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# MARYLAND LOTTERY and GAMING CONTROL COMMISSION

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

## COMMISSION REPORT



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

**MOBILE SPORTS WAGERING  
LICENSE APPLICANT**

**License Applicant Number: SW-2022-57**

**Report Date: May 7, 2024**

**PUBLIC REPORT**

## **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 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 summarized 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 decision statement of the Commission will be forwarded to the Sports Wagering Application Review Commission for it to determine whether to award a license.

### **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 36.10.05 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 Maryland Lottery and Gaming Control Agency (“Agency,” “we” or “our”), conducted a suitability background license investigation of Betr MD, LLC (the “Applicant”) in connection with its application for a Mobile Sports Wagering License.

### **INVESTIGATION INTO APPLICANT**

#### **Background**

Betr MD, LLC was formed in Delaware on October 20, 2022, and has its primary address located at 2900 in Miami, Florida. The Applicant was formed to hold the mobile and online sports wagering licenses in Maryland, and is a wholly-owned subsidiary of Betr Holdings, Inc. (“Betr Holdings” or the “Company”).

The Company is the product of Instabet, Inc.’s name change and subsequent incorporation as Betr Holdings, Inc. in Delaware on August 4, 2022. Instabet, Inc. was formed on August 6, 2021. Betr Holdings will manage and operate a mobile sportsbook through Betr MD, LLC.

The Company’s sports wagering system offers pre-event betting as well as microbetting. Betr also offers risk management services, a player account management platform and responsible gaming tools. Betr Holdings is currently licensed by state gaming regulatory authorities in Indiana, Ohio and Virginia.

Pursuant to Betr MD, LLC’s operating agreement, Bet on Gaming Holdings, LLC (“BOGH”) was granted a profit interest of 5% in the Applicant. To receive the profit interest, the operating agreement requires Mr. Dennis Cotto, majority owner of BOGH, to provide consulting services to the Applicant to manage regulatory, financial and marketing issues on an ongoing basis. The remaining 95% of the Applicant’s profits will flow directly to Betr Holdings, Inc.

Bet on Gaming Holdings, LLC is a minority-owned company formed to create market access, invest and operate gaming and entertainment ventures and provide business-to-business technological services. BOGH is licensed as an online sports wagering operator in Virginia.

Betr MD, LLC has filed a Mobile Sports Wagering License Application with the Commission. Additionally, Betr Holdings, Inc. and Bet on Gaming Holdings, LLC have filed Sports Wagering Principal Entity Disclosure Forms and Mr. Dennis Cotto has filed a Principal Employee License Application with the Commission.

### **Ownership of Applicant**

As previously mentioned, Betr MD, LLC is a wholly-owned subsidiary of Betr Holdings, Inc. (formerly Instabet, Inc.) which is privately owned. The Company's stock consists of Class A and Class B common shares and three classes of preferred shares. As of May 5, 2023, Betr Holdings had 23,849,746 shares issued and outstanding in the aggregate. The following individuals and entity held 5% or more of the Company's shares:

- Mr. Joey Levy – 3,256,934 Shares Held – (13.7%)
- Mr. Jake Paul – 3,250,000 Shares Held – (13.6%)
- SimpleBet, Inc. – 2,516,692 Shares Held – (10.6%)

SimpleBet, Inc., is a business-to-business product development company that uses machine learning and real-time technology for sporting event betting opportunities. Mr. Joey Levy and Mr. Jake Paul have each filed a Principal Employee License Application and SimpleBet, Inc. has filed a filed Sports Wagering Principal Entity Disclosure Form with the Commission.

### **Betr Holdings Technology License Agreements that Applicant's Profits Will Support**

On October 19, 2021, Instabet, Inc., later named Betr Holdings, entered into a technology license agreement with SimpleBet, Inc. which allows the Company to use SimpleBet's micro-market sports betting technology platform and associated data feeds at all of its locations. In return, the Company will pay SimpleBet 7.5% of net gaming revenue (defined as gross gaming revenue less player incentives and applicable gaming taxes) during years one to three of the agreement, subject to a rate adjustment for years four through ten of the agreement.

Betr Holdings has also entered into a second technology license and services agreement with SimpleBet, Inc. dated December 20, 2022. This agreement makes SimpleBet responsible for the development, maintenance, and provision of a mobile client application which includes free-to-play gaming, real money betting, fantasy and iGaming modules. The Company will pay SimpleBet an initial fee of \$250,000 and 5% of net gaming revenue with a monthly minimum guarantee of \$100,000.

### **Discussion of Financial Performance**

Betr MD, LLC's results of operations and financial condition are consolidated with its parent company, Betr Holdings, Inc., for financial reporting purposes. Both the Applicant and Betr Holdings (formerly known as Instabet, Inc.) were only recently formed and had no financial activity prior to calendar year 2021. We performed a detailed analysis of the Company's consolidated unaudited financial statements for calendar years 2021 to 2023.

### **Financial Analysis**

Betr Holdings' overall operating performance during its brief history has been poor as it incurred significant operating costs during its start-up phase while generating limited revenue. The Company generated revenue of only \$11,400 in calendar years 2021 and 2022 but had substantial product development, marketing and general operating costs, resulting in net losses totaling \$14.1 million for the two-year period. The Company launched its first real money gaming product and its media business in 2023, increasing revenue to \$23.3 million for the year. However, this resulted in increased marketing, sales and player incentive costs, driving a net loss of \$32.0 million for the year. As Betr transitions from its start-up phase to full operations and expands into new markets, its revenue will grow and its operating costs will stabilize.

Company management expects losses to be reduced in calendar year 2024 and anticipates attaining profitability in 2025. Betr Holdings has been very successful in attracting investors to fund its initial operations. This has enabled the Company to avoid incurring any long-term debt and has strengthened its financial condition. Betr Holdings had substantial cash reserves of \$34.8 million as of December 31, 2023 which appears sufficient to fund its operations for the foreseeable future.

The operational challenges faced by Betr Holdings are not uncommon given its initial focus on product development and business expansion. This is evidenced by the fact that the Company's financial ratios and margins are comparable to those of its competitors. Additionally, its credit reports did not contain any derogatory information. However, given that the Company is in the early stages of establishing its footprint in various locations, there remains a level of unpredictability as to its long-term prospects. There are no overwhelming factors that would lead us to conclude that Betr MD, LLC is financially unsuitable for a Mobile Sports Wagering License based on the review of its parent company, but a review of its operating performance and financial condition is recommended annually.

### **FINDINGS**

The Agency 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 Betr MD, LLC and its parent company Betr Holdings, Inc. (formerly Instabet, Inc.), and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability. The Agency 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 SG § 9-1E-07(e)(6), and COMAR 36.10.03.02 and 36.10.05, and not disqualified under SG § 9-1E-07(g)(1), are summarized as follows:

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

### **APPLICANT**

The Applicant satisfies the applicable qualification criteria under SG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.05, and is not disqualified under COMAR 36.10.03.02C and SG § 9-1E-07(g)(1).

**PRINCIPAL QUALIFIERS**

The following individual qualifiers were identified as principals of the Applicant and each has filed a Principal Employee License Application with the Agency:

- Jake Joseph Paul – President (Principal License Issued: 03/27/24);
- Joey Simon Levy - CEO (Temporary Principal License Issued: 04/17/2024);
- Jessica Hernandez Cotto (Temporary Principal License Issued: 07/28/2023); and
- Dennis Cotto (Temporary Principal License Issued: 07/28/2023).

**CONCLUSION AND RECOMMENDATIONS**

The Applicant has submitted a completed a Mobile Sports Wagering License Application, an affidavit attesting to the minority -and women-owned interests of the Applicant, adequate proof of bond, and all required fees.

The Agency’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 and 36.10.05, we conclude that the Applicant has established by clear and convincing evidence the qualifications required for a Mobile Sports Wagering License.

Staff recommends that the Commission find Betr MD, LLC qualified for a Mobile Sports Wagering License based on the provisions of the Sports Wagering Law by clear and convincing evidence.

Staff recommends the Commission entertains motions to:

1. Find that Betr MD, LLC has established, by clear and convincing evidence, its qualifications for a Mobile Sports Wagering License;
2. Delegate to Staff the authority to draft the Commission’s decision statement on the qualification of Betr MD, LLC for a Mobile Sports Wagering License; and
3. Direct the Secretary of the Commission to transmit the decision statement to the Sports Wagering Application Review Commission.