

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

**Application for a Class B-1 Sports Wagering Facility License
Chesapeake Amusements, Inc.
d/b/a Rod -N- Reel Bingo
License Applicant No. 2022-SW-56**

**Qualification Hearing before
the Maryland Lottery and Gaming Control Commission
May 23, 2024**

On May 23, 2024, the Maryland Lottery and Gaming Control Commission (“Commission”) held a meeting during which it conducted a hearing to determine whether Chesapeake Amusements, Inc. d/b/a Rod -N- Reel Bingo (“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. Chesapeake Amusements, Inc. submitted a Class 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 Chesapeake Amusements, Inc. is qualified for a Class B-1 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. Mary Lanham, President of Chesapeake Amusements was 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 Amusements, Inc. Mr. Mooney made publicly available Staff’s executive summary of the background investigation, and Staff’s recommendations.

Background

7. Chesapeake Amusements, Inc. was incorporated in Maryland on November 20, 1979 and has its offices located in Chesapeake Beach, Maryland.

8. 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.

Ownership of Applicant

9. The Applicant is equally owned by Mr. Ryan Donovan, Mr. Wesley Donovan and Ms. Mary Lanham.

Licensing Inquiry

10. Chesapeake Amusements, Inc. has submitted a Class B-1 Sports Wagering Facility License Application.

11. Ryan Donovan, Wesley Donovan, and Mary Lanham have each submitted a Principal Employee License Application to the Commission which have been approved for each individual.

Discussion of Financial Performance

12. MLGCA performed a detailed analysis of the Applicant's operating performance and financial condition for the calendar years ended December 31, 2018 through 2022 by reviewing the following:

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

13. MLGCA supplemented its review with recent financial performance and performed a review of the Applicant's operating performance for the first nine months of calendar year 2023 and its financial condition as of September 30, 2023.

14. Chesapeake Amusements, Inc.'s operating performance over the five-year review period was very positive. Despite the downturn in business caused by the COVID-19 pandemic, the Applicant remained profitable, realizing net profits over the review period. 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.

15. 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.

16. Overall, MLGCA found the Chesapeake Amusements, Inc. to be financially suitable for a Class B-1 Sports Wagering Facility License.

Results of Background Investigation

17. 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 Amusements, Inc.; and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability.

18. 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 the Applicant's operating performance over the five-year review period. 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, or its individual qualifiers.

d) Sufficient business ability and experience

Chesapeake Amusements, Inc. 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 Applicant's financial ratios and margins are favorable, and its auditors have not expressed any concern with Chesapeake Amusements, Inc.'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

19. The Applicant satisfies the applicable qualification criteria under SG § 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).

Sports Wagering Facility License Application

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

21. 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

5/23/24
Date