
MARYLAND LOTTERY and GAMING CONTROL COMMISSION

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

INVESTIGATIVE REPORT



PROPOSED OWNERSHIP STRUCTURE CHANGE

Licensee: Arrow International, Inc.

Report Date: October 7, 2024

“PUBLIC REPORT”

Proposed Ownership Structure Change Arrow International, Inc.

We are conducting a hearing on the proposed organizational changes to Arrow International, Inc. (the “Company”). The Company holds a manufacturer’s license issued by the Maryland Lottery and Gaming Control Commission (“Commission”). The Company must notify the Commission of the proposed sale or transfer of more than 5% of the legal or beneficial interests in the licensee. Pursuant to State Government Article (“SG”) § 9-1A-19(b), the Commission must determine whether the proposed transferee meets the requirements of State Gov’t (“SG”) § 9-1A-01, *et seq.* (“the Gaming Law”) and whether the transfer is consistent with the policies and intent of the Gaming Law.

The Maryland Lottery and Gaming Control Agency (“Agency”) is required by the Gaming Law to conduct an investigation to determine if the proposed transferee is qualified. Specifically, the Company 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). The Company must provide all information to the Commission that is necessary for a qualification determination as to the transferee, its principals, and its principal entities.

Background

Arrow International, Inc. was incorporated in Ohio on October 23, 1967, and has its headquarters and executive offices located in Brooklyn, Ohio. The Company manufactures and distributes pull-tab tickets, bingo paper and supplies, electronic pull tab devices, ink daubers and related charitable gaming products. The Company distributes its products through a network of subsidiaries and by selling products directly to other licensed charitable gaming suppliers, primarily in the United States, Canada and the United Kingdom.

Current Ownership Structure

On December 21, 2020, the Company became a direct, wholly-owned subsidiary of Cavalier Acquisition Corporation through an agreement and plan of merger. Cavalier Acquisition Corporation is owned by Cavalier Intermediate Holding Corporation which in turn is owned by Cavalier Holding Corporation. Cavalier Holding Corporation is a privately-owned company with one share of Class A and 1,430 shares of Class B common stock issued and outstanding. The Class A share holds all of the voting rights of Cavalier Holding Corporation with generally no financial interests prior to liquidation or dissolution

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of the company. The Class B shares are non-voting shares with economic interests. The following entities currently own 5% or more of Cavalier Holding Corporation:

- Cavalier Voting Corporation
- Platinum Equity Small Cap Fund, L.P.
- Gallagher Family Trusts
- Platinum Cavalier Principals, LLC

Cavalier Acquisition Corporation, Cavalier Intermediate Holding Corporation, Cavalier Holding Corporation, and Cavalier Voting Corporation have all previously filed a Principal Entity Disclosure Form with the Commission. Cavalier Voting Corporation is solely owned by Ms. Mary Ann Sigler who is currently licensed as a Principal Employee by the Commission. Platinum Equity Small Cap Fund, L.P. and Platinum Cavalier Principals, LLC are passive investment entities of Platinum Equity Advisors, LLC which has been granted an Institutional Investor Waiver by the Commission. The Gallagher Family Trusts consist of three Dennis P. Gallagher Irrevocable Trusts, three JSC Mayo Trusts, three Gallagher Irrevocable Trusts, and shares held directly by Mr. Dennis P. Gallagher. Each individual Trust and Mr. Dennis P. Gallagher hold less than 5% of Cavalier Holding Corporation's Class B shares.

Proposed Changes to Ownership Structure

In a letter dated July 11, 2024, Ms. Jennifer Gehrlein, Vice President, General Counsel and Secretary of the Company, requested approval of changes to the Company's ownership structure. The proposed changes only involve passive interests at or above the Cavalier Holding Corporation level and do not impact voting interests. Specifically, existing passive investors in the Platinum Equity Small Cap Fund, L.P. will be given the opportunity to either maintain all or a portion of their passive interests in Arrow International, Inc. or sell all or a portion of their interests to new passive investors. Two new passive institutional investment funds will be established, namely the Platinum Equity Cavalier Continuation Fund, L.P., through which new investors will acquire interest in the Company, and Platinum Equity Cavalier Rollover Fund, L.P., through which existing investors will retain their interests in the Company. These two new funds will replace the existing Platinum Equity Small Cap Fund, L.P.

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To facilitate the proposed changes, the interests currently held in Cavalier Holding Corporation will be transferred to a newly formed entity called Cavalier Continuation Holding Corporation (the “Corporation”) which will issue 1,000 shares of Class A common stock and 1,000 shares of Class B non-voting common stock. The Class A shares will retain all of the voting interests in the Corporation and will be held by Cavalier Voting Corporation, of which Ms. Mary Ann Sigler will remain the sole shareholder. The Class B non-voting shares will hold the economic interests in the Corporation and will be held directly by newly created Cavalier Continuation Holdings, L.P. and ultimately by the following entities:

- Platinum Equity Cavalier Continuation Fund, L.P.
- Gallagher Family Trusts and Company Management
- Platinum Equity Cavalier Rollover Fund, L.P.
- Platinum Cavalier Principals, LLC

Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P. have submitted Principal Entity Disclosure Forms with the Commission.

The Gaming Law requires that ownership changes and principal entity changes relating to a licensed entity be subject to a background investigation to ensure that it meets applicable qualification requirements and that those changes do not result in the licensed entity or any of its principals being disqualified. The purpose of this report is to disclose the investigative procedures performed relative to the ownership and legal entity changes previously described.

Summary and Results of Investigative Procedures

We performed inquiries and examined relevant documents in order to understand and confirm the substance of the proposed changes as presented by the Vice President, General Counsel and Secretary of the Company. The Regulatory Licensing and Investigations Division obtained an adequate understanding of the proposed changes and confirmed the proposed changes as presented.

The Agency obtained and reviewed copies of the operating agreements of Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P. The investigation found no content in the operating agreements that would negatively impact the Company’s status as being qualified for a Gaming Manufacturer License nor Cavalier

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Acquisition Corporation, Cavalier Intermediate Holding Corporation, Cavalier Holding Corporation, and Cavalier Voting Corporation from being qualified as principal entities in Maryland.

The Regulatory Licensing and Investigations Division determined that Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P. would be principal gaming entities and as such would need to be qualified by the Commission as Principals. The Regulatory Licensing and Investigations Division found no disqualifying information or factors that would preclude Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P. from being qualified as principal entities.

Conclusion

Based on the results of the investigative procedures, it is our conclusion that the proposed changes will in no way alter the control and direct ownership interests in Arrow International, Inc. or the day-to-day management and operations of the Company. The Agency's investigation confirmed that the Company continues to meet the qualification requirements of the Gaming Law, and found no derogatory information that would negatively impact Arrow International, Inc.'s ongoing qualification for a gaming manufacturer license based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d).

The Regulatory Licensing and Investigations Division concludes that the Company and the proposed principal entities, Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P., have established by clear and convincing evidence their qualifications for a Manufacturer License found no information that would preclude Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P. from being qualified by the Commission as principal entities in Maryland. Lastly, the resulting ownership changes in the Company are consistent with the policies and intent of SG § 9-1A-19.