



PROPOSAL TO CONDUCT AN
**Esports Feasibility Study for
Broken Arrow, Oklahoma**

March 10, 2021



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Jennifer Conway
President and CEO
Broken Arrow Chamber
of Commerce and EDC
210 North Main, Suite C
Broken Arrow, OK 74012

Dear Ms. Jennifer Conway,

It was good to speak with you recently to discuss your interest in receiving additional information on how the Esports Entry Advisory (EEA) could assist with feasibility and strategic planning services for potential esports developments in Broken Arrow, Oklahoma. We are pleased to submit this proposal to conduct an Esports Facility Feasibility Study for your market.

The attached services are intended to provide a preliminary assessment of esports event potential for various Broken Arrow venues based on site reviews, industry outreach, local market conditions, macro trend assessment, and in-depth market research. The findings from these analyses would be used to support recommendations as to economically impactful and market supportable investment options and would help Broken Arrow decisionmakers to strategically plan for the redevelopment of existing venues and/or development of new esports facilities in the area.

We commit that the highest level of industry expertise within each of our firms will be dedicated to this project. Should you have any questions regarding the attached scope of services, please feel free to contact Tyler at (612) 508-2471.

Sincerely,

Handwritten signature of Tyler D. Othen in black ink.

Tyler D. Othen, Esports Lead
CSL International

Handwritten signature of Angela Bernhard Thomas in black ink.

Angela Bernhard Thomas, Founder
A-Game Esports

Handwritten signature of Marc Scarpa in black ink.

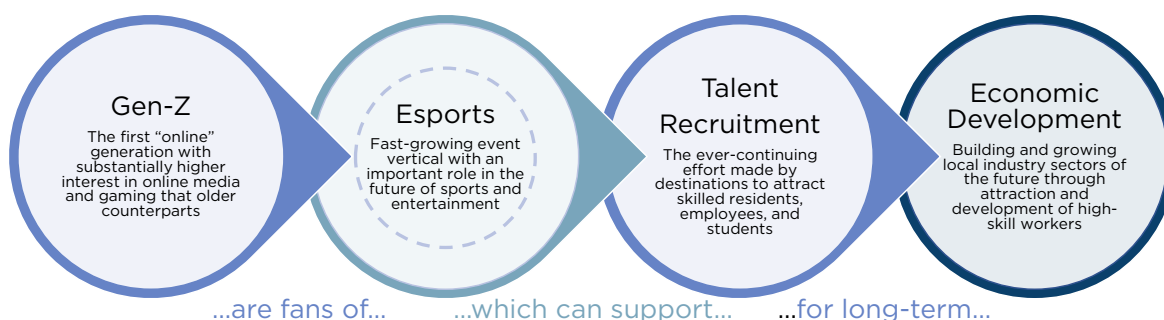
Marc Scarpa, Founder
SimplyNew



Today, the economic value components of the esports sector are coming into clearer focus. Colleges and universities are increasingly leveraging esports programs to attract students, particularly those in the STEM sectors, while economic development and chamber of commerce organizations are beginning to lead broad esports market strategies to help attract businesses and highly skilled employees.

As younger generations continue to increase their time spent consuming media and entertainment online, the esports and gaming industries have been at the forefront of conversations regarding the future of sports, entertainment, education, real estate, and even economic development. It is an activity and medium that aligns strongly with the consumer behaviors and preferences of individuals 24 and younger, and as a result the far reach of esports has become a tool for universities, private companies, and communities to develop, attract, and connect with young talent.

Esports in The Economic Development Value Chain



CSL and their partners in the Esports Entry Advisory have provided esports strategic planning, industry insight and design services domestically in markets such as South Bend, Fort Wayne, San Antonio, Washington D.C. and Atlantic City, and internationally in markets such as Doha (Qatar) and Qiddiya (Saudi Arabia), and other destinations with a shared high-level objective – creating facilities and programs that will help attract visitors, generate room nights, and achieve overall community economic development objectives.

With a growing population, one of the largest school districts in the state of Oklahoma, and a commitment to STEM reflected by the recent development of a state-of-the-art STEM/Innovation Center, Broken Arrow is uniquely positioned as a potential esports entertainment and education destination. To help guide Broken Arrow in the esports economy, EEA has designed the following scope of services to provide the Chamber with the information necessary to make informed decisions regarding esports facility and program development strategies.

Each of our highly experienced consulting firms bring their respective expertise to each engagement to make sure our clients are provided with the information and supported conclusions necessary to make informed decisions regarding esports facility investment and strategies. CSL leads all Feasibility Study efforts for the team, including esports market analyses, cost/benefit analyses, and economic impact estimates. Simply New provides Technology Analysis to determine the technological requirements for any initiative. A-Game Esports advises on Event, Marketing and Business Strategies to provide our clients the resources needed to develop and sustain esports enterprise.

Scope of Work

We have prepared the following scope of services designed to evaluate the Feasibility of developing an Esports Facility in Broken Arrow, Oklahoma. The services herein have been designed to provide a concise, impactful research product for communities and private developers to identify the viability of esports facility investments, including for both venue repurposing and new construction projects. Findings and recommendations would be informed by significant market demand research, including in-depth focus groups and interviews held with Esports league organizers, event planners, team owners, broadcast platforms, publishers, venue operators and other industry stakeholders.

This approach provides significant support to advanced estimates regarding event/attendance levels, economic impact generation, and financial impacts, in addition to detailed recommendations regarding building program, technology solutions, and operations/management guidelines.

Specific Advisory tasks are listed below and summarized throughout this letter, followed by a listing of additional optional services we could provide upon your preference. To help demonstrate the execution and value of our services, we have provided several graphical representations of similar analyses we have prepared for recent clients over the past 12 to 18 months.

- Task 1. Local Market Conditions Assessment
- Task 2. Esports Industry Trends Review
- Task 3. Comparable Esports Facility and Destination Analysis
- Task 4. Local/Regional Esports Analysis
- Task 5. Event Demand Analysis
- Task 6. Site Analysis and Program Recommendations
- Task 7. Event Levels and Attendance Analysis
- Task 8. Economic and Fiscal Impact Analysis
- Task 9. Financial Operations Analysis

At the outset of the engagement, our team will meet either virtually or in-person with the Broken Arrow Chamber and any other relevant stakeholders in an initial planning meeting to establish the organizational framework to ensure the study's outcome will meet the Client's objectives. Specifically, we will:

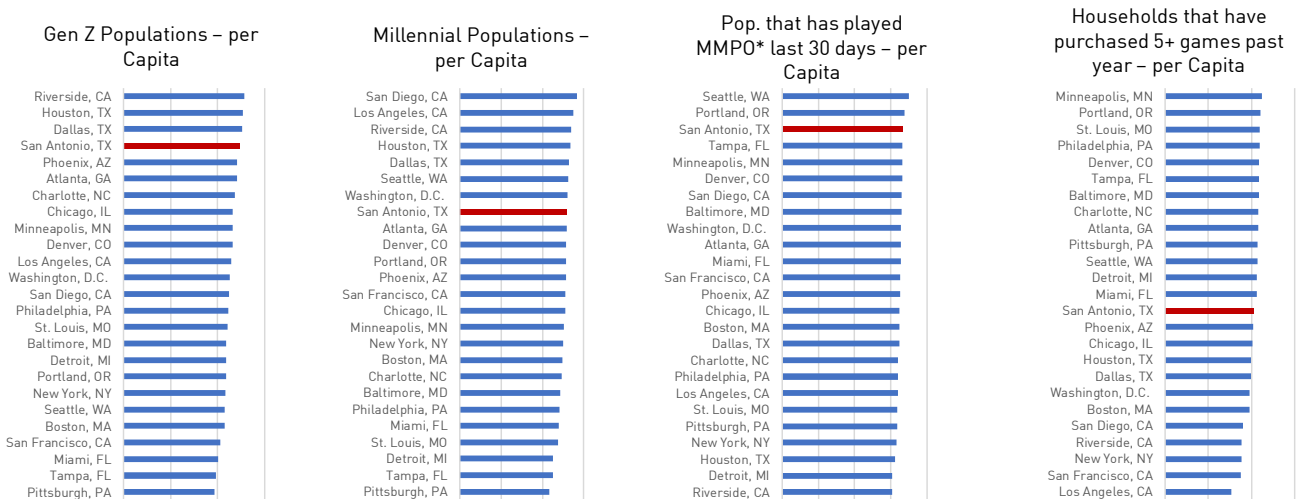
- Review the project timeline;
- Develop roles and responsibilities;
- Determine the format and content of our deliverable products;
- Establish a working group which will include representatives of the Broken Arrow Chamber, EEA, and other stakeholders;
- Identify and review potential sites for an Esports Facility;
- Review any existing esports facility or program plans that have been proposed; and,
- Modify the work plan, if necessary, to reflect any appropriate changes arising from the information obtained in the tasks noted above.

The following pages provide a detailed description of our scope of services and the approach to be applied to each project task.

Task 1. Local Market Conditions Assessment

We will also evaluate critical visitor amenities that can impact the level of event activity at a Broken Arrow Esports Facility. Amenities to be evaluated as part of this task include existing and planned nearby hotel inventories, site conditions that may impact event attendee experience, and access to visitor amenities, such as restaurants, retail offerings and entertainment.

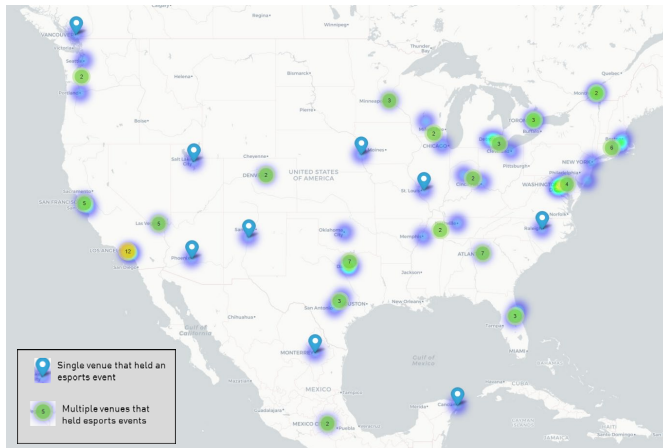
We will also perform a number of demographic analyses of Broken Arrow and the Tulsa metropolitan areas to determine the region's viability as an esports market, considering demographic, socioeconomic, and behavioral metrics such as Gen-Z populations, Millennial populations, gaming frequency, video game hardware/software expenditures, and affinity for technology trends, among other elements. A sampling of this type of analysis that was conducted for a recent project in San Antonio is presented below:



* - Massive Multiplayer Online video games.
 Source: Esri, 2019.

Task 2. Esports Industry Trends Review

The purpose of this task is to provide an overview of esports industry trends in the local, regional and national marketplace. Particular focus is placed on trends that suggest changing patterns for “In Real Life” (IRL) event participation following the COVID-19 pandemic, resulting from the exploding online esports participation levels. Throughout this task, we will evaluate these and related trends, summarizing the potential impact on a potential Broken Arrow Esports Facility. A sampling of a national analysis of live esports event activity is shown in the following graphic:



Source: Esports Charts, 2018.

- 74 different venues used in U.S. in 2017
- Wide variety of facility types:
 - 32 convention centers
 - 11 hotels
 - 8 studios
 - 7 arenas
 - 6 performing art centers
 - **4 Esports venues**
 - 5 other facilities

Using results from previous panel surveys, focus groups, and interviews with esports industry leaders, we will also provide insightful storytelling data to help show the emergence of esports as a mainstream form of entertainment, recreation, and competition among the Gen-Z and future age groups. Data we continue to collect relate to interest in attending esports events, interest in frequenting LAN centers, price sensitivity to admission prices for esports events, food & beverage spend at esports events, willingness to travel for esports events, and other related data.

Task 3. Comparable Esports Facility and Destination Analysis

We will identify unique esports facilities throughout the country that are used for a variety of functions such as tournaments, community recreation, training, and other uses. These projects, as well as others around the country that may offer some element of comparable insight, will be evaluated in detail. The types of data that will be assembled for comparable and competitive markets and facilities include event space square footage, space configuration, ancillary amenities including Virtual/Augmented Reality space, fixed seating capacity, technology investment, and food & beverage options, among other relevant elements. A snapshot of a high-level competitive/comparable facilities summary and how it is used to identify unique venue opportunities is shown on the following page:

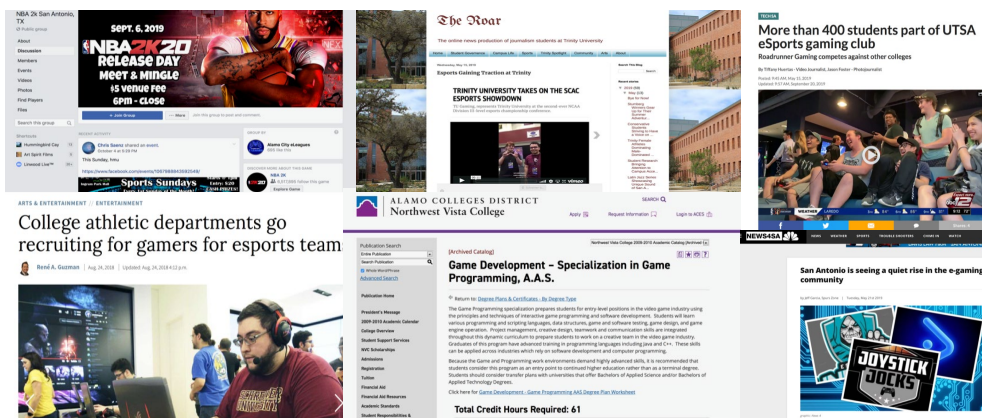


Source: Industry articles, facility management, 2019.

Task 4. Local/Regional Esports Analysis

Oklahoma's increasingly active gaming community could serve as a critical user and attendee base for a potential Broken Arrow Esports Facility. As such, we will analyze the commercial local, regional, and national esports landscape and review historical events in the Tulsa and Oklahoma City metropolitan areas, in order to provide a regional event summary that will assist in defining a potential Broken Arrow Esports Facility in the greater esports ecosystem. We will define potential partners and community initiatives involved in esports and gauge local demand and interest of key groups to activate and participate at the potential venue.

Using online community directories such as Battlefy, Esports Finder, and Meet Up, as well as social media channels such as Facebook and Twitter, we will identify local school gaming clubs, regional collegiate esports clubs, non-profit organizations, community/competition organizers, military bases and programs, and other event organizers that would potentially be interested in attending or organizing events at a Broken Arrow Esports Facility. A snapshot of the resources we review on social media and news outlets is presented below:



We will leverage these data to help inform subsequent event/attendance level estimates for local/regional programming at a potential Broken Arrow Esports Facility. If applicable, we will also meet with local school district representatives and other stakeholders in education in the community to investigate opportunities for the Facility to be a place for education and entertainment. Discussion topics may focus on programming and partnership opportunities, and we will gather these stakeholders' interest in potential game design classes, extracurricular competitions, gaming career workshops, and other STEM-related activity that could be hosted at the venue.

Community Survey

We can also work with project representatives and/or other local stakeholders to distribute a brief electronic survey to Broken Arrow area residents. Previous clients have leveraged email directories provided by the city, parks and recreation offices, chambers of commerce, or issued links on their websites or social media channels.

Specific issues that would be addressed in the survey include, but are not limited to:

- Interest in video games and esports;
- Specific game title or genre preferences;
- Interest in attending esports games and events;
- Interest in utilizing a LAN center or streaming studio;
- Sensitivity to various price points for esports event tickets; and,
- Other such issues.

The results of the analysis undertaken as a part of this task will be a critical component in understanding local demand for Esports Facility development, and their associated financial and economic impacts.

Task 5. Event Demand Analysis

Opportunity may exist for a Broken Arrow Esports Facility to attract national and regional esports events licensed by publishers or organized by leagues at the professional, amateur, collegiate, high school, and/or youth levels. As such, we will conduct an esports market demand analysis focusing on existing and potential new facilities in Broken Arrow. This level of primary market research is critical to understanding how a new venue would be perceived by the esports industry and the unique market opportunities that exist for a potential Esports Facility Project.

This portion of the study will include phone or virtual meeting outreach to organizing bodies in the industry such as:

- National professional leagues such as ESL/DreamHack, LCS, Overwatch League, Call of Duty League, FACEIT, Major League Gaming, and Evolution Championship Series.
- Regional professional or amateur leagues such as United Esports Association, AllMid, and World Gaming Network.
- Collegiate leagues such as National Association of Collegiate Esports, Collegiate StarLeague, and Tespa.
- High School and youth leagues such as High School Esports League, PlayVS, and Super League Gaming.
- Facility providers or operators such as N3rd Street Gaming, Allied Esports, Belong, Helix Esports, The Gaming Stadium, Game Arena, and others.
- Organizing publishers such as Activision Blizzard, NBA 2K League, Epic Games, Rocket League Championship Series, and Riot Games.

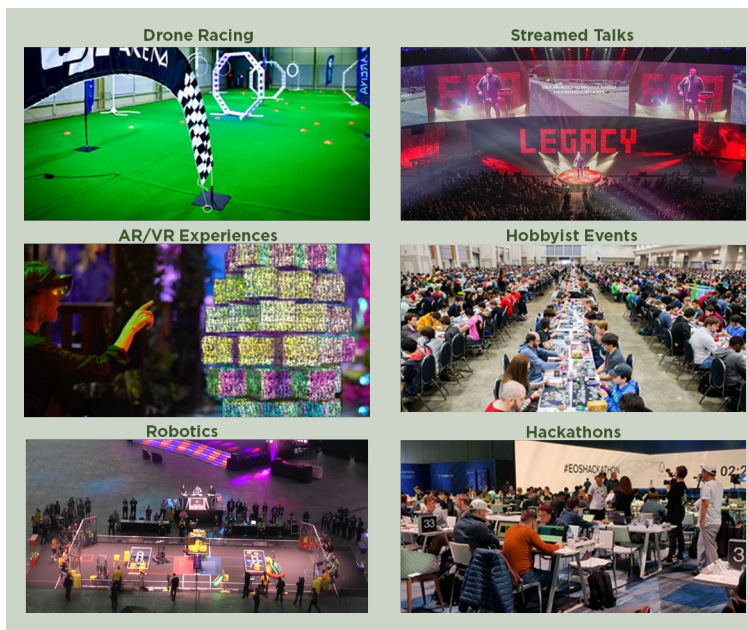
Event organizer survey results will be analyzed to provide summaries of elements such as the likelihood of utilizing Broken Arrow esports facilities, event space/seating requirements, technology needs, attendees per event, length of event, etc.

A potential Broken Arrow Esports Facility may also have potential to host a variety of other tech-related events that, like esports, combined elements of entertainment and education. To identify opportunities for a potential facility to host a variety of programming, we will conduct interviews with select representatives from several other emerging event segments. These segments may include drone racing, robotics, hackathons, augmented reality, and trading card events.

Primary Esports Programming



Potential Secondary Programming



Combined with demand identified as part of the Local/Regional Analysis, these data will be useful in determining the optimal esports facility strategy for Broken Arrow and will provide SWOT insights relating to multiple repurposing and/or new-build Esports Facility scenarios.

Task 6. Site Analysis and Program Recommendations

We will review potential esports host sites identified at the outset of the study process, focusing on square footage, layout, attendance capacity, back-of-house and other elements at each facility. The types of sites reviewed could include storefronts, theaters/cinemas, conference facilities, or other structures. We will establish preliminary criteria to identify potential venue solutions through expansion or enhancement of these existing facilities.

Based on the extensive research prepared in previous tasks, we will provide an evaluation of a select number of venues included in our review to determine the opportunity for each to accommodate national, regional and local esports facility demand. We will consider various criteria to develop a "scorecard" to help rate the opportunity for each site to accommodate identified esports demand, including current event space and layout, current internet and tech capabilities, ingress/egress, proximity to restaurant/retail/entertainment, accessibility to local esports clubs and fans, and other such factors.

For the one or more sites identified as having significant opportunity to be repurposed as Esports Facilities, or for a potential new-build project, we will identify various program elements that will be required to attract third party esports events and foster a greater esports community. These building program and technology elements could include, but will not be limited to:

- square footage and stage requirements;
- quantity of desktop gaming stations;
- extent of event space versatility/flexibility;

- production and broadcast rooms, including control room and observer room;
- green screen rooms and/or team practice rooms;
- breakout rooms for streaming and shoutcasting;
- amount and degree of functionality of broadcast/studio spaces;
- square footage dedicated to food & beverage, retail and/or other hospitality functions; and,
- onsite attractions (i.e. virtual reality, interactive art, gaming museum, etc.).

These recommendations may serve as instructional guidelines for subsequent architectural designs. We will also explore facility use case analysis to determine the variety of usages for the venue(s) based on these program recommendations. This may include multiple game play types, musical events, talks, etc. all of which would be utilizing the infrastructure model.

Task 7. Specific Event Levels and Attendance Analysis

Based on the results of the market analysis and recommended building program and technology solutions, we will also quantify the level of events and activities that could be attracted to a potential new Broken Arrow Esports Facility under the various program scenarios developed previously. The measures of event demand to be focused on will include: event levels and utilization by event segment; potential attendance (including visitor) levels by activity or use; origination of attendee; length of event data; and facility space and functionality requirements by event type. A sampling of such analysis is shown below:

Event Type	# of Events	Total Attendance
<u>In-House Events</u>		
Local/Regional/Fan Community	X (confidential figures)	X
Campus-Focused	X	X
Extended Community	X	X
Lifestyle	X	X
Daily Activations	X	X
Signature Esports Tournament	X	X
<i>Subtotal</i>	X	X
<u>Education</u>		
Programmed Curriculum	X	X
Youth Esports Programs	X	X
<i>Subtotal</i>	X	X
<u>3rd Party-Organized Events</u>		
Esports	X	X
Corporate Functions	X	X
STEM, Robotics, Drone	X	X
Non-Profit	X	X
<i>Subtotal</i>	X	X
TOTAL	X	X

Using our overview of the local landscape and the event demand analysis, we will develop an event programming calendar model that is tailored for the Broken Arrow Esports Facility solution identified in the Site Analysis and Program Recommendation Task. Projected event types may include a mix of esports tournaments, exhibitions, and camps & clinics, in addition to a variety of other STEM-related programming (i.e. drone racing, robotics, hackathons, etc.), and other community and education activities that could be hosted at the venue.

Task 8. Economic and Fiscal Impact Analysis

The public sector could be an invaluable partner in developing a Broken Arrow Esports Facility should significant economic benefits be identified. As such, using the in-depth research conducted as part of the previous study tasks, we will calculate the economic and fiscal impact of the esports venue investment scenarios supported by our research. Analysis of incremental non-local attendees to the Broken Arrow market will be developed based on estimates of added event activity by market segment developed as part of the analysis. This will allow for estimates of existing and incremental hotel room night generation to be prepared.

The resulting participant spending levels will be segmented by industry (hotel, restaurant, retail and local transportation) and applied to economic impact multipliers. The multipliers, specific to the market surrounding the site area and provided by leading input/output multiplier models, would be used to estimate total economic output; salary and wage earnings; full and part-time employment generated from the events held at the venue; hotel room nights and revenues; and, tax generation.

Task 9. Financial Operations Analysis

As part of a comprehensive financial operations analysis, we will generate a list of all possible sources of operating revenue for a potential Broken Arrow Esports Facility, as well as assumptions for in-venue attendee spending. Using these assumptions, we will provide a high-level revenue breakdown for the different esports and non-esports events that could be hosted at the proposed facility and provide expectations for revenue generation on weekday vs. weekend programming. Further, we will segment the revenues associated with daily foot traffic vs. event activity.

Next, using our research of industry trends and competitive/comparable facilities, as well as our experience with similar facility development projects, we will provide projections of operating expenses, long-term capital expenditures and facility management. We will also provide commentary on operating partner considerations including fee benchmarks, partnership structure and commercial terms.

We will then prepare a financial operating analysis for a Broken Arrow Esports Facility, using previous event and attendance projections to estimate financial implications. Specifically, we will develop a computer-based model incorporating comparable facility data and the estimated levels of event utilization and attendance derived from the market analysis to develop estimates for operating revenues and expenses of a potential esports venue. A preliminary pro forma will be prepared based on the results of this exercise.

Revenues including rental, food service, merchandise, event service, parking, advertising and sponsorship, and other such sources will be estimated. Expenses including salaries (permanent and event-driven staff costs), prize pools, technology, utilities, maintenance, supplies, insurance, contract service costs and others will be estimated. We will present estimates of financial performance for potential Esports Facility operations for its first three years of operations.

PROPOSED TIMING

We are prepared to commence this engagement upon receipt of notice to proceed. The estimated time it will require to complete the report is 12 to 16 weeks.

PROPOSED FEES

Total professional fees for this comprehensive Feasibility Study have been set at \$55,000 excluding any needed travel costs or out-of-pocket expenses necessary to complete the project. As is our customary practice, we will require a retainer of \$15,000 upon notice to proceed.

We would be happy to discuss further with you and your team.

Thank you for your consideration.

Esports Entry Advisory

OPTIONAL ADDITIONAL SERVICES

Beyond the core feasibility study scope of work elements previously outlined, at your request, we would be able to assist with additional relevant planning, partner solicitation, design, and marketing and branding services. These optional services represent typical subsequent planning and implementation steps that we've provided to clients pursuing similar projects in markets throughout the country. A summary of these optional services is outlined below and on the pages that follow.

1. Design and Implementation

- Develop visual representations for one or more potential esports facility scenarios.
- Generate facility pricing strategies for third party usage, including a detailed analysis for broadcast studio pricing strategy based upon various studio use cases for AAA rated tournament play to more basic game play conditions.
- Provide facility design services, including high-level visuals for a potential LAN center, competitive stage setting, and/or broadcast studio, along with manufacturer recommendations, preliminary budgeting, and plug & play solutions.
- Provide RFP drafting assistance for architect bid process, including outlining a comprehensive list of product and technical descriptions for use in a future Request for Proposal (RFP) to prospective architectural firms.
- Conduct implementation and build out services for the Esports Facility design that is ultimately chosen.

2. Operator/Partnership Evaluation

- Review and analyze viable options such as fully self-operated models, franchise and 3rd party tenants, and hybrid joint-venture opportunities.
- Consider aspects of sales, marketing, operations, sponsorships and partnership opportunities.
- Decide upon operating and partnership structures that are aligned with the long-term objectives of the client.
- Conduct follow up outreach to private, public, collegiate, and academic parties contacted during the Local/Regional Demand and Event Demand Tasks to gauge their interest in possibly operating and/or partnering with a Broken Arrow esports venue.

3. Esports Destination Development

- Work with project stakeholders to identify and prioritize infrastructure, program, policy and marketing improvements with a focus of growing and broadening the Broken Arrow esports industry.
- Strategize programs, policies, and partnerships that could be led by the public, non-profit, education, and/or private sectors, including esports councils or action groups, curriculum development at the local school districts, and youth mentorship programs.
- Identify and review initiatives led in comparable destinations nationally that have led to the creation of unique esports programs, partnerships, and/or policies.
- Refine and prepare strategies structured as part of a five-year strategic plan to develop esports as an asset for entertainment, education, and economic development.
- Develop implementation strategies for each recommendation, including timelines and a list of necessary project leaders that will need to be involved with each initiative.

4. Business Planning Assistance

- Provide various on-call advisory assistance related to the Facility project and partnership formations.
- As various project details crystalize, update project projections associated with utilization, financial operations, capital costs, economic impacts, and other such items.
- Refine management and operating model, including staffing, marketing, rates, policies, procedures, and provision of service areas.
- Review subsequent design, funding, and partner agreements with the goal of protecting your interests and those of relevant stakeholders.
- Research and discussion of best practices and industry benchmarking information associated with the project and/or partnership structure.

5. Marketing and Branding

- Provide creative direction for esports-centric brand development, including logos, fonts, color palettes and sales materials.
- Production services for live and online esports events including launch, studio programming, event concepts, tournaments, and other events requiring broadcast capabilities.
- Develop and facilitate esports marketing and media planning through nuanced programs designed to reach an elusive audience.
- Provide esports endemic communications and PR including copywriting for targeted publications and telling the story of esports in Broken Arrow in an authentic way.
- Designing and implementing esports-centric social media and influencer campaigns, created with an understanding of the media behaviors of the esports fan and audience.
- Development of original content, both short and long form, for future programs, marketing and/or events at the envisioned Esports Facility.
- Design and development of an affiliate marketing program leveraging both local and national esports and gaming influencers to drive visibility and attendance to the facility.
- Website/webpage design and layout for esports initiatives and activity in Broken Arrow.
- Assist with sponsorship and naming rights sales.
- Provide agency of record on demand marketing services, including but not limited to ongoing strategies, campaign management, monthly promotions, partnerships, project management, and business development.