
MARYLAND LOTTERY and GAMING CONTROL COMMISSION

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

COMMISSION REPORT



PROPOSED ACQUISITION: ROCKY GAP CASINO RESORT OPERATIONS

Between

Century Maryland Acquisition Inc.

And

Lakes Maryland Development, LLC,
Golden Entertainment, Inc., and
VICI PropCo

Report Date: April 6, 2023

“Commission Presentation”

INTRODUCTION

On August 24, 2022, the Maryland Lottery and Gaming Control Agency (“MLGCA”) received notification of an Agreement between Lakes Maryland Development, LLC, Golden Entertainment, Inc. and VICI PropCo to acquire the operations of Rocky Gap Casino Resort. The Gaming Law (Annotated Code of Maryland, State Gov’t Article (“SG”), § 9-1A-01, *et seq.*) requires that the Maryland Lottery and Gaming Control Commission (“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.

The proposed Agreement will result in Century Maryland Acquisition Inc. (“Century” or “the Applicant”) acquiring the operations of Rocky Gap Casino Resort, which means Century must be qualified for and be issued a video lottery facility operation license (“operation license”) from the Commission.

As a prerequisite to being eligible for an operation license, an applicant for an operation license must submit a Video Lottery Operation 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 Gaming Law. 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). 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 Maryland Lottery and Gaming Control Agency (“MLGCA,” “we” or “our”), conducted a suitability background license investigation of Century in connection with its proposed acquisition of Rocky Gap Casino Resort operations and its application for a Video Lottery Operation License.

Background

Century Maryland Acquisition Inc. was incorporated in Delaware on September 8, 2022 for the purpose of acquiring and operating the Rocky Gap Casino Resort. Century Maryland Acquisition Inc. is a direct, wholly owned subsidiary of Century Casinos, Inc. (“the Company”) which owns and operates eight casinos and racetracks in the United States and Canada. Additionally, the Company has a two-thirds controlling interest in Casinos Poland Ltd., which operates eight casinos throughout Poland. The Company has also partnered with sports betting operators to conduct retail sports wagering in Colorado and internet and mobile interactive gaming in West Virginia.

Century Casinos, Inc. was incorporated in Delaware on May 23, 1994 and has its principal offices located at 455 East Pikes Peak Avenue, Colorado Springs, Colorado. Century Casinos, Inc.’s goal is to become the leader in the mid-size casino market in North America. Currently, the Company is licensed by state gaming regulatory authorities in Colorado, Missouri, Nevada and West Virginia, and internationally in Canada and Poland.

Century Maryland Acquisition Inc. has filed a Video Lottery Operation License Application in connection with the proposed acquisition of Rocky Gap Casino Resorts operations and Century Casinos, Inc. has filed a Principal Entity Disclosure Form with the Maryland Lottery and Gaming Control Commission.

Ownership of the Applicant and Company

Century Casinos, Inc. is publicly traded on the NASDAQ under the symbol “CNTY”. The Company is authorized to issue 70,000,000 shares of stock, consisting of 50,000,000 shares of common stock and 20,000,000 of preferred stock. As of January 31, 2023, Century Casinos, Inc. reported that it had 29,870,547 shares of common stock and no shares of preferred stock

outstanding, and the following individuals and entities held a 5% or greater ownership interest in the Company:

- Royce Investment Partners – 2,614,163 shares owned (8.8%);
- Janus Henderson Investors – 2,153,906 shares owned (7.2%);
- Peter Hoetzing – 1,747,103 shares owned (5.8%);
- Erwin Haitzmann – 1,725,751 shares owned (5.8%);
- AWM Investment Company, Inc. – 1,644,037 shares owned (5.5%); and
- BlackRock, Inc. – 1,600,539 shares owned (5.4%).

Royce Investment Partners, Janus Henderson Investors, AWM Investment Company, Inc. and BlackRock, Inc. are all institutional investors and have either previously been granted an institutional investor waiver by the Commission or have filed an Institutional Investor Waiver Application Form with the Commission in connection with the proposed acquisition. Mr. Peter Hoetzing and Mr. Erwin Haitzmann have both filed a Principal Employee License Application with the Commission.

ACQUISITIONS RESULTING IN CENTURY ACQUIRING ROCKY GAP CASINO RESORT OPERATIONS

Acquisition of Rocky Gap Casino Resort

On August 24, 2022, Century entered into a definitive agreement with Lakes Maryland Development, LLC, Golden Entertainment, Inc. and VICI PropCo to acquire the operations of Rocky Gap Casino Resort for all cash consideration of \$56.1 million. The Company will fund the acquisition using available cash reserves. Simultaneous with the closing of the transaction, VICI will acquire the real estate assets of Rocky Gap for \$203.9 million, and Century will amend its existing master lease agreement with VICI to add the Rocky Gap property. The amendment to the lease will provide for an initial annual rent for the Rocky Gap Casino Resort of \$15.5 million, and

extend the master lease term for 15 years from the date of the amendment. The Company believes that there is potential to expand the Rocky Gap casino and hotel and attract customers from adjacent markets. Additionally, Century will have the opportunity to partner with a sports betting operator in Maryland to bring sports betting to the Rocky Gap Casino Resort.

Acquisition of Nugget Casino Resort

On February 22, 2022, Century Casinos, Inc. purchased 50% of the membership interest in Smooth Bourbon, LLC for \$95 million, and 100% of the membership interest in Nugget Sparks, LLC for \$100 million from Marnell Gaming, LLC.

Financial Summary

Century Casinos, Inc.'s overall operating performance during the review period was marginal. The Company realized a small net profit in calendar year 2018 before incurring losses of \$67.2 million in 2019 and 2020, due mainly to the adverse impact of the COVID-19 pandemic and one-time asset impairment charges. As operations returned to normal post-pandemic, the Company realized profits of \$20.6 million in calendar year 2021 and \$8.0 million in 2022. The Company has continued to pursue business expansion opportunities in recent years which has driven revenue growth and a return to profitability. Although Century Casinos, Inc. has relied partially on proceeds from long-term debt to fund its business growth, its financial condition is sound and has remained so throughout the review period. The Company appears to be managing its long-term debt, and it does not appear that related interest charges are placing an undue burden on its operating results. Additionally, Century Casinos, Inc. generates substantial cash flows from operations annually which have been used to spur business growth and satisfy its capital demands.

Century Casinos, Inc.'s independent auditors have not expressed any concerns with its financial condition, results of operations or continuation as a going concern, and the Company's financial ratios and margins are generally sound and compare favorably with those of its competitors. The Company had substantial cash reserves of \$202.1 million as of December 31, 2022, as well as borrowing capacity available under its credit agreement with Goldman Sachs should the need arise in the future. There are no financial concerns with the licensure of Century Maryland Acquisition, Inc. as a Video Lottery Operator or with Century Casinos, Inc. as a Principal Entity.

FINDINGS

The MLGCA conducted a complete and thorough background investigation as authorized under the Gaming Law by analyzing corporate records and documents, scrutinizing the business operations, practices, and transactions of Century Maryland Acquisition, Inc. and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability. MLGCA 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 §§ 9-1A-07(c)(7), and 9-1A-08(d) are summarized as follows:

1) Financial stability, integrity and responsibility, SG § 9-1A-07(c)(7)(i).

A comprehensive review was conducted of all of the consolidated financial statements for the last five years. The Applicant satisfies the standards for financial stability, integrity and responsibility. MLGCA also concludes that the individual qualifiers (principals) satisfy the Gaming Law's qualification criteria in connection with the proposed acquisition and the Applicant's Operation License Application.

2) Integrity of financial backers, investors, mortgages, bondholders, and other holders of indebtedness, SG § 9-1A-07(c)(7)(ii).

Century Maryland Acquisition Inc. has obtained a funding commitment from its parent company who has commitments from several financial backers sufficient to adequately fund the proposed acquisition. Based on our review, there are no material issues involving the known financial backers of the Applicant.

3) Good character, honesty, and integrity, SG § 9-1A-07(c)(7)(iii).

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.

4) Sufficient business ability and experience, SG § 9-1A-07(c)(7)(iv).

Century Maryland Acquisition Inc. is a direct, wholly-owned subsidiary of Century Casinos, Inc. which owns and operates eight casinos and racetracks in the United States and Canada. The Applicant clearly possesses the requisite business ability and experience.

5) Potential Disqualifying factors, SG § 9-1A-08(d).

Staff did not find that the Applicant or its individual Principals are mandatorily disqualified under any of the factors listed in SG § 9-1A-08(d). Staff therefore believes that Century Maryland Acquisition Inc. meets applicable qualification criteria for an operator license as set forth in the Gaming Law.

APPLICANT AND PRINCIPAL ENTITIES

Century Maryland Acquisition Inc., a newly-created entity that is a direct and wholly owned subsidiary of Century Casinos, Inc. and their principal entities satisfy the applicable qualification criteria under SG § 9-1A-07(c)(7), and are not disqualified under SG § 9-1A-08(d).

PRINCIPAL QUALIFIERS

We identified the following individuals as person qualifiers (“Principals”) who are associated with the Applicant. Each has submitted a Principal Employee License Application to the Commission.

1. Eduard Berger - Director
2. Dinah Corbaci - Director
3. Erwin Haitzmann - Chief Executive Officer
4. Peter Hoetzing - Chief Executive Officer
5. Nicholas Muscari - Chief Information Officer
6. Gottfried Schellmann - Director
7. Margaret Stapleton - Chief Financial Officer
8. Andreas Terler – Executive Vice President
9. Timothy Wright - Chief Accounting Officer

Staff concludes that they meet the applicable qualification criteria under SG § 9-1A-07(c), and are not mandatorily excluded under SG § 9-1A-08(d).

CONCLUSION AND RECOMMENDATIONS

MLGCA Staff’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 §§ 9-1A-07(c)(7) and 9-1A-08(d), we conclude that the Applicant and its principals have proven, by clear and convincing evidence, the applicable qualification and licensing criteria under the Gaming Law. Staff also recommends that the Commission approve the proposed acquisition of Rocky Gap Casino Resorts by Century Maryland Acquisition Inc. as consistent with the requirements of the Gaming Law. Further, Staff recommends that the Applicant is qualified for an operation license under the Gaming Law.