

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: *
AMERICAN ESPORTS, INC, * Case No. 2020-0160
and *
DANIEL CANUBAS, *
Respondents. *
* * * * *

FINAL ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted by section 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol. and Supp. 2021) (the “Act” or “Securities Act”), conducted an investigation of the Respondents, American Esports, Inc. (“Esports”) and Daniel Canubas (“Canubas”) (collectively “Respondents”); and

WHEREAS, based on that investigation the Maryland Securities Commissioner (the “Commissioner”) has determined that Respondents have engaged in acts or practices constituting violations of sections 11-301, 11-401, 11-402, and 11-501 of the Act; and

WHEREAS, on April 28, 2022, the Commissioner issued an Order to Show Cause (“Order”), which is incorporated by reference, requiring each Respondent to show cause why that Respondent should not be barred permanently from engaging in the securities and investment

advisory business in Maryland and why a statutory penalty of up to \$5,000 per violation should not be entered against them; and

WHEREAS, the Order provided that the failure to file an answer, including a request for a hearing, within fifteen (15) days of service of the Order would result in the entry of a Final Order barring the Respondents from engaging in the securities or investment advisory business in Maryland and imposing on the Respondents a monetary penalty of up to \$5,000 per violation of the Act; and

WHEREAS, the Order was sent certified mail to Respondents at their last known address on May 4, 2022, delivery was attempted May 5, 2022, and notice was left with instructions for pick up; and

WHEREAS, on May 13, 2022, a courtesy copy of the Order was sent to Respondents' attorney; and

WHEREAS, on May 4, 2022, pursuant to section 11-802(b) of the Maryland Securities Act the Order was served on the Commissioner; and

WHEREAS, on May 25, 2022, Respondents' attorney asked for an extension to answer the Order and the Commissioner granted Respondents an extension until June 14, 2022 to answer the Order and request a hearing; and

WHEREAS, on June 14, 2022, Respondent Canubas submitted a copy of the Order with his comments inserted in the document and the Commissioner informed Respondent Canubas that his submission was not sufficient to be considered an answer or a request for

a hearing as required by the Order and that a Default Order would likely be issued; and

WHEREAS, on July 15 and July 16, 2022, the Commissioner gave Respondents additional extensions and informed Canubas that if his attorney did not enter his appearance by June 17, 2022, a Default Order would be issued against Respondents on June 21, 2022; and

WHEREAS, to date Respondents have failed to file an answer or a request for a hearing in response to the Order; and

WHEREAS, the Commissioner has determined that it is in the public interest and appropriate for the protection of investors to issue this Final Order;

NOW THEREFORE, pursuant to sections 11-301, 11-401, 11-402, 11-501, and 11-801 of the Act, the Commissioner finds and orders:

I. JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to section 11-801 of the Act.

II. RESPONDENTS

2. Canubas worked from his apartment in Montgomery County, Maryland. He has never been registered as a broker-dealer, agent, investment adviser, or investment adviser representative in Maryland. Canubas is the owner and founder of Esports. Canubas was also the president of Plug N Go Electrix, LLC (“Plug”).

3. Esports is a Delaware limited liability company selling convertible promissory

notes to Maryland residents and others. Esports maintained offices in Maryland. Esports has never been registered as a broker-dealer or investment adviser in Maryland.

III. STATEMENT OF FACTS

Plug N Go Electrix, LLC Sale of Securities

4. On December 3, 2021, the Maryland Securities Division issued a Final Order against Plug for violations of sections 11-301, 11-401, 11-402, and 11-501 of the Act. Plug described its business as “an innovative, green technology firm with a mission to make electric personal urban mobility vehicles a ubiquitous part of everyday life.”

5. Between October 7, 2012 and April 12, 2013, Canubas solicited at least three Maryland investors to purchase Plug’s convertible promissory notes. Each of the notes was for at least one year and promised returns of 10-12%. Plug’s investor questionnaires demonstrate that the investors were not accredited investors.

6. The convertible promissory notes identify the notes as securities.

7. Investor funds were deposited into a bank account for Plug. Plug raised at least \$150,000 from Maryland investors in its convertible promissory notes.

8. Canubas told investors that their investments would be safe and that they would make millions from their investments.

9. Investors who have asked to be repaid have been ignored by Plug and Canubas. The promissory notes did not disclose any risks that either the principal or the interest might not be paid.

10. Canubas sold the promissory notes to unsophisticated, unaccredited investors.

11. Canubas did not disclose to investors that he was not registered to sell the investments in Plug.

12. Canubas did not disclose to the investors that no registration or exemption filing or claim that the promissory notes were federal covered securities had been filed with respect to their offer and sale in Maryland.

American Esports Sale of Securities

13. On its website Esports describes its business:

American Esports serves the amateur competitive gaming community. Those players who aspire to improve their video gaming skills, compete in tournaments and realize opportunities to translate their passion to purpose, whether through online certificates, high school and college curricula, academic programs and scholarships, or by positioning themselves to secure a job in the fastest growing tech industry, esports.

14. Between September 7, 2018 and February 12, 2020, Canubas solicited at least twenty-four investors in Esports.

15. Canubas told investors that they were investing in Esports stock and that their investment would be safe. He advised some investors that because they were “friends and family” they would receive an extra 20% in Esport shares. He also represented that a \$50,000 investment would be worth \$5,000,000 in five years.

16. Investors did not receive stock but instead entered into promissory notes that promised a 7.5% annual interest rate. The promissory notes generally had a one-year due date. The promissory notes are past their maturity date.

17. Investors who have asked to be repaid have been ignored by Respondents. The promissory notes did not disclose any risks that either the principal or the interest might not be

paid.

18. Respondents sold the promissory notes to unsophisticated, unaccredited investors.

19. The Note Purchase Agreement falsely states that the notes are “exempt from the registration requirements of the Securities Act and applicable state securities laws.”

20. The Note Purchase Agreement falsely states, “[t]he Investor is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Underlying Note Securities.”

21. The Note Purchase Agreement falsely states for some investors that, “[t]he Investor is an accredited investor within the meaning of Rule 501 of Regulation D prescribed by the Securities and Exchange Commission pursuant to the Securities Act.” One investor was Canubas’ children’s piano teacher who is not an experienced or accredited investor. Her accredited investor questionnaire was not filled out or signed.

22. Only two investors completed “Exhibit B Form of Accredited Investor Questionnaire” indicating that they were accredited investors.

23. The Note Purchase Agreement falsely states, that the Notes were sold pursuant to Rule 144. Contrary to Rule 144, Canubas assured investors that they could get their investments back at any time and Respondents were not selling stock in the company.

24. Investor funds were deposited into a bank account for Esports. Canubas raised approximately \$1,383,000 from investors in Esports convertible promissory notes.

25. On information and belief, Canubus used investor funds for personal expenses such as dining out, travel, entertainment, and other personal expenses. For example, Canubas spent \$76,936.44 on “Meals and Entertainment” and \$60,254.27 on “Travel” in 2019.

26. Respondents did not disclose to investors that they were requiring investors to falsely agree that the loan participation interest were not securities.

27. Respondents did not disclose to investors that Canubas was not registered to sell the investments in Esports.

28. Respondents did not disclose to investors the risks identified above and falsely told investors that the promissory notes were being sold pursuant to Rule 144.

29. Respondents did not disclose to the investors that the promissory notes were not registered as securities and that no exemption filing or claim that the securities were federal covered securities had been filed with respect to their offer and sale in Maryland.

IV. CONCLUSIONS OF LAW

The Commissioner concludes that:

30. Respondents violated section 11-501 of the Act by offering and selling unregistered securities.

31. Respondents, in connection with the offer, sale or purchase of notes, made untrue statements of material fact or omitted to state material facts and engaged in a course of business that operated or would operate as a fraud or deceit on a person in violation of section 11-301(2) and (3) of the Act by.

32. Respondents transacted business as an unregistered broker-dealer or agent, in

violation of section 11-401(a) of the Act.

33. Respondent American Esports employed Canubas as an unregistered agent in this State, in violation of section 11-402(a) of the Act.

V. SANCTIONS

34. NOW, THEREFORE, IT IS HEREBY ORDERED that:

a. Respondents shall permanently cease and desist from violating sections 11-301(2) and (3), 11-401(a), 11-402(a), and 11-501 of the Act.

b. Respondents are permanently barred from engaging in the securities or investment advisory business in Maryland for or on behalf of any others, or from acting as principal or consultant in any entity so engaged.

c. Respondents are assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$1,550,000 for the violations set forth in this Final Order. Payment of the civil monetary penalty shall be by certified check payable to the Office of the Attorney General. However, this penalty shall be reduced dollar for dollar by the amount of restitution made by Respondents to the investors that invested in or through the investment program(s) offered or operated by them if, within sixty (60) days of the date of this Final Order, Respondents enter into an agreement with the Commissioner to make restitution to investors. Any payment of restitution under such a plan shall be by certified check payable to the Office of the Attorney General and then distributed by the Office of the Attorney General in a manner within its discretion. If no agreement for restitution is reached within sixty (60) days of the date of this Final Order, the civil monetary penalty imposed under this Final Order shall be

immediately due and payable. If the Division has to forward this matter to Central Collections of Maryland, the 17% collection fee assessed by Central Collections shall be in addition to, and not offset, the balance of the civil monetary penalty owed to the Division.

VI. JURISDICTION RETAINED

35. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Final Order.

VII. APPEAL RIGHTS

36. Each Respondent may appeal this Final Order to the appropriate Circuit Court of the State of Maryland within 30 days from the date this Final Order is mailed by the Securities Division.

SO ORDERED:

**Commissioner's Signature On File
w/Original Documents**

DATED: June 23, 2022

Melanie Senter Lubin
Securities Commissioner

