
**MARYLAND LOTTERY and
GAMING CONTROL COMMISSION**

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



**In Re the Application of
Kathe P. Hospitality Services, Inc.**

**SPORTS WAGERING FACILITY
LICENSE APPLICANT**

License Applicant Number: SW-2022-40

Report Date: January 13, 2023

“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 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 Sports Wagering Facility License, an applicant must submit a Sports Wagering Facility 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 36.10.04 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 Maryland Lottery and Gaming Control Agency ("MLGCA," "we" or "our"), conducted a suitability background license investigation of Kathe P. Hospitality Services Inc. ("Applicant") in connection with its application for a Sports Wagering Facility License.

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

The Applicant

Kathe P. Hospitality Services, Inc. is an S corporation formed in Maryland on September 10, 2009, and conducts business as Michael’s on the South River (“Michael’s” or “Company”). Located in Anne Arundel County at 3027 Riva Road, Riva, Maryland, the Company operates mainly as a full-service caterer for large parties and wedding receptions.

INVESTIGATION INTO APPLICANT

Ownership

Michael’s is privately-owned by Ms. Kathe Piera (95%), Ms. Christina Moon (2.5%) and Ms. Roberta Smith (2.5%). Ms. Piera serves as the Company’s President and Chief Executive Officer and manages all aspects of the business. Michael’s is currently converting its existing venue to be used solely to house the sports wagering operation and is relocating the catering business to an adjacent building. As of the time of our review, a sports wagering operator had not been identified. Ms. Kathe Piera has submitted a Principal Employee License Application to the Commission.

Five-Year Review of Financial Operating Results

We performed a detailed analysis of Michael’s financial statements (unaudited) for the period beginning January 1, 2017 and ending December 31, 2021, and we offer the following comments:

Financial Analysis

Michael’s operating performance over the review period has been inconsistent. Revenue declined over time, mainly in calendar year 2020 due to the adverse impact of the COVID-19 pandemic, but the Company was limited in its ability to reduce most of its operating costs. As a result, Michael’s incurred net losses in calendar years 2017 to 2020 totaling \$65,400 before improving its performance and realizing a profit of \$19,400 in 2021. However, in calendar year 2022 the Company began transitioning away from its catering business to focus on the development of the sports wagering operation. This caused a decrease in revenue and increase in operating costs, resulting in a net loss of \$132,200 in the first ten months of 2022. Despite its inconsistent operating performance, the Company’s financial condition as of October 31, 2022 is very sound and benefited greatly from capital contributed to the business by its majority owner of \$800,000 over the past two years. This has provided the Company with sufficient cash to finance the renovation of Michael’s existing facility to house the sports wagering operation as well as provide funds to cover wagers placed by patrons. Kathe P. Hospitality Services, Inc. is found to be financially suitable for a Sports Wagering Facility License.

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 Kathe P. Hospitality Services, 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 36.10.04, and not disqualified under SG § 9-1E-07(g)(1) are summarized as follows:

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

Applicant

The Applicant satisfies the applicable qualification criteria under SSG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.04, and is not disqualified under COMAR 36.10.03.02.C and SG § 9-1E-07(g)(1).

Principal Qualifiers

We identified the following principal who is associated with the Applicant and has filed a Principal Employee License Application with the Agency.

1. Kathe Piera, Owner (Temporary Principal License Approved: 01/13/2023).

CONCLUSION AND RECOMMENDATIONS

The Applicant has submitted a completed Sports Wagering Facility 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 36.10.04, we conclude that the Applicant has established by clear and convincing evidence the qualifications required for a Sports Wagering Facility License.

Staff recommends that the Commission find Kathe P. Hospitality Services, Inc. qualified for a Sports Wagering Facility 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 Kathe P. Hospitality Services, Inc. has established, by clear and convincing evidence, its qualifications for a Sports Wagering Facility License;
2. Delegate to Staff the authority to draft the Commission’s decision statement on the qualification of Kathe P. Hospitality Services, Inc. for a Sports Wagering Facility License; and
3. Direct the Secretary of the Commission to transmit the decision statement to the Sports Wagering Application Review Commission.