

Second Testimony Regarding 1_134_1360-4 Sub. S.B. No.176

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

My name is Jeff Cohen, I'm the Vice President of Strategy at Esports Entertainment Group. I'm here today representing Esports Entertainment Group and Game Fund Partners.

Esports Entertainment Group is a Nasdaq listed esports and online gambling company founded in 2014. The company operates a number of consumer facing platforms across the esports ecosystem including arcades, tournaments and betting.

First of all, we would like to thank all the members of this committee for the time and consideration you gave us here last week during the testimony by my colleague Dan Marks and Jonah Blake. In addition, we certainly appreciate the fact that you have now included and defined Esports as an integral and important part of the current proposed Sports Wagering bill.

It is now critical for us and the gaming community, that we work together to create a framework for gaming in Ohio that benefits both the government of Ohio and the people of Ohio. There are millions of people who regularly play video games and consume esports content in the state of Ohio. In fact, esports and video games actually rank as one of the most popular activities for residents here in the state.

At Esports Entertainment Group, we are trying to build facilities with major Ohio based sports organizations that we believe will be a leading example for gaming and Esports innovation throughout the country. We appreciate all of the hard work, effort, and thought that clearly went into the current iteration of the Senate bill. However, we need your assistance to enable us to bring these special purpose facilities that will create jobs and provide value for gamers in the state. We appreciate the intent of the current proposed bill, however, it is our belief that Sports Gaming Proprietors who only participate in the online license will not bring jobs, entertainment, or true Esports facilities to the state of Ohio. We believe it is critical for this bill to provide incentives that

encourage the construction of Esports facilities. We want to build these centers in conjunction with Ohio's leading sports teams and we are in discussion with our strategic partners here to do just that.

As we have previously testified, esports facilities of this nature are a new, but quickly growing industry. These are not to be confused with casinos. We are building Esports entertainment centers mostly specific to the many video game users. The current gaming economy does not lend itself to only one facility for the entire state of Ohio. Further, the current gaming economy does not lend itself to paying the current projected fees of 2 million dollars for 3 years for each such facility. These costs also do not factor in the significant investment in jobs and infrastructure that we plan to make. Thus we look to this committee for a fair and reasonable economic solution that benefits everyone and is not tailored only to large casino operators.

It is our hope that we can build at least a minimum of 2 and possibly 4 initial Esports gaming centers throughout the state. Also, we believe this significant investment in infrastructure and resources should enable us to be eligible for a Type A online license as a part of that effort as well. If we are required to pay 2 million dollars for each such license over a 3 year period plus a 10 percent overall wagering tax we might be looking at as much as 10 million dollars in minimum fees alone for 4 centers and complimentary online wagering. That is prohibitive if you add the cost of construction and development. This license cost reflects almost 400 percent of the cost of construction of such centers and it is economically prohibitive for an Esports operator.

Therefore, we would respectfully ask this committee to reconsider certain portions of the bill that are prohibitive for such Esports entertainment centers. We believe that this select committee has already taken a great leap and major step in recognizing video gaming and the significant Esports community. Your hard work and efforts to create a new sports wagering bill will bring considerable revenue and advantages for the people of Ohio. We are so grateful for that first step. We now ask you to take the next step with us and to make this a workable reality to create incredible growth and revenue opportunity for the state of Ohio and Esports. We want to join Ohio to be a leader in our country for video game players and Esports communities everywhere. Of course we are willing to work with you economically in every way we can.

Our initial proposal rewarded companies for building centers throughout the state of Ohio. We are not sure the current iterations of the bill offers such a reward for companies who are willing to create facilities and jobs in Ohio, as compared to those who are not. We wish to strive to be the best corporate citizens we can for the great state of Ohio. We are asking you to help us to do that and to make Ohio a leader in Esports gaming across the country. As we mentioned in previous testimony, this is a popular and rapidly growing sector of the gaming and esports industry. This is a great opportunity for the State of Ohio and we want to be help in every way we can to see that Ohio is a national leader in a new business that will have explosive growth in the near future. We thank you very much for all your time and consideration and we are available to assist in any way we can. I am pleased to answer any questions you may have.