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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  
MSF Sports, Inc.  
(Subsidiary of the Maryland State Fair  
and Agriculture Society, Inc.)**

**SPORTS WAGERING FACILITY  
LICENSE APPLICANT**

**License Applicant Number: SW-2022-51**

**Report Date: September 8, 2023**

**“EXECUTIVE SUMMARY”**

## **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 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 Applicant**

The Maryland Lottery and Gaming Control Agency (“Agency,” “we” or “our”), conducted a suitability background license investigation of MSF Sports, Inc. (“MSF Sports” or “the Applicant”), in connection with its application for a Class B-1 Sports Wagering Facility License.

### **INVESTIGATION INTO APPLICANT AND THE SOCIETY**

#### **Background**

The Maryland State Fair and Agricultural Society, Inc. (the “Society”) was incorporated in Maryland on October 19, 1950 and is recognized as a not-for-profit entity under Section 501(c)(3) of the Internal Revenue Code. The Society is engaged in conducting the annual Maryland State Fair as well as up to ten days of live horse racing and 365 days of off-track parimutuel wagering each year at the State fairgrounds, located at 2200 York Road, Timonium, Maryland. MSF Sports is a wholly-owned subsidiary of the Society. MSF Sports was formed on June 17, 2021 as a wholly-owned subsidiary of the Society for the sole purpose of overseeing the sports wagering operation at the site and holding the Sports Wagering Facility License.

The Maryland State Fair and Agricultural Society, Inc. and Crown MD Gaming, LLC, an indirect wholly-owned subsidiary of DraftKings, Inc. (“DraftKings”), entered into a strategic gaming agreement on December 23, 2020. The Society assigned its rights and obligations under the agreement to MSF Sports. The agreement is for a ten-year term beginning on the earlier of the launch date of DraftKings’ online sportsbook or its retail sportsbook at the fairgrounds. Under the terms of the agreement, the parties will share the cost of renovating an area under the grandstands of the Timonium racetrack to house the sports wagering facility. DraftKings has been granted the exclusive right to operate the retail sportsbook at the fairgrounds and will provide all related equipment, customer and marketing services and personnel to staff the facility.

MSF Sports, Inc. has filed a Sports Wagering Facility License Application and Crown MD Gaming, LLC has filed a Sports Wagering Facility Operator License Application with the Maryland Lottery and Gaming Control Commission. Additionally, the Maryland State Fair and Agricultural Society, Inc. and DraftKings, Inc. have each filed a Sports Wagering Principal Entity Disclosure Form with the Commission.

### **Impact of the COVID-19 Pandemic and the Society’s Response**

The COVID-19 pandemic caused significant disruption to the Maryland State Fair and Agricultural Society’s business and had a material adverse impact on its results of operations and cash flows. Specifically, the Maryland State Fair and live horse racing were suspended in 2020, and parimutuel off-track betting activity suffered from forced closures, limitations on occupancy and social distancing mandates imposed by state and local governments. The Society’s ability to reduce operating costs during this time was somewhat limited as the fairgrounds were used as a drive-thru COVID-19 testing and mass vaccination site, as well as to facilitate food drives and blood drives. However, the Society did receive two Paycheck Protection Program loans in the amounts of \$378,125 and \$324,875. The Society has been granted full loan forgiveness for both of these loans.

### **DISCUSSION OF FINANCIAL PERFORMANCE**

We performed a detailed analysis of the Maryland State Fair and Agricultural Society’s operating performance and financial condition for the period from November 1, 2017 to October 31, 2022.

The Maryland State Fair and Agricultural Society, Inc.’s operating results for fiscal years 2018 to 2022 were mixed. In four of the five years, the Society incurred net losses totaling \$2.4 million, including a \$1.2 million loss in fiscal year 2020 when the Society suspended the Maryland State Fair due to the COVID-19 pandemic. However, with the resumption of the Fair in 2021, the Society saw its revenues improve dramatically, well above pre-pandemic levels, and the Society posted a net profit of \$5.0 million in fiscal year 2021. Additionally, the Society’s financial condition is very sound and improved significantly over the period reviewed, reflective of its

ability to avoid reliance on long-term debt to support its operations and capital needs. The Society’s operating performance and financial strength benefitted from two Paycheck Protection Program loans totaling \$703,000, both of which have been fully forgiven.

The Society generated positive cash flows from its operations over the review period and has sufficient cash and liquid investments to meet its financial obligations and working capital requirements for the foreseeable future. Additionally, the Society’s financial ratios and margins are generally favorable, and its auditors have not expressed any concern with the Society’s financial condition. There are no areas of concern with MSF Sports, Inc.’s licensure as a Sports Wagering Facility Licensee.

### **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 MSF Sports, Inc. and The Maryland State Fair and Agricultural Society 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) MSF Sports, Inc. was found to have financial stability, integrity and responsibility;
- 2) There were no material issues involving the known financial backers;
- 3) MSF Sports, Inc. possesses the requisite good character, honesty and integrity;
- 4) MSF Sports, Inc. has sufficient business ability and experience; and
- 5) There were no potential disqualifying factors.

### **APPLICANT AND PRINCIPAL ENTITY**

The Applicant and its principal entity satisfy the applicable qualification criteria under SG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.06.02, and are 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:

- David Glenn Gordon – Assistant General Manager; and
- David Andrew Cashman – General Manager (Temporary Principal License Issued: 05/01/2023).

### **CONCLUSION AND RECOMMENDATIONS**

The Applicant has submitted a completed Sports Wagering Facility License Application, 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 Class B-1 Sports Wagering Facility License.

Staff recommends that the Commission find MSF Sports, Inc. qualified for a Class B-1 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 MSF Sports, Inc. has established, by clear and convincing evidence, its qualifications for a Class B-1 Sports Wagering Facility License;
2. Delegate to Staff the authority to draft the Commission’s decision statement on the qualification of MSF Sports, 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.