**MARYLAND LOTTERY and**

**GAMING CONTROL COMMISSION**

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



**COMMISSION REPORT**



**Acquisition of Interblock d.d. (Manufacturer)**

**by**

**OCM Luxembourg Baccarat Bidco S.à.r.l., Luxembourg (Non-VoteCo)**



**Commission Meeting Date: May 26, 2022**

**Executive Summary**

We are conducting a hearing on the acquisition of Interblock d.d., a manufacturer, by OCM Luxembourg Baccarat Bidco S.a.r.l., Luxembourg (“Non-VoteCo”).  The Maryland Lottery and Gaming Control Agency is required by “The Gaming Law” to conduct an investigation to determine if Non-VoteCo is qualified to be awarded a manufacturer license.

      The Commission has been provided with the complete investigative report and its incorporated documents.  You have also received a copy of the public report that was in your packets and made available on the agency website.  I will summarize these reports.

**Background**

The Commission was provided notice of the proposed purchase of Interblock d.d., a licensed gaming manufacturer, by Non-VoteCo as required by the Gaming Law. Non-VoteCo is a private limited company organized under the laws of Luxembourg formed on October 19, 2020, and is a newly formed holding company. The transfer of ownership from Licensee Interblock to Non-VoteCo requires Commission approval.

**Ownership of NonVoteCo and its Affiliates**

On December 16, 2020, Non-VoteCo entered into an Equity Purchase Agreement with Interblock d.d. to acquire 100% ownership of Interblock upon closing of the acquisition.  Oaktree Special Situations Fund II, L.P.is a private equity fund (the “Fund”) that has committed to contributing sufficient funding to Non-VoteCo. The Fund managed by Oaktree Capital Management L.P., which is registered with the SEC. The Fund has capital that is contributed by investors by limited partners. Oaktree Capital Management, L.P. manages the Fund and is affiliated with Oaktree Capital Group, LLC, a public reporting company. Oaktree Capital Group LLC owns all of the entities in the Fund.

**Transfer of Ownership**

 After the acquisition occurs, Oaktree Capital Group LLC will have a majority controlling interest in Interblock that is held by Howard S. Marks and Bruce A. Karsh. Interblock d.d. will be converted to Interblock d.o.o, a limited liability company organized under the laws of Slovenia. As a result of this conversion the Fund will hold, indirectly through Non-VoteCo, 100% of the non-voting, economic equity interests in Interblock d.o.o. and IB OCM Voteco, an exempted company incorporated in the Cayman Islands (“VoteCo”). VoteCo will directly hold 100% of the voting, non-economic equity interests in Interblock d.o.o.

 David Quick, Jordan Kruse and Matthew Wilson are the sole members and directors of VoteCo and each are employed by Oaktree Capital Management, L.P., the investment manager of the Fund.

**Assurances**

By the Written Consent of the General Partner of Oaktree Special Situations Fund II. L.P., dated May 12, 2022 (the “Resolution”), the sole authority and control over the Fund’s passive investment in Interblock has been delegated to David Quick, Jordon Kruse and Matthew Wilson, whose authority and control are separate and apart from their ownership and control over VoteCo.  The Resolution not only delegates the passive investment to the directors of VoteCo, but it also vests them with the authority to select replacement directors of VoteCo. In the event that all three directors of VoteCo are unable to serve, the Resolution delegates to Daniel Levin the authority to replace those directors.

Mr. Marks and Mr. Karsh have each provided an affidavit to the Commission acknowledging the Resolution and providing assurances that they will not control or be involved in managing Interblock in any way that relates to its gaming manufacturing license. The Resolution is recognized in the “Articles of Association of the Company Interblock d.o.o”, so that Slovenia law would not otherwise supersede the Resolution.

**Maryland Gaming Requirements**

Together, the Equity Purchase Agreement, Resolution, Affidavits of Mr. Marks and Mr. Karsh, and the Articles of Association for Interblock d.o.o., provide sufficient information, documentation and assurances to satisfy Maryland Gaming Law requirements. David Quick, Jordon Kruse and Matthew Wilson as directors of the Fund, and Daniel Levin as CFO of the Fund, have each submitted a Principal Employee License Application.

The Agency conducted a complete and thorough background investigation as required by the Gaming Law, by analyzing corporate records, documents, business operations, and transactions of Non-VoteCo and VoteCo, focusing on qualification criteria for 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 in SG §§ 9-1A-07(c)(7) and 9-1A-08(d) are summarized as follows:

1. Non-VoteCo has financial stability, integrity and responsibility;
2. There are no material issues involving the known financial backers;
3. Non-VoteCo possesses the requisite good character, honesty and integrity;
4. Non-VoteCo has sufficient business ability and experience; and
5. There are no potential disqualifying factors.

The Agency’s investigation has confirmed that the OCM Luxembourg Baccarat Bidco S.à.r.l., Luxembourg (“Non-VoteCo”) meets the qualification requirements of the Gaming Law, and found no derogatory information. Non-Vote-Co’s acquisition of Interblock d.d. and resulting ownership changes are consistent with the policies and intent of SG § 9-1A-19. Accordingly, Staff concludes that 1) Non-VoteCo has established by clear and convincing evidence the qualifications required for its acquisition of Interblock d.d.; 2) the Commission should approve the acquisition of Interblock d.d.