
**MARYLAND LOTTERY and
GAMING CONTROL COMMISSION**

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

COMMISSION REPORT



PROPOSED MERGER AGREEMENT

**Acquisition of
The Queen Casino & Entertainment, Inc.
by
Bally's Corporation**

Report Date: November 26, 2024

PUBLIC REPORT

INTRODUCTION

We are conducting a hearing on the proposed merger of Queen Casino & Entertainment, Inc. (“Queen”) and Bally’s Corporation (“Bally’s”). The Merger Agreement transaction is between SG Parent, LLC; Bally’s Corporation; The Queen Casino & Entertainment, Inc.; SG CQ Gaming, LLC; Epsilon Sub I, Inc.; and Epsilon Sub II, Inc. The Maryland Lottery and Gaming Control Agency (“MLGCA”) is required by the Gaming and Sports Wagering Law, State Government Article (“State Gov’t”), Title 9, Subtitles 1A and 1E, Annotated Code of Maryland, and the regulations of the Maryland Lottery and Gaming Control Commission (“Commission”), found in the Code of Maryland Regulations (“COMAR”) 36.03 and 36.10, to conduct an investigation to determine whether the Purchaser is qualified under the Gaming or Sports Wagering Law pursuant to State Gov’t § 9-1A-19(b)(ii) and as applied to the Sports Wagering Law by State Gov’t § 9-1E-03(a)(1).

The Commission must determine whether: (1) Bally’s has proven, by clear and convincing evidence, its qualifications; and (2) the proposed acquisition of Queen by Bally’s and transfer of a licensee’s interests meets, and is consistent with the policies and intent of the Gaming and Sports Wagering Law. State Gov’t § 9-1A-19(b)(iii).

BACKGROUND

Bally’s, a Delaware corporation, is a global gaming, hospitality and entertainment company with a portfolio of casinos and resorts, online gaming businesses and sports betting. Bally’s owns and operates 15 land-based casinos in 10 states and numerous online gaming businesses in the United States. Bally’s is an indirect parent company of Bally’s Interactive Maryland, LLC and Bally’s Interactive, LLC, which respectively hold a Mobile Sports Wagering License and an Online Sports Wagering Operator License in Maryland.

Queen, a Delaware corporation, is a U.S. regional gaming, hospitality and entertainment company that currently owns and operates four casinos located in various states and has retail and online sportsbooks operating at two of its casinos. SG CQ Gaming, LLC, an affiliate of Standard General, is a stockholder of, and owns approximately 88% of the equity interests in Queen. Queen Sportsbook Maryland, LLC, a subsidiary of Queen, holds a Mobile Sports Wagering and an Online Sports Wagering Operator License in Maryland.

SG Parent LLC is a Delaware limited liability company that was formed on July 19, 2024 solely for the purpose of engaging in the transactions contemplated by the Merger Agreement. SG Parent LLC is a direct, wholly owned subsidiary of SG CQ Gaming LLC and is an affiliate of Standard General.

SG CQ Gaming LLC is a Delaware limited liability company that was formed on June 3, 2019 to serve as a holding company for Standard General's investment in Queen. SG CQ Gaming LLC is an affiliate of Standard General and owns 100% of the outstanding stock of Queen.

Epsilon Sub I, Inc. is a Delaware corporation and wholly owned subsidiary of Bally's that was incorporated on July 15, 2024 solely for the purpose of facilitating a merger of Epsilon Sub I into Bally's with only Bally's surviving. Epsilon Sub II is a Delaware corporation and wholly owned subsidiary of Bally's that was incorporated on July 15, 2024 formed solely for the purpose of facilitating the merger. By operation of the merger, Epsilon Sub II will merge with Queen with only Queen surviving.

Bally's Corporation is publicly traded on the New York Stock Exchange under the symbol "BALY". In its most recent Proxy Statement filed with the U.S. Securities and Exchange Commission, Bally's reported that Standard RI Ltd. was its largest single stockholder. Standard General L.P. ("Standard General") serves as investment manager to Standard RI Ltd. and Mr. Soohyung Kim is the managing partner and chief investment officer of Standard General.

Bally's, Queen, Standard RI Ltd. and SG CQ Gaming, LLC have each previously submitted a Sports Wagering Principal Entity Disclosure Form to the Maryland Lottery and Gaming Control Commission, and Mr. Soohyung Kim is currently licensed as a Principal Employee by the Commission.

MERGER TRANSACTION

On July 25, 2024, SG Parent, LLC, Bally's Corporation, Queen, SG CQ Gaming, LLC, Epsilon Sub I, Inc. and Epsilon Sub II, Inc. entered into an Agreement and Plan of Merger (the "Merger Agreement"). Epsilon Sub I, Inc. and Epsilon Sub II, Inc. are subsidiaries of Bally's created solely to effect the merger transaction.

Under the terms of the Merger Agreement, SG CQ Gaming, LLC will deliver all shares of Queen common stock to Bally's in exchange for shares of Bally's common stock. Queen will then become a direct, wholly-owned subsidiary of Bally's. Upon closing of the merger, Queen would surrender its Mobile Sports Wagering License to the Commission so that only the Bally's Mobile Sports Wagering License would exist.

Additionally, the Merger Agreement provides that Standard General L.P. will offer existing Bally's stockholders a cash consideration per common share. In lieu of cash consideration, Bally's stockholders may elect to retain all or a portion of their Bally's stock by means of a rollover election and continue as stockholders of Bally's post-merger. Standard General L.P. has obtained \$500 million of committed financing from Apollo Global Securities, LLC and its affiliates to support the merger transaction. Cash proceeds from the financing and Bally's existing resources will be used to effect the merger and fund the cash consideration paid to Bally's stockholders.

The Board of Directors of Bally's has established a special committee of independent and disinterested directors of the Board (the "Special Committee") which has unanimously determined that the Merger Agreement and the merger transactions are fair to, and in the best interests of, Bally's and Bally's stockholders, and has recommended that the Bally's Board of Directors approve and declare advisable the Merger Agreement and the merger transactions. The Bally's Board of Directors, acting upon the recommendation of the Special Committee, determined that the Merger Agreement and the merger transactions are fair to, and in the best interests of, Bally's and Bally's stockholders. On November 19, 2024, Bally's stockholders approved the adoption of its previously announced merger agreement with Queen.

Mr. Soohyung Kim, as the managing member of Standard General, and the Board of Directors of Queen have approved and declared advisable the Merger Agreement and the merger transactions. He has recommended that the adoption of the Merger Agreement be put to a vote of the Queen stockholders and that the Queen stockholders adopt the Merger Agreement. The Queen stockholders have approved the Merger Agreement via written consent in lieu of a meeting in accordance with the General Corporation Law of the State of Delaware.

INVESTIGATIVE PROCEDURES

We performed inquiries and examined relevant documents in order to obtain an adequate understanding and confirm the substance of the merger transaction. We obtained and reviewed copies of the Merger Agreement and the financing commitment letter. The investigation disclosed no derogatory information from our inquiries and found no content in the documents reviewed that would negatively impact Bally's Interactive Maryland, LLC's, Bally's Interactive, LLC's or Queen Sportsbook Maryland, LLC's status as being qualified for a Mobile Sports Wagering License and/or an Online Sports Wagering Operator License in Maryland, nor Bally's Corporation, The Queen Casino & Entertainment, Inc., Standard RI Ltd. and SG CQ Gaming, LLC from being qualified as principal entities in Maryland.

CONCLUSION AND RECOMMENDATIONS

MLGCA Staff's investigation confirms that Bally's and Queen maintain their qualifications and good standing with their current Maryland Sports Wagering Licenses. MLGCA Staff found no derogatory information regarding Bally's and Queen's qualifications and meeting the requirements in the Gaming or Sports Wagering Law as required by State Gov't § 9-1A-19(b)(ii).

The merger of Bally's and Queen and resulting ownership changes from the proposed Merger Agreement, are consistent with the policies and intent of State Gov't § 9-1A-19 and requirements of the Gaming and Sports Wagering Law. MLGCA Staff concludes that Bally's and Queen have established by clear and convincing evidence, their qualifications as required for their proposed merger.

Bally's and Queen seek Commission approval as follows: (i) for Bally's and Queen to consummate the Merger Agreement, and perform their obligations thereunder; and (ii) for the merger to occur wherein, (a) Epsilon Sub I merges into Bally's; (b) Epsilon Sub II merges into Queen; and (c) Queen merges into Bally's and surrenders its Mobile Sports Wagering License, because the proposed merger is consistent with the policies and intent of the Gaming and Sports Wagering Law.