
**MARYLAND LOTTERY and
GAMING CONTROL COMMISSION**

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

COMMISSION REPORT



**In Re the Application of
CHESAPEAKE GAMING, LLC
For a Sports Wagering Facility License**

License Applicant Number 2022-SW-05

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 License Application submitted by Chesapeake Gaming, LLC (Chesapeake Gaming” or “ the Applicant”). The Maryland Lottery and Gaming Control Agency is required by “The Gaming Law” to conduct an investigation to determine if Chesapeake Gaming is qualified to be awarded a Sports Wagering Facility License.

You (the Commissioners) have been provided with the complete investigative report on Chesapeake Gaming. 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

Chesapeake Gaming was formed in Maryland on November 9, 2021, by Ms. Jennifer DiPietro and Mr. Richard DiPietro, II, for the purpose of conducting sports wagering activities at the Boonsboro off-track betting facility and restaurant located at the Boonsboro Events Center (the “Events Center”) in Boonsboro, Maryland. Chesapeake Gaming is privately owned by Ms.

DiPietro (51%) and Mr. DiPietro, II (49%), who serve as the Vice President and President, respectively.

The Events Center, located at 7700 Old National Pike, Boonsboro, Maryland, is owned by DiPietro & Son, LLC (the “Company”) which is privately-owned by Jennifer DiPietro (75%) and Richard DiPietro, II (25%). The Events Center consists of a restaurant with a second-floor off-track betting parlor and an adjacent event hall, an antiques mall, several retail outlets, and storage units from which the Company receives rental income. The restaurant at the Events Center previously operated under the legal name, Jockey Grill, LLC and was owned by the DiPietro family, but closed permanently early in calendar year 2021 due to the impact of the COVID-19 pandemic.

Chesapeake Gaming has filed a B-2 Sports Wagering Facility License Application with the Commission. The Company and Jockey Grill, LLC have both filed Sports Wagering Principal Entity Disclosure Forms with the Commission. Ms. DiPietro and Mr. DiPietro, II have both filed Principal Employee Applications with the Commission.

Impact of the COVID-19 Pandemic and the Company’s Response

The COVID-19 pandemic had a significant adverse impact on the Company’s business in calendar years 2020 and 2021 as the off-track betting facility operating at the Events Center was forced to close and the Company’s

affiliates and tenants struggled to make rent payments due to social distancing mandates imposed by state and local governments. During the pandemic, the Company implemented measures to increase its revenue including building 28 storage units inside the Events Center and employing realtors in an attempt to secure new tenants.

Five-Year Review of Financial Operating Results

As Chesapeake Gaming has yet to conduct any business and Jockey Grill, LLC ceased operations early in calendar year 2021, we performed a financial review of the Company as the primary business operated by the DiPietro family. The review consisted of a detailed analysis of DiPietro & Son, LLC's operating performance and financial condition based on its unaudited financial statements for the period of January 1, 2017 through December 31, 2021, and we offer the following comments:

Conclusion

DiPietro & Son, LLC's operating results fluctuated over the five-year review period and its overall financial performance can be characterized as marginal. The Company's operations were disrupted by the COVID-19 pandemic and its revenues declined, but it was proactive in responding to these challenges by reducing operating expenses. This resulted in a small operating

profit and a minimal net loss in calendar year 2021. The Company generated positive operating cash flows in recent years to meet its operational demands and reduce its long-term debt. As a result, the Company appears to be well positioned to continue to generate and utilize cash generated from operations to satisfy its obligations and working capital requirements for the foreseeable future. Additionally, the Company's financial condition has remained sound throughout the review period and the Company is not highly leveraged. This is important as the Company is currently seeking a sports wagering facility operator and may need additional financial resources to expand or improve its existing facility. There are no areas of concern with Chesapeake Gaming, LLC's suitability for licensure as a Sports Wagering Facility or with DiPietro & Son, LLC and Jockey Grill, LLC as Sports Wagering Principal Entities.

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 Chesapeake Gaming, LLC and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability.

A comprehensive review was conducted of all of the consolidated financial statements. The Applicant satisfies the standards for financial stability, integrity and responsibility in connection with the Sports Wagering Facility License Application. We offer the following comments:

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

Ownership of Applicant(s)

Chesapeake Gaming, LLC is privately-owned by Ms. Jennifer DiPietro and Mr. Richard DiPietro who own 51% and 49%, respectively. Mrs. Jennifer DiPietro is the company's Vice- President and Mr. Richard DiPietro serves as the Company's President.

Chesapeake Gaming, LLC has filed a Sports Wagering Facility Application with the Agency, paid all required fees and provided proof of

adequate bond. In addition, Ms. Jennifer DiPietro and Mr. Richard DiPietro have each filed a Sports Wagering Principal Employee License Application with the Agency. The status of their respective applications are as follows:

- Ms. Jennifer DiPietro - Temporary Principal approved January 27, 2022;
and
- Mr. Richard DiPietro – Temporary Principal approved January 27, 2022.

The Principals and principal entities satisfy the applicable qualification criteria under SG§ 9-1E-07(e) and COMAR 36.10.03.02, are qualified under SG § 9-1E-07(e), and not disqualified under COMAR 36.10.03.02C and SG § 9-1E-07(g)(1).

CONCLUSIONS 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) and COMAR 36.10.03.02, we conclude that the Applicant has established by clear and convincing evidence the qualifications required for a B-2 Sports Wagering Facility License, and is not disqualified under COMAR 36.10.03.02C and SG § 9-1E-07(g)(1).