271	111%
Tennessee	\$360,727	5,002,457	\$72,110	105%
Virginia	\$497,207	6,285,385	\$79,105	115%
8-State Average			\$75,075	109%
North Carolina	\$525,313	7,645,794	\$68,706	

SPORTS BETTING: Performance in Other States

- 21 states have both digital and retail sports betting
 - Tennessee has no casinos but offers digital-only sports betting
 - Virginia developing casinos that will offer retail sports betting
- Developing per-capita benchmarks based on results from sample states serves as the basis for estimates for the performance of states without sports betting

State	LTM Sept. '22 Per-Adult Sports Betting Handle	LTM Sept. '22 Per-Adult Sports Betting Win	LTM Sports Betting Hold %	Disposable Personal Income per Adult	Index to North Carolina
Illinois	\$721	\$54.06	7.5%	\$79,391	116%
Indiana	\$670	\$52.93	7.9%	\$71,090	103%
Louisiana	\$343	\$33.97	9.9%	\$67,660	98%
Michigan	\$485	\$20.35	4.2%	\$68,190	99%
New York	\$600	\$48.59	8.1%	\$86,780	126%
Pennsylvania	\$563	\$28.16	5.0%	\$76,271	111%
Tennessee	\$530	\$47.67	9.0%	\$72,110	105%
Virginia	\$538	\$29.59	5.5%	\$79,105	115%
8-State Average	\$533	\$38.02	7.1%	\$75,075	109%
North Carolina Est.	\$483	\$34.45	7.1%	\$68,706	100%

SPORTS BETTING: North Carolina Estimated Statewide Gross Gaming Revenue

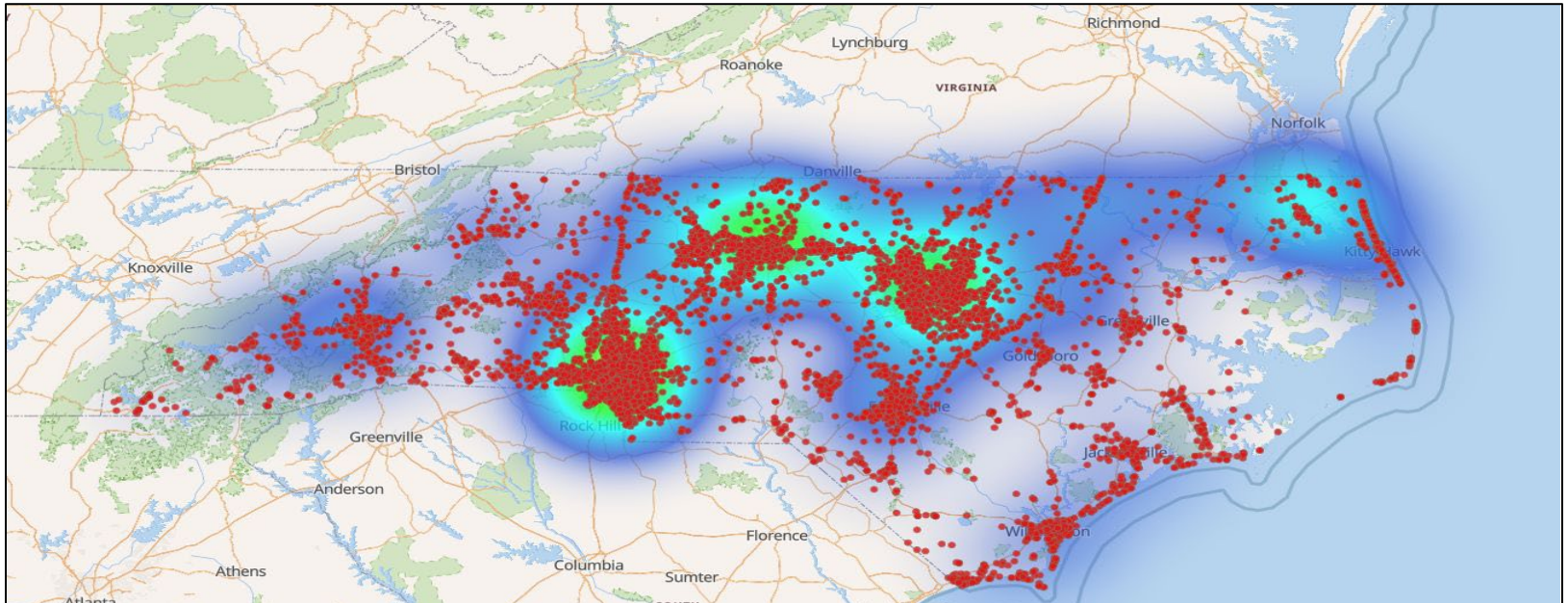
- Combining the information and estimates for ...
 - Adult population,
 - Sports betting handle per adult, and
 - Level of disposable personal income... allows Spectrum to estimate the sports betting potential in North Carolina: \$263.4 million in gross gaming revenue
- This estimate makes important assumptions:
 - Both digital and in-person betting at selected locations will be offered
 - Betting on both college (in-state and out-of-state, to show the full statewide potential) and professional sports will be available

North Carolina	
Est. Adults (21+)	7,645,794
Est. Handle per Adult	\$483
Est. Statewide Handle	\$3,692,900,000
Est. Hold %	7.1%
Est. Statewide Win	\$263,410,000
Est. Win per Adult	\$34.45

State Gaming-Tax Receipts (M)			
At 20% Rate	At 25% Rate	At 30% Rate	At 35% Rate
\$53	\$66	\$79	\$92

SPORTS BETTING: Evidence that North Carolinians are Trying to Place Digital Bets in Other States

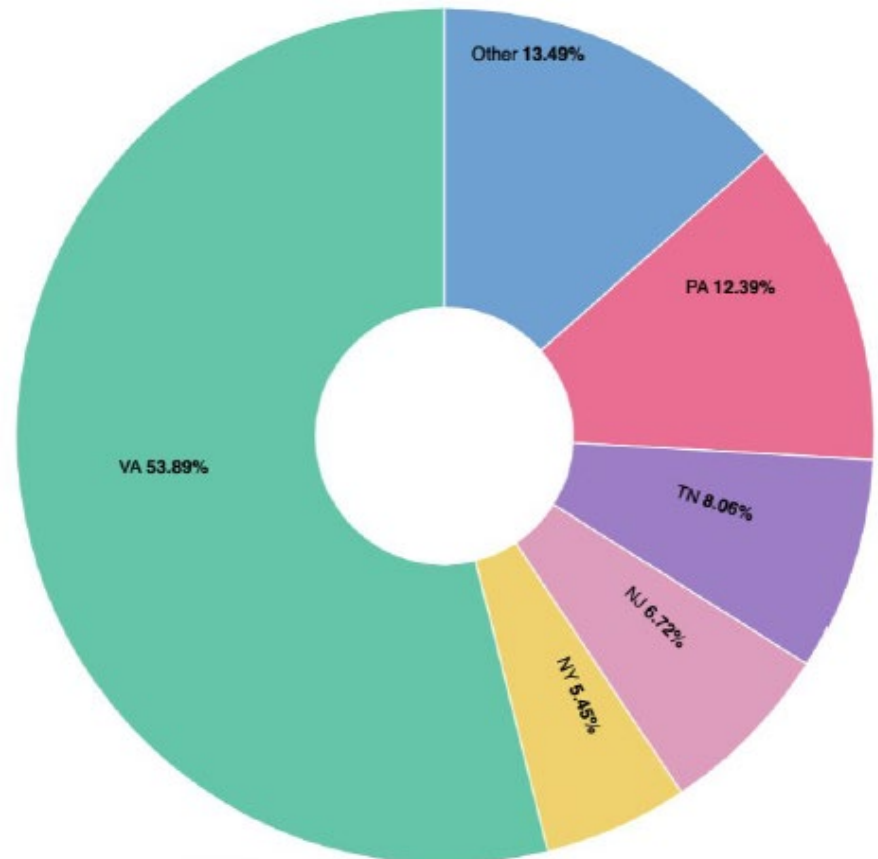
- GeoComply, a company that specializes in creating digital boundaries through “geofencing,” provided data on efforts by North Carolina bettors to place digital sports wagers via legal US sportsbooks (originating locations shown in red below)
- Since the start of the 2022 NFL season, 137,000 unique North Carolinas users sought to place more than 1.27 million digital bets in other states’ legal sportsbooks from September 8 through January 1



Source: GeoComply Solutions

SPORTS BETTING: Where North Carolinians Are Attempting to Place Bets

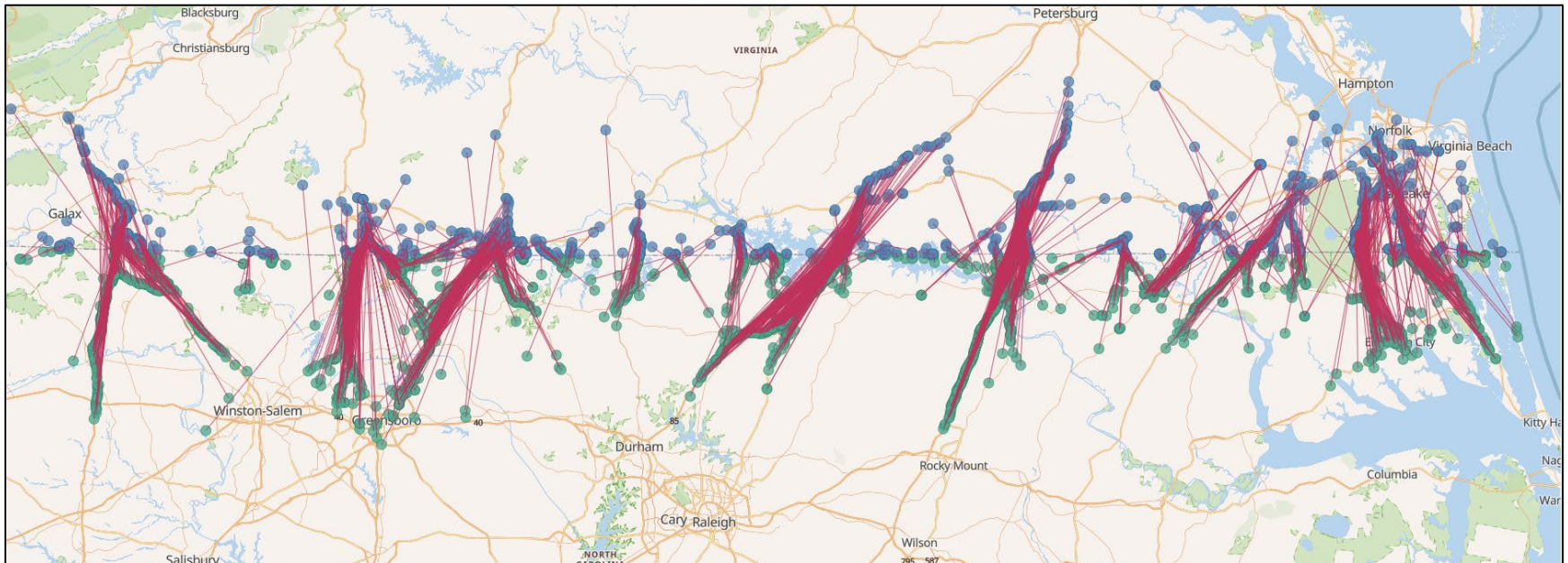
- GeoComply produced the pie chart at right showing the host state digital sportsbook in which North Carolinians attempted to place a digital bet from North Carolina
- Not surprisingly, in more than half of the attempts to access a digital sportsbook by North Carolinians, Virginia was the targeted state
- That North Carolinians also tried to access sportsbooks in other states demonstrates their doggedness to place bets



Source: GeoComply Solutions

SPORTS BETTING: Evidence that North Carolinians are Crossing into Virginia to Place Bets

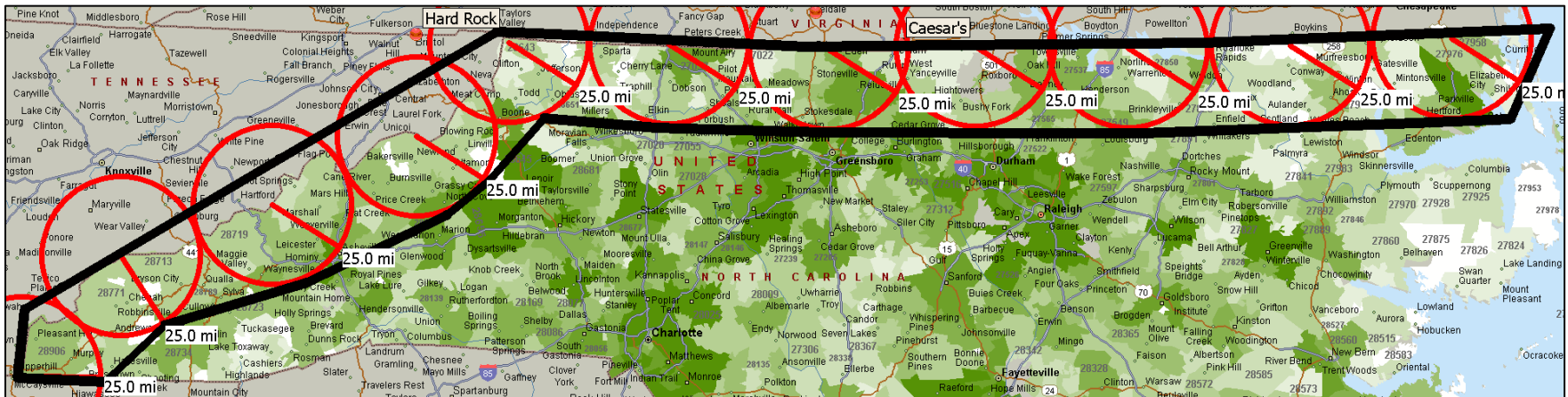
- GeoComply produced the map below, with red lines showing the same player accounts geolocated on both sides of the border, showing that North Carolinians are traveling to place digital bets
- Since the NFL season began, more than 121 usernames were geolocated in North Carolina and then in Virginia.



Source: GeoComply Solutions

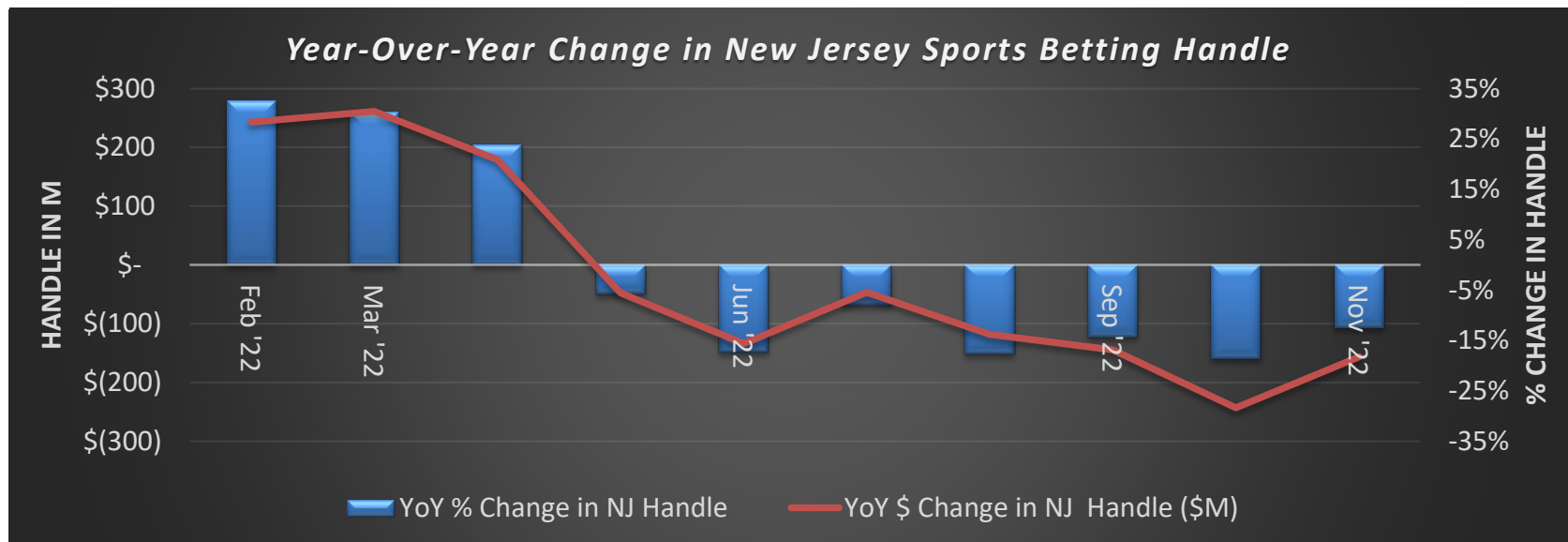
SPORTS BETTING: Estimated Leakage to Virginia and Tennessee

- Using the estimated win per player developed above for 2024, Spectrum mapped each ZIP Code and generated sports betting potential for each
- We drew 25-mile perimeters with the Virginia and Tennessee borders
 - Both neighboring states offer digital sports betting
 - Geofencing prohibits wagers from beyond the border
 - Unlikely that bettors would drive more than 60 minutes round trip to place a wager



SPORTS BETTING: Leakage Example – New York into New Jersey ... and Then Back

- In August 2018, New Jersey opened for digital sports betting
 - In January 2021, New York opened for digital sports betting
 - Prior to New York opening, New Yorkers placed bets by crossing into New Jersey
 - Since New York opened for digital sports betting, handle in New Jersey has declined dramatically
- The New York experience shows sports betting leakage to – and potential repatriation from – New Jersey



SPORTS BETTING: Estimated Leakage to Virginia and Tennessee

- Unlikely all potential bettors in the border areas will cross the state line to wager
- Some areas along the border are fairly remote and may be difficult to cross
- Spectrum estimated 35% of bettors within 25 miles of the border would cross the state line to place a bet

Border Area	2024 Est.
ZIP Codes within 25 Miles	193
Est. Adults (21+), 2024	955,807
Est. Win per Adult, 2024	\$24.85
Sports Betting GGR	\$23,751,808
Est. Leakage %	35%
Est. Leakage to Tennessee and Virginia	\$8,313,133

VIDEO LOTTERY GAMING: The Big Picture

- Video lottery gaming falls under the umbrella of “distributed gaming,” in which retail facilities open to the public (such as bars, restaurants and truckstops) operate a limited number of video lottery terminals (“VLTs”) or similar electronic gaming devices; typically, they are limited to 5 to 10 machines per location
 - Some states have legal distributed gaming programs that are restricted to members of fraternal or charitable organizations; they are not considered in this report
 - In many states, including North Carolina, *de facto* distributed gaming exists through the operation of illegal, unregulated gaming devices; they are not considered in this report
- Ten states have distributed gaming of some type: DE, GA, IL, MT, NM, NV, OR, PA, SD and WV
 - OR, SD and WV programs operated by state lottery using VLTs
 - GA program regulated by state lottery using coin-operated amusement machines (“COAMs”), which offer prizes instead of monetary payouts
- Illinois boasts the highest performance, by far: For LTM ending October 2022, video gaming terminals (“VGTs”) generated \$2.7 billion from 44,311 machines in 8,134 locations
 - Illinois’ VGTs doubled the gaming revenues of the state’s casino industry, which generated \$1.3 billion.
- Tax rates range from 10% in Georgia to 50% in South Dakota



VIDEO LOTTERY GAMING: Models from Other States

- Georgia has no casinos but offers coin-operated amusement machines
 - The Georgia COAMs offer merchandise prizes, thus are not equivalent to video gaming terminals
- West Virginia, Illinois and South Dakota serve as a good sample for North Carolina, although each offers distributed gaming alongside casinos
 - Each has had distributed gaming for many years
 - Illinois: Large state, diversified economy
 - 13 casinos statewide
 - Distributed gaming machines: VGTs, launched in 2013
 - West Virginia: Appalachian state, rural mountain areas
 - 5 casinos statewide
 - Distributed gaming machines: VLTs, launched in 2001
 - Igaming launched 2020
 - South Dakota: Rural state
 - Casino gaming restricted to tribal operators and Deadwood
 - Distributed gaming machines: VLTs, launched in 1989

VIDEO LOTTERY GAMING: Performance and Demographics in Other States

- Spectrum analyzed demographic and performance data from the three selected states as benchmarks
- Because the performance, population, and regulations can vary considerably by state, we also analyzed the revenue as a percentage of payroll to help us to develop a gross gaming revenue estimate for North Carolina

Statistic	Illinois	West Virginia	South Dakota	Three States Total/Average
Population	12,582,032	1,775,156	909,824	15,267,012
Annual Payroll (2020)	\$329,401,329,000	\$22,839,717,000	\$16,584,535,000	\$68,825,581,000
LTM 11/22 Units*	43,080	8,231	9,895	61,206
LTM 11/22 Revenue	\$2,693,457,322	\$88,943,774	\$327,972,976	\$3,510,374,072
LTM 11/22 Win per Unit	\$171.29	\$162.75	\$90.81	\$157.13
Population per Unit	292	216	92	249
VGT Rev as % Payroll	0.82%	2.14%	1.98%	0.95%

* "Unit" is commonly used in analysis to denote a gaming machine

VIDEO LOTTERY GAMING: North Carolina Estimated Statewide Market Potential

- *Importantly, Spectrum's video lottery gaming revenue projections assume that all currently illegal, unregulated gaming machines in North Carolina would be removed or become part of the regulated distributed gaming system. This allows us to show the full potential of video lottery gaming.*
- Spectrum found that the VLT market potential in North Carolina is \$3.79 billion
 - With a total of 56,171 VLTs distributed statewide at approved lottery retailers
- With just 30,000 VLTs distributed statewide proportionate to the population, Spectrum estimates the VLT potential to be \$1.89 billion

Statistic	VGT Potential	Limited to 30,000 VGTs
Population	10,698,973	10,698,973
Annual Payroll (2020)	199,256,110,000	\$199,256,110,000
Est. Total Units	56,171	30,000
Est. Annual Revenue	\$3,792,920,000	\$1,896,460,000
Est. WPU	\$185.00	\$173.19
Population per Unit	190	357
VGT Revenue as % Payroll	1.90%	0.95%

State Gaming-Tax Receipts (M) with 30,000 VGTs			
At 20% Rate	At 25% Rate	At 30% Rate	At 35% Rate
\$379	\$474	\$569	\$664



COMMERCIAL CASINOS: The Big Picture

- 28 states have commercial casinos of some type, including resort casinos, regional casinos, locals casinos, racetrack casinos (“racinos”), floating casinos, or casinos that use historical horse racing machines in lieu of slot machines.
- There are approximately 480 commercial casinos in the United States
 - Almost half of the casinos (215) are in Nevada
 - There are an additional 515 tribal casinos
 - Only six states have no casinos of any kind: Georgia, Hawaii, South Carolina, Tennessee, Utah and Vermont
- For LTM ending September 2022, commercial casinos generated gross gaming revenue of \$45.2 billion (excluding sports betting and igaming)
- States’ effective tax rates on casino GGR range from 6.75% (NV) to 61% (MD, at the high end of a graduated tax on gaming devices); gaming taxes exclude other fees and assessments

COMMERCIAL CASINOS: Biggest Generators of Direct Employment

- Of all forms of legal gaming, casinos generate, by far, the highest levels of direct employment, and thus indirect and induced jobs. State examples for job totals at commercial casino properties:
 - Indiana: 12 casinos, 9,049 direct jobs (FY 2022, Indiana Gaming Commission)
 - Maryland: 6 casinos, 6,129 direct full-time employees (2019, Maryland Lottery and Gaming)
 - Mississippi: 26 casinos, 15,580 direct jobs (November 2022, Mississippi Gaming Commission)
 - Missouri: 13 casinos, 5,805 direct jobs (2021, Missouri Gaming Association)
 - Ohio: 4 casinos, 3,477 direct jobs¹ (2021, Ohio Casino Control Commission)
- Nationwide, casino properties in 2017 directly employed 559,000 and supported a total of 1.8 million jobs (2018 Oxford Economics study for the American Gaming Association)
- Spectrum believes that 3 resort-type casinos in North Carolina could generate 4,500 to 9,000 direct jobs, depending on their scope, location and visitor volumes. Examples at other resort-type casino properties:
 - Beau Rivage Resort & Casino Biloxi: 2,768
 - Live! Casino Hotel Maryland: 3,575
 - Seminole Hard Rock Hotel & Casino Tampa: 4,000+

¹ Ohio also has 7 video lottery terminal racetrack gaming facilities that collectively employ thousands more

COMMERCIAL CASINOS:

Methodology and Assumptions

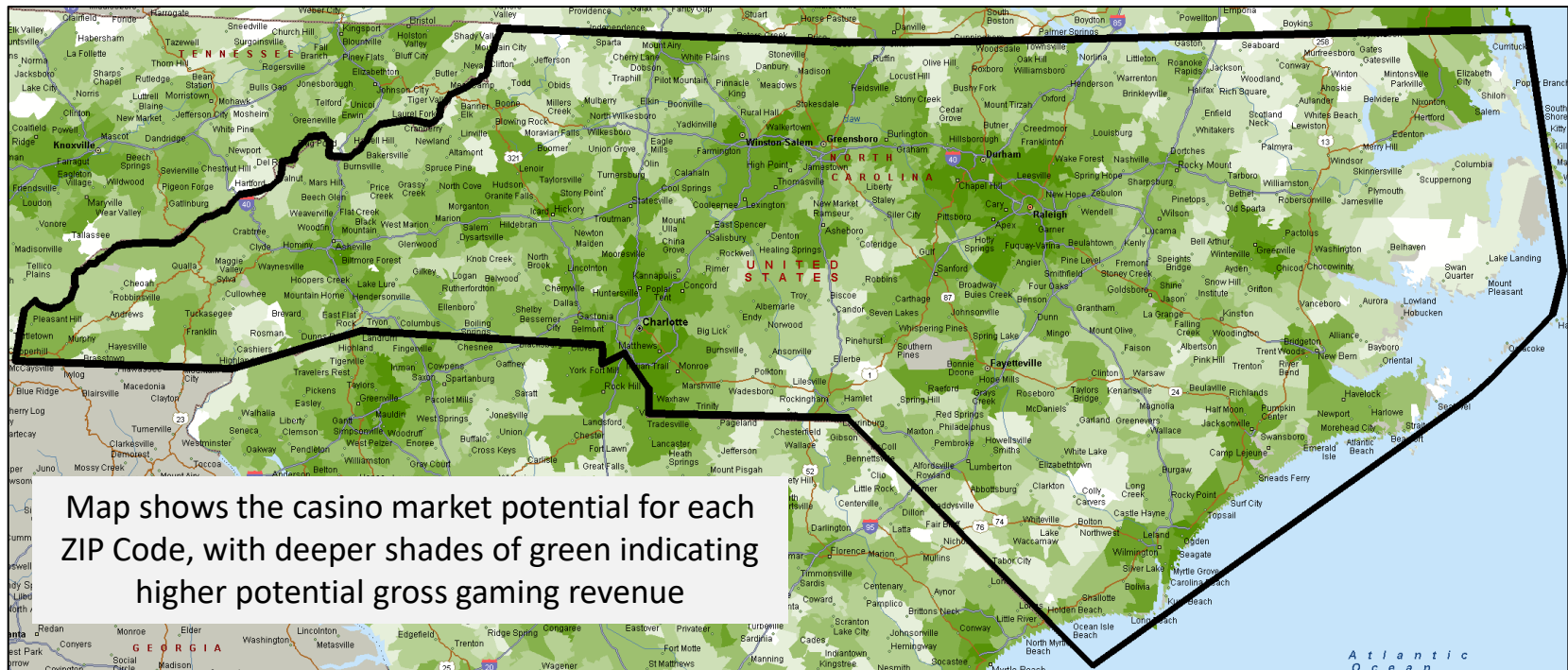
- Importantly, Spectrum's casino revenue projections assume that all currently illegal, unregulated gaming machines in North Carolina would be removed. This allows us to show the full potential of casino gaming.
- Spectrum projected the North Carolina commercial casino gross gaming revenue using adjusted gross income ("AGI") as a basis
 - The IRS releases AGI reported on tax returns
- The American Gaming Association and the National Indian Gaming Commission annually release results regarding the GGR performance of commercial and tribal casinos, respectively
- Combining these two data points generates an estimate of nationwide casino revenue as a percentage of AGI
- In 2019, casino revenue was 0.65% of AGI
- The AGI data is also released by the IRS for every ZIP Code in the nation
- Applying the 0.65% figure to each North Carolina ZIP Code generates an estimate of the total casino GGR

Nationwide Metric	2019	% of AGI
Adjusted Gross Income (M)	\$11,882,850	
Tribal Casino Revenue (M)	\$33,370	0.28%
Commercial Casino Revenue (M)	\$43,610	0.37%
Total Casino Revenue (M)	\$76,980	0.65%

Source: The Tax Foundation, American Gaming Association

COMMERCIAL CASINOS: In-State Total Available Market for Gross Gaming Revenue

- Using the AGI method described above, we developed an estimate of the casino GGR potential for each ZIP Code in the state, regardless of whether tribal or commercial casino
- Total casino market potential is \$2.2 billion at maturity, which is typically three years after launch



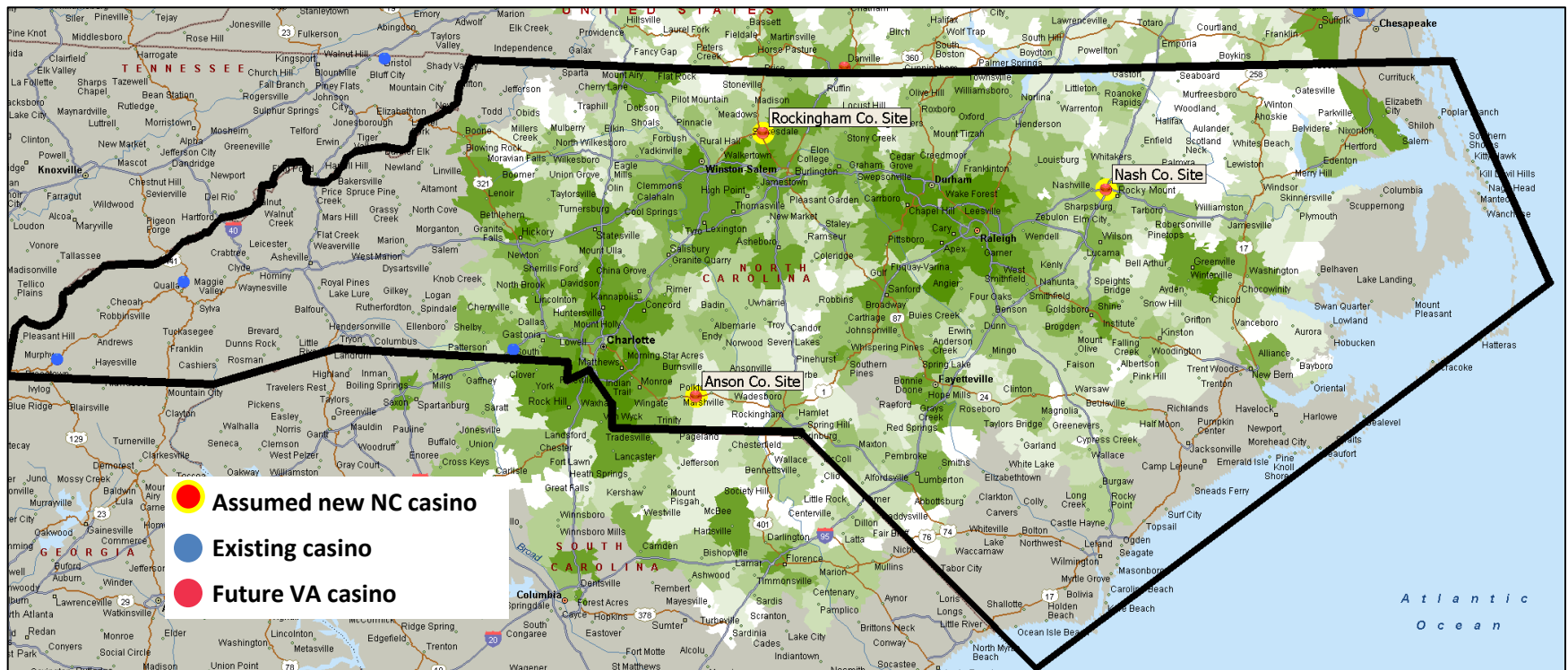


COMMERCIAL CASINOS: In-State Total Attainable Market for Gross Gaming Revenue

- “Potential” does not mean all GGR could be captured by North Carolina casinos; the attainable in-state market is \$1.97 billion, based on a percentage of AGI
 - Leakage to other states and distance from assumed casino locations reduce the potential
 - The three tribal casinos in North Carolina capture a portion of the in-state revenue
- Greater Carolina requested that Spectrum estimate the GGR potential if three destination resort casinos were to be developed in the following locations, which are shown on the following map for illustrative purposes and are not necessarily actual sites:
 - Anson County, along State Route 74 between Marshville and Peachland, southeast of Charlotte
 - Nash County, at the intersection of Interstate 95 and State Route 64, near Rocky Mount
 - Rockingham County, at the intersection of Interstate 73 and State Route 158, north-northwest of Greensboro
- Spectrum estimates that three destination resort casinos in these locations could capture 71% of the total in-state market GGR potential, or \$1.567 billion

COMMERCIAL CASINOS: Assumed Locations

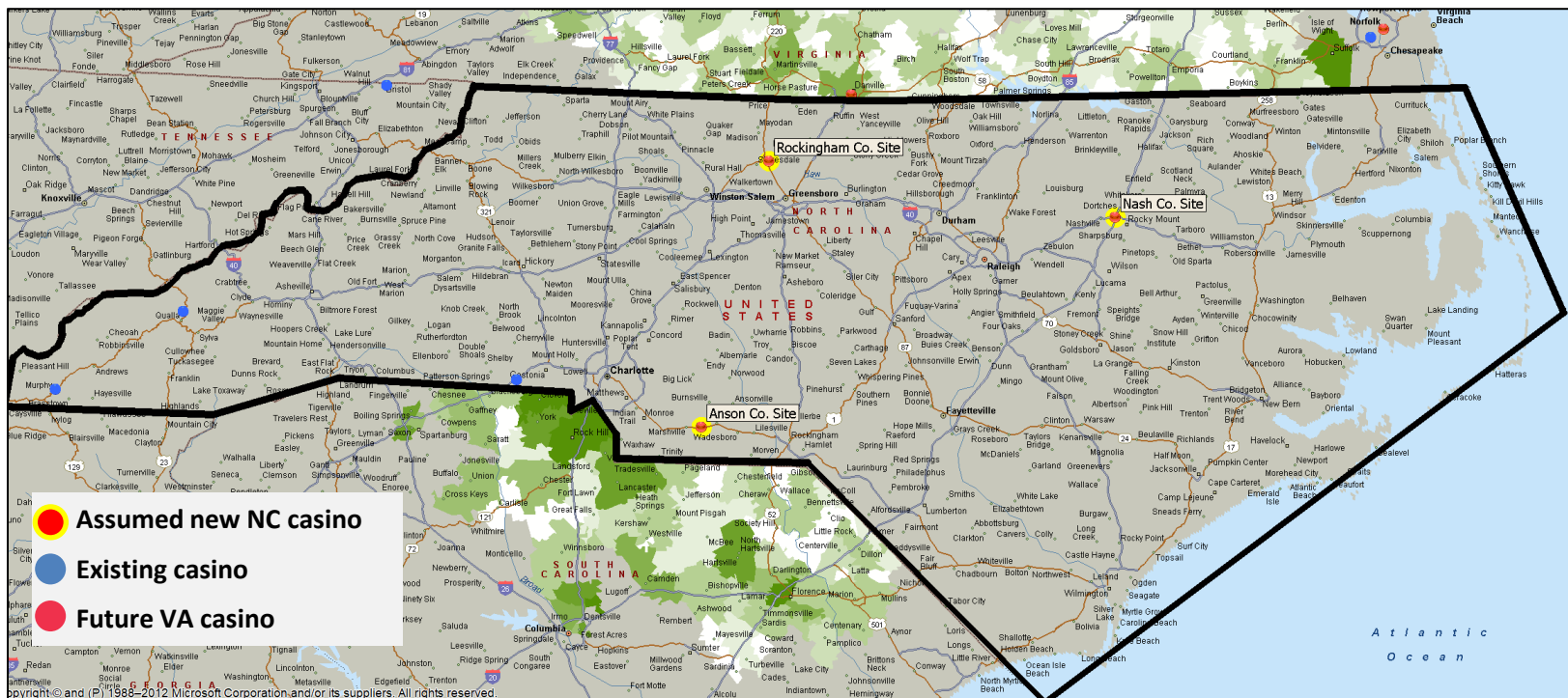
- Map of 3 assumed North Carolina casino locations and the potential 2-hour drive time market from all



Deeper shades of green indicating higher potential gross gaming revenue

COMMERCIAL CASINOS: New Carolina Casinos Could Attract \$115 Million from Neighboring States

- Siting new casinos in key locations would help North Carolina attract out-of-state revenues
 - Existing Two Kings Casino already captures some of South Carolina gaming market potential
 - Existing/future casinos in Virginia do/will restrict out-of-state gaming market potential from that state



COMMERCIAL CASINOS: \$1.682 Billion in GGR Available to New Casinos in North Carolina

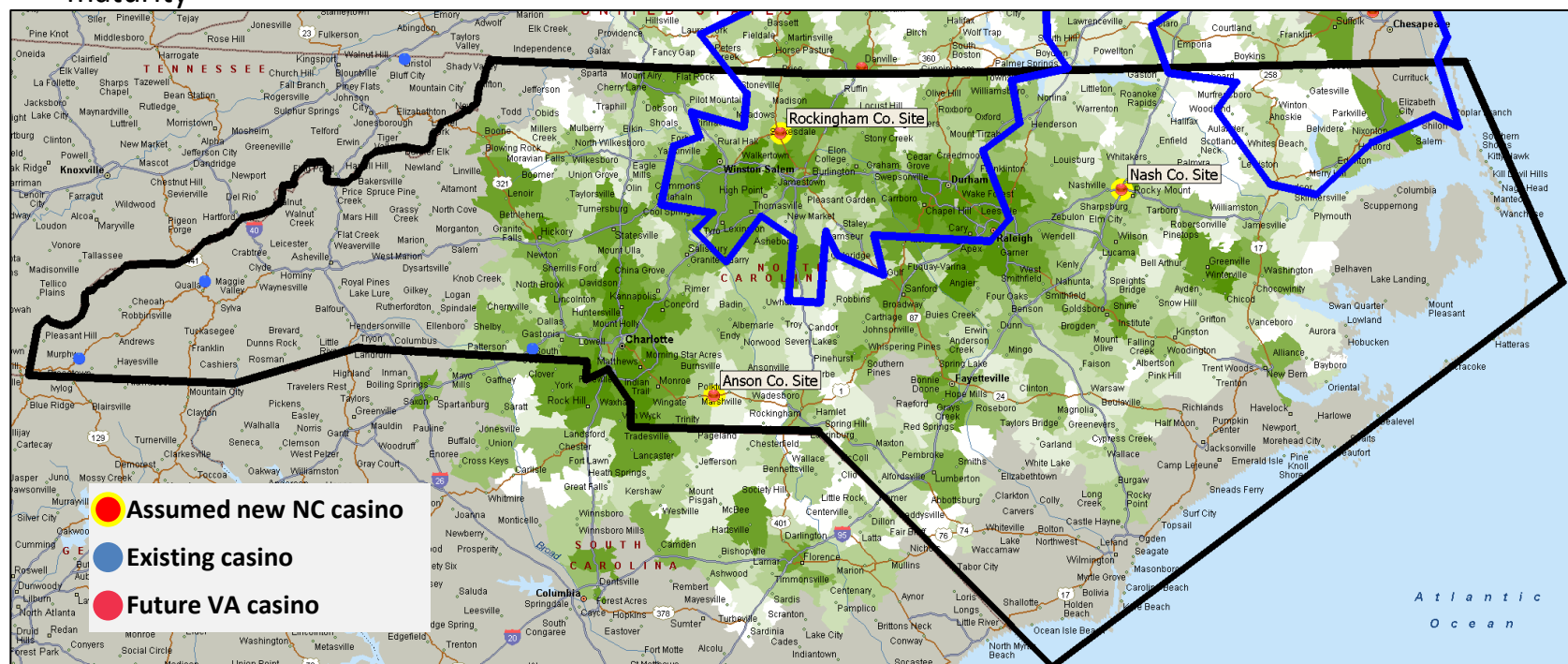
- Spectrum projects \$1.682 billion in GGR will be available to the assumed three new casinos in North Carolina after factoring in ...
 - New in-state markets created by assumed new commercial casinos
 - In-state and out-of-state patronage retained by existing casinos in NC and VA

State	Estimated GGR Market Potential (M)	GGR Retained from Each State by Existing Casinos (M)	GGR Available to 3 New NC Commercial Casinos (M)
North Carolina	\$1,738	\$171	\$1,567
South Carolina	\$185	\$70	\$115
Virginia	\$318	\$318	\$0
Total	\$2,240	\$559	\$1,682

State Gaming-Tax Receipts (M)			
At 20% Rate	At 25% Rate	At 30% Rate	At 35% Rate
\$336	\$420	\$504	\$589

Potential Casino Leakage to Virginia

- We believe there is potential leakage to Virginia from areas within a 90-minute drive of a casino
- We discounted leakage to account for the Virginia casino markets being two-to-three years away from maturity



Potential Casino Leakage to Virginia

- Based on the locations of the Virginia casinos and the total casino gaming potential in the areas within 90 minutes of the casinos, Spectrum estimates a potential leakage to Virginia of \$259 million in gross gaming revenue after the permanent Virginia casinos are open

Virginia Casino Site	Estimated Potential Leakage in GGR
Danville	\$236,510,000
Portsmouth + Norfolk (Hampton Roads)	\$12,420,000
Bristol	\$10,070,000
Total Potential Leakage to Virginia	\$259,000,000



ABOUT THIS REPORT

Spectrum Gaming Group Background

- Founded in 1993
- Specialize in studying, analyzing the economics, regulation and policy of legal gambling worldwide
- Policy of non-partisanship: We neither advocate for nor oppose legalized gambling
- Policy of independent research and analysis: We do not accept engagements that seek a preferred result; we tell clients what they need to know, not what they necessarily want to hear
- We have provided expertise in 43 US states and territories and in 48 countries on 6 continents. Clients include 24 US state and territory governments, 8 national governments, 25 Native American entities, numerous gaming companies (national and international) of all sizes, financial institutions, developers and other gaming-related entities
 - Our projects include a 2020 study for the North Carolina Educational Lottery, [Gaming Study: Analysis of Current and Potential New Gaming Activities in North Carolina](#), as well as three other gaming-related studies for NCEL in 2019-2020
- We have testified or presented before 40 governmental bodies worldwide
- **Contact:** +1.609.926.5100 | solutions@spectrumgaming.com



APPENDIX: IGAMING POTENTIAL IN NORTH CAROLINA

IGAMING: The Big Picture

- A legal opinion by US Department of Justice released in December 2011 effectively authorized internet gaming, commonly known as “igaming.” Six months later, Delaware became the first state to authorize full igaming, commencing the activity in November 2013, followed days later by New Jersey.
 - Nevada launched igaming in April 2013 but limited the activity to poker; this limitation remains
- Seven states offer igaming: CT, DE, MI, NV,¹ NJ, PA and WV
 - Four states use a Closed Model, in which only retail casinos can offer igaming
 - Two states use a Hybrid Model, in which pure-play digital gaming companies can participate via a separately branded “skin” associated with a casino’s license
 - One state has an Open Model, meaning igaming operators need not be associated with a casino
 - Igaming is available to all gaming facility operators in all current igaming states
- For the LTM ending November 2022, igaming GGR was \$4.7 billion (excluding Nevada GGR)
- Igaming tax rates on GGR range from 17.5% (NJ) to 54% (PA, on slots; table games taxed at 16%)
- Spectrum believes the wide acceptance of digital sports betting will cause more states to legalize igaming, as they are played on the same app and have strong crossover play

¹ Nevada igaming is restricted to poker and generates de minimis (and undisclosed) revenues and thus is not considered in Spectrum analyses.

IGAMING: Performance and Demographics in Other States

- Six states offer igaming; as with the other forms of gaming, we will use the performance in these states to develop estimates for igaming potential in North Carolina

	Connecticut	Delaware	Michigan	New Jersey	Pennsylvania	West Virginia	6-State Total/Avg.
Total Population	3,570,549	967,679	9,973,907	8,885,418	12,794,885	1,807,426	37,999,864
Adults (21+)	2,682,131	725,204	7,401,228	6,611,086	9,634,772	1,374,128	28,428,549
% Adult	75.1%	74.9%	74.2%	74.4%	75.3%	76.0%	74.8%
Smartphone %	97.3%	96.3%	96.1%	95.6%	94.4%	94.5%	95.7%
High Speed Internet Access %	97.6%	95.2%	95.2%	95.7%	94.6%	93.9%	95.4%
Annual Gross State Product ("GSP") (M) Q1 2022	\$312,212	\$85,220	\$603,911	\$709,181	\$888,137	\$93,891	\$2,692,551
Annual Disposable Personal Income ("DPI") (M) 2021	\$248,912	\$52,091	\$496,786	\$595,490	\$735,255	\$77,625	\$2,206,159
LTM Igaming (Nov. 2022)	\$219,039,922	\$13,542,914	\$1,399,494,981	\$1,644,452,287	\$1,330,382,199	\$ 107,181,756	\$4,714,094,059
Igaming as % of GSP	0.07%	0.02%	0.23%	0.23%	0.15%	0.11%	0.18%
Igaming as % of DPI	0.09%	0.03%	0.28%	0.28%	0.18%	0.14%	0.21%
Igaming GGR per Adult	\$82	\$19	\$189	\$249	\$138	\$78	\$166

IGAMING: North Carolina Estimated Statewide Gross Gaming Revenue and Tax Revenue

- *Importantly, Spectrum's igaming revenue projections assume that all currently illegal, unregulated gaming machines in North Carolina would be removed. This allows us to show the full potential of igaming.*
- We used the average of the six current igaming states to develop the estimates for North Carolina
 - We applied different benchmarks from the igaming states: revenue as a % of gross state product ("GSP"), revenue as a % of disposable personal income ("DPI"), and revenue per adult (21+)
 - The average of estimates yields \$1.3 billion in GGR for North Carolina

North Carolina	
Total Population 2020	10,386,227
21 Years and Over 2020	7,645,794
% Over 21	73.6%
Smartphone %	96.6%
Internet Access %	93.6%
Annual GSP (M) Q1 2022	\$696,520
Annual DPI (M) 2021	\$591,136
Est. North Carolina Annual Gross Gaming Revenue	\$1,313,434,872

State Gaming-Tax Receipts (M)			
At 20% Rate	At 25% Rate	At 30% Rate	At 35% Rate
\$262.7	\$328.4	\$394.0	\$459.7