

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION APRIL REVISED MINUTES

- DATE:** April 27, 2023
Revised/Approved at Commission Meeting on July 27, 2023
- TIME:** 10:00 a.m.
- PLACE:** Maryland Lottery and Gaming Headquarters
Studio in person and via video conference call
- PRESENT:** Chair E. Randolph Marriner
Vice Chair George L. Doetsch, Jr.
Commissioner F. Vernon Boozer
Commissioner Diane M. Croghan (via video conference)
Commissioner Harold E. Hodges (via video conference)
Commissioner James J. Stakem
Commissioner Jerry Williams (via video conference)
- John Martin, Director
James Nielsen, Deputy Director, Chief Operating Officer
James Butler, Assistant Deputy Director, Chief of Staff
Michael Eaton, Director of Audit and Regulatory Compliance, Gaming
John Mooney, Managing Director, Regulatory Oversight
Solomon Ramsey, Managing Director, Sales and Marketing
Paula Yocum, Managing Director, Chief Financial Officer
Holly Citko, Principal Counsel, Attorney General's Office
Jennifer Tosky, Deputy Counsel, Attorney General's Office
Kathy Lingo, Executive Assistant
- OTHERS:** Representative from Hollywood Casino Perryville
Representative from Ocean Downs Casino
Representative from Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Representative from MGM National Harbor
Representatives from Queen Sportsbook Maryland, LLC
Representatives from Century Maryland Acquisition Inc.
MLGCA Licensing Staff

QUORUM ESTABLISHED

Chair Marriner announced that there was a quorum present for the meeting. Also present in person were: Vice Chair George Doetsch, and Commissioners Vernon Boozer, and James Stakem; present via video conference were: Commissioners Diane Croghan, Harold Hodges, and Jerry Williams.

CALL TO ORDER

Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:00 a.m.

APPROVAL OF THE REVISED AGENDA

Chair Marriner reported that the Commissioners were provided with a copy of the revised agenda. Chair Marriner asked for a motion to approve the revised agenda. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

APPROVAL OF THE MINUTES

Chair Marriner asked if there were any changes to the minutes of the March 23, 2023, Open Session. There being none, he asked for a motion to approve the minutes. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains five new instant ticket games for the Commission's approval: #648 (\$2) *Ravens*; #649 (\$5) *Ravens*; #650 (\$10) *\$100,000 Crossword 7th Edition*; #651 (\$10) *Bonus Bucks*; EGD Games and Component Testing - Certified Lab Software, Hardware and Game Certifications: VLTs, Table Game Components, Instant Bingo Machines, Sports Wagering Systems and Kiosks (3/10/23 - 4/6/23); Consent Agreements for Regulatory Violations - Hollywood Casino - December 2022 and January 2023; Horseshoe Casino - December 2022; Live! Casino - December 2022; MGM National Harbor - November 2022; and Ocean Downs Casino - November 2022; Rocky Gap Casino - December 2022 (Amended); Consent Agreements for Underage Violations - Horseshoe Casino - Case Nos. 2022-05-007 to - 010; Gaming License Application Denials/Revocations; and Staff Reports from James Nielsen, Deputy Director, Chief Operating Officer; James Butler, Assistant Deputy Director, Chief of Staff; Michael Eaton, Director of Audit and Regulatory Compliance, Gaming; John Mooney, Managing Director, Regulatory Oversight; Solomon Ramsey, Managing Director, Sales and Marketing; Paula Yocum, Managing Director, Chief Financial Officer; Seth Elkin, Acting Managing Director, Communications; and Holly Citko, Principal Counsel, Office of the Attorney General.

Chair Marriner asked if any Commissioners cared to pull any items out of the Consent Agenda. There being no discussion or requests, Chair Marriner asked for a motion to approve the consent agenda. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

OPERATOR REPORTS

Hollywood Casino

Ms. Amy Brennan, General Manager, reported that gaming revenue in March was down 10%, primarily in slots and sportsbook due to a record setting quarter last year. There has been an increase in free play this quarter, and there was no loyalty program last year so that is the biggest impact in comparison to last year. Table games were up 12% and poker was up 15%. April has been a softer month, down 16% as of this date in all segments except poker, with revenue and hold down year-over-year. In March, Hollywood Casino had VIP segments that were up 6% year-over-year. The casino has offered multiple promotions and giveaways. The Battle of Bands was held in Barstool with the winner receiving \$5,000 cash, an interview with a local rock radio station, and six live performances at Barstool. The Celebrity Drag brunch in April was a success and will be returning in June. Hollywood continues to have a variety of engagement efforts for team members, including a first ever quarterly service bonus for exceeding goals of \$100 to each full-time team member and \$75 to each part-time team members. The casino rolled out a monthly recognition program for five team members going above and beyond, each receiving a bonus of \$250 and special designated parking space for the month. In the community, the casino provided gift baskets to various organizations for silent auctions for their events. Hollywood hosted the MARG meeting on April 26, 2023.

At 10:03 a.m. during the report from Hollywood Casino, Commissioner Hodges turned his camera off. It remained off through John Martin's Director's Report.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that she was attending virtually because the casino team members would be attending a memorial service for one of their former team members. Overall, slots and table games were up 4.1% year-over-year, primarily in slots, up 4.8%, with an increase of coin in up 4.8% while hold was flat. Table games were down 1.6%, drop was down 3.5%, and hold was down 2 points compared to prior year. Sportsbook was \$1.3 million, up almost 19% year-over-year, with taxable win at \$153,000 down 10.7% compared to last year at 13.9%. April was a soft month compared to a good April last year, which was up 7.1% over April 2021. Ocean Downs has multiple promotions going on in April. Wednesday Blackjack tournaments continue. In the community for March, the casino sold shamrocks to raise money for Worcester County Warriors Against Addiction, raising over \$18,000. The casino will host The Real Difference Cause for Play tournament event next weekend. Over 80 team members were nominated for the casino's Starfish Awards. Ms. Sample implemented a new program - Coffee with the General Manager - so that team members could talk to the GM about ideas and concerns, and will be held monthly in all months except those with Town Hall meetings.

Live! Casino

Mr. Ryan Eller, General Manager, reported that March gaming revenue was \$64.1 million, up .8%. Slot machine revenue was \$ 45.3 million, up 5.8% with table games and poker at \$18.9 million, down 2.3% year-over-year. Retail sportsbook lost \$100K, with handle up from February 2023, offset by strength in online business. The casino held a bridal expo and several concerts, with 15,000 guests and attendees in the Hall for the month of March. Live! held a problem gambling awareness event, with quizzes and prizes to employees, and hosted the Maryland Center of Excellence for a day of learning. In honor of Women's History month, Live! spotlighted team

members in honor of that month. In the community, Live! engaged in a variety of sponsorship activities and volunteered at Sarah's House.

Rocky Gap Casino

Mr. Brian Kurtz, General Manager, reported that gaming revenue was down 4.7% year-over-year. Slot machine revenue was down 2%, with flat hold, while table game revenue was down with a 3 point decline in hold, and coin in down 10%, also noting it was a rough month for table games. Visitation to the property was up 6 points in the hotel. Rocky Gap had several promotions and events in the month of March. In the community, the casino sponsored a 60-day food drive with the Western Maryland Food Bank, offering free slot play for those making donations. The casino donated \$5,000 to the Hooley Plunge, with 10 team members actually participating in the plunge. Rocky Gap offered team members of the month the opportunity to meet with the General Manager, Assistant General Manager and the Director of Human Resources to provide feedback and also receive a \$100 gift card. The casino held a MARG meeting on March 28. In April, Rocky Gap is focusing on table games with an event at the 1812 Brewery, providing transportation to and from the casino. In May, Rocky Gap will hold its 10-year anniversary celebration, which will include a Journey tribute band and fireworks. The spa on the property was refreshed in April and has a nicer appearance. Mr. Kurtz said the casino is in partnership with Wheels Up Adventure, a local vendor, to handle outdoor activities on the property. Last weekend, the casino welcomed the Governor and Lieutenant Governor for a tour.

Horseshoe Casino

Mr. Randy Conroy, Vice President and General Manager, reported that in March slot machine revenue was \$12.4 million, table game revenue was \$5.7 million and sports wagering was \$184,000, which was affected by mobile sports wagering. Horseshoe had a promotion in which patrons collected fun Monopoly-style series that included a car give-away. No one drew the car piece which resulted in a drawing for a Chevy Blazer. April had the casino's tier renewals celebrating the 4 levels in its rewards program. In the community, the casino held two clean-up events for the area around the casino. The casino supported two organizations, Movable Feast which provides meals for seniors by donating \$10,000 to the organization, and the casino also donated \$10,000 to an event for Cystic Fibrosis. The casino held hiring events using multiple media outlets to get information out about hiring. Horseshoe celebrated 6 team members for the first quarter of the year with the casino's Legends Club recognizing team members who do a fantastic job, with each receiving a pin, plaque, parking and \$500 cash. At the end of the year, the casino will award the Founders Award winner who will be selected among the Legends Club award winners. The casino has been holding raffles for Orioles tickets.

MGM National Harbor

Mr. Jeffrey Shrader, Vice President, Legal Counsel, reported that gaming revenue was up 7%, with table game revenue up 10%, and slot machine revenue up 5%, poker revenue was up 12%, year-over-year and had a 14.6% hold. The casino held several promotions, including a continuity gift series and a scratch-it rich kiosk game. MGM National Harbor had a tiered wheel of winners' kiosk event. The restaurants have continued to hold promotions. The new gaming space is now fully opened and operational. Entertainment over the last month included two K-POP acts, Dream Catcher, CIX and Bill Bellamy. In the community team members volunteered at a local food bank, provided business coaching for students at a local high school, and participated in park and shore clean-up efforts at Oxon Hill Park.

DIRECTOR'S REPORT

Director's Report — John Martin, Director

Director Martin reported that March was a good month in lottery which was up in most gaming categories year-over-year. March was Problem Gambling Awareness month. With March Madness geared toward spring, and an influx of tax return dollars, it does not minimize efforts made by the Lottery regarding gambling awareness. Overall, year-to-date lottery sales are up 5.2%, with profit up 8.1%. On the casino side, total for all casinos was \$176.5 million. Casino revenue is 4.2% ahead of last year, and casino contributions are 2.7% ahead of last year. In sports wagering, retail and mobile are up to nearly \$2 billion in total handle, and total contributions to the State are nearly \$14 million. March was the best sports wagering month to date, over \$5.3 million with numbers that may not be seen again for several months - especially during summer season - until football season starts in the Fall.

Following John Martin's Director Report and prior to the start of the Commission Action Items, at 10:30 a.m., Holly Citko, Principal Counsel for the Attorney General's Office, informed Chair Marriner that all commissioners on Zoom must have their cameras turned on during this portion of the meeting. Chair Marriner requested Commissioner Hodges turn his camera on. Commissioner Hodges stated he was having technical issues with the camera and would turn it on when able.

COMMISSION ACTION ITEMS

Director – John Martin

Commission Action Item – Approval to Apply for Membership into the Multi-State Lottery Association

Director Martin reported that in accordance with State Government § 9-111(b), Annotated Code of Maryland, MLGCA seeks approval to apply for membership into the Multi-State Lottery Association ("MUSL") and enter into multijurisdictional agreements. In order to accomplish this, MLGCA will provide its intent to withdraw from the Mega Millions Consortium and seek a waiver of its 12-month notice requirement. Joining MUSL will decrease MLGCA Staff responsibilities, freeing them to do other important work.

Approving this change of membership will not affect the MLGCA's ability to sell Mega Millions. Cross-selling of national jackpot games started in January 2010, so this change would be transparent to Maryland lottery players. There are costs associated with joining MUSL; however, that amount will be paid from MLGCA's existing appropriations by finding efficiencies in other budgeted areas. MLGCA is seeking to withdraw from the Mega Millions Consortium in part due to the efficiencies gained by joining MUSL and due to the support and collaboration that MUSL's organization would provide MLGCA. Additionally, MUSL has shown the fortitude and flexibility to get changes made to games in an efficient manner.

Commissioner Hodges turned his camera back on at 10:33 a.m., prior to the vote on this Commission action item taking place. Commissioner Hodge's camera stayed on through the remainder of the meeting.

Chair Marriner asked if there were any questions from the commission. Commissioner Croghan asked Director Martin to elaborate on the efficiency mentioned and freeing up staff. Director Martin explained the Mega Millions structure, noting that each State, of which there are 10, has some burden to maintain the organization and integrity of the Consortium. Under MUSL, there is already an infrastructure in place where MUSL staff handles everything, from legal, administrative, and financial requirements. By moving to MUSL, it will relieve burden on the Agency and staff.

Chair Marriner asked for a motion to approve the move to MUSL and allow the Director of the MLGCA to withdraw the MLGCA from the Mega Millions Consortium and apply for membership in MUSL and enter into multijurisdictional agreements consistent with all applicable statutes and regulations of the State of Maryland. Vice Chair Doetsch motioned to approve, Commissioner Williams seconded, the motion passed 6-1, with Commissioner Hodges opposed.

Deputy Director, Chief Operating Officer — James Nielsen

Commission Action Item — 2022 Promotional Play Report – Casinos

Mr. Nielsen reported that in accordance with COMAR 36.03.10.36G, each facility operator is required to submit a report of its use of free promotional play during the prior fiscal year and recommend any adjustment to the limitation on free promotional play established in regulation. Regulation COMAR 36.03.10.36F states that each facility operator may exclude from taxable proceeds an amount not to exceed 20% of proceeds the facility generated in the prior full fiscal year. Staff recommends leaving the rate at 20%.

Chair Marriner asked to confirm that the rate is currently (20%), and historically only 13.7% has been used. Mr. Nielsen said the cap is 20%, but most casinos use less than that. There were no further questions.

Chair Marriner asked for a motion to direct staff to take no action and leave the rate at 20% of the prior fiscal year's total taxable proceeds. Vice Chair Doetsch motioned to approve, Commissioner Williams seconded, and the motion was approved unanimously.

Commission Action Item — 2022 Promotional Play Report – Sports Wagering

Mr. Nielsen reported that similar to casinos, in accordance with COMAR 36.10.13.39G, each sports wagering licensee is required to submit a report of its use of free promotional play during the prior fiscal year and recommend any adjustment to the limitation on free promotional play established in regulation. Regulation COMAR 36.10.13.39F states that through the first full fiscal year of each sports wagering licensee's operations, a licensee's proceeds exclude all free promotional play issued by the licensee and used by bettors to make a sports wager. After the first full fiscal year of a sports wagering licensee's operations, free promotional play issued by the licensee and used by bettors to make sports wagers may not exceed a percentage of the licensee's proceeds received in the prior fiscal year, currently 20% of the total sports wagering proceeds that the sports wagering licensee generated in the prior fiscal year. This goes into effect only after the licensee has been in operation for an entire fiscal year. So, right now since none of the mobile licensees have been in operation for an entire fiscal year, they are not subject to a limitation. None of the licensees have requested a change at this time. Staff recommends the Commission take no action and leave the rate at 20%.

Chair Marriner confirmed that they would do this annually and then he asked if there were any questions from the Commission. There were no questions.

Chair Marriner asked for a motion to direct staff to take no action and leave the rate at 20% of the prior fiscal year's total taxable proceeds. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was approved unanimously.

Managing Director, Regulatory Oversight — John Mooney

Qualification Hearings

Chair Marriner stated that the Commission would conduct two qualification hearings: (1) for Century Maryland Acquisition Inc., qualification and acquisition of a license to operate Rocky Gap Casino; and (2) Queen Sportsbook for an Online Sports Wagering License and a Mobile Sports Wagering License. Chair Marriner said he would collectively administer the oath to anyone who may testify or answer questions in any of the hearings. Mr. Mooney will then conduct hearings for the Applicants and describe the results of MLGCA's investigation into the Applicants. Chair Marriner then outlined the procedures.

Chair Marriner then collectively administered the oath to all individuals who may testify or answer questions. This was for Agency Staff who worked on these matters, and any representatives of an Applicant who are present for the hearing. Sworn in were MLGCA staff: John Mooney, Phil Metz, Mike Pfisterer, Mark Ermer, and David Robinson; and representatives from Century Maryland Acquisitions Inc. – Margaret Stapleton, Erwin Haitzmann, and Andreas Terler; and representatives from Queen Sportsbook Maryland, LLC – William Vandersand, Secretary and General Counsel; and Robert Ruben, attorney representative for both applicants.

Commission Action Item – Century Casinos, Inc. – Casino Operator Applicant – Purchase of Rocky Gap Casino

For this first hearing, the Commission must determine (1) whether Century Casinos, Inc. meets the qualification requirements in the Gaming Law for a video lottery operation license, and if so (2) whether the license transfer is consistent with the policies and intent of the Gaming Law. Currently, (i) Evitts Resort, LLC holds the video lottery operation license for Rocky Gap Casino Resort in Rocky Gap State Park, Allegany County; (ii) Lakes Maryland Development, LLC owns 100% of Evitts; and (iii) Golden Entertainment, Inc. owns 100% of Lakes Maryland.

Mr. Mooney reported that on August 24, 2022, the Agency received notification of an agreement between the current licensee and Century Maryland Acquisition Inc., by which Century would acquire the license to operate Rocky Gap Casino. As a result, Century Maryland Acquisition, Inc. will be required to be added to the Video Lottery Operation License along with Evitts Resort, LLC. The Commission must determine (1) whether Century meets the qualification requirements for a video lottery operation license, and (2) whether the license transfer is consistent with the policies and intent of sections 9-1A-18 and 9-1A-19 of the Gaming Law. If the Commission finds in the affirmative for these requirements, upon the transaction closing, Century will assume the remaining term of the existing operation license for Rocky Gap.

Century Maryland Acquisition Inc. submitted to the Commission a Video Lottery Operation License Application for the license transfer, and Century Casinos, Inc. submitted a Principal Entity Disclosure Form.

Century Maryland Acquisition, Inc. was incorporated in Delaware on September 8, 2022 for the purpose of acquiring the Rocky Gap license and operating Rocky Gap Casino. 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. The Company has a two-thirds controlling interest in Casinos Poland Ltd., which operates eight

casinos throughout Poland. Additionally, the Company has partnered with sports betting operators to conduct retail sports wagering in Colorado and internet and mobile interactive gaming in West Virginia.

The Company was incorporated in Delaware on May 23, 1994 and has its principal offices located in Colorado Springs, Colorado. The Company'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.

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.

Mr. Mooney summarized the stock information and investor information for Century Maryland Acquisition, Inc. He reported that 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. The transaction will close when:

1) VICI acquires 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; and

2) The amended lease with DNR is approved by the Board of Public Works.

The Commission will issue the Applicant's operation license when the Applicant notifies the Commission that the transaction closed.

Mr. Mooney stated that the Company'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 \$21.8 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 the Company 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, the Company generates substantial cash flows from operations annually which have been used to spur business growth and satisfy its capital demands.

The Company'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. Additionally, there are no financial concerns with the qualification of Century Maryland Acquisition, Inc. or Century Casinos, Inc.

The Agency 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 qualification criteria requiring integrity and financial stability. MLGCA adhered to well-defined and approved investigative protocols in assembling the factual information and concluded that Century Maryland Acquisition Inc. satisfies the standards for financial stability, integrity and responsibility, that the principals satisfy the Gaming Law's qualification criteria in connection with the proposed acquisition and the Applicant's Operation License Application, has obtained a funding commitment from its parent Company, which has commitments from several financial backers to adequately fund the proposed acquisition. The Agency's review found no material issues involving the Applicant's known financial backers. Century Maryland Acquisition Inc. possesses the requisite good character, honesty and integrity. No significant issues surfaced concerning the qualifications of the Applicant or its principals or principal entities. 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.

MLGCA Staff did not find that the Applicant or its individual Principals are mandatorily disqualified under SG § 9-1A-08(d). Staff believes that Century Maryland Acquisition Inc. meets applicable qualification criteria for a video lottery operation license as set forth in the Gaming Law.

The Agency identified Eduard Berger, Dinah Corbaci, Erwin Haitzmann, Peter Hoetzing, Nicholas Muscari, Gottfried Schellmann, Margaret Stapleton, Andreas Terler, and Timothy Wright as principals associated with the Applicant. Each has submitted a Principal Employee License Application to the Commission. MLGCA concludes that they each meet the applicable qualification criteria under SG § 9-1A-07(c), and are not disqualified.

Agency Staff's investigation 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), the Agency recommends the Commission find Century Maryland Acquisition, Inc. has established, by clear and convincing evidence, that it is qualified for a video lottery operation license, and that the transfer of the Rocky Gap license from the current licensee to Century Maryland Acquisition, Inc. is consistent with the policies and intent of the Gaming Law. Additionally, we ask that the Commission authorize Staff to transfer the operation license to the Applicant, after the Applicant notifies Staff that the transaction has closed.

Chair Marriner asked if anyone from Century Maryland Acquisitions, Inc. wished to speak. Mr. Haitzmann stated that Century Casinos, Inc. has casinos all over. On behalf of the Company he thanked the Commission and MLGCA staff who did investigation, and hopes for approval and continuing business with MLGCA. Mr. Robert Ruben stated he had nothing to add, and was available to answer any questions.

Commissioner Hodges thanked Mr. Mooney for the presentation, and asked what leverage ratios were looked at for Century Casino's long-term debt to finance the operation.

Mr. Mark Ermer, Manager of Financial Investigations stated that Century Casino, Inc. borrowed approximately \$300 million to partially fund their acquisitions and for expansion of existing properties. The leverage ratios were not good, but once paid down and with improvement to operations, the ratios will improve over time.

Commissioner Hodges inquired about the amount of the Goldman Sachs line of credit. Mr. Ermer said it was \$350 million, but the full amount has not been borrowed so there is additional borrowing capacity. There is also a revolving credit facility that has not been tapped into with Goldman Sachs

Commissioner Hodges questioned if Century Casino would be the primary owner of license. Mr. Ruben stated that Century Maryland is a new entity owned by Century Casinos and is acquiring 100% of the equity. Century Casino will continue to hold the license, so Century Casino will

control it.

Commissioner Hodges stated he had additional concerns that with Century Casino's plan to continue to expand and buy other properties, what Goldman Sachs saw to give it such leeway, as it is not a good story for stock holders.

Mr. Ruben stated he would be turning that response over to the representatives from Century and wished to remind the Commission that as a publicly traded company they are not allowed in this forum to discuss non-public information. Mr. Haitzmann asked Ms. Stapleton to talk about the leverage ratios. Ms. Stapleton noted that Century Casino has grown exponentially, buying multiple casinos, having just closed a transaction in Nevada, and that money borrowed is primarily from those acquisitions at this point, with balance sheet cash being used to pay down debt. The Nugget transaction had paid interest on \$100 million loan debt which sat on the balance sheet until it closed the transaction. Now that the Nugget transaction has closed, it changes the financial profile of the Company.

Mr. Ruben asked Ms. Stapleton to state her title for the Commissioners. Ms. Stapleton said she is the Chief Financial Officer for the Company.

Commissioner Hodges said usually when companies take out loans, there are a series of covenant ratios. Did MLGCA Staff know if the Company met the covenants, or is there a risk at not doing so? Mr. Ermer stated there were no issues with the covenants or failing to meet them. There was a limited number of financial covenants with the Goldman Sachs loan and the Company is in compliance as of December 31, 2022. There are no issues with adhering to the other restrictive covenants.

Mr. Mooney noted that in 13 years of regulating casinos, every casino has increased its footprint either nationally or internationally, and continue to buy more properties.

Chair Marriner asked for a motion to find that Century Maryland Acquisition, Inc. has established, by clear and convincing evidence, that it is qualified for a Video Lottery Operation License. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was approved unanimously.

Recognizing that Evitts Resort, LLC will maintain a video lottery operation license after the closing of the transaction and Century Maryland Acquisition Inc. will be added to the Video Lottery Operation License along with Evitts Resort LLC. Chair Marriner asked for a motion to find that the proposed transfer of ownership of Rocky Gap Casino operations in Allegany County, to Century Maryland Acquisition Inc. for it to be added to the Video Lottery Operation License along with Evitts Resort, LLC, is consistent with the policies and intent of §§ 9-1A-18 and 9-1A-19 of the Gaming Law. Commissioner Stakem motioned to approve, Vice Chair Doetsch seconded, and the motion was approved unanimously.

Chair Marriner asked for a motion to approve the transfer of the Video Lottery Operation License subject to the closing of the transaction and approval of an amended lease agreement with DNR by the Board of Public Works. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was approved unanimously.

Chair Marriner asked for a motion to delegate to Staff the authority to issue a new Video Lottery Operation License for Rocky Gap Casino showing that Century Maryland Acquisition Inc. and Evitts Resort LLC are both licensees, after the Applicant has notified the Commission that the transaction has closed and that the amended lease with DNR has been approved by the Board of Public Works. Commissioner Stakem motioned to approve, Vice Chair Doetsch seconded, and the motion was approved unanimously.

Chair Marriner asked for a motion to direct Staff to draft the Commission's decision statement for this hearing. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was approved unanimously.

Commission Action Item — Queen Sportsbook Maryland, LLC - Online Sports Wagering Operator License Applicant and Mobile Sports Wagering License Applicant

Mr. Mooney provided the description of the applicant and for which sports wagering-related licenses they are seeking qualification. Mr. Mooney said there would be one qualification hearing: Queen Sportsbook Maryland, LLC is seeking qualification for an Online Sports Wagering Operator License, and a Mobile Sports Wagering License. Today's hearing is for the Commission to determine whether Queen meets license qualification requirements. The Commission's determination will apply to both applications.

To be qualified for any sports wagering-related license, the Applicant must submit the appropriate license application and prove, by clear and convincing evidence, that it meets the qualification criteria in the Sports Wagering Law under SG § 9-1E-07(e) and COMAR 36.10.03.02, and that it is not be disqualified under SG § 9-1E-07(g)(1). These are the same qualification requirements for gaming-related licenses under the Gaming Law.

Additional qualification requirements apply to applicants for certain sports wagering-related licenses:

a) A Mobile Sports Wagering License Applicant must meet the requirements in COMAR 36.10.05; and

b) An Online Sports Wagering Operator License Applicant must meet the requirements in COMAR 36.10.06.02.

If the Commission finds a Mobile Sports Wagering License Applicant qualified, Staff will draft a written decision statement and forward it to the Sports Wagering Application Review Commission (SWARC). SWARC will determine whether to award the qualified applicant a mobile sports wagering license.

If the Commission finds an Online Sports Wagering Operator License Applicant qualified, Staff will draft a decision statement, but will not forward it to SWARC, as online operators are not required to be awarded a SWARC license. Instead, the Agency will work with the operator to ensure it meets all operational requirements prior to issuing the license to begin operating.

Mr. Mooney summarized the publicly available Executive Summary of the MLGCA's investigative report on Queen Sportsbook Maryland, LLC. Queen Sportsbook Maryland LLC was formed in Delaware on October 7, 2022, and has its offices in East Saint Louis, Illinois. The Applicant was formed to hold the mobile and online sports wagering licenses in Maryland, and operates as a subsidiary of The Queen Casino & Entertainment, Inc., the "Company". The Company operates four casinos as well as retail and online sportsbooks, and is currently licensed by state gaming regulatory authorities in Illinois, Iowa and Louisiana.

Queen Sportsbook Maryland LLC is owned 95% by Casino Queen Interactive, LLC which is a wholly-owned subsidiary of the Company (formerly known as CQ Holding Company, Inc.). SG CQ Gaming, LLC is the ultimate parent company and sole owner of the outstanding stock of the Company. SG CQ Gaming was formed in Delaware on June 30, 2019, and Mr. Soohyung Kim holds an indirect majority ownership interest in the Applicant, primarily through his ownership of SG CQ Gaming.

The Applicant submitted an Online Sports Wagering Operator License Application and a Mobile Sports Wagering License Application. SG CQ Gaming, LLC, The Queen Casino & Entertainment, Inc., and Casino Queen Interactive, LLC have each filed a Sports Wagering Principal Entity Disclosure Form, and Mr. Soohyung Kim has submitted a Principal Employee License Application.

In order to operate the online sportsbook, the Applicant is currently evaluating third-party platform providers for servers. The Company will fund the costs necessary to establish the mobile and online sports wagering platforms in Maryland, including the required betting reserve for the sportsbook.

The Agency conducted a complete and thorough background investigation as authorized under the Sports Wagering Law by reviewing the consolidated audited financial statements of CQ Holding Company, Inc. (the predecessor company) for the period from January 1, 2017 to November 27, 2020, and of The Queen Casino & Entertainment, Inc. (the successor company) for the period from November 28, 2020 to December 31, 2021. Staff also reviewed the consolidated unaudited statements of the Company for the calendar year ended December 31, 2022.

Mr. Mooney reported on the Company's overall operating performance and financial condition. The Company's overall operating performance improved over the review period and has allowed the Company to expand its operational footprint. In earlier years, the Company experienced revenue stagnation and high levels of operating costs which provided narrow profit margins. As a result, the Company defaulted on long-term debt in calendar year 2018. However, the Company was restructured in calendar year 2020 and its operating performance has since improved significantly. Queen Casino has grown its revenue while lowering its operating costs, resulting in net profits calendar years 2020 to 2022. In addition, the Company's overall financial condition improved over time with significant growth in both assets and shareholder equity.

Although the Company's operating results and financial condition have improved, it has increased its debt load to expand its business footprint, and thus is somewhat highly leveraged at a high interest rate of 11.9%. This positions the Company as being more susceptible to economic downturns. Despite this, the Company does not appear to be experiencing any financial distress and has substantial cash reserves of \$26.5 million which appear to be sufficient to meet its operational demands for the foreseeable future. Additionally, the Company's financial ratios and margins are comparable to those of its competitors, and the Company's auditors have not expressed any concerns with the Company's operations, financial condition or continuation as a going concern. There are no financial concerns with Queen Sportsbook Maryland, LLC as an Online Sports Wagering Operator Licensee or Mobile Sports Wagering Licensee, with SG CQ Gaming, LLC, The Queen Casino & Entertainment, Inc., or with Casino Queen Interactive LLC as a Sports Wagering Principal Entity.

The Agency analyzed corporate records and documents; scrutinized the business operations, practices, and transactions and conducted interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability. The Agency adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in the Agency's report and found the Applicant to:

- 1) Have financial stability, integrity and responsibility;
- 2) Have no material issues involving the known financial backers;
- 3) Possesses the requisite good character, honesty and integrity;
- 4) Have sufficient business ability and experience; and
- 5) Have no potential disqualifying factors.

The Applicant and its principal entities satisfy the applicable qualification criteria and are not disqualified. Cheryl Ash, Marc A. Nelson, Terrence P. Downey, Timothy L. Stephens, and William J. Vandersand have all been issued Principal Employee Licenses.

Queen Sportsbook Maryland, LLC submitted a completed application for each license it is seeking, and it has submitted adequate proof of bond and paid all required fees. In addition, for the mobile sports wagering license application, the Applicant also submitted an affidavit attesting to the minority- and women-owned interests of the Applicant.

The Agency's investigation has confirmed that the Applicant meets all qualification requirements, and found no derogatory information that disqualify the Applicant. Staff recommends the Commission find that Queen Sportsbook Maryland, LLC has established, by clear and convincing evidence, its qualifications for an Online Sports Wagering Operator License and a Mobile Sports Wagering License.

Chair Marriner asked if any representatives of the Applicant wished to address the Commission. Bill Vandersand had not prepared a presentation but wanted to thank MLGCA staff for their professionalism and hopes to make the process as smooth as possible.

Chair Marriner asked if there were any questions from the Commission.

Commissioner Hodges asked Mr. Mooney for clarification on whether the applicant either in current corporate form or prior form has defaulted on its prior debt. Mr. Mooney confirmed they had. Commissioner Hodges then asked, if someone files bankruptcy, it takes years to be credit worthy, how can we know that this will not happen again going forward. Mr. David Robinson responded that the Company had defaulted on their long-term debt in the past; however, the Company was restructured in 2020 through an institutional private investor. Through that process, the Company was able to expand and improve revenue, generate net profits, as well as through recapitalization of its balance sheet, to have a better financial position. That is the grounds for financial suitability through the improvement over time and recapitalization of the Company and its expansion efforts.

Commissioner Hodges asked about the recapitalization, that must have meant instead of debt they must have had a lot more equity infused into their Company. How much is known about their private investors that were added to this. Mr. Robinson stated that long term debt was paid off through acquisition and the debt was part of the consideration. As far as private investors, they are covered under institutional investor under Standard General LP, and this entity is registered with the SEC as an investment advisor. There are times with private equity structures you may not have all of the information on the private investors, but they are covered under the SEC.

There being no further discussion, Chair Marriner asked for a motion to find that Queen Sportsbook Maryland, LLC has established by clear and convincing evidence that it is qualified for an Online Sports Wagering Operator License. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion passed 6-1, with Commissioner Hodges opposed.

Chair Marriner asked for a motion to direct Staff to draft the Commission's decision statement on the qualification of Queen Sportsbook Maryland, LLC for an Online Sports Wagering Operator License. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion passed 6-1, with Commissioner Hodges opposed.

Chair Marriner then asked if anyone wished to speak on behalf of the Mobile Sports Wagering License for Queens Sportsbook. No one spoke. Chair Marriner asked if any Commissioners had any questions. There were no questions.

Chair Marriner then asked for a motion to find that Queen Sportsbook Maryland, LLC has established by clear and convincing evidence that it is qualified for a Mobile Sports Wagering License. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion passed 6-1, with Commissioner Hodges opposed.

Chair Marriner then asked for a motion to direct Staff to draft the Commission's decision statement on the qualification of Queen Sportsbook Maryland, LLC for a Mobile Sports Wagering License. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion passed 6-1, with Commissioner Hodges opposed.

Chair Marriner asked for a motion to direct the Secretary of the Commission to transmit the decision statement to the Sports Wagering Application Review Commission. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion passed 6-1, with Commissioner Hodges opposed.

CLOSED SESSION

There was no need for the Commission to go into a closed session.

DATE AND TIME OF NEXT MEETING

The next regular Commission meeting will be held on Thursday, May 25, 2023, at 10:00 a.m., in-person at Maryland Lottery and Gaming headquarters in Baltimore and via audio/video conference.

ADJOURNMENT

There being no further business, Chair Marriner adjourned the meeting at 11:22 a.m.

Respectfully submitted,


John Martin
Director