

Good Afternoon Chairman Schuring and Members of the Senate Select Committee on Gaming.

My name is Jonah Blake, and I am the Chief Gaming Officer of Game Fund Partners Inc. As CGO, I primarily focus on deal sourcing, management of fund research and advisory efforts.

As an Esports industry executive and advocate, I am pleased and honored to provide your committee insight on the status of gaming and Esports relative to the State of Ohio.

In context, Esports is a subgenre of the larger video game industry. In 2020, global video gaming market revenues were estimated to be \$179.7 Billion. We expect video game market revenues to reach \$250 billion by 2025 and \$300 Billion by 2028. Esports industry/media revenues, separate from Esports betting revenues, were estimated at \$1.1 Billion and are expected to reach \$1.8 Billion by 2022. Esports Betting revenue is estimated to be \$14 Billion or more by the end of 2021.

Esports can be best described as the ability to play competitively with a video game that requires skill and commitment to master. Like traditional sports, Esports athletes spend hours training daily and communicating with their respective communities, which happens both online and offline.

With respect to Esports betting, it is important to note the various structures and implementations. To simplify, there are three structures:

1. Skill Based Bets: This form of betting requires a player's competitive skill within a video game.

Typically called wagering, a player may enter what is called a "1 versus 1" or "tournament matches" where each player commits money to a pool. This pool is then split based on winners and losers of that wagering event. Another form of wagering can be termed "challengers" where an individual attempts to clear a video game event using personal skill. This does not require other players to initiate.

2. Real Money Bets: Similar to traditional sports, with Esports there are various ways to bet on a match. Examples include, “match winner”, “outright betting”, “over/under bets”, “odd/even bets”, “correct score bets”. There may be variation of this wagering based on the Esports title.

3. Fantasy Esports Bets: Similar to traditional fantasy sports, players can form imaginary teams or teams with player proxies based on a competitive video game. Players can place bets and compete based on statistical performance.

There are currently over 2.7 billion “gamers” globally and this number is expected to surpass 3 billion before 2025. That means over 40% of the world’s population will regularly play video games within the next several years. Esports viewership is also growing in parallel, with 2020 global viewership at 495 million. Industry data experts are anticipating global viewership to reach 646 million by 2023. We also see the Esports audience maturing as the industry rapidly expands. Seven out of ten Esports viewers are between the ages of 20 to 35 years old. More importantly, Esports viewers with household income averaged a salary above \$75,000 per year.

North America is just starting to experience the growth of Esports that other regions such as Europe, South America, and Asia have already established. We anticipate Esports will translate to tourism spend at physical events post-COVID-19. In Katowice, Poland, over 150,000 guests attend the “Intel Extreme Masters” tournament yearly. The 2020 Super Bowl had close to 65,000 guests. There is no reason that major events such as these could not take place in Ohio.

Esports also translates to new jobs. Hitmarker, a job search marketplace for Esports, released an impressive report in 2019. They found that 75% of available Esports jobs were listed as full-time positions. Based on research, they also learned that a majority of these open positions were STEM focused.

The information I have provided is important when considering the value of Esports betting in Ohio. Whether the operation is physical or digital, there is a clear demand for Esports betting globally. I believe there is an ability to capture tax dollars that can be used to support Ohio and local municipalities, as well as operate this structure in a proper legal framework. It is my opinion that Esports

betting could therefore be a strong revenue generator and job creator for the State of Ohio

Legalized sports betting creates jobs that revolve around the physical operations. Additional employment also could be created for bars, restaurants, shops, etc. However, Legalized Esports betting operations may also provide technical STEM jobs. This is because Esports betting operators may also own revolving Esports companies, such as tournament providers, software developers, Esports marketing or commercial agencies and other technical organizations.

With this view in mind, Esports betting operators can derive core revenues from gambling and also deliver important infrastructure that can lead to innovation centers. Innovation centers will also attract other technical businesses looking for skilled workers. It's important to keep in mind that Esports betting is only a subgenre of the Video Game industry that is expected to reach \$300 Billion dollars by the end of the decade.

The large exodus from California, New York and other states coupled with remote working capabilities is allowing people to rethink where they want to work and live. I expect to see Video Game industry growth continuing to be a strong driver in Ohio and the Midwest in general.

Thank you all for the kind and generous time you have provided for us and we look forward to seeing you in the great State of Ohio. I am always available to assist or answer any further questions you may have. I will now cede the remainder of my time to Dan Marks, CFO of Esports Entertainment Group.

Chairman Schuring and Members of the Senate Select Committee on Gaming,

My name is Dan Marks, CFO of Esports Entertainment Group. Thank you for allowing me to take this time to introduce our company to you and discuss the esports betting industry with you.

Esports Entertainment Group is a Nasdaq listed esports and online gambling company founded in 2014. The company operates a number of consumer facing platforms and services across the esports ecosystem including arcades, tournaments and betting. Esports can be best described as the ability to play competitively with a video game that requires skill and commitment to master.

Ohio has become a strategic jurisdiction for us due to our partnership with the Cleveland Cavaliers as well as the state's geography and talent base. We are also in discussions with a number of additional potential strategic partners in the great state of Ohio. As Ohio looks to codify its online gambling laws, we believe the state can be a leader in creating a standalone framework for esports betting that can be a blueprint other states will follow.

Esports Entertainment Group is pleased and honored to provide your committee a structural framework for legal esports betting. Further, we would like to explain how this framework and approach provides economic value, STEM jobs and multimedia innovation centers for local communities across the state.

As stated by our partners at the New Game Fund, Esports is a subgenre of the larger video game industry. In 2020, global video gaming market revenues were estimated to be \$179.7 Billion. We expect video game market revenues to reach \$250 billion by 2025 and \$300 Billion by 2028. Esports industry/media revenues, separate from Esports betting revenues, were estimated at \$1.1 Billion and are expected to reach \$1.8 Billion by 2022. Esports Betting revenue is estimated to be \$14 Billion or more by the end of 2021.

It is our belief that the esports betting license structure should operate independently of the traditional online sports betting regulatory framework. This is due to the technological factors and fair play considerations of large scale professional esports tournaments that are experienced strictly over a computer interface format. Additionally, we believe

that the demand for esports betting is currently being met by illegal operators. We do not believe traditional sports betting operators that enter esports will create products that are tailored sufficiently for the consumer experience while also creating safety and legal guidelines specific to the intricacies of the esports industry.

As esports betting grows in popularity and requires proper compliance and regulation, we seek to build this framework with effective partners in the space. This framework will be governed by the Esports Integrity Commission (ESIC).

ESIC has been for the past few years engaging both the UK Gambling Commission and the Malta Gaming Authority which resulted in signing a Memorandum of Understanding (MoU) with both jurisdictions back in 2017. The aim of this MoU has been to foster cooperation between the Gaming Authorities and ESIC to avoid the manipulation of e-sports events and competitions and work with their respective Sports Betting Integrity Units to clamp down on betting integrity-related corruption. The Gaming Authority in collaboration with its licensed operators shall provide information on suspicious betting patterns to assist ESIC with the investigation of such patterns or insider betting connected with esports events and competitions. For the past few years, ESIC has been a not-for-profit members association established in 2016 to take responsibility for disruption prevention investigation and prosecution of all forms of cheating in esports, including, but not limited to, match manipulation and doping. The mission of ESIC is to be the recognized guardian of the integrity of esports and to take responsibility for disruption, prevention, investigation and prosecution of all forms of cheating.

Since 2016, ESIC has been investigating instances of betting behavior violations and suspected match manipulation on a global scale. ESIC is currently undertaking other investigations which comprise the examination of a number of other CS:GO leagues including leagues located in North America, Europe and a significant number of other leagues in multiple game titles.

ESIC provides updates on its investigations and collaborations with law enforcement on issues relating to match-manipulation and adverse betting behavior as and when it is appropriate to do so.

One of the biggest issues in gaming and esports today is equitable access to quality gaming equipment and infrastructure. At EEG and with this proposal, we seek to level the playing field as well as create multimedia centers that can be meeting places for local communities. In order to foster innovation and create jobs in the state of Ohio. We recommend a dual-licensing system for Esports betting that rewards operators for opening physical locations in the state.

The dual-license structure is as follows:

1) Physical Esports-book:

\$50K license fee per location per year

The proposed locations must be within an esports arcade, otherwise known as a Local Area Network (LAN) Center. LAN Centers are gaming arcades that offer a variety of entertainment experiences, including casual video game play, competitive tournaments, high school leagues, large group parties and esports summer camps.

These locations also serve as innovation centers by providing equitable access to technology for students and young adults. Local residents will have access to STEM programming as well as entry-level jobs for members of the community. At EEG's current locations, we host after school programs and provide school districts access to on-site multimedia computer labs during school hours. We also offer those same technological tools to lower-income individuals who previously did not have access to STEM programs.

Each EEG physical center will employ ~25-40 staff. We provide technical training and computer literacy to our local staff members that will prepare them for future STEM careers.

As part of a reward structure for creating jobs and innovation centers in the state of Ohio, an entity will be rewarded with an online esports betting license after two physical locations have been opened.

We believe this reward structure will not only activate more innovation centers over time across the state of Ohio, but will create a stable environment in which entities are incentivized to keep innovation centers operational.

2) Online-only Esports Operator:

\$1 million per year for an online-only license

In the event an entity does not wish to open innovation centers in the state of Ohio, we propose the licensing fee for legal online-only operations will reasonably be \$1 million per year. While some entities may wish to operate online-only, we believe businesses that bring local economic impact, jobs and innovation to Ohio should receive benefits that online-only entities would not.

The EEG Innovation Centers in Ohio

The following is a description of the assets that EEG will be bringing into innovation centers that will be operating within the state of Ohio.

Helix Esports Centers-

The Helix Esports Centers are examples of the esports arcades referenced in our proposed betting framework. These multimedia centers offer a variety of entertainment experiences, including casual video game play, competitive tournaments, high school leagues, gaming summer camps and after school events. They also become vital innovation hubs for local communities by providing the tech infrastructure to enable equitable access to technology for students and young adults, as well as offer STEM programming during off-peak hours. Each center also serves as a job creation engine as they provide tech-enabled entry level jobs and professional training for members of the local community.

-We are in discussions with several entities in Ohio including the Hall of Fame Village, the Cleveland Cavaliers, and Cedar Point about opening co-branded Helix Centers in the state. Please note our announcement today (May 26, 2021) involving the Cleveland Cavaliers.

EGL Tournament Platform-

EGL is a proprietary technology platform that enables live and online gaming events and tournaments. We have signed numerous partnership agreements with US professional sports organizations to host tournaments on their behalf such as the Cleveland Cavaliers. Additionally, this software can be used by high school and local colleges to host tournaments and brackets for their student athletes. **The EGL Tournament Platform is NOT a betting platform but is a bracketing and schedule infrastructure software.**

Phoenix

Phoenix is an internally built, esports-focused online betting platform. The platform is currently going through testing in the New Jersey DGE testing lab and our application for a license in that jurisdiction is in-progress. **We intend to offer real-money gambling on professional esports competitions. We do NOT plan to offer the ability to bet on intercollegiate or high school esports. Such centers will be strictly and properly regulated.**

We appreciate your time and consideration and look forward to discussing further with you how we can grow this exciting industry within your great state. We are always available to answer any questions that you may have.