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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  
Chesapeake Amusements, Inc.  
d/b/a Rod -N- Reel Bingo**

**SPORTS WAGERING FACILITY  
LICENSE APPLICANT**

**License Applicant Number: SW-2022-56**

**Report Date: May 6, 2024**

**Public Report**

## **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 Chesapeake Amusements, Inc. (the “Applicant”) in connection with its application for a Class B-1 Sports Wagering Facility License.

### **INVESTIGATION INTO APPLICANT**

#### **Background**

The Applicant was incorporated in Maryland on November 20, 1979 and has its offices located in Chesapeake Beach, Maryland. The Applicant conducts business as the Rod “N” Reel Resort and offers a hotel and banquet facilities, restaurants, a marina and gaming including bingo with pull-tab devices and live bingo games. The Applicant is equally owned by Mr. Ryan Donovan, Mr. Wesley Donovan and Ms. Mary Lanham, each of whom have filed a Principal Employee License Application with the Commission. The Chesapeake Amusements, Inc. has filed a Sports Wagering Facility License Application with the Commission.

### **DISCUSSION OF FINANCIAL PERFORMANCE**

We performed a detailed analysis of the Applicant’s operating performance and financial condition for the calendar years ended December 31, 2018 through 2022.

Chesapeake Amusements, Inc.’s operating performance over the five-year review period was very positive. Despite a downturn in business caused by the COVID-19 pandemic, the Applicant remained profitable, realizing net profits of \$29.4 million over the period reviewed. The Applicant consistently generated positive cash flows from its operations which were used to purchase property and equipment and marketable securities, as well as make loans to related parties and distributions to owners. Chesapeake Amusements Inc.’s positive operating performance has bolstered its financial condition and provided sufficient liquidity to meet its financial obligations

and working capital requirements in the ordinary course of business for the foreseeable future. Additionally, the Applicant's financial ratios and margins are very positive and compare favorably with those of its competitors, and its auditors have not expressed any concerns with the Applicant's operations, financial condition or continuation as a going concern. There are no financial concerns with the licensure of Chesapeake Amusements, Inc. as a B-1 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 Chesapeake Amusements, 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) Chesapeake Amusements, Inc. was found to have financial stability, integrity and responsibility
- 2) There were no material issues involving the known financial backers
- 3) Chesapeake Amusements, Inc. possesses the requisite good character, honesty and integrity
- 4) Chesapeake Amusements, Inc. has sufficient business ability and experience
- 5) There were no potential disqualifying factors

### **APPLICANT**

The Applicant satisfies the applicable qualification criteria under SG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.06.02, and is 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:

- Ryan Donovan – Owner (33%) - (Principal License Expires: 05/30/2028)
- Wesley S. Donovan – Owner (33%) - (Principal License Expires: 03/05/2028)
- Mary Lanham – Owner (33%) - (Principal License Expires: 03/28/2028)

### **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 Chesapeake Amusements, 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 Chesapeake Amusements, 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 Chesapeake Amusements, 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.