

MARYLAND LOTTERY and GAMING CONTROL COMMISSION

1800 Washington Blvd., Suite 330, Baltimore, Maryland 21230

COMMISSION REPORT



**BetFred Sports (Maryland), LLC
d/b/a BetFred**

**SPORTS WAGERING FACILITY OPERATOR
LICENSE APPLICANT**

License Applicant Number: 2022-SW-04

Report Date: July 25, 2022

“Commission Presentation”

INTRODUCTION

Role of the Maryland Lottery and Gaming Control Commission (“Commission”)

The Commission is required to determine whether sports wagering applicants have proven, by clear and convincing evidence, that they meet the qualifications for licensure under the Sports Wagering Law. Requirements for qualification include: (1) applicant’s financial stability and integrity; (2) integrity of any financial backers related to the application; (3) applicant’s good character, honesty, and integrity; (4) applicant’s business ability; and (5) whether there are any mandatory disqualifiers that prevent the applicant from proving its qualifications by clear and convincing evidence. The Commission cannot issue a license unless it determines that the applicant is qualified.

The Regulatory Licensing and Investigations Division of the Maryland Lottery and Gaming Control Agency (“Agency”) conducts the required background investigation of all applicants’ qualifications. A report of the background investigation is provided to the Commission to assist it in determining whether the applicants described in this Report has proven that they are qualified.

The full report is confidential, and is available to the Commission on the Agency’s shared drive. The Executive Summary that will be presented by Staff

at the Commission meeting is a public document, which will be provided in the Commission packets, and is also available on the Agency website with other Commission meeting documents.

We are conducting a hearing on the Sports Wagering Facility Operators License Application submitted by BetFred Sports (Maryland), LLC, d/b/a BetFred (the “Company”). The Maryland Lottery and Gaming Control Agency is required by “The Gaming Law” to conduct an investigation to determine if Betfred is qualified to be awarded a Sports Wagering Facility Operators License.

You (the Commissioners) have been provided with the complete investigative report on BetFred. You have also received a copy of the public report that was in your packets and made available to everyone on the agency website. I will summarize the reports that have been given to you.

Background

BetFred Sports (Maryland), LLC, partners with leading operators, Sportsbook platforms and leagues across the global sports betting and gaming industry. Betfred Group Limited (the “Company” or “BetFred Group”) remains a privately held, family run business with Fred Done making the business decisions on the behalf of the company. BetFred Group Limited was

formed in July 2011 and is incorporated as a private limited company with the Registrar of Companies for England and Wales. Its primary line of business is trading as a sports wagering bookmaker in both retail and online settings, and operating fixed odds betting terminal facilities. The Company was originally founded in 1967 by Mr. Fred Done and Mr. Peter Done, and currently operates over 1,600 betting shops in the United Kingdom. Currently, the Company is licensed to conduct business internationally in Canada, Gibraltar, Ireland, South Africa, Spain and the United Kingdom. In the United States, Betfred Group has been granted gaming licenses by state regulatory authorities in Arizona, Colorado, Indiana, Iowa, Louisiana, Pennsylvania, and Washington. Betfred Group is a direct or indirect parent company of Lightcatch Limited, Betfred International Holdings Limited, Betfred USA Sports, LLC, Betfred USA Sports (Two), LLC, and Betfred Sports (Maryland), LLC. With the exception of Betfred Sports (Maryland), LLC, each of these entities has submitted a Sports Wagering Principal Entity Disclosure Form to the Maryland Lottery and Gaming Control Commission. Betfred Sports (Maryland), LLC was formed in Nevada on January 24, 2022 and has filed a Sports Wagering Facility Operator Application with the Commission.

Ownership of the Company

Betfred Group is privately owned by the Done families. As of July 6, 2022, the following family trusts held a 5% or greater economic ownership interest in Betfred Group:

- Fred Done 1991 No. 3 Life Interest Settlement – 23.4%
- Fred Done 1991 No. 1 Life Interest Settlement – 22.7%
- Fred Done 2007 Family Discretionary Trust – 15.4%
- Peter E Done 1991 No. 4 Life Interest Settlement – 11.7%
- Peter E Done No. 1 Life Interest Settlement – 11.0%
- Peter E Done 2007 Family Discretionary Trust – 7.7%

Mr. Fred Done and Mr. Peter Done serve as the trustees of each of the trusts and both individuals have filed a Sports Wagering Principal Employee Application with the Commission. Numerous members of the Done family are beneficiaries of the trusts.

Discussion of Financial Performance

We performed a detailed analysis of Betfred Group's operating performance and financial condition for the fiscal years ending September 30, 2017 through 2021, and we offer the following comments:

Conclusion

Despite a decline in revenue caused by the impact of the COVID-19 pandemic on gaming operations and unfavorable changes to the gaming law enacted by the government of the United Kingdom in April 2019, Betfred Group's overall operating performance for the five-year review period has been positive, resulting in net income totaling \$320.0 million. The Company proactively managed its cost of revenue and took measures to control its operating costs as revenue declined. Additionally, Betfred Group took advantage of job retention grants offered by the United Kingdom government which mitigated the impact of declining revenue. These positive operating results have provided the Company with sufficient cash flows to acquire new businesses, fund its capital needs, make loans to subsidiaries and fully retire its bank debt. Furthermore, Betfred Group's financial condition has strengthened considerably over time with significant growth in both assets and shareholder

equity. The Company has had no long-term bank debt for the past several years and as such, has avoided debt financing and related interest payments that would place a burden on its operating results. Betfred Group's auditors have not expressed any concerns with its financial condition or results of operations, and the Company's financial ratios and margins are generally sound and compare favorably with those of its competitors. The Company had substantial cash reserves of \$228.9 million as of September 30, 2021 and does not anticipate incurring any significant financial obligations within the next several years. There are no areas of concern with the licensure of Betfred Group Limited, Lightcatch Limited, Betfred International Holdings Limited, Betfred USA Sports, LLC, or Betfred USA Sports (Two), LLC, as Sports Wagering Principal Entities or with Betfred Sports (Maryland), LLC as a Sports Wagering Facility Operator.

FINDINGS

The MLGCA conducted a complete and thorough background investigation as authorized under the Sports Wagering Law by analyzing corporate records and documents, scrutinizing the business operations, practices, and transactions of Betfred Sports (Maryland), LLC. and conducting interviews of key personnel, focusing on required qualification criteria

involving integrity and financial stability. MLGCA adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in this report. The results of the investigation for the specific qualification criteria enunciated in under SG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.06.03 are summarized as follows:

- 1) BetFred was found to have financial stability, integrity and responsibility
- 2) There are no material issues involving the known financial backers
- 3) BetFred possesses the requisite good character, honesty and integrity
- 4) BetFred has sufficient business ability and experience
- 5) There were no potential disqualifying factors

APPLICANT AND PRINCIPAL ENTITIES

The Applicant and its principal entities satisfy the applicable qualification criteria under SG § 9-1E-07(e)(6), COMAR 36.10.03.02, 36.10.06.03, and COMAR 36.10.02.10 and are not disqualified under COMAR 36.10.03.02C.

PRINCIPAL QUALIFIERS

We identified the following natural person qualifiers (“principals”) who are associated with the Applicant. The following individual qualifiers of BetFred (Maryland), LLC are currently in the licensing process by MLGCA as Principals:

- Mark Stebbings - (Temporary Principal License Approved 5/31/22)
- Nicola Barr - (Temporary Principal License Approved 12/14/21)
- Cynthia Hayes - (Temporary Principal License Approved 6/2/2022)
- Bryan Bennet - (Temporary Principal License Approved 5/31/22)
- Joanne Whittaker - (Temporary Principal License Approved 5/31/22)
- Fred Done – (Temporary Principal License Approved 7/19/22)
- Peter Done - (Temporary Principal License Approved 7/19/22)

CONCLUSION AND OPINION

MLGCA’s investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant’s qualifications. Based on the criteria in SG §§ 9-1E-07(e)(6) and COMAR 36.10.03.02, we conclude that the Applicant and its principals have

established by clear and convincing evidence their qualifications for a Sports
Wagering Facility Operator License.