



March 29, 2021

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:

This letter ("Letter") sets forth our understanding of the terms and objectives of the engagement of the Esports Entry Advisory (EEA) and the Broken Arrow Economic Development Corporation, The City of Broken Arrow, and Broken Arrow Public Schools (jointly referred to as "Client") to conduct a feasibility study of potential esports facility developments in Broken Arrow, Oklahoma. This Letter also provides the nature and limitations of the services to be provided and the related fee arrangement.

Scope of Services

CSL will complete the following scope of work. The scope and fees outlined herein have been structured to provide the Broken Arrow chamber and other stakeholders in evaluating the opportunity to develop new esports facilities in the area. The study tasks to be completed are as follows:

- 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
- Task 10. Preparation and Presentation of Final Report

An outline of the specific steps and components of each of these tasks is provided below and on the following pages.

As an initial step in 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.

Task 1. Local Market Conditions Assessment

We will 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.

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.

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.

Task 4. Local/Regional Esports Analysis

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.

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.

We can also work with project representatives and/or other local stakeholders to distribute a brief electronic survey to Broken Arrow area residents. 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.

Task 5: Event Demand Analysis

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.

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.

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. 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.

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

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.

Task 10. Preparation and Presentation of Final Report

In this final task, we will prepare a written draft report summarizing our findings and conclusions. We will summarize these matters in a draft report, including an executive summary, which will be submitted to you prior to finalizing the document. After comments are incorporated, we will issue a final written report

summarizing all findings, conclusions and recommendations. We will also conduct oral presentations to key project stakeholder groups regarding the study findings.

Professional Fees and Expenses

Total professional fees associated with all tasks outlined within the scope of work will not exceed \$55,000. This excludes any needed travel costs or reasonable out-of-pocket expenses to complete the project. Professional fees and out-of-pocket expenses will be billed and are payable on a monthly basis.

As is our customary practice, we will require a retainer of \$15,000 upon notice to proceed. This amount will be split equally among the Broken Arrow Economic Development Corporation (EDC) and the City of Broken Arrow. In total, the EDC, City and Broken Arrow Public Schools (BAPS) will each pay one-third of the total study costs (\$18,333 each).

Should additional work be requested beyond the scope of services detailed herein, professional fees will be billed on an hourly rate basis. Total professional fees for additional services will depend on the number of hours required to complete the services and skill levels of the assigned personnel.

Timing

We are prepared to commence this engagement upon receipt of notice to proceed. We expect to be able to complete the scope of services outlined within this letter within 12 to 16 weeks, reflecting the extensive amount of primary market research and subsequent analysis required to draw informed conclusions.

In addition, regular progress updates will be forwarded to the Client via conference call during the analysis period. Furthermore, we anticipate completing this engagement in full, performing all work as set forth in this letter. In the event that a decision not to proceed occurs within the time frame finally agreed upon for this engagement, we will cease our work, and bill the Client for time incurred on the project at that point in time.

Conditions of Work

1. Information and Data. CSL is entitled to assume, without independent verification, the accuracy of all information and data that the Client provides to CSL. All information and data to be supplied will be complete and accurate to the best of the Client's knowledge. CSL will use information and data furnished by others if CSL in good faith believes such information and data to be reliable; however, CSL shall not be responsible for, and CSL shall provide no assurance regarding, the accuracy of any such information or data. CSL shall be providing advice and recommendations to the Client; however, all decisions in connection with the implementation of such advice and recommendations shall be the Client's responsibility. CSL shall have no responsibility for any decisions made by the Client relating to the project or CSL's services hereunder. CSL shall have no responsibility for any assumptions provided by the Client, which assumptions shall be the Client's responsibility. The reports may include estimates of annual operating results based upon courses of action that the Client expects to take prior to and during the period under analysis. The Client is responsible for representations about its plans and expectations, and for the disclosure of significant information that might affect the estimated results.
2. Reports. Any reports prepared by CSL are valid only when presented in their entirety and only for the purpose stated therein. It is expressly understood that (a) CSL's reports, suggestions, analyses and conclusions, if any, do not, in whole or in part, constitute a fairness or solvency opinion or a feasibility report and (b) CSL will not perform any review, audit or other attestation procedures with respect to financial information as defined by the American Institute of Certified Public Accountants and will not issue any opinion, report or other form of assurance with respect to any financial information. There will usually be differences between the estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Should the Client have any reservations with regard to the estimates, CSL will discuss them with the Client before the report is issued. Any partially completed work products and drafts presented to the Client are for internal use only.
3. Confidentiality. CSL will maintain the fact of this engagement along with all aspects of the engagement in strict confidence, not disclosing to any third party. Client understands and agrees that CSL shall be the owner of all methods, techniques, processes and skills and adaptations thereof (including, without limitation, generalized features of the sequence, structure and organization) of any work product resulting from CSL's services. CSL understands and agrees that Client shall be the sole owner of all products resulting from or related to CSL's services, including, without limitation, all survey data, feasibility studies, revenue potential analyses, market demand analyses, and any other documents or summaries of the findings or results of any analysis related to this agreement. All confidential information provided by the Client shall remain Client's sole property. CSL will preserve the confidential nature of information received from the Client in accordance with CSL's established policies and practices. Neither Client nor CSL shall reference the other's name or anything related to this engagement without the other's prior written consent, except as may be required by law in which case, consent of the other party shall not be required. The Client agrees that any reports, analyses or other documents prepared by CSL will be used only in compliance with these terms, conditions, applicable laws, and regulations.
4. Property. To the extent that CSL utilizes any of its property (including, without limitation, proprietary databases, proprietary information, any hardware or software) in connection with its services, such property shall remain the property of CSL, and the Client shall not acquire any right or interest in such property. CSL shall have ownership (including, without limitation, copyright ownership) and all rights to use and disclose its ideas, concepts, know-how, methods, techniques, processes and skills, and adaptations thereof (including, without limitation, generalized features of the sequence, structure and organization) in conducting its business, and the Client shall not assert or cause to be asserted against CSL or its personnel any prohibition or restraint from so doing. However, all products resulting from or related to CSL's services, including, without limitation, all survey data, feasibility studies, revenue potential analyses, market demand analyses, and any other documents or summaries of the findings or results of any analysis related to this agreement shall be deemed works for hire that Client owns.
5. Limitation on Warranties. This is a consulting services agreement. CSL represents and warrants that it shall provide the services in good faith using commercially reasonable efforts. CSL disclaims and Client hereby expressly waives any and all claims based on any other representations and warranties, whether express, implied or otherwise, including, without limitation, warranties of merchantability and fitness for a particular purpose.
6. Indemnification. The Client and its affiliates shall indemnify and hold harmless CSL, its members, principals, and employees from and against any and all causes of actions, losses, damages, claims,

liabilities, costs, and expenses (including, without limitation, legal fees and expenses) which may be asserted, brought against, paid or incurred by any of them at any time in any way arising out of or relating to CSL's services, except to the extent it is finally judicially determined that such losses have resulted from the willful misconduct of CSL. CSL and its affiliates shall indemnify and hold harmless the Client, its members, principals, and employees from and against any and all causes of actions, losses, damages, claims, liabilities, costs, and expenses (including, without limitation, legal fees and expenses) which may be asserted, brought against, paid or incurred by any of them at any time in any way arising out of or relating to CSL's services, except for provision 5 and/or to the extent it is finally judicially determined that such losses have resulted from the willful misconduct of the Client.

7. **Limitation on Damages.** CSL, its members, principals, and employees shall not be liable to the Client for any losses, damages, claims, liabilities, costs, or expenses in any way arising out of or relating to this engagement for an aggregate amount in excess of the Fees paid by the Client to CSL for its services. In no event shall CSL, its members, principals, or employees be liable for consequential, special, indirect, incidental, punitive, or exemplary loss, damage, cost, or expense (including, without limitation, lost profits and opportunity costs). The provisions of Section 6 and this Section 7 shall apply regardless of the form of action, whether in contract, statute, tort (including, without limitation, negligence), or otherwise, and shall survive the completion or termination of this engagement. The Client, its members, principals, and employees shall not be liable to CSL for any losses, damages, claims, liabilities, costs, or expenses in any way arising out of or relating to this engagement for an aggregate amount in excess of the Fees paid by the Client to CSL for its services. In no event shall the Client, its members, principals, or employees be liable for consequential, special, indirect, incidental, punitive, or exemplary loss, damage, cost, or expense (including, without limitation, lost profits and opportunity costs). The provisions of Section 6 and this Section 7 shall apply regardless of the form of action, whether in contract, statute, tort (including, without limitation, negligence), or otherwise, and shall survive the completion or termination of this engagement.

8. **Subsequent Work.** CSL, by reason of the performance of its services, is not required to furnish additional work or services, or to give testimony, or to be in attendance in court with reference to the assets, properties, or business interests in question. CSL will have no responsibility to update any report, analysis, or other document relating to its services for any events or circumstances occurring subsequent to the date of such report, analysis, or other document.

9. **Cooperation.** The Client shall cooperate with CSL in connection with the performance of its services, including providing CSL with reasonable and timely access to the Client's information, data, and personnel.

10. **Non-Exclusivity.** Nothing in this report, including these Terms and Conditions, shall be construed as precluding or limiting in any way the right of CSL to provide consulting or other services of any kind or nature whatsoever to any person or entity as CSL in its sole discretion deems appropriate.

11. **Force Majeure.** CSL shall not be liable for any delays or failures to perform its services resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labor dispute, war, or other violence, or any law, order, or requirement of any governmental agency or authority.

12. **Independent Contractor.** CSL is an independent contractor and not an employee, agent or partner of Client. CSL is not authorized directly or indirectly to represent to any person that Consultant has the authority to bind the Client to any agreement or course of conduct.

13. **Inconsistencies.** In the event of any conflict or inconsistency between the provisions set forth in the Letter and these Terms and Conditions, the provisions of these Terms and Conditions shall govern.

14. **Complete Agreement.** The Letter, including these Terms and Conditions, constitutes the entire agreement between the Client and CSL with respect to the subject matter thereof and hereof, and supersedes all other oral or written representations, understandings, and agreements between the Client and CSL relating to the subject matter thereof and hereof. The Letter, including these Terms and Conditions, cannot be changed, except by written instrument signed by both the Client and CSL. The Letter, including these Terms and Conditions, shall be binding on the Client and CSL, and the Client's and CSL's permitted successors and assigns; however, neither the Client nor CSL may assign the Letter, including these Terms and Conditions, without the prior written consent of the other, except that the Client and CSL may assign the Letter, including these Terms and Conditions, to any successor to all or substantially all of the business or assets of such party.

15. **Governing Law.** The Letter, including these Terms and Conditions, shall be governed by and construed under the laws of the State of Oklahoma.

Ms. Jennifer Conway
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16. Counterparts. This Letter may be executed in counterparts, or by facsimile or telecommunicated counterparts, each of which shall be deemed an original and both of which, when taken together, shall constitute the same agreement.

17. Consent and Good Faith Dealings. The parties hereby covenant, each to the other, that each will deal with the other equitably, and will take into account the reasonable commercial expectations of the other in the exercise of rights and obligations hereunder. When consent or approval is requested for any action, the party from whom approval is sought shall give full and fair consideration to the financial issues raised by the other party and shall act in a fair, timely and non-capricious manner. Unless otherwise indicated specifically in this Letter, consent and approvals shall not be unreasonably withheld, delayed or conditioned.

* * * * *

If you are in agreement with the aforementioned, please indicate by signing in the space provided below, and returning this letter to CSL International. If you would like to discuss this letter, please contact Tyler Othen at 612-508-2471 or tothen@cslintl.com.

Very truly yours,



Conventions Sports & Leisure International, LLC

Acknowledged and Accepted by:

BROKEN ARROW CHAMBER OF COMMERCE AND ECONOMIC DEVELOPMENT CORPORATION

Signature

Printed Name

Title

Date

THE CITY OF BROKEN ARROW

Signature

Printed Name

Title

Date

BROKEN ARROW PUBLIC SCHOOLS

Signature

Printed Name

Title

Date