

**DECISION OF THE MARYLAND LOTTERY AND
GAMING CONTROL COMMISSION**

**Application for Sports Wagering Facility License
Chesapeake Gaming, LLC**

License Applicant No. 2022-SW-05

**Qualification Hearing before
the Maryland Lottery and Gaming Control Commission
August 10, 2022**

On August 10, 2022, the Maryland Lottery and Gaming Control Commission (“Commission”) held a meeting during which it conducted a hearing to determine whether Chesapeake Gaming, LLC (“Applicant” or “Chesapeake Gaming”) is qualified for a sports wagering facility license under Maryland’s Sports Wagering Law.

FINDINGS OF FACT

Background Process

1. Sports wagering in Maryland is governed by the Sports Wagering Law, found in State Government Article (“SG”), Title 9, Subtitle 1E, Annotated Code of Maryland, and the regulations of the Commission, found in the Code of Maryland Regulations (“COMAR”) 36.10. The Sports Wagering Law also incorporates the Gaming Law, which governs casino operations in Maryland, found in SG, Title 9, Subtitle 1A, and COMAR 36.03.

2. The Commission is authorized to issue licenses necessary for sports wagering in the State, one of which is a sports wagering facility license. Unless a person holds a valid sports wagering facility license issued by the Commission, the person may not conduct, offer, or operate in-person sports wagering at a location in the State.

3. An applicant for a sports wagering-related license must submit an application to the Commission. Before it can be issued a license, an applicant must meet all applicable qualification

requirements in the Sports Wagering Law, and prove to the Commission, by clear and convincing evidence, that it is qualified under SG § 9-1E-07(e) and COMAR 36.10.03.02, and not disqualified under COMAR 36.10.03.02C. The Commission is required to deny the license application of an applicant that does not meet qualification requirements. SG § 9-1E-07(g)(1).

4. An applicant must submit to the Commission all information that is necessary for the Commission to determine its qualifications, and those of its principals, its principal entities, and any other necessary qualifiers.

5. Chesapeake Gaming submitted a B-2 Sports Wagering Facility License Application to the Commission and the Maryland Lottery and Gaming Control Agency (“MLGCA”) conducted an investigation to determine whether Chesapeake Gaming is qualified for a B-2 Sports Wagering Facility License.

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6. Staff of the MLGCA’s Licensing Division provided the Applicant with written notice of the hearing. Jennifer DiPietro, Richard DiPietro, II, and Sean Denny were present virtually on behalf of the Applicant. In advance of the meeting, John J. Mooney, MLGCA’s Managing Director of Regulatory Oversight, provided the Commission the confidential full investigative report on Chesapeake Gaming. Mr. Mooney made publicly available Staff’s executive summary of the background investigation, and Staff’s recommendations.

Applicant’s Background

7. 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.

Ownership of Applicant

8. Chesapeake Gaming is privately owned by Ms. DiPietro (51%) and Mr. DiPietro, II (49%), who serve as the Vice President and President, respectively.

9. The Events Center, located at 7700 Old National Pike, Boonsboro, Maryland, is owned by DiPietro & Son, LLC (the “Company”) which is privately-owned by Ms. DiPietro (75%) and Mr. DiPietro, II (25%).

Events Center

10. 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.

11. 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 2021 due to the impact of the COVID-19 pandemic.

Licensing Inquiry

12. Chesapeake Gaming has submitted a B-2 Sports Wagering Facility License Application with the Commission.

13. The Company and Jockey Grill, LLC have both filed Sports Wagering Principal Entity Disclosure Forms with the Commission.

14. Ms. DiPietro and Mr. DiPietro, II have both filed Principal Employee Applications with the Commission.

Discussion of Financial Performance

15. The Company's business was significantly impacted by the COVID-19 pandemic in calendar years 2020 and 2021. 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 government.

16. The Company implemented measures during the pandemic to increase its revenue by building 28 storage units inside the Events Center and employing realtors in an attempt to secure new tenants.

17. MLGCA performed a financial review of the Company as the primary business operated by the DiPietro family since Chesapeake Gaming has yet to conduct business and the Jockey Grille, LLC ceased operations in 2021.

18. 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 by reviewing the following:

- Total Revenue;
- Operating Expenses and Operating Income;
- Other Income and Expenses;
- Net Income;
- Assets, Liabilities and Shareholder Equity;
- Liquidity and Cash Flow;
- Long Term Debt
- Trend Analysis:
 - Current Ratio and Quick Ratio;
 - Operating Profit Margin and Net Profit Margin;
 - Return on Equity and Return on Assets;

- Debt to Equity Ratio and Debt Ratio; and
- Interest Coverage Ratio;
- Tax Returns; and
- Litigation.

19. DiPietro & Son, LLC's operating results fluctuated over the five-year review period and its overall financial performance can be characterized as marginal.

20. 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.

21. Overall, 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. The Company's financial condition has remained sound throughout the review period and the Company is not highly leveraged.

22. MLGCA had no concerns with licensure of Chesapeake Gaming, LLC as a Sports Wagering Facility Licensee or with DiPietro & Son, LLC and Jockey Grill, LLC as Sports Wagering Principal Entities.

Results of Background Investigation

23. 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.

24. MLGCA adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in the MLGCA's report. The results of the investigation for the specific qualification criteria enunciated in SG§ 9-1E-07(e)(6), COMAR 36.10.03.02, and COMAR 36.10.04.06, and that Chesapeake Gaming is qualified under SG § 9-1E-07(e), and not disqualified under COMAR 36.10.03.02C, are summarized:

a) Financial Stability, Integrity and Responsibility

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 B-2 Sports Wagering Facility License Application.

b) Integrity of financial backers, investors, mortgages, bondholders, and other holders of indebtedness

Based on MLGCA review, there are no material issues involving the known financial backers of the Applicant.

c) Good character, honesty, and integrity

MLGCA found that the Applicant possesses the requisite good character, honesty and integrity.

d) Sufficient business ability and experience

Chesapeake Gaming, LLC has sufficient business ability and experience.

e) Potential disqualifying factors

The Applicant is not disqualified from being issued a B-2 Sports Wagering Facility License under SG § 9-1E-07(g)(1) based on any of the criteria listed in SG § 9-1E-07(e)(6) and COMAR 36.10.03.02.

Applicant and Principal Entities

25. The Applicant and its principal entities satisfy the applicable qualification criteria under SG § 9-1E-07(e)(6) 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).

Principal Qualifiers

26. MLGCA identified the following natural person qualifiers (“principals”) who are associated with the Applicant and found that the principals have satisfied the applicable qualification criteria under SG § 9-1E-07(e)(6), COMAR 36.10.03.02, and COMAR 36.10.06.05, and are not disqualified under COMAR 36.10.03.02C: Jennifer DiPietro, and Richard DiPietro, II.

Sports Wagering Facility License Application

27. The Applicant submitted a completed B-2 Sports Wagering Facility License Application; an affidavit attesting to the minority and women-owned interests of the applicant; all required fees; and proof of adequate bond.

28. MLGCA Staff is not aware of information that would indicate Chesapeake Gaming, LLC fails to meet the Commission’s qualification requirements.

29. MLGCA Staff recommends that the Commission determine the Applicant has established that it is qualified, by clear and convincing evidence, for a Class B-2 Sports Wagering Facility License.

CONCLUSIONS OF LAW

1. The Applicant has established by clear and convincing evidence that it is qualified for, and is not disqualified from, a Sports Wagering Facility License.

2. The Applicant remains under an ongoing obligation to comply with all

qualification requirements and to notify the Commission if any of the information submitted to the Commission or MLGCA changes.

3. If MLGCA Staff 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.

4. The Secretary of the Commission will transmit this decision statement to the Sports Wagering Application Review Commission.

REVIEW RIGHTS

A party aggrieved by this final administrative Decision may file a petition for judicial review with the circuit court for the county where any party resides or has a principal place of business within thirty days of the date of this Decision. SG § 10-222; Maryland Rules 7-201 – 7-211.



E. Randolph Marriner, Chair

08/10/2022

Date