



Lottery and Gaming Control Commission

1800 Washington Boulevard, Suite 330, Baltimore, MD 21230

**In Re the Application of
RSI MD, LLC**

**ONLINE SPORTS WAGERING
OPERATOR LICENSE APPLICANT**

License Applicant Number SW-2022-13

Report Date: October 13, 2022

**EXECUTIVE SUMMARY
OF BACKGROUND INVESTIGATION**

“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 Licensing Division of the Maryland Lottery and Gaming Control Agency (“Agency”) conducts the required background investigation of an applicant’s qualifications. A report of the background investigation is provided to the Commission to assist it in determining whether the applicant described in this Report has proven that it is qualified.

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. If the applicant is found qualified, the MLGCA will work with the operator to ensure that all applicable requirements are met prior to issuing a license to operate.

Process

As a prerequisite to being eligible for a Mobile Sports Wagering License, an applicant must submit a Mobile Sports Wagering License Application to the Commission. The applicant must prove to the Commission, by clear and convincing evidence, that it meets the qualification criteria set forth in the Annotated Code of Maryland, State Gov't Article ("SG"), § 9-1E and the Commission's sports wagering regulations in Code of Maryland Regulations ("COMAR") 36.10 (collectively, "the Sports Wagering Law"). The Sports Wagering Law also includes and incorporates applicable licensing requirements in SG § 9-1A, and COMAR 36.03 (collectively, "the Gaming Law"), which establishes requirements for all casino-related licenses.

Specifically, the applicant must prove that it is qualified under SG § 9-1E-07(e) and COMAR 36.10.03.02 and 36.10.06.02 and not disqualified under SG § 9-1E-07(g)(1). An applicant must provide all information to the Commission that is necessary for a qualification determination as to the applicant, its principals, and its principal entities.

The Applicant

The Agency ("MLGCA," "we" or "our"), conducted a suitability background license investigation of RSI MD, LLC ("RSI MD" or "the Applicant") in connection with its application for an Online Sports Wagering Operator License.

Rush Street Interactive, LLC ("the Company" or "RSI") was founded by industry gaming veterans and its management team has decades of collective experience in developing, supplying, and operating regulated online gaming sites.

The Company launched its first online gaming casino site, PlaySugarHouse.com in New Jersey, in September 2016, and subsequently, in August 2018, it added a fully integrated online sportsbook.

RSI MD, LLC was found qualified by this Commission for a Sports Wagering Facility Operator License by application of alternative licensing standards on February 24, 2022. After qualification, it was issued a Sports Wagering Facility Operator License.

ALTERNATIVE LICENSING

Application of Alternative Licensing Standards

The Sports Wagering Law authorizes the Commission to establish an abbreviated process for qualifying and licensing an applicant that holds a valid license in this State or another state, if the Commission determines that the licensing standards of the issuing agency in the other state are comprehensive and thorough, and provide similar safeguards to those in the Sports Wagering Law. SG 9-1E-05(c). Staff has identified several states with acceptable sports wagering license standards: Arkansas, Colorado, Illinois, Kansas, Louisiana, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, Virginia and Wisconsin.

Because Maryland's qualification standards for other sports wagering-related licenses are identical to and are a part of the Sports Wagering Law, they are therefore, clearly sufficient for qualifying an applicant for a different sports wagering license on that basis.

Alternative Licensing Process

An applicant for a sports wagering-related license may submit a written request for the Commission to find it qualified for a Maryland license under the alternative licensing process permitted under SG § 9-1E-05(c) and described in COMAR 36.10.02.12. If the request is granted, the applicant may be qualified for a license before the Agency conducts a full background investigation.

The Commission may only apply the alternative licensing process:

1. If an applicant holds a current, valid Maryland sports wagering-related license issued by this Commission. That alone is a sufficient basis upon which Staff may grant a request to apply alternative licensing standards to satisfy qualification requirements. Maryland's qualification standards for all sports wagering-related licenses are identical, so they are clearly sufficient for qualifying an applicant for a mobile sports wagering license on that basis.
2. If an applicant holds a current, valid Maryland casino-related license issued by this Commission. That alone is a sufficient basis upon which Staff may grant a request to apply alternative licensing standards to satisfy qualification requirements. Maryland's qualification standards for casino-related licenses are identical to, and specifically incorporated in, the Sports Wagering Law, so they are clearly sufficient for qualifying an applicant for a sports wagering license on that basis; or
3. If an applicant does not hold a current, valid Maryland casino-related license, but the applicant has a current, valid license in at least 3 of the 16 Commission-approved states that have licensing standards which are comprehensive and thorough, and provide similar and adequate safeguards to those in the Sports Wagering Law.

An applicant that submits a request for the application of alternative licensing standards specifically acknowledges that a full background investigation will be conducted, and that if Staff ever determines that the Applicant or licensee, if licensed, does not meet a Commission standard, the Commission may take enforcement action, up to and including revocation of the license. These acknowledgements are memorialized in the Affidavit in Support of Applicant's Request to Apply Alternative Licensing Standards in Support of an Application for a Sports Wagering License ("Affidavit") the Applicant has submitted.

The Commission's decision to abbreviate an applicant's licensing process on this basis is discretionary. The Commission may exercise its discretion to deny the request, place conditions on the license, or take any other necessary action to protect the State's interests.

INVESTIGATION INTO APPLICANT

Regulatory History of Applicant

RSI currently operates mobile/retail sports wagering across 11 jurisdictions in the United States; New Jersey, Pennsylvania, New York, Indiana, Illinois, Colorado, Michigan, Iowa, Virginia, West Virginia and Connecticut. MLGCA Staff is not aware of any unresolved issues that negatively impact the Applicant's qualifications and MLGCA has otherwise found no derogatory information regarding RSI MD that would disqualify it from holding an Online Sports Wagering Operator License.

Ownership of Applicant

RSI is a publicly traded company. There is one institutional investor (FMR, LLC) that owns 5% or more of the economic interest in the Company. Two other

individuals (Greg Carlin and Neil Bluhm) control the bulk of the voting shares of the Company, but their voting shares have no economic interest.

Principal Qualifiers

The following individuals have been identified as principals and have submitted the required Principal Employee Application to the Commission:

- Richard Schwartz - CEO (Temporary Principal License Approved: 3/22/2022);
- Paul Wierbicki - Board Member (Temporary Principal License Approved: 3/22/2022);
- Einar Roosileht - CIO (Temporary Principal License Approved: 3/17/2022);
- Andrew Bluhm - Board Member (Temporary Principal License Approved: 3/14/2022);
- Leslie Bluhm - Board Member (Principal License Approved: 6/13/2022);
- Laura McAllister Cox - CCO (Temporary Principal License Approved: 10/1/2022);
- Mattias Stetz - COO (Temporary Principal License Approved: 3/14/2022);
- Kyle Sauers - CFO (Principal License Approved: 5/31/2022);
- James Gordon - Board Member (Temporary Principal License Approved: 3/15/2022);
- Niccolo De Masi - Board Member (Temporary Principal License Approved: 2/9/2022);
- Neil Bluhm - Chairman (Temporary Principal License Approved: 6/12/2022);

- Gregory Carlin - Vice Chairman (Temporary Principal License Approved: 3/22/2022); and
- Meredith Bluhm - Board Member (Temporary Principal License Approved: 3/22/2022).

Licensing Inquiry

RSI MD, LLC submitted a Request for Application of Alternative Licensing Standards in support of its request for an Online Sports Wagering Operator License. Although RSI MD holds a Maryland-issued Sports Wagering Facility Operator License, because it was qualified by application of alternative licensing standards in Maryland, its current licenses in these Commission-approved states are pertinent. RSI MD stated that it holds a current license in these Commission-approved states:

- Pennsylvania Gaming Control Board
 - Type of License: Sports Wagering Operator and Interactive Gaming Operator
 - Expiration Date: December 17, 2024
 - Status: Active and In-Good Standing
- Michigan Gaming Commission
 - Type of License: Internet Gaming, Sports Betting and Platform Provider
 - Expiration Date: October 15, 2026
 - Status: Active and In-Good Standing
- Virginia Lottery
 - Type of License: Mobile Sports Wagering
 - Expiration Date: January 26, 2025
 - Status: Active and In-Good Standing
- Illinois Gaming Board
 - Type of License: Temporary Permit - Sports Operator
 - Expiration Date: Pending Issuance of Final Permit

- o Status: Active and In-Good Standing

CONCLUSION AND RECOMMENDATIONS

Along with the Request for Application of Alternative Licensing Standards and Affidavit, the Applicant has submitted: a completed Online Sports Wagering Operator License Application, adequate proof of bond and all required fees.

MLGCA's inquiry with the states identified above confirms that the licenses issued by those states are current and valid. Staff is not aware of information that would indicate RSI MD, LLC fails to meet the Commission's qualification requirements.

Staff recommends that the Commission find RSI MD, LLC qualified for an Online Sports Wagering Operator License based on application of the alternative licensing standards provisions in the Sports Wagering Law by clear and convincing evidence.

Staff recommends that the Commission entertains motions to:

1. Find that RSI MD, LLC has established by application of alternative licensing standards that it is qualified for an Online Sports Wagering Operator License by clear and convincing evidence; and
2. Delegate to Staff the authority to draft the Commission's decision statement on the qualification of RSI MD, LLC.