
MARYLAND LOTTERY and GAMING CONTROL COMMISSION

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

COMMISSION REPORT



Interblock USA L.C.

MANUFACTURER LICENSE RENEWAL APPLICANT

Report Date: June 9, 2023

EXECUTIVE SUMMARY

INTRODUCTION

Role of the Maryland Lottery and Gaming Control Commission (“Commission”)

As a prerequisite to being eligible for a video lottery facility manufacturer license (“manufacturer license”), an applicant must submit a Manufacturer License Application to the Maryland Lottery and Gaming Control Commission (“the Commission”). The applicant must prove to the Commission, by clear and convincing evidence, that it meets the qualification criteria set forth in State Gov’t (“SG”) § 9-1A-01, *et seq.* (“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.

Requirements for qualification include: (1) applicant’s financial stability and integrity; (2) integrity of any financial backers related to the application; (3) applicant’s good character, honesty, and integrity; (4) applicant’s business ability; and (5) whether there are any mandatory disqualifiers that prevent the applicant from proving its qualifications by clear and convincing evidence. The Commission cannot issue a license unless it determines that the applicant is qualified.

The Regulatory Licensing and Investigations Division of the Maryland Lottery and Gaming Control Agency (“MLGA”, “we” or “our”) conducts the required background investigation of an applicant’s qualifications. A report of the background investigation is provided to the Commission to assist it in determining whether the applicant described in this Report has proven that it is qualified.

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The full report is confidential, and is available to the Commission on the Agency's shared drive. The Executive Summary that will be presented by Staff at the Commission meeting is a public document, which will be provided in the Commission packets, and is also available on the Agency website with other Commission meeting documents.

MLGCA conducted a suitability background license investigation of Interblock USA L.C. ("Applicant", "Interblock USA" or "the Company") in connection with its application for the renewal of its manufacturer license. Interblock USA was last approved for a manufacturer license by the Commission on October 26, 2017. The Company has maintained its manufacturer license in good standing and has not been subject to any disciplinary sanctions by the Commission.

Background

Interblock USA L.C. was formed in Nevada on May 15, 2002, and has its headquarters in, Las Vegas, Nevada. The Company distributes Interblock's luxury electronic table gaming products primarily across North America and the Caribbean through sale and lease agreements. The Company is licensed by numerous state gaming authorities and tribal agencies and commissions throughout the United States, as well as internationally in Canada and the Bahamas.

Ownership of Applicant

Interblock USA L.C. is a wholly-owned subsidiary of Interblock Luxury Gaming Products, LLC. Interblock Luxury Gaming Products is a private company doing business under the name Interblock d.o.o. (the "Parent"). On June 3, 2022, IB OCM VoteCo ("VoteCo") purchased 100% of the shares of

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Interblock d.d. and the company name was changed to Interblock d.o.o. The economic interests of Interblock d.o.o. are held by OCM Luxembourg Baccarat Bidco S.à.r.l. (“NonVoteCo”) and the voting interests are held by VoteCo. On May 26, 2022, the Commission found that NonVoteCo meets the qualification requirements of the Gaming Law; that the transaction was consistent with the policies and intent of SG § 9-1A-18; that NonVoteCo established by clear and convincing evidence its qualifications as a Principal Entity; and approved the proposed acquisition as being consistent with the Gaming Law.

NonVoteCo is an indirect subsidiary of the Oaktree Situations Fund II, L.P., a private equity fund managed by Oaktree Capital Management, L.P., an investment advisory firm registered with the United States Securities and Exchange Commission. IB OCM VoteCo is equally owned by Matthew Wilson, Jordan Kruse and David Quick.

Interblock USA L.C. has submitted a Gaming Manufacturer License Renewal Application and Interblock Luxury Gaming Products, LLC has submitted a Principal Entity Disclosure Form with the Maryland Lottery and Gaming Control Commission. The Principal Entity Disclosure Forms of OCM Luxembourg Baccarat Bidco S.à.r.l, Oaktree Capital Management, L.P. and IB OCM VoteCo were previously approved by the Commission. Matthew Wilson, Jordon Kruse and David Quick are each currently licensed as a Principal Employee by the Commission.

FINANCIAL PERFORMANCE

We performed a detailed analysis of Interblock USA’s audited financial statements for the period of January 1, 2018 through December 31, 2022. Interblock USA L.C.’s overall operating performance reflected weaknesses during the five-year review period. Specifically, the Company has expanded

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but has maintained high degrees of operating costs annually as its operations require significant investments of capital to meet its working capital demands and maintain necessary levels of fixed assets. In addition, the Company carries significant levels of inventory with low turnover and has experienced costs for the write-off of inventory and the impairment of lease assets. Interblock USA has generated net losses totaling \$31.3 million during the five-year period and is highly leveraged. As a result, the Company's interest expense has also had an adverse impact on its operating results. Consequently, the Company is somewhat reliant on contributions and long-term borrowing from its Parent to fund its capital and operational needs. This is important as the Parent, Interblock d.o.o., has struggled with generating positive operating cash flows and controlling cost overall, and is also currently highly leveraged.

Despite the weaknesses in operating performance and liquidity during the five-year period, the Company's financial condition is generally sound and there is no indication that Interblock USA, L.C. is currently experiencing any significant financial distress. The Company has significantly increased revenue in recent years and has expanded its leasing operations. The Company has also made additional investments in property, equipment and leased assets which has benefited its revenue growth in the recent past. The Company's credit report is favorable and Interblock USA's auditors have not expressed any concerns with the Company's operations, financial condition or continuation as a going concern. However, an annual review of Interblock USA's and its Parent's operating performance and financial condition is recommended. There are no concerns with Interblock USA's re-licensure as a Gaming Manufacturer or with Interblock Luxury Gaming Products, LLC, doing business as Interblock d.o.o., 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 Interblock USA L.C., 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), 9-1A-08(d), and 9-1A-15 are summarized as follows:

1) Financial stability, integrity and responsibility

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 in connection with the manufacturer license renewal application.

2) Integrity of financial backers, investors, mortgages, bondholders, and other holders of indebtedness

Based on our review, there are no material issues involving the known financial backers of the Applicant.

3) Good character, honesty, and integrity

MLGCA found that the Applicant possesses the requisite good character, honesty and integrity.

4) Sufficient business ability and experience

The Applicant clearly possesses the requisite business ability and experience.

5) Potential Disqualifying factors

The Applicant is not disqualified from being issued a manufacturer license based on any of the criteria listed in SG § 9-1A-08(d). The Applicant is qualified to be awarded a license by the Commission.

APPLICANT

The Applicant satisfies the applicable qualification criteria under SG § 9-1A-07(c)(7), and is not disqualified under SG § 9-1A-08(d).

CONCLUSION AND OPINION

MLGCA’s investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant’s qualifications. MLGCA has not found any disqualifying factors that would preclude the Applicant from being issued a manufacturer license. MLGCA recommends annual review of Interblock USA and its Parent’s operating performance and financial condition. Based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d), we conclude that the Applicant has established by clear and convincing evidence the qualifications required for the renewal of its manufacturer license.