

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

**Application for a Class B-1 Sports Wagering Facility License
MSF Sports, Inc.
(Subsidiary of the Maryland State Fair and Agriculture Society, Inc.)
License Applicant No. 2022-SW-51**

**Qualification Hearing before
the Maryland Lottery and Gaming Control Commission
September 28, 2023**

On September 28, 2023, the Maryland Lottery and Gaming Control Commission (“Commission”) held a meeting during which it conducted a hearing to determine whether MSF Sports, Inc. (“Applicant”) 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 sports wagering facility 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 COMAR 36.10.04, and not disqualified under SG § 9-1E-07(g)(1). The Commission is required to deny the license application of an applicant that does not meet qualification requirements.

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. MSF Sports, Inc. submitted a B-1 Sports Wagering Facility License Application to the Commission and the Maryland Lottery and Gaming Control Agency (“MLGCA”) conducted an investigation to determine whether MSF Sports, Inc. is qualified for a Class B-1 Sports Wagering Facility License.

Qualification Hearing – September 28, 2023

6. Staff of the MLGCA’s Licensing Division provided the Applicant with written notice of the hearing. David Gordon and Ward Classen were present 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 MSF Sports, Inc. Mr. Mooney made publicly available Staff’s executive summary of the background investigation, and Staff’s recommendations.

Background

7. 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.

8. 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.

9. MSF Sports, Inc., a wholly-owned subsidiary of the Society was formed on June 17, 2021 for the sole purpose of overseeing the sports wagering operation at the site and holding the Sports Wagering Facility License.

Ownership of Applicant and Other Agreements

10. The Society and Crown MD Gaming, LLC, an indirect wholly-owned subsidiary of DraftKings, Inc. (“DraftKings”), entered into a strategic gaming agreement on December 23, 2020 (“Agreement”).

11. 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. 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.

12. The Society and DraftKings assigned the Society’s rights and obligations under the Agreement to MSF Sports, Inc.

Licensing Inquiry

13. MSF Sports, Inc. has submitted a Class B-1 Sports Wagering Facility License Application.

14. The Society and DraftKings have each filed a Sports Wagering Principal Entity Disclosure Form with the Commission.

15. David Glenn Gordon and David Andrew Cashman have each submitted a Principal Employee License Application to the Commission which have been approved for each individual.

Discussion of Financial Performance

16. MLGCA performed a detailed analysis of the Society's operating performance and financial condition for the period beginning November 1, 2017 and ending October 31, 2022 by reviewing the following:

- Revenues;
- Operating Expenses and Operating Income
- Other Income and Net Loss;
- Assets and Liabilities;
- Liquidity and Cash Flow
- Trend Analysis and Comparative Performance:
 - Current Ratio and Quick Ratio;
 - Operating Profit Margin and Net Profit Margin;
 - Return on Equity and Return on Assets; and
 - Debt to Equity Ratio and Debt Ratio;
- Independent Audit of Annual Consolidated Financial Statements;
- Dunn & Bradstreet;
- Tax Returns; and
- Litigation Search.

17. The Society's operating results for fiscal years 2018 to 2022 were mixed. In four of the five years, the Society incurred net losses in part due to the COVID-19 pandemic. In 2021; however, with the return of the Fair, the Society saw its revenues improve dramatically, well above pre-pandemic levels, and the Society posted a net profit in fiscal year 2021.

18. 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 that have been fully forgiven.

19. Overall, MLGCA found the Society's subsidiary MSF Sports, Inc. to be financially suitable for a Class B-1 Sports Wagering Facility License.

Results of Background Investigation

20. 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 MSF Sports, Inc. and the Society; and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability.

21. 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) and COMAR 36.10.03.02 and 36.10.04 and that MSF Sports, Inc. is qualified under SG § 9-1E-07(e), and not disqualified under SG § 9-1E-07(g)(1), are summarized:

a) Financial Stability, Integrity and Responsibility

A comprehensive review was conducted of all of the consolidated financial statements from November 1, 2016 to October 31, 2021. The Applicant satisfies the standards for financial stability, integrity and responsibility in connection with the 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. No significant issues surfaced concerning the qualifications of the Applicant, its parent company, or its individual qualifiers.

d) Sufficient business ability and experience

The Society generated positive cash flows from its operations over the review period and has sufficient liquidity 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 showed marked improvement in fiscal year 2021, and its auditors have not expressed any concern with the Society's financial condition. The Applicant clearly possesses the requisite business ability and experience.

e) Potential disqualifying factors

The Applicant is not disqualified from being issued a Class B-1 Sports Wagering Facility License under SG § 9-1E-07(g)(1) based on any of the criteria listed in COMAR 36.10.03.02.C. The Applicant is qualified to be issued a license by the Commission.

Applicant and Principal Entities

22. 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 36.10.04, and are not disqualified under COMAR 36.10.03.02.C and SG § 9-1E-07(g)(1).

Sports Wagering Facility License Application

23. The Applicant submitted a completed B-1 Sports Wagering Facility License Application; adequate proof of bond; and all required fees. MSF Sports, Inc. meets the Commission's qualification requirements.

24. MLGCA Staff recommends that the Commission determine the Applicant has established that it is qualified, by clear and convincing evidence, for a Class B-1 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 Class B-1 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

9/28/23
Date