
MARYLAND LOTTERY and GAMING CONTROL COMMISSION

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

COMMISSION REPORT



**In Re the Application of
OLD BAY GAMING AND RACING, LLC
d/b/a Ocean Downs Casino**

**VIDEO LOTTERY OPERATION
LICENSE RENEWAL**

Report Date: April 29, 2025

“PUBLIC REPORT”

INTRODUCTION

A Video Lottery Operation License (“operation license”) may be renewed by the Maryland Lottery and Gaming Control Commission (“Commission”) following the initial 15-year term. State Gov’t (“SG”) § 9-1A-13(d)(1). On proper application for renewal of the operation license, the Commission shall renew the licensee unless the Commission finds that the licensee is no longer qualified under § 9-1A-01, *et seq.* (“the Gaming Law”) to hold a license. SG § 9-1A-13(d)(4).

The applicant for renewal of an operation license must prove to the Commission, by clear and convincing evidence, that it remains qualified to hold an operation license. *Id.* Specifically, the applicant must prove that it is qualified under SG § 9-1A-07(c)(7)(i) through (v), and not disqualified under SG § 9-1A-08(d). A licensee seeking renewal of their operation license must provide all information to the Commission that is necessary for a qualification determination as to the licensee, its principals, and its principal entities.

The Maryland Lottery and Gaming Control Agency (“MLGCA,” “we” or “our”), conducted a suitability background license investigation into Old Bay Gaming and Racing, LLC, d/b/a Ocean Downs Casino (“Ocean Downs” or the “Company”) in connection with its application for renewal of its operation license. Ocean Downs was last approved for an operation license by the Commission on January 4, 2011. It’s current 15-year license expires on January 3, 2026.

BACKGROUND

Old Bay Gaming and Racing, LLC, was formed in Maryland on July 25, 2016, and conducts business as Ocean Downs Casino, located in, Berlin, Maryland. Ocean Downs Casino is a premiere entertainment facility offering approximately 850 slot machines, 18 table games, a retail sportsbook and several dining options.

The Video Lottery Operation License was originally issued to Ocean Enterprise 589, LLC (“OE589”), which was wholly-owned by Mr. William Rickman, Jr. Ocean Downs Casino was the second casino to open in Maryland and began operations on January 4, 2011. In March 2011, the ownership structure of OE589 was changed whereby WMR Management Corporation acquired a 1% membership interest in OE589 and became the

sole voting and managing member, with Mr. Rickman as the sole owner of WMR Management. Additionally, Mr. Rickman's ownership interest in OE589 was reduced to 35% and each of Mr. Rickman's four sisters were given a 16% ownership share in OE589.

In July 2016, Churchill Downs, Inc. ("Churchill Downs") entered into a joint venture with Saratoga Harness Racing, Inc. ("Saratoga") to purchase all of the equity interests of OE589, Ocean Downs, LLC and Racing Services, LLC, which collectively owned and operated the Ocean Downs Casino and Ocean Downs Racetrack. To facilitate the purchase, Churchill Downs and Saratoga formed Old Bay Gaming and Racing, LLC (the "Company") which was then owned 62.5% by Churchill Downs and 37.5% by Saratoga, with OE589 remaining as a direct subsidiary of the Company. The transfer of the Video Lottery Operation License from OE589 to the Company was approved by the Maryland Lottery and Gaming Control Commission on December 15, 2016. In August 2018, Churchill Downs acquired the 37.5% ownership interest in the Company, which was previously held by Saratoga. The Company is currently a wholly-owned subsidiary of Churchill Downs, Inc. Old Bay Gaming and Racing, LLC d/b/a Ocean Downs Casino has submitted a Video Lottery Operation License Renewal Application to the Commission.

OWNERSHIP OF OCEAN DOWNS

Churchill Downs, Inc. is publicly traded on the NASDAQ Stock Exchange under the symbol "CHDN". In its most recent Proxy Statement filed with the U.S. Securities and Exchange Commission, Churchill Downs reported that as of March 1, 2024, it had 73,689,247 shares of common stock outstanding. The following entities held beneficial ownership of 5% or more of the outstanding shares:

- Capital Research Global Investors
- The Vanguard Group, Inc.
- BlackRock, Inc.
- FMRC LLC

Capital Research Global Investors, The Vanguard Group, Inc., BlackRock, Inc. and FMR LLC are all institutional investors. The Commission has previously granted each an Institutional Investor Waiver.

DISCUSSION OF FINANCIAL PERFORMANCE

The operating performance and financial condition of Ocean Downs Casino are reflected in the financial statements of Ocean Enterprise 589, LLC, the direct subsidiary of the Company. The Company does not issue financial statements. We performed a detailed analysis of OE589's financial statements for calendar years 2020 to 2024 and we offer the following comments:

Ocean Enterprise 589, LLC's overall operating performance during the five-year review period was very positive. Despite the negative impact of the COVID-19 pandemic on its operations, OE589 remained profitable annually, with net profits totaling \$114.3 million in calendar years 2020 to 2024. OE589's liquidity and financial resources were derived exclusively from its operating activities during the period reviewed and were used to satisfy its capital demands and distribute funds to its ultimate parent company. Additionally, OE589's financial condition is very sound and has remained so throughout the period reviewed as OE589's liabilities are limited with no long-term debt.

Ocean Enterprise 589, LLC has sufficient liquidity to meet its financial obligations and working capital requirements in the ordinary course of business for the foreseeable future, and appears poised to continue its positive operating performance and maintain its financial strength moving forward. OE589's auditors have not expressed any concerns with its financial condition, results of operations or continuation as a going concern, and its financial ratios and margins are very solid and compare favorably with those of its competitors. There are no financial concerns with the re-licensure of Old Bay Gaming and Racing, LLC as a Video Lottery Operator.

REGULATORY HISTORY

During their licensure period, the Company has satisfactorily addressed minor issues as required and has maintained its Video Lottery Operation License in good standing. Ocean Downs currently possesses an operation license that expires on January 3, 2026.

CONCLUSIONS AND OPINION

MLGCA's investigation has confirmed that the Company has sufficient financial resources and found no derogatory information regarding the Ocean Downs' qualifications. MLGCA has not found any disqualifying factors that would preclude Old Bay Gaming and Racing, LLC d/b/a Ocean Downs Casino from renewal of its Video Lottery Operation License. Based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d), we conclude that the Company has established by clear and convincing evidence the qualifications required for renewal of its Video Lottery Operation License for a 15-year term in accordance with SG § 9-1A-13(d)(2).

Payment of fees for renewal of an operation license is to occur in accordance with SG § 9-1A-13(d)(6) requiring the calculation of the fee to occur for each 5-year period of the 15-year term. Payment of the renewal license fee is to be paid in equal annual installments. SG § 9-1A-13(d)(6)(i). The first payment is not required until the effective date of the renewed license. SG § 9-1A-13(d)(6)(ii)1. If the Commission approves the renewal of Ocean Downs operator license, the effective date will be January 4, 2026, once the existing 15-year term concludes.