



Lottery and Gaming Control Commission

1800 Washington Boulevard, Suite 330, Baltimore, MD 21230

TRANSFER of OWNERSHIP

**Old Bay Gaming and Racing, LLC
("Old Bay")**

COMMISSION PRESENTATION

TRANSFER of OWNERSHIP
(Old Bay Gaming and Racing, LLC)

EXECUTIVE SUMMARY

In July 2016, Churchill Downs entered into a joint venture with Saratoga Harness Racing, Inc. to purchase all of the equity interests of Ocean Enterprise 589, LLC, Ocean Downs, LLC, and Racing Services, LLC, which collectively owned and operated the Casino at Ocean Downs and Ocean Downs Racetrack. To facilitate the purchase, Churchill Downs and Saratoga formed Old Bay Gaming and Racing, LLC on July 25, 2016. Old Bay is owned 50% by HCRH, LLC and 50% by Saratoga Casino Holdings, LLC. HCRH, LLC is a wholly owned subsidiary of Churchill Downs, Inc. Saratoga Casino Holdings, LLC is owned 74% by Saratoga Harness Racing, Inc., 1% by Saratoga Casino Group, Inc., and 25% by Churchill Downs. By virtue of its 25% ownership interest in Saratoga Casino Holdings, Churchill Downs effectively owns 62.5% of Old Bay Gaming and Racing. Old Bay Gaming and Racing, LLC and its associated Principals and Principal Entities filed the required Video Lottery Operation License and Principal Applications with the MLGCA in August of 2016. The Maryland Lottery and Gaming Control Commission subsequently approved the Operation, Principal and Principal Entity license applications on December 15, 2016.

In August 2018, the Maryland Lottery and Gaming Control Agency (MLGCA) received official notification of the proposed transaction between Saratoga Casino Holdings, LLC (“SCH”) and Churchill Downs Incorporated (“CDI”) wherein CDI shall liquidate its 25% membership interest in SCH and, in exchange, SCH shall liquidate its 50% membership interest in Old Bay and Old Bay Beverage Company, LLC. Therefore, if approved by the Maryland Lottery and Gaming Control Commission (“the Commission”), SCH will be owned 100% by Saratoga Harness Racing, Inc., and Old Bay will be 100% owned by CDI (by itself and through its wholly owned subsidiary, HCRH, LLC). The Gaming Law (State Gov’t (SG) § 9-1A-01, *et seq.*) requires that the Commission determine whether a transfer of a licensee’s interests meets, and is consistent with, the requirements of the Gaming Law. SG § 9-1A-19.

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Summary and Results of Investigation

The MLGCA Licensing Division Staff performed inquiries and examined relevant documents in order to understand and confirm the substance of the proposed changes. We obtained an adequate understanding of the proposed changes and confirmed the proposed changes as presented.

Furthermore, we obtained and reviewed copies of the relevant entities' Operating Agreement amendments. The investigation found no content in the proposed Operating Agreement addendums that would negatively affect Old Bay's status as being qualified for a Video Lottery Operation License nor Churchill Downs, Inc. or HCRH, LLC from being qualified as principal entities in Maryland.

Findings

Based on our investigation, MLGCA staff has determined that the proposed Transfer of Ownership meets and is consistent with the Gaming Law; therefore, staff recommends Commission approval of the proposed changes.