



Maryland

**Sports Wagering Application
Review Commission (SWARC)
Meeting
12/14/2022**

Taft/



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.
- At its meeting on November 16, 2022, SWARC awarded 10 mobile sports wagering licenses.

MLGCC Qualification

- On October 27, 2022, Maryland Lottery and Gaming Control Commission (“**MLGCC**”), utilizing its alternative licensing standards, found **one** Class B-2 sports wagering facility license applicant “qualified” to hold a sports wagering license.
- On December 1, 2022, MLGCC, utilizing its alternative licensing standards, found **two** mobile sports wagering license applicants “qualified” to hold a sports wagering license.
- In making these findings, MLGCC determined that, by clear and convincing evidence, each 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.

Applications for SWARC Consideration

- Today, SWARC will consider **3** applicants – one Class B-2 sports wagering facility license applicant and two mobile sports wagering license applicants.
- 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 **ALL** 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 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 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.

Additional SWARC Evaluation Criteria (Facility Licenses)

In addition to the above-described criteria, in considering the award of a sports wagering **facility** license, SWARC will also consider the following:

1. Whether the Applicant's proposed facility is located within an opportunity zone or an enterprise zone;
2. The extent to which the proposed facility encourages Maryland wagering participants to remain in Maryland when placing wagers; and
3. The extent to which the proposed facility will attract out-of-state visitors.

Public Interest Considerations

- If SWARC is inclined to award a 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 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.

By the Numbers - Mobile (\$ 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

- With the addition of the 2 new mobile applicants being considered today, average projected key performance indicators from the combined 12 mobile applicants are as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Avg Projected GGR – Statewide	\$ 184.6	\$ 385.1	\$ 483.2	\$ 515.0	\$ 547.6
Total Projected State Taxes – All Operators	\$ 27.5	\$ 49.9	\$ 69.8	\$ 87.9	\$ 105.9
Avg Projected Marketing Spend – Per Operator	\$ 11.3	\$ 10.1	\$ 9.4	\$ 9.3	\$ 9.2
Avg Projected Operating Costs – Per Operator	\$ 4.8	\$ 7.3	\$ 9.7	\$ 11.8	\$ 13.9
5 Year Total Projected State Taxes – All Operators	2023 – 2027: \$341.0				

By the Numbers - Retail (\$ in millions)

- For Maryland, Eilers & Krejcik Gaming's *U.S. Sports Betting and Online Casino Outlook* dated May 2022 projects gross gaming revenues from retail 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)	\$ 39.5	\$ 59.2	\$ 78.9	\$ 98.7	\$ 113.5

- The addition of the proposed sports wagering facility applicant should contribute positively to these revenue projections, create jobs, contribute taxes and expand the availability of retail sports wagering in Maryland.

Mobile Sports Wagering License Applicants

(presented in alphabetical order)

Bally's Interactive Maryland, LLC



- **Ownership**
 - Owned 100% by Bally's Interactive, LLC, an indirect subsidiary of Bally's Corporation (NYSE: BALY)
 - Per an investment term sheet, Ujima Sportsbook, LLC (fka Bet on Black, LLC) will invest in Applicant and receive a 5% ownership interest in Applicant. The investment will be made shortly after the award of a mobile sports wagering license by SWARC and before issuance of the license by MLGCC.
- **Compliance with Ownership Criteria**
 - Each owner of Ujima Sportsbook, LLC satisfies the personal net worth criteria.
- **Nature of Ownership**
 - Upon making its investment, Ujima Sportsbook, LLC will receive non-voting limited liability company interests.

Bally's Interactive Maryland, LLC (Con't)



- **Experience**

- Applicant's parent, Bally's Interactive, LLC, will be Applicant's online sports wagering operator.
- Bally's Interactive is a subsidiary of Bally's Corporation (NYSE: BALY), an operator of 17 casinos located across 11 states. Bally's Interactive is an operator of sports wagering, igaming, free-to-play gaming, poker and daily fantasy sports and operates under the name "Bally Bet."
- Bally's Interactive operates in sports and online casino wagering operations in 7 U.S. states, Canada and, through its affiliates, multiple countries in Europe.

- **Financial Information**

- Bally's Corporation, through Bally's Interactive, will fund all operational costs and liabilities of operating mobile sports wagering on behalf of Applicant.
- In its SEC filings for the quarter ended June 30, 2022, Bally's indicates that it has cash and cash equivalents of \$176M.

WSI US, LLC



- **Ownership**
 - Through various holding companies, Applicant is owned approximately 85% by Wynn Resorts, Limited (NASDAQ: WYNN), and 15% by other investors.
- **Compliance with Ownership Criteria**
 - Applicant created for its 'vice president' or higher level employees who certify that they have a personal net worth of less than \$1.847 million, an incentive participation pool equal to no less than 5% of the Applicant's net profits attributable to its operations in Maryland for each particular plan year. Currently, there are 8 employees participating in the pool.
- **Nature of Ownership**
 - Interests in an employee incentive bonus pool

WSI US, LLC (Con't)



- **Experience**

- Applicant, operating under the brand WynnBET, is the U.S.-facing operating subsidiary of Wynn Interactive Ltd., the majority-owned and controlled digital gaming division of Wynn Resorts, Limited (NASDAQ: WYNN), a multi-national casino resort developer and operator.
- Applicant conducts sports and online casino wagering operations in 9 U.S. states and expects to begin operating in 7 new markets in the near future.

- **Financial Information**

- Applicant expects Wynn Resorts, Limited will be responsible for any cash shortfalls related to Applicant's Maryland operating costs.
- For the quarter ending September 30, 2022, Wynn Resorts, Limited reported cash and cash equivalents of \$1.943B USD.

Sports Wagering Facility License Applicant

Taft/

 **SPECTRUM
GAMING GROUP**
Independent Research and Professional Services

Long Shot's Hagerstown, LLC

- **Ownership**
 - 100% owned by Alyse Cohen
- **Compliance with Ownership Criteria**
 - Applicant's sole owner satisfies the personal net worth criteria
- **Nature of Ownership**
 - Limited liability company interests (voting)
- **Experience**
 - Applicant has not yet engaged a sports wagering facility operator to conduct retail sports wagering on its behalf.
 - Applicant's owner is the same owner as Long Shot's LLC.
 - Long Shot's LLC was awarded a sports wagering facility license by SWARC on December 8, 2021 and opened its temporary sportsbook operated by BetFred Sports on November 18, 2022.
 - Long Shot's LLC was awarded a mobile sports wagering license by SWARC on November 16, 2022 but mobile sports wagering operations have not yet commenced.

Long Shot's Hagerstown, LLC (Con't)

- **Facility Location**

- Sports wagering facility is located near Valley Mall off of Interstate 81 in Hagerstown, MD.
- Sports wagering facility is not located within an opportunity or enterprise zone.
- A zoning amendment will be necessary to operate sports wagering at the facility. Applicant's owner began the zoning amendment process and expects it to be approved by year end and effective in Q1 of 2023.

- **Facility Description**

- Facility is not owned by Applicant but, rather, an affiliate of Applicant. Facility is currently occupied by a restaurant. It is expected that this restaurant will be vacated and a new restaurant tenant will be found to operate a restaurant complimentary to the sports wagering operations.
- Applicant has a management agreement with the owner of the facility that allows it to operate retail sports wagering at the facility upon issuance of a sports wagering facility license.

- **Financial Information**

- All operational costs and liabilities of operating sports wagering on behalf of Applicant are expected to be funded by the to-be-determined sports wagering facility operator.

Next Steps

- SWARC Commissioners and SWARC's consultants are continuing to review the remaining **9** mobile sports wagering license applications and **5** 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.