



Maryland

**Sports Wagering Application
Review Commission (SWARC)
Meeting
11/16/2022**

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SWARC Overview

- Under Maryland’s Sports Wagering Law (the “**Law**”), SWARC is responsible for awarding all sports wagering licenses in Maryland
- The Law authorizes three types of sports wagering licenses:
 - Class A sports wagering facility licenses
 - Class B sports wagering facility licenses
 - Mobile sports wagering licenses
- All Class A licenses (total of 10) and 7 Class B licenses are designated by Law to be awarded to specified businesses (e.g., casinos, OTBs, large bingo facilities, sports stadiums/teams, state fairgrounds and Pimlico race track)
- In addition to these 17 designated licenses, SWARC may award up to 30 additional Class B sports wagering facility licenses and 60 mobile sports wagering licenses
- Before a sports wagering license may be awarded, the prospective licensee must be vetted by the Maryland Lottery and Gaming Control Commission (“**MLGCC**”)
- In connection with the award of any license, SWARC must determine that the award is in the “public interest.”
- Upon being selected by SWARC and vetted by MLGCC, a license may be awarded by SWARC and issued by MLGCC.
- All sports wagering operations conducted by a sports wagering licensee are regulated by MLGCC.

SWARC Purpose

- Under the Law, SWARC’s main objectives are to seek diversity in Maryland’s sports wagering industry (to the extent allowed by federal and state law) and to encourage participation by small-, minority-, or women-owned businesses.
 - In an effort to achieve these objectives, SWARC –
 - directed procurement of an industry analysis to determine whether there was a legal basis to implement race- or gender-conscious measures in the sports wagering application process;
 - advised Maryland businesses of opportunities within Maryland’s sports wagering industry;
 - issued a survey seeking input from the industry on matters relating to SWARC’s approach to awarding sports wagering licenses; and
 - held a Sports Wagering Educational Summit focused on small business participation.
- Although, ultimately, the industry analysis did not support SWARC’s legal ability to implement race- or gender-conscious measures, in an effort to broaden participation in the industry, SWARC adopted regulations requiring each Applicant to demonstrate that at least 5% of its ownership is held by individuals with a personal net worth of less than \$1.847 million.

SWARC Application Process

- On September 6, 2022, SWARC released its sports wagering license applications for the Class B and mobile sports wagering licenses.
- All applications were due to SWARC on October 21, 2022.
- By the application deadline, SWARC received a total of 27 applications –
 - **21** mobile sports wagering license applications
 - **6** Class B sports wagering facility license applications
- As applications were received, they were distributed to each SWARC Commissioner and SWARC's consultants, Taft and Spectrum Gaming Group.

Application Review

- As applications were received, they were first reviewed for completeness. If items were missing or needed clarification, Applicants were contacted to provide such information or clarification.
- SWARC's consultants then reviewed the applications in detail and prepared summaries of the most substantive provisions of the applications.
- Confidential summaries of all applications being considered today have been provided to SWARC Commissioners.

MLGCC Qualifications

- On October 27, 2022, MLGCC, utilizing its alternative licensing standards, found **10** mobile sports wagering license applicants and **one** Class B-2 sports wagering facility license applicant “qualified” to hold a sports wagering license.
- In making this finding, MLGCC determined that, by clear and convincing evidence, each such Applicant established:
 - its financial stability, integrity, and responsibility;
 - integrity of its financial backers, investors, mortgagees, bondholders, and holders of other indebtedness that bear a relation to the application;
 - its good character, honesty, and integrity; and
 - its business ability and experience.

SWARC Consideration Process

- Today, SWARC will consider the **10** mobile sports wagering license applicants qualified by MLGCC at its October 27, 2022 meeting.
- For consideration of each application today, we will proceed as follows:
 - SWARC’s consultants will present an overview of the Applicant;
 - SWARC Commissioners will be given an opportunity to ask questions of SWARC’s consultants concerning the Applicant; and
 - SWARC Commissioners will discuss and consider the application and, if inclined, take action concerning the application.

SWARC Evaluation Criteria

In considering the mobile sports wagering applications, SWARC will consider each application based upon the following criteria:

1. Experience, business ability and track record that evidences the Applicant's, or the Applicant's identified online sports wagering operator's, ability to establish and operate a successful sports wagering operation;
2. Demonstrated ability to comply with applicable sports wagering laws and regulations, including regulatory compliance in other jurisdictions and past cooperation with regulatory authorities;
3. Demonstrated culture of, and investments in, responsible gaming programs and an effective governance and compliance program;
4. Demonstrated financial stability, resources, integrity, and business ability and acumen and the Applicant's ability to compete in the Maryland sports wagering market;

SWARC Evaluation Criteria (Con't)

5. If an Applicant sought investors, evidence of the Applicant's serious, good-faith efforts to solicit and interview a reasonable number of minority and women investors and whether or not any of those investors have purchased an equity share in the Applicant;
6. The maximization of sports wagering revenues including projected proceeds to the State;
7. Ability to commence sports wagering operations within a reasonable period of time after the award of the mobile sports wagering license;
8. The extent to which the proposed sports wagering operation preserves existing Maryland jobs or creates new Maryland jobs and the anticipated wages and benefits for new Maryland jobs that would be created;
9. Demonstrated willingness and commitment to make investments in Maryland;

SWARC Evaluation Criteria (Con't)

10. Whether the Applicant's proposed sports wagering business would appeal to a unique market;
11. Responsiveness of the Applicant to requests of SWARC and MLGCC;
12. Whether the award of the mobile sports wagering license is in the public interest and is consistent with the purposes of the Sports Wagering Law; and
13. Any other criteria deemed by SWARC to be in the public interest and consistent with the Sports Wagering Law.

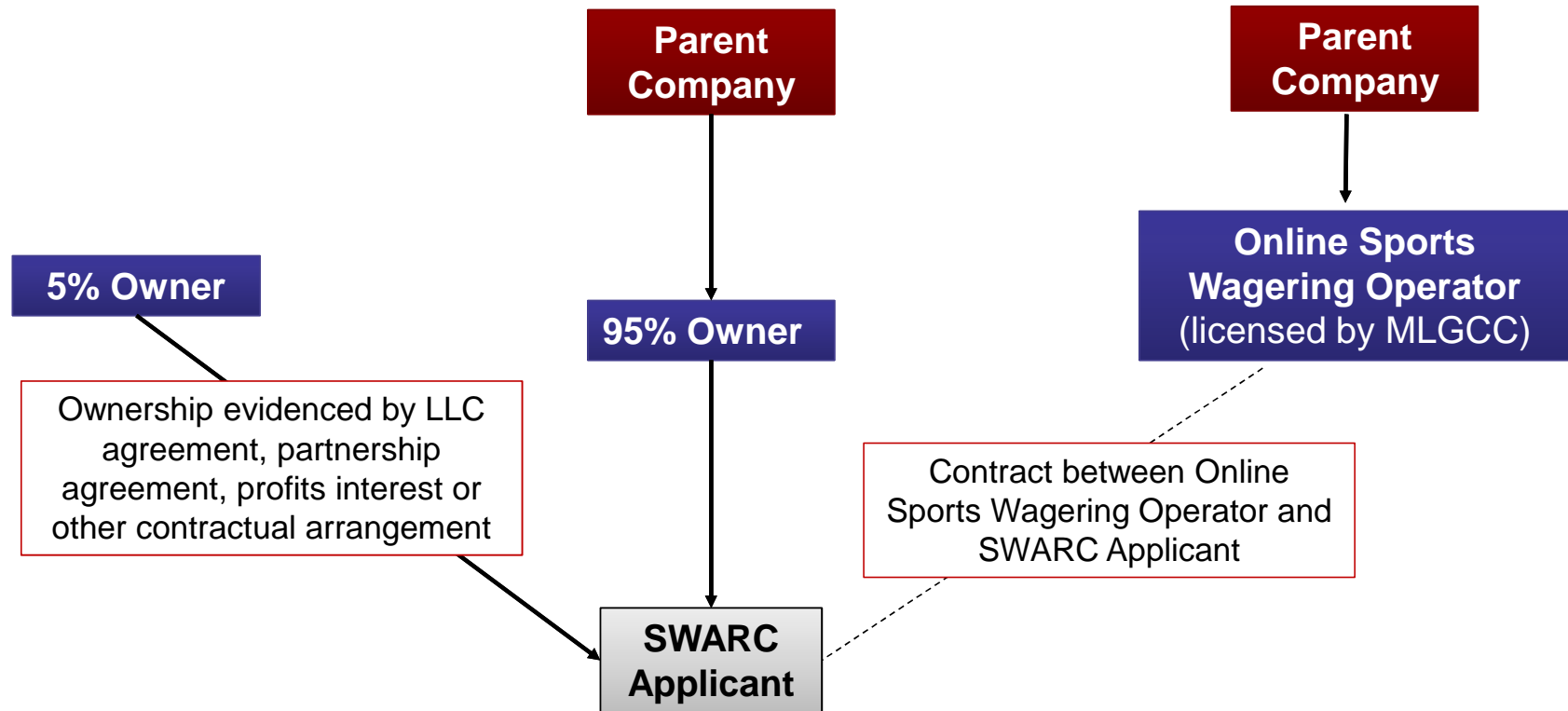
Public Interest Considerations

- If SWARC is inclined to award a mobile sports wagering license to any of the Applicants considered today, then SWARC must determine and declare that the award of the license is in the ‘public interest.’
- In awarding sports wagering facility licenses previously, SWARC has found the award of the license to be in the public interest due to the following factors:
 - enhanced State fiscal resources for education (achieved through sports wagering tax revenue);
 - economic development and employment opportunities spurred by the sports wagering industry; and
 - the regulation of an otherwise unregulated illegal sports wagering market that lacks consumer protections, undermines the integrity of sports, and offers distasteful betting options that are contrary to public interest.

Public Interest Considerations (Con't)

- Additional public interest factors could include the following:
 - The license award provides opportunities for individuals who satisfy the personal net worth requirements under COMAR 36.11.02.19 to participate in the sports wagering industry;
 - Applicant agreed to submit to SWARC a diversity plan that will include strategies for obtaining a diverse group of owners, investors, employees, and contractors;
 - Wagers are protected by Applicant maintaining cash reserves and performance bonds; and
 - Applicant addresses problem gaming through self–exclusion programs and industry–standard responsible gaming tools.

Common Applicant Structure



By the Numbers (\$ in millions)

- For Maryland, Eilers & Krejcik Gaming's *U.S. Sports Betting and Online Casino Outlook* dated May 2022 projects gross gaming revenues from mobile sports wagering of:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Estimated Gross Gaming Revenues (GGR)	\$ 123.3	\$ 369.8	\$ 493.1	\$ 517.8	\$ 542.4

- The average projected gross gaming revenues from mobile sports wagering estimated by the 10 Applicants being considered today is as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Avg Projected GGR	\$ 177.8	\$ 385.6	\$ 483.0	\$ 514.9	\$ 548.5
Total Projected State Taxes	\$ 26.4	\$ 47.5	\$ 65.8	\$ 82.6	\$ 99.7
Total Projected Marketing Spend	\$ 131.8	\$ 106.5	\$ 98.1	\$ 98.0	\$ 95.7
Total Projected Operating Costs	\$ 56.2	\$ 83.8	\$ 109.7	\$ 131.9	\$ 155.9
Aggregate Market Performance	\$ (36.5)	\$ 147.8	\$ 209.3	\$ 202.4	\$ 197.2



Mobile Sports Wagering License Applicants

(presented in alphabetical order)

Arundel Amusements, Inc.



- **Ownership**
 - Owned by five individuals including Ernest Litty, Jr. (74%), Randy Clemens (20%) and three other individuals (2% each)
- **Compliance with Ownership Criteria**
 - Each 2% owner of Applicant satisfies the personal net worth criteria
- **Nature of Ownership**
 - All owners own Class A Common Stock
- **Experience**
 - Applicant has engaged RSI MD, LLC (“**RSI MD**”), an affiliate of Rush Street Interactive, Inc. (NYSE: RSI) (“**RSI**”), a publicly traded gaming and sports entertainment company, as its online sports wagering operator
 - RSI operates in 14 U.S. states, Canada, Colombia and Mexico
 - Applicant was awarded a sports wagering facility license by SWARC on March 16, 2022
 - On August 1, 2022, Applicant opened the *BetRivers Sportsbook* operated by RSI MD

Arundel Amusements, Inc. (Con't)



- **Financial Information**

- All operational costs and liabilities of operating mobile sports wagering on behalf of Applicant will be paid by RSI
- In its SEC filings for the quarter ended June 30, 2022, RSI indicates that it has cash and cash equivalents of \$201M

BetMGM Maryland Sports LLC



BETMGM

- **Ownership**
 - Owned 95% by BetMGM LLC and 5% by two individuals
- **Compliance with Ownership Criteria**
 - The two individuals owning 5% of Applicant satisfy the personal net worth criteria
- **Nature of Ownership**
 - Non-voting limited liability company interests
- **Experience**
 - Applicant has engaged BetMGM LLC (“**BetMGM**”), a joint venture between MGM Resorts International (NYSE: MGM) and Entain plc (LSE: ENT), as its online sports wagering operator
 - BetMGM operates in 22 U.S. states, Washington D.C., Puerto Rico and Canada
 - BetMGM operates in person sports wagering at MGM National Harbor Casino in Prince George’s County, MD

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BetMGM Maryland Sports LLC (Con't)



BETMGM

- **Financial Information**
 - All operational costs and liabilities of operating mobile sports wagering on behalf of Applicant are to be paid by BetMGM
 - BetMGM's financial information is not publicly reported; however, SWARC Commissioners have access to such information in the application
 - Since its inception BetMGM has been funded by its two parent companies – MGM Resorts International and Entain plc – both thought to be well-capitalized companies

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Crown MD Online Gaming LLC (dba DraftKings)



- **Ownership**
 - Owned 95% by Crown MD Gaming LLC, a subsidiary of DraftKings Inc., and 5% by two individuals.
- **Compliance with Ownership Criteria**
 - The two individuals owning 5% of Applicant satisfy the personal net worth criteria
- **Nature of Ownership**
 - Limited liability company units
- **Experience**
 - Applicant’s parent, DraftKings Inc. (NASDAQ: DKNG) (“**DraftKings**”), will operate all mobile sports wagering operations
 - DraftKings is a significant operator of daily fantasy contests
 - DraftKings operates in 18 U.S. states and 17 countries

Crown MD Online Gaming, LLC (dba DraftKings) (Con't)



- **Financial Information**

- All operational costs and liabilities of operating mobile sports wagering are to be paid by DraftKings
- In its SEC filings for the quarter ended June 30, 2022, DraftKings indicates that it has cash and cash equivalents of \$1.514B

CZR Maryland Mobile Opportunity, LLC



- **Ownership**
 - Owned 95% by CBAC Borrower LLC dba Horseshoe Casino Baltimore and its affiliates and 5% by an LLC
- **Compliance with Ownership Criteria**
 - The sole owner of the LLC that owns 5% of Applicant satisfies the personal net worth criteria
- **Nature of Ownership**
 - Class B Common Units (non-voting)
- **Experience**
 - Applicant has engaged American Wagering, Inc., an affiliate of Caesars Entertainment (NASDAQ: CZR) (“**Caesars**”), a multi-national gaming, entertainment and sports wagering company, as its online sports wagering operator
 - Caesars operates mobile sports wagering in 19 U.S. states, Canada, Bahamas and St. Kitts

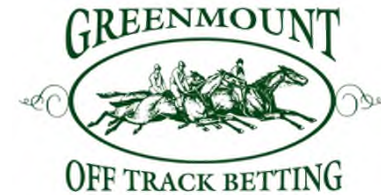
CZR Maryland Mobile Opportunity, LLC (Con't)



- **Financial Information**

- All operational costs and liabilities of operating mobile sports wagering on behalf of Applicant are to be paid by Caesars
- In its SEC filings for the quarter ended June 30, 2022, Caesars indicates cash on hand/revolving credit facility of \$3.052B

Greenmount OTB, LLC



- **Ownership**
 - Equally owned by two individuals – Christopher Richards and David Richardson
- **Compliance with Ownership Criteria**
 - One of the two owners satisfies the personal net worth criteria
- **Nature of Ownership**
- Limited liability company interests (voting)
- **Experience**
 - Applicant operates an off-track betting facility located in Carroll County, Maryland
 - Applicant has engaged PARX Interactive Maryland, Inc. (“**PARX**”), an affiliate of Greenwood Racing Inc. (“**GRI**”), as its online sports wagering operator
 - GRI is a leader in pari-mutuel wagering and online account wagering. Through its subsidiaries, GRI conducts sports wagering and online gaming in 3 U.S. states (with applications pending in 2 additional states)
 - Applicant was awarded a sports wagering facility license by SWARC on December 20, 2021
 - On October 28, 2022, Applicant opened its *betParx Sportsbook* operated by PARX

Greenmount OTB, LLC (Con't)



- **Financial Information**

- All operational costs and liabilities of operating mobile sports wagering on behalf of Applicant are to be paid by PARX
- GRI's financial information is not publicly reported; however, SWARC Commissioners have access to such information in the application
- Applicant was previously evaluated by the MLGCC for the purposes of obtaining a sports wagering facility license and found to have financial stability

Long Shot's LLC

Long Shot's
Betting • Beer • BBQ

- **Ownership**
 - 100% owned by Alyse Cohen
- **Compliance with Ownership Criteria**
 - Sole owner satisfies the personal net worth criteria
- **Nature of Ownership**
 - Limited liability company interests (voting)
- **Experience**
 - Applicant has engaged BetFred Sports (Maryland) LLC (“**BetFred MD**”), an affiliate of BetFred Group Limited (“**BetFred**”), a privately-held, multi-national sports betting company in business over 55 years that operates over 1,400 retail betting shops and mobile sports betting operations
 - BetFred operates in 6 U.S. states, Gibraltar, Ireland, Spain, South Africa and United Kingdom
 - Applicant was awarded a sports wagering facility license by SWARC on December 8, 2021; sportsbook not yet operational but will be operated by BetFred MD

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Long Shot's LLC (Con't)

Long Shot's
Betting • Beer • BBQ

- **Financial Information**

- All operational costs and liabilities of operating mobile sports wagering on behalf of Applicant are to be paid by BetFred MD
- BetFred MD is funded through an inter-company loan from its parent entity
- BetFred MD expects this loan will be sufficient to fund Maryland operations for a period of 5 years (the initial term of the mobile sports wagering license)
- BetFred's financial information is not publicly reported; however, SWARC Commissioners have access to such information in the application

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Maryland Stadium Sub, LLC



- **Ownership**
 - Applicant is owned 100% by Daniel Snyder
 - Per a Consulting Agreement, Applicant engages Hamilton Hall Real Estate Partners, LLC that will receive a consulting fee of at least 5% of Applicant’s revenues from mobile sports wagering operations
- **Compliance with Ownership Criteria**
 - Sole owner of Hamilton Hall Real Estate Partners, LLC satisfies the personal net worth criteria
- **Nature of Ownership**
 - Revenue sharing paid in the form of a consulting fee
- **Experience**
 - Applicant has engaged FBG Enterprises Opco, LLC (“**FBG**”), a subsidiary of Fanatics Holdings, Inc. (“**Fanatics**”), a global sports company featuring officially licensed fan merchandise, NFTs, sports betting and iGaming, as its online sports wagering operator
 - Fanatics has not yet commenced mobile sports wagering operations in the U.S., but has license applications pending in several states
 - Applicant was awarded a sports wagering facility license by SWARC on August 17, 2022; sportsbook not yet operational but will be operated by FBG

Maryland Stadium Sub, LLC (Con't)



- **Financial Information**

- All operational costs and liabilities of operating mobile sports wagering on behalf of Applicant are to be paid by FBG
- FBG is newly formed with no operating history
- FBG's operations will be funded through an inter-company loan from Fanatics
- FBG believes it has sufficient funding to conduct sports wagering operations consistent with the costs estimated in its 5-year projections
- Fanatic's financial information is not publicly reported; however, SWARC Commissioners have access to such information in the application

PENN Maryland OSB, LLC



- **Ownership**
 - Owned 100% by Penn Cecil Maryland, LLC, dba Hollywood Casino Perryville, a subsidiary of PENN Entertainment Inc. (NASDAQ: PENN)
 - Lee & Lee Consultants LLC owns a 5% profits interest in Applicant
- **Compliance with Ownership Criteria**
 - Sole owner of Lee & Lee Consultants, LLC satisfies the personal net worth criteria
- **Nature of Ownership**
 - Limited liability company “profits interest” (non-voting)
- **Experience**
 - Applicant has engaged Penn Sports Interactive, LLC, a subsidiary of PENN Entertainment, Inc. (NASDAQ: PENN) (“**PENN**”), a racing, entertainment and hospitality company, as its online sports wagering operator
 - PENN operates sports wagering in 12 U.S. states and Canada
 - PENN operates the sports book located at Hollywood Casino Perryville

PENN Maryland OSB, LLC (Con't)



- **Financial Information**

- All operational costs and liabilities of operating mobile sports wagering on behalf of Applicant are to be paid by PENN
- In its SEC filings for the quarter ended June 30, 2022, PENN indicates cash and cash equivalents of \$1.7B

PPE Maryland Mobile, LLC



- **Ownership**
 - Through various holding companies, owned at least 90% by owners of Live! Casino and Hotel (including members of the Cordish family) and up to 10% by management-level employees of Cordish Gaming’s properties
- **Compliance with Ownership Criteria**
 - As of 11/4/2022 – 86 management-level team members of Cordish Gaming (owning 7.2% of Applicant) satisfy the personal net worth criteria
- **Nature of Ownership**
 - Limited liability company interests (non-voting)
- **Experience**
 - Applicant has engaged Betfair Interactive US LLC dba FanDuel Sportsbook (“**FanDuel**”), a subsidiary of Flutter Entertainment plc (LSE: FLTR), as its online sports wagering operator
 - FanDuel operates in 16 U.S. states
 - FanDuel operates the sports book located in Live! Casino & Hotel Maryland

PPE Maryland Mobile, LLC (Con't)



- **Financial Information**

- All operational costs and liabilities of operating mobile sports wagering on behalf of Applicant are to be paid by FanDuel
- For the quarter ending June 30, 2022, FanDuel's parent company, Flutter Entertainment plc, reports cash and cash equivalents of £781.2M

Riverboat on the Potomac LLC



- **Ownership**
 - Owned 75% by Bodhi Naavi LLC and 25% by Delmock Technologies Inc.
 - Ultimately owned by 4 individuals
- **Compliance with Ownership Criteria**
 - All owners of Applicant satisfy the personal net worth criteria
- **Nature of Ownership**
 - Limited liability company interests (voting)
- **Experience**
 - Applicant has engaged PointsBet Maryland LLC (“**PointsBet MD**”), an affiliate of PointsBet Holdings Limited (AUS: PBH) (“**PointsBet**”), a multi-national sports wagering operator, as its online sports wagering operator
 - PointsBet operates in Australia, Canada and 11 U.S. states
 - Applicant was awarded a sports wagering facility license by SWARC on December 8, 2021
 - On September 8, 2022, Applicant opened its *PointsBet Sportsbook* operated by PointsBet MD

Riverboat on the Potomac LLC (Con't)



- **Financial Information**

- All operational costs and liabilities of operating mobile sports wagering on behalf of Applicant are to be paid by PointsBet
- Per its public filings, for the year ended June 30, 2022, PointsBet had cash reserves of \$472.7M AUD (or ~\$296.7M USD).

Next Steps

- SWARC Commissioners and SWARC's consultants are continuing to review the remaining **11** mobile sports wagering license applications and **6** Class B sports wagering facility license applications
- Additionally, MLGCC is continuing to review the qualifications of these Applicants
- As Applicants are qualified by MLGCC and reviewed by SWARC Commissioners and SWARC's consultants, they will be presented to SWARC for its consideration
- SWARC's next meeting is scheduled for December 14, 2022