ECONOMIC IMPACT OF

DISTRIBUTED GAMING

IN THE U.S.

J&J Gaming®

This report:

This report is a summary of an independent study and forecast of the tax revenue state governments are likely to earn if Distributed Gaming is legalized in each state.

Distributed Gaming is defined as the placement and operation of video poker and slot machines, commonly known as video gaming terminals ("VGTs"), in small business venues, such as bars, restaurants, veteran's organization, fraternal organizations, truck stops, and similar locations (licensed establishments or "LEs") and regulated by state government under a three-tiered or similar regulatory scheme.

VGTs are placed in LEs by licensed terminal operators ("TOs"), who own, service and manage the VGTs. Each LE is typically limited to 5-10 VGTs per location and connected to a redemption device.

All VGTs are connected to a central control system ("CCS") operated by the regulatory agency, a gaming commission or lottery department. The CCS insures that all gaming activity and revenues are generated and accounted for in a controlled and auditable environment.

LEs are often licensed with state liquor control commissions. All LEs, TOs, and Manufacturers are subject to thorough background checks and strict licensing regulations. Robust enforcement and inspections are conducted by regulatory agents. Importantly, regulations regarding Distributed Gaming operations provide programs for problem gaming, prevention of underage gaming, and vigorous consumer protections, including certification of all game software, equipment and VGTs.

FORECASTED NATIONAL IMPACT OF DISTRIBUTED GAMING

EMPLOYMENT

1.3 Million
Jobs Supported

ECOMONIC IMPACT

$111.5 Billion
In US GDP

TAX REVENUE

$23.2 Billion

3 TIER MODEL

MANUFACTURER/DISTRIBUTORS

↓

TERMINAL OPERATORS

↓

LICENSED ESTABLISHMENTS

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Study can be found at www.jjventures.com/advocacy

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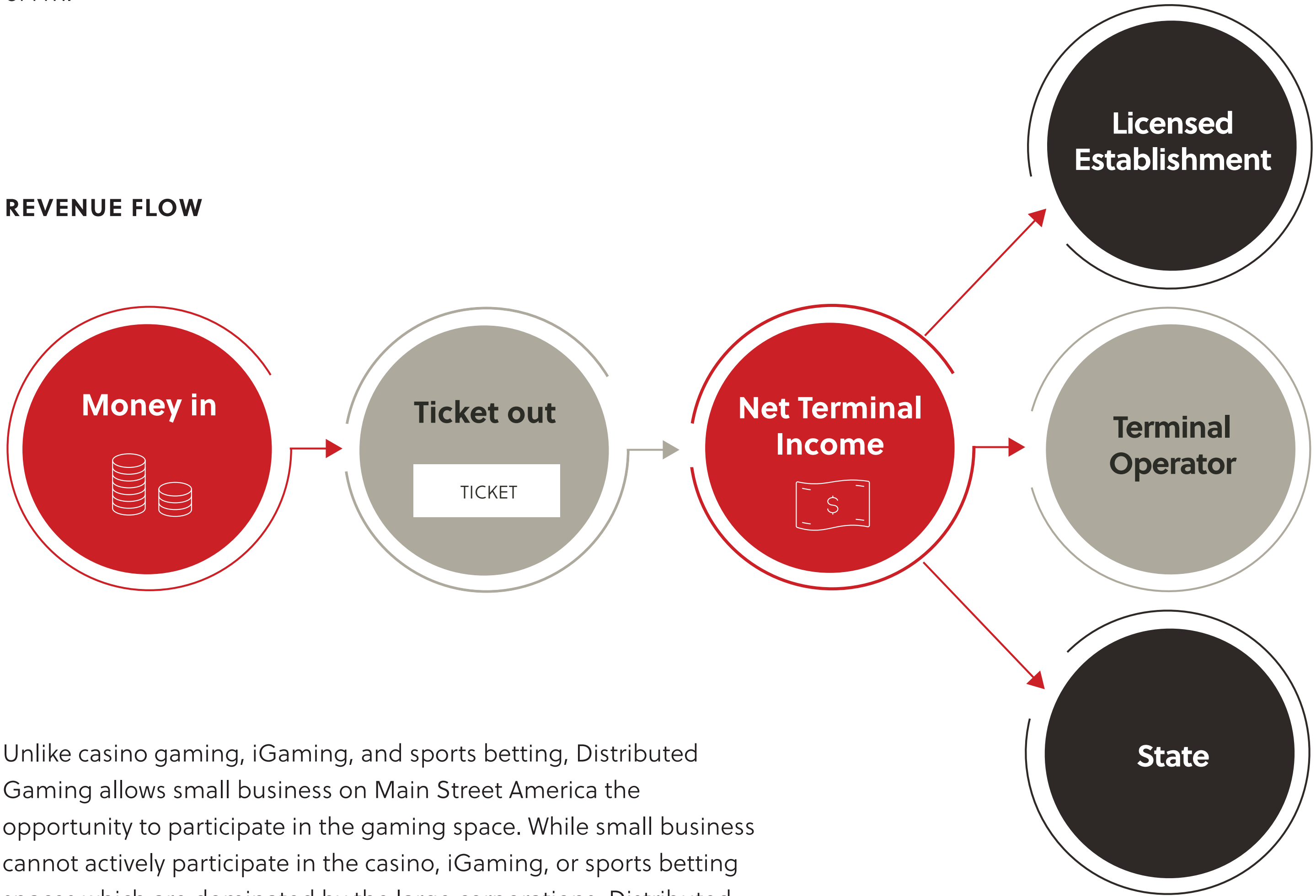
VGTs are games of chance licensed by the state. VGTs are played by customers at LEs. Players insert cash into the VGT and place wagers ranging from 25 cents up to $5 per "spin." Winnings are paid out to the player in a ticket format that is "cashed out" by the player at a redemption device at the LE. Funds that remain in the VGT after winnings are paid out to the player are referred to as Net Terminal Income ("NTI"). State and local taxes are paid out of NTI.

Funds in, payouts and NTI are all strictly monitored and accounted for through the CCS.

NTI remaining after payment of taxes is divided between the TO and the LE. A typical tax rate is 33%, and remaining NTI is typically shared on a 50-50 basis between the TO and the LE.

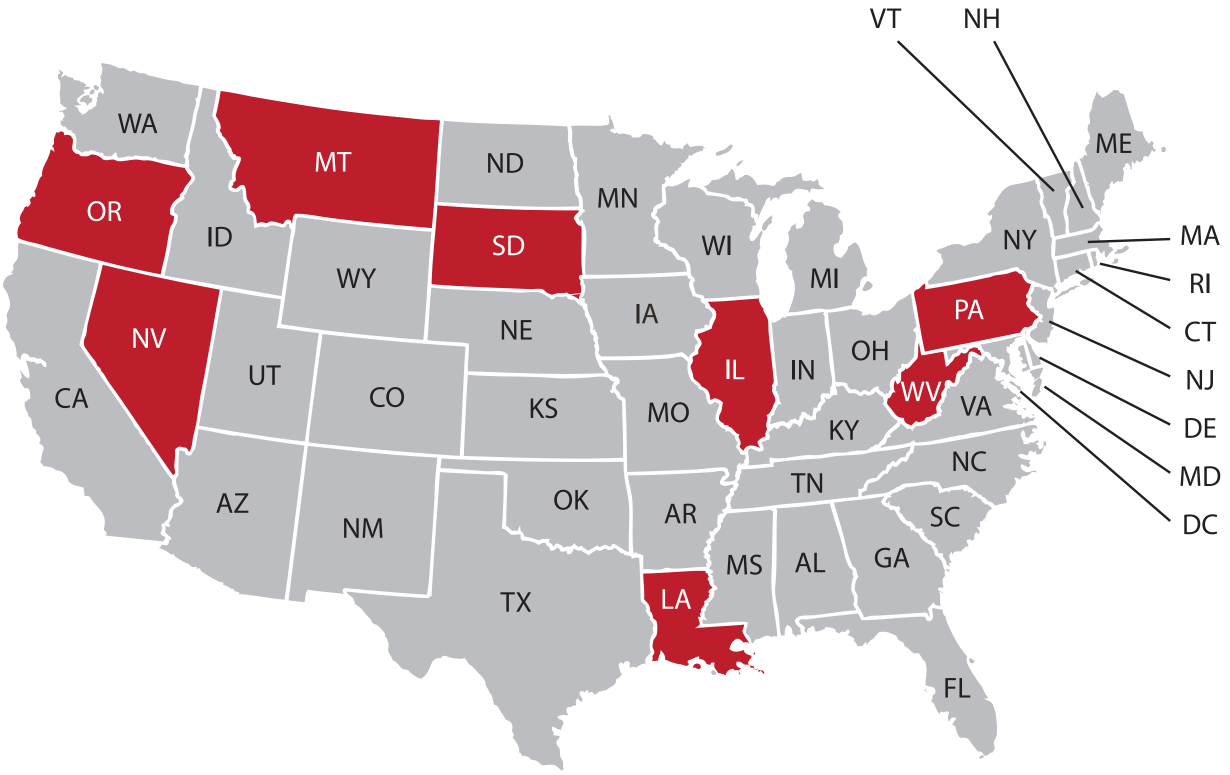
REVENUE FLOW



Unlike casino gaming, iGaming, and sports betting, Distributed Gaming allows small business on Main Street America the opportunity to participate in the gaming space. While small business cannot actively participate in the casino, iGaming, or sports betting spaces which are dominated by the large corporations, Distributed Gaming offers small business owners the ability to partner with licensed TOs within a regulated environment and provide their customers with a new entertainment experience as well as new revenue streams. In fact, LEs can expect to capture new revenue of $125,000 to $200,000 per year from Distributed Gaming.

Current Impact of Distributed Gaming on U.S. – 2022

Currently 8 states have some form of Distributed Gaming. The economic impact of Distributed Gaming in those 8 states is significant, and outperform casino gaming, sports betting and iGaming.



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CURRENT ECONOMIC IMPACT OF DISTRIBUTED GAMING IN 8 STATES

EMPLOYMENT	ECOMONIC IMPACT	TAX REVENUE
110,500 Jobs Supported	**$10 Billion** In US GDP	**$3.4 Billion**

STATE	EMPLOYMENT	ECONOMIC IMPACT GDP	TAX REVENUE
IL	35,900	$3.4B	$1.2B
LA	14,100	$1.1B	$346.6M
MT	8,600	$666.9M	$137.3M
OR	20,300	$1.6B	$816.4M
PA	1,100	$101.2M	$29M
SD	5,100	$422.6M	$195.1M
WV	8,200	$648M	$311.8M
NV	17,200	$1.4B	$140.8M

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Distributed Gaming is the leader in tax revenue generation

Illinois is a good example of where casinos and Distributed Gaming compete in a mature market.

In 2022, Illinois Distributed Gaming produced **$921M** of state and local tax revenue at a 34% tax rate, while casinos only produced **$366M** of casino tax revenue at an average tax rate of 27%, outperforming casinos by almost 3 to 1.

Importantly, Distributed Gaming also generated over **$800M** in revenue to small business LEs on Main Street in communities throughout Illinois, and over **$800M** in revenue to TOs who are likewise located in Illinois, created jobs and economic opportunity for small business.

From a broader perspective, compare annual gaming tax revenue generated from 30 sports betting states which reached only **$560M** in 2022, to annual Distributed Gaming tax revenue from 6 states, which reached **$2.35B**, outperforming sports betting 4.2 to 1.

Similarly, compare the tax revenue generated in the 6 states that have iGaming to 6 Distributed Gaming states. Again, Distributed Gaming is the proven leader in state tax revenue generation, outperforming iGaming 2.5 to 1.

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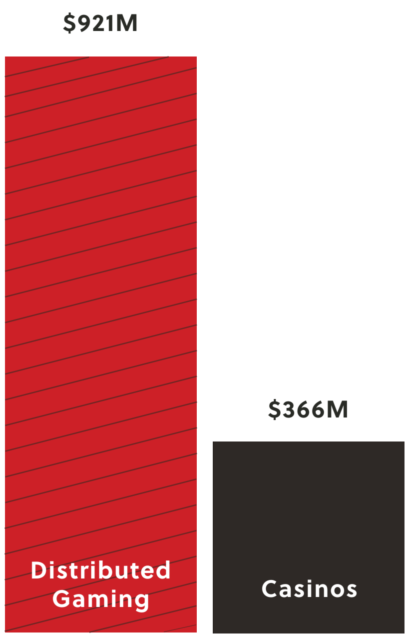
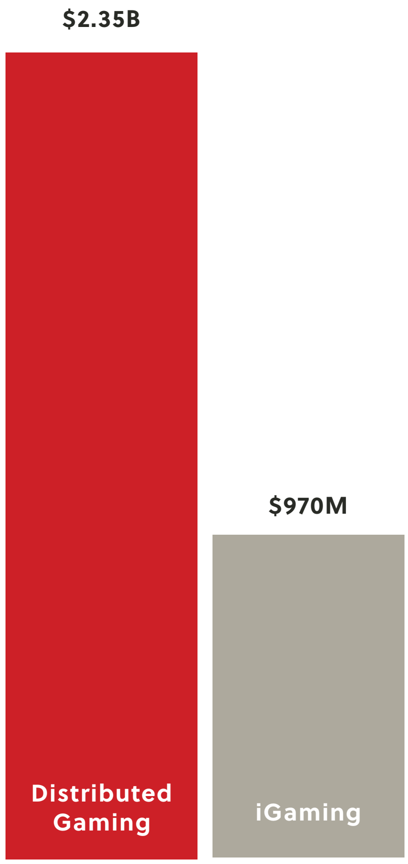
DISTRIBUTED GAMING OUTPERFORMS CASINOS

3 to 1



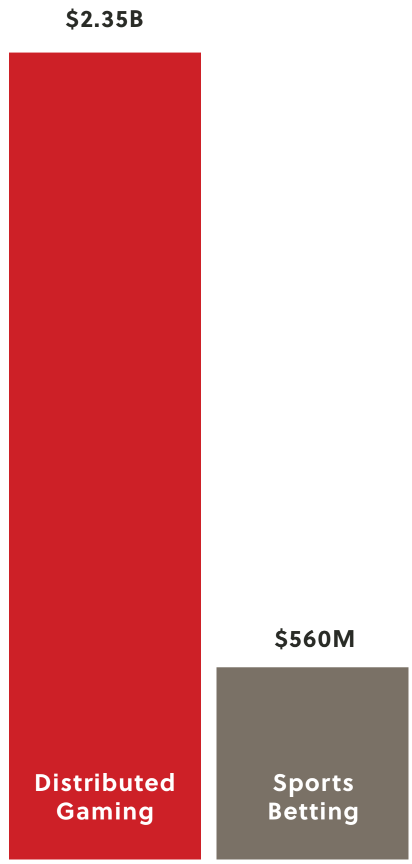
DISTRIBUTED GAMING OUTPERFORMS iGAMING

2.5 to 1



DISTRIBUTED GAMING OUTPERFORMS SPORTS BETTING

4.2 to 1



- 2022 Illinois Annual State Tax Revenue generated from Distributed Gaming (34% tax rate): $921M.
- 2022 Illinois Annual State Tax Revenue generated from Casinos (27% average tax rate): $366M.
- Annual tax revenue generated from 6 distributed gaming states (IL, MT, LA, OR, SD, WV): $2.35B
- Annual tax revenue generated from 6 iGaming states (PA, CT, DE, MI, NJ, WV): $970M
- Annual tax revenue generated from 30 sports betting states: $560M

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Forecasted Impact of Distributed Gaming on U.S.

The economic impact of expanding Distributed Gaming nationally would include **1.3 million jobs – nearly all of them (98%) within the private sector and a macroeconomic impact of $107.0 billion in U.S. GDP.**

Distributed Gaming would support:

- Approximately 1.3 million jobs, most of which (98%) would be in the private economy
- $191.9 billion in economic output – which measures the volume of revenues, sales, and/or shipments for all U.S. businesses, institutions, and governments
- $111.5 billion in U.S. GDP and $68.8 billion in labor income
- $15.8 billion in federal revenues
- $23.2 billion in tax revenues for state and local governments using existing tax rates in the existing VGT states and a 30% tax rate for the new states
- $33.0 billion in total state and local revenues from the increase in economic activity supporting higher income, sales, and property tax collections nationwide.

FORECASTED IMPACT OF DISTRIBUTED GAMING NATIONALLY

EMPLOYMENT

1.3 Million
Jobs Supported

ECOMONIC IMPACT

$111.5 Billion
In US GDP

TAX REVENUE

$23.2 Billion

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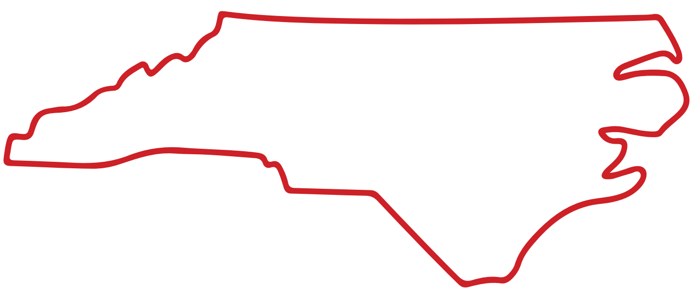
PROJECTED IMPACT OF DISTRIBUTED GAMING NATIONALLY (2022)

Impact	Direct	Indirect	Induced	Total
All Jobs	751,400	201,200	327,500	**1.3M**
Private Jobs	730,600	197,300	323,900	**1.3M**
Output	$77.1B	$48.1B	$66.7B	**$191.9B**
GDP	$48.3B	$25.4B	$37.9B	**$111.5B**
Labor Income	$31.5B	$15.8B	$21.5B	**$68.8B**
Federal Tax	$7.4B	$3.5B	$4.9B	**$15.8B**
NTI + S&L	$27.1B	$2B	$3.8B	**$33B**
NTI Tax	$23.2B	-	-	**$23.2B**
S&L Tax	$4B	$2B	$3.8B	**$9.8B**

Case Study: North Carolina Forecasted Impact of Distributed Gaming



FORECASTED IMPACT OF DISTRIBUTED GAMING IN NORTH CAROLINA

EMPLOYMENT

36,800
Jobs Supported

ECOMONIC IMPACT

$3.1 Billion
NC GDP

TAX REVENUE

$925.1 Million

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FORECASTED IMPACT OF DISTRIBUTED GAMING ON STATE & LOCAL TAX REVENUE

Rank	State	Direct	Indirect	Induced	Total
1	CA	$3.37B	$259.6M	$495.7M	**$4.13B**
2	FL	$2.51B	$165.7M	$317.0M	**$3B**
3	TX	$2.12B	$162.8M	$311.4M	**$2.59B**
4	NY	$1.64B	$133.1M	$253.7M	**$2.03B**
5	PA	$1.11B	$82.4M	$156.6M	**$1.35B**
6	IL	$1.06B	$73.9M	$141.8M	**$1.28B**
7	OH	$981.9M	$71.8M	$137.4M	**$1.19B**
8	GA	$803.1M	$60.5M	$115.6M	**$979.2M**
9	NJ	$768M	$58.2M	$110.8M	**$936.9M**
10	NC	$760.6M	$56.5M	$108.1M	**$925.1M**
11	MI	$710.3M	$52.3M	$100.1M	**$862.8M**
12	OR	$737.4M	$30.7M	$58.4M	**$826.5M**
13	VA	$633.1M	$47.6M	$91.0M	**$771.7M**
14	MA	$617.3M	$47.6M	$90.8M	**$755.7M**
15	WA	$567.0M	$45.5M	$87.1M	**$699.7M**
16	IN	$539.6M	$39.6M	$75.8M	**$654.9M**
17	MD	$538.0M	$37.8M	$72.1M	**$647.9M**
18	TN	$519.9M	$39.4M	$75.3M	**$634.6M**
19	MO	$505.0M	$36.7M	$70.2M	**$611.8M**
20	CO	$491.0M	$36.8M	$70.3M	**$598.1M**
21	AZ	$439.6M	$33.9M	$64.9M	**$538.4M**
22	MN	$388.2M	$31.7M	$60.5M	**$480.3M**
23	WI	$385.4M	$30.9M	$59.2M	**$475.4M**
24	SC	$386.8M	$27.4M	$52.5M	**$466.7M**
25	KY	$325.1M	$23.8M	$45.6M	**$394.6M**

Rank	State	Direct	Indirect	Induced	Total
26	AL	$318.4M	$23.4M	$44.9M	**$386.8M**
27	LA	$293.4M	$23.1M	$44.2M	**$360.7M**
28	CT	$275.1M	$21.6M	$41.3M	**$338.1M**
29	OK	$276.0M	$20.3M	$38.9M	**$335.2M**
30	IA	$265.5M	$20.0M	$38.4M	**$323.9M**
31	WV	$280.7M	$11.4M	$21.8M	**$313.9M**
32	MS	$237.5M	$16.2M	$31.0M	**$284.6M**
33	UT	$230.1M	$18.0M	$34.4M	**$282.5M**
34	AR	$218.6M	$16.0M	$30.7M	**$265.3M**
35	KS	$209.6M	$16.4M	$31.4M	**$257.4M**
36	SD	$174.8M	$7.8M	$15.0M	**$197.6M**
37	NM	$162.5M	$11.0M	$21.1M	**$194.7M**
38	NE	$132.1M	$11.1M	$21.3M	**$164.4M**
39	HI	$136.4M	$9.3M	$17.7M	**$163.4M**
40	ID	$128.0M	$9.6M	$18.3M	**$155.9M**
41	NH	$128.4M	$9.3M	$17.8M	**$155.5M**
42	NV	$74.7M	$24.3M	$46.7M	**$145.6M**
43	MT	$105.0M	$11.3M	$21.7M	**$138.0M**
44	ME	$105.0M	$7.6M	$14.6M	**$127.3M**
45	DE	$96.1M	$7.1M	$13.6M	**$116.7M**
46	RI	$96.0M	$6.8M	$12.9M	**$115.6M**
47	DC	$78.7M	$7.4M	$14.0M	**$100.1M**
48	ND	$59.2M	$4.7M	$8.9M	**$72.8M**
49	AK	$58.0M	$4.3M	$8.3M	**$70.6M**
50	VT	$51.0M	$3.7M	$7.1M	**$61.8M**
51	WY	$50.6M	$3.7M	$7.1M	**$61.4M**

CONCLUSION

The conclusion is clear: Distributed Gaming provides the most robust state and local tax revenue generation opportunity in the gaming space, supports thousands of jobs, and creates economic development and growth opportunity for small businesses on main streets throughout the United States.

J&J Gaming | The National Leader in Distributed Gaming.

A 95 year old family-owned business headquartered in Central Illinois

1,300+ employees

The largest revenue producing distributed gaming operator in North America

Distributed Gaming route operations in Illinois, Pennsylvania, Nebraska, Montana, and Nevada

2,580th Fastest Growing Private Company in the United States

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The study and its data has been created by FTI Consulting. Study can be found at www.jjventures.com/advocacy

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