

Introduction to Distributed Gaming

Below the Line Club Webinar

September 11, 2024



Agenda

Below the Line Club

Bottom line building ideas

1

Overview of J&J Gaming

2

Introduction to Distributed Gaming

3

How it Works

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1

Overview of J&J Gaming



J&J Gaming is the Nation's Largest Distributed Gaming Operator



\$1.3 billion Gaming Revenue



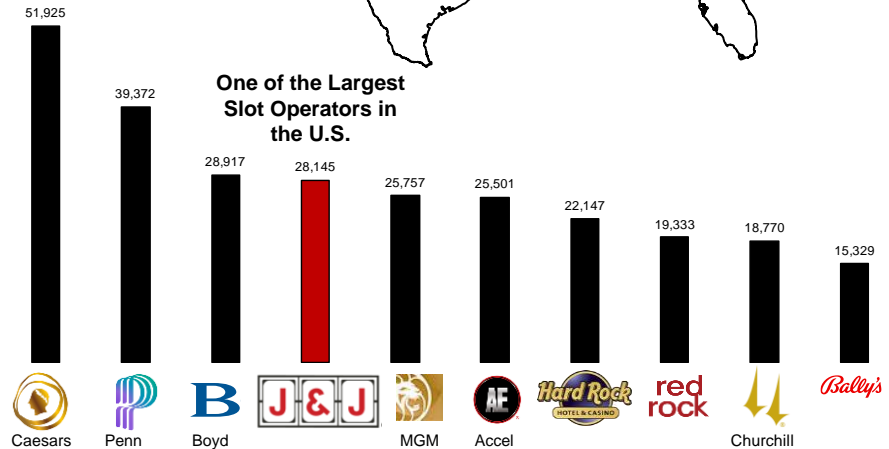
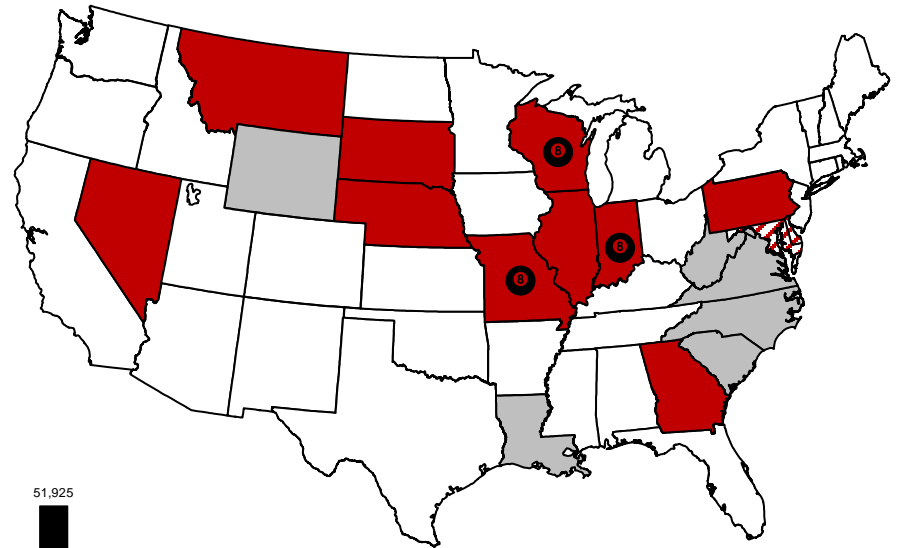
4,000 Locations



10 states and growing



95 years of operations



Our Mission is to be the Leader in Distributed Gaming

We do this by acting with integrity, providing service excellence, fostering partnerships and supporting our communities

Integrity

Service Excellence

Partnerships

Community

Partners



2

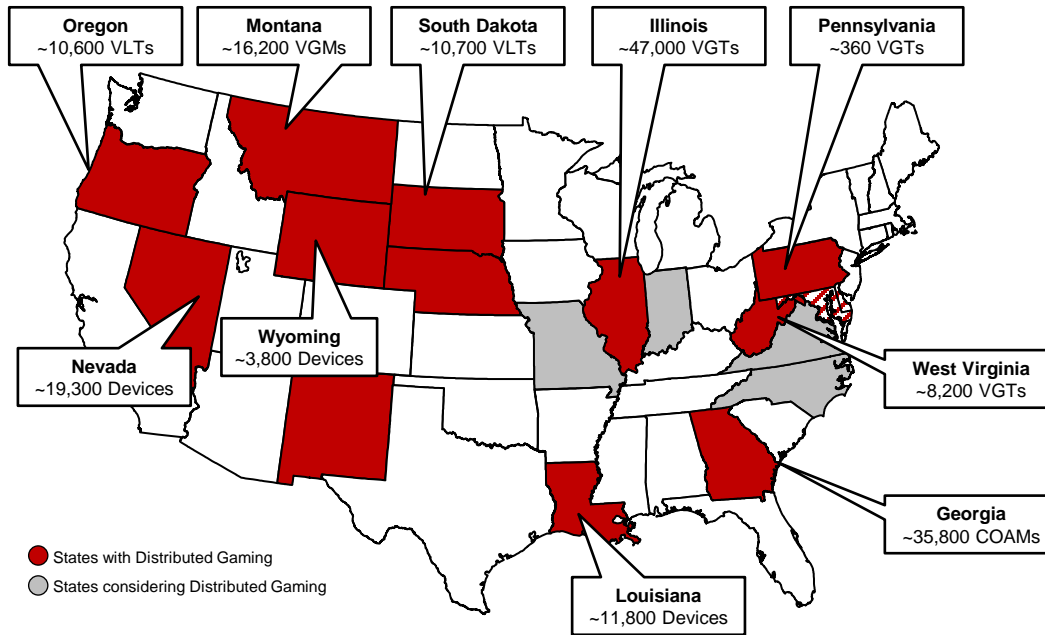
Introduction to Distributed Gaming



Introduction to Distributed Gaming


What is Distributed Gaming?

Distributed Gaming, once called Route Gaming or Route Operations, is the installation, operation and maintenance of gaming devices in certain regulated non-casino locations such as restaurants, bars, convenience stores, truck stops and other venues



- Each state has different regulations
 - Nevada law limits distributed gaming operations (also known as “restricted gaming”) to certain types of non-casino locations where gaming is incidental to the primary business and games are limited to 15 or fewer gaming devices
 - Illinois allows for up to 6 Video Gaming Terminals (“VGTs”) in licensed retail establishments (restaurants, bars), veterans’ and fraternal establishments, and up to 10 in certain truck stops
- Beyond the location and number of devices, states also have differing regulations on the roles of participants, economic splits, and ownership of the machines
 - In Oregon, the state owns all of the devices
 - In Illinois, the economic splits are legislated so there is no negotiation amongst the Establishment and the Terminal Operator (actual owner and operator of the machines)
 - In West Virginia, the split of the profits can be negotiated between 40% - 50% to the Retailer

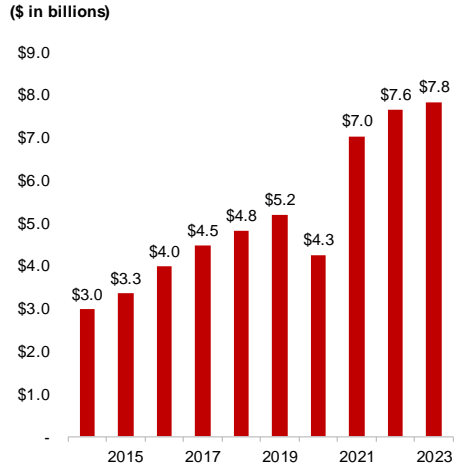

110,500
Jobs Supported


\$10 billion
US GDP Impact

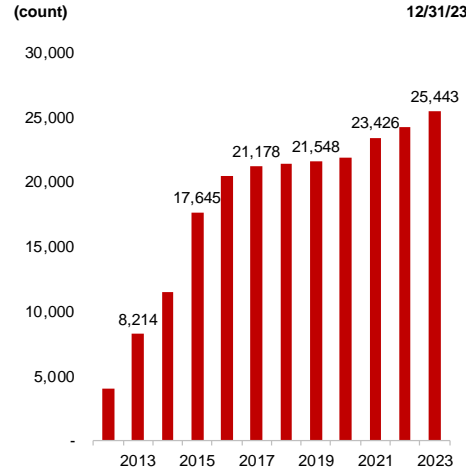

\$3.4 billion
Tax Revenue

Distributed Gaming Overview – U.S.

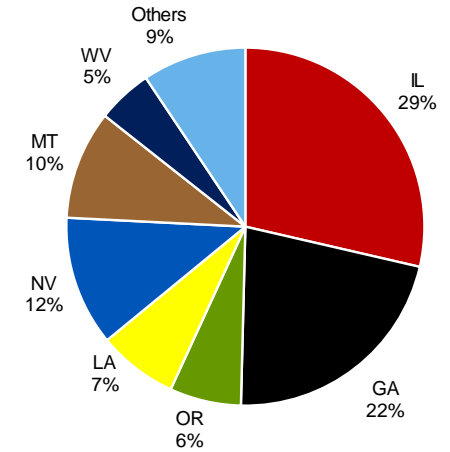
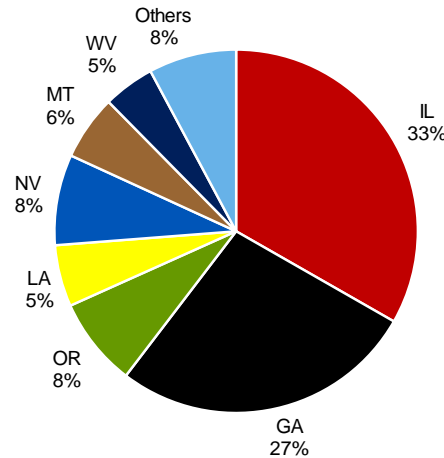
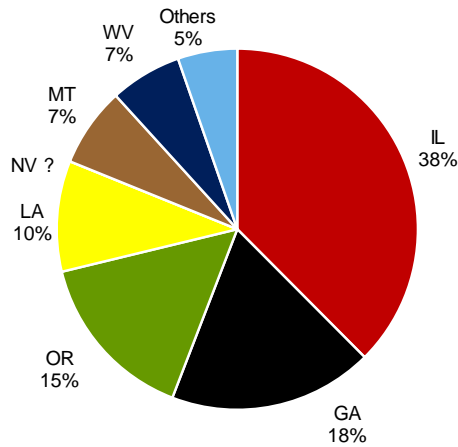
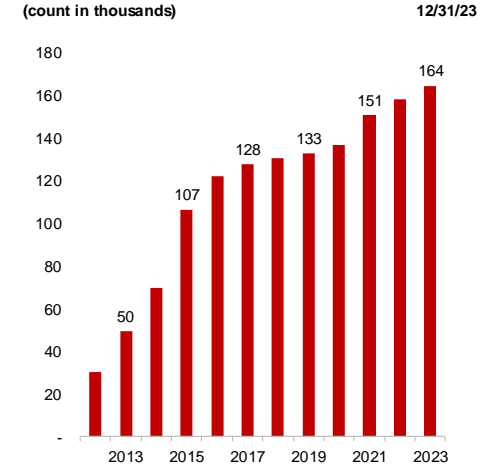
Distributed Gaming Revenue



Distributed Gaming Locations

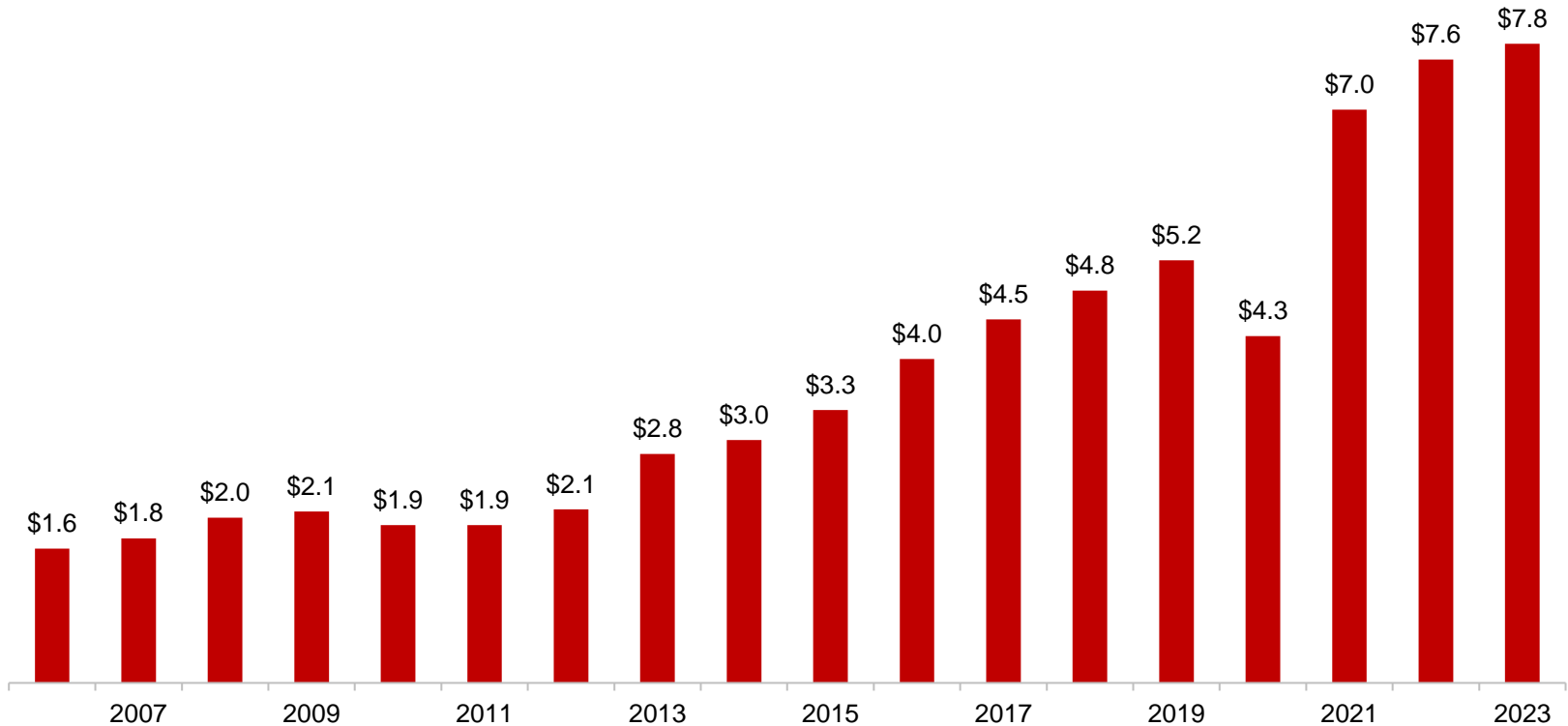
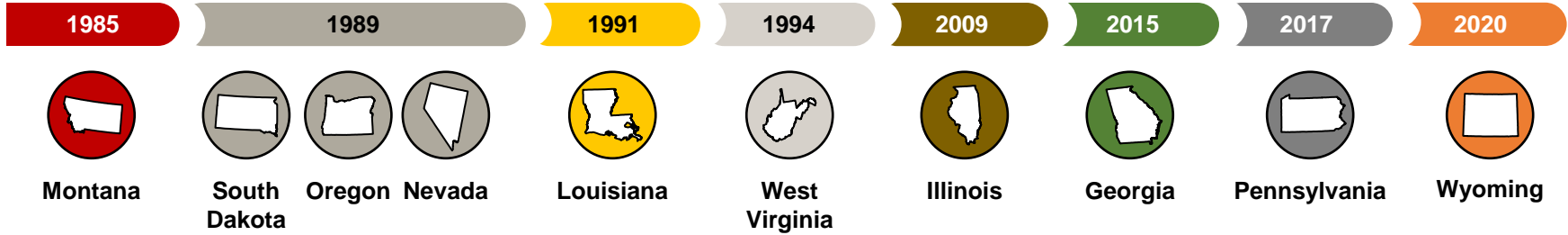


Distributed Gaming # of Devices



Notes: DE no longer reporting
Revenue: NV does not report revenue

Expansion Has Brought Economic Certainty



Distributed Gaming is Regulated Gaming

- Distributed Gaming is regulated in a similar fashion to casinos and often by the same governmental authority
- The governing body requires potential licensees to undergo a series of background checks and investigative inquiries
- Typically, there are separate and mutually exclusive license types
 - Manufacturers sell the gaming devices to Terminal Operators. These devices and games undergo third party testing to ensure they meet the state required criteria
 - Terminal Operators are at the center of Distributed Gaming activity. They are responsible for purchasing the gaming devices from licensed Manufactures, contracting with the licensed Locations to place those machines, servicing those machines, collecting funds, and making tax payments
 - Location (aka Establishment) owners provide the physical space to place the machines. In many jurisdictions they are not involved in the servicing or handling of cash related to gaming activities
- A licensee typically cannot hold multiple license types. This is intended to separate and prevent collusion among the participants. It also prevents anyone party from exerting control over the industry
- It is a Privilege to have a gaming license and the hurdle is high to obtain one. Bad actors are typically not granted a gaming license which ensures a level of transparency that is not required by other industries

What it is Not

**Unregulated Gaming Machines Flood Missouri,
Put Children at Risk**

**Gambling Machines Seized as Evidence
in State Investigation
- Charlotte, NC**

**City Cracking Down on Illegal
Gambling Operations
- Birmingham, AL**



ARRESTED

CHARLOTTE COUNTY SHERIFF'S OFFICE



What it is Not...Unregulated Gaming

- Efforts to prosecute illegal gambling devices out of existence have been inconsistent and often unsuccessful
 - Law enforcement is unclear: What is an illegal gambling device?
 - Game of Skill v. Game of Chance?
 - Technology has surpassed the law.
 - A game of “whack-a-mole”!
 - Law enforcement and prosecution resources directed at other criminal segments
- States struggling with illegal gambling devices have successfully addressed the problem through statewide regulatory schemes
- Proper regulation creates:
 - Path to legality through licensure
 - Compliance driven by economics of legal operations

Serious Problems Persist Absent Regulation

- Consumer Protections Don't Exist
 - No problem gaming protections
 - No guarantee of fair play
 - No oversight or anti-tampering
 - No standards, testing or monitoring
 - No recourse for unfair conduct, play or lack of payouts.
 - No age-verification
- Law Enforcement is at a Disadvantage
 - No reporting or audit capability – no tax collection
 - Open door for criminals and money laundering
 - No licensing requirements or background checks
 - Continued enforcement and prosecution challenges
- Predatory Practices Persist
 - No oversight of marketing and advertising
 - No controls over deceptive practices



THE BENEFITS OF
Regulated Gaming Machines

Regulated gaming provides player protection, fosters stakeholder integrity, combats illegal activity, and generates much needed revenue for state funded programs

	RESPONSIBLE GAMING Responsible gaming programs that prevent minors from wagering, encourage consumers to play responsibly, and provide awareness of services available for problem gambling assistance.	
	LICENSING AND BACKGROUND INVESTIGATIONS Licensing and background investigations of business entities, corporate officers, and key employees.	
	CONSUMER PROTECTION Regulatory authority that will resolve consumer concerns and reinforce game play fairness.	
	GAME TESTING Rigorous internal controls and independent laboratory testing of gaming machines.	
	SECURE GAMING EQUIPMENT Operators support the security of machines through a regulatory shipping notification and control process for shipments into a state, out-of-state, and intrastate.	
	ANTI-MONEY LAUNDERING PROTOCOLS Federal anti-money laundering compliance including currency transaction reporting and suspicious transaction reporting to prevent funds from supporting illicit or unlawful activity.	





Hucks #51 – Mt. Vernon, IL



Mach 1

Effingham, IL



J&J Gaming



Hucks #134 – Mt. Vernon, IL

3

How it Works



A Fully Outsourced Solution



Games Provided for Free



Continuous Optimization



Marketing



Service



Compliance



Reporting

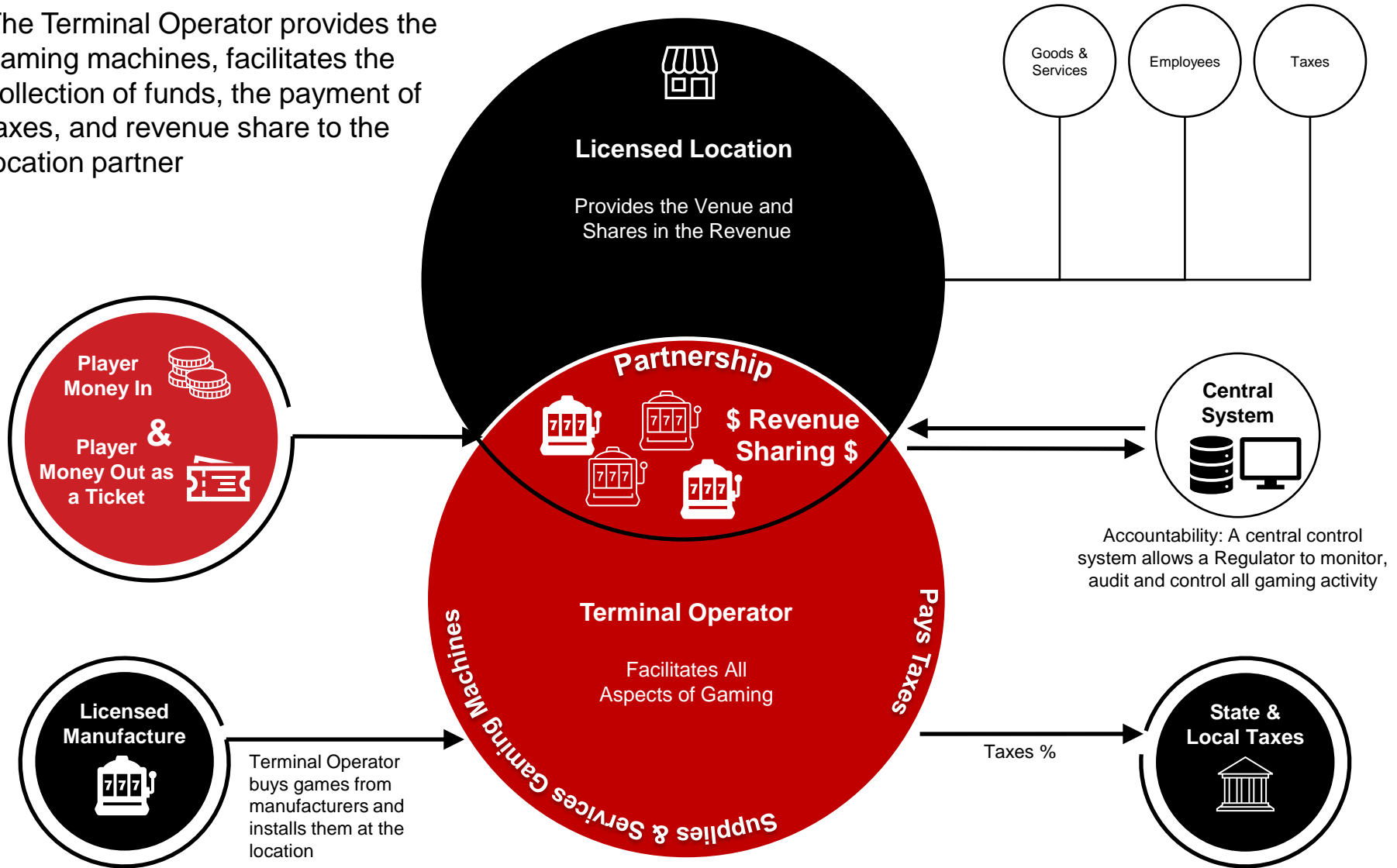


Account Management



How it Works: It's a Partnership

The Terminal Operator provides the gaming machines, facilitates the collection of funds, the payment of taxes, and revenue share to the location partner



**Locations average
take home revenue of**

~\$10,000

per month





Next Steps

- Contact your Local and State Representatives
- Voice your encouragement for regulated, distributed gaming

Meet Us At

NACSSHOW.2024

EMAI PET CONEXXUS

Las Vegas Convention Center
October 8 -10th, 2024
J&J Gaming Booth: C4195

J & J Gaming®