
**MARYLAND LOTTERY and
GAMING CONTROL COMMISSION**

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

COMMISSION REPORT



**In Re the Application of
PENN CECIL MARYLAND, LLC
d/b/a Hollywood Casino Perryville**

**VIDEO LOTTERY OPERATION
LICENSE RENEWAL**

Report Date: March 25, 2025

“PUBLIC REPORT”

INTRODUCTION

A Video Lottery Operation License (“operation license”) may be renewed by the Maryland Lottery and Gaming Control Commission (“Commission”) following the initial 15-year term. State Gov’t (“SG”) § 9-1A-13(d)(1). On proper application for renewal of the operation license, the Commission shall renew the licensee unless the Commission finds that the licensee is no longer qualified under § 9-1A-01, *et seq.* (“the Gaming Law”) to hold a license. SG § 9-1A-13(d)(4).

The applicant for renewal of an operation license must prove to the Commission, by clear and convincing evidence, that it remains qualified to hold an operation license. *Id.* 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). A licensee seeking renewal of their operation license must provide all information to the Commission that is necessary for a qualification determination as to the licensee, its principals, and its principal entities.

The Maryland Lottery and Gaming Control Agency (“MLGCA,” “we” or “our”), conducted a suitability background license investigation into Penn Cecil Maryland, LLC, d/b/a Hollywood Casino Perryville (“Penn Cecil” or the “Company”) in connection with its application for renewal of its operation license. Penn Cecil Maryland, LLC was last approved for an operation license by the Commission on September 16, 2010. Its current 15-year license expires on September 26, 2025.

BACKGROUND

Penn Cecil was formed in Maryland on June 29, 2021, and conducts business as Hollywood Casino Perryville, the first casino to open in the State of Maryland on September 27, 2010. The Company was originally formed as Penn Cecil Maryland, Inc. on January 23, 2009 as a wholly-owned subsidiary of Penn National Gaming, Inc. (“Penn National”). Penn National was subsequently renamed PENN Entertainment, Inc. (“PENN Entertainment”) on August 4, 2022.

On November 15, 2012, Penn National announced that it intended to pursue a plan to separate the majority of its operating assets and real property assets into two publicly traded companies consisting of an operating entity and a newly formed real

estate investment trust, Gaming and Leisure Properties, Inc. (“GLPI”). In connection with the separation, Penn National contributed to GLPI substantially all of the assets and liabilities associated with Penn National’s real property interests and real estate development business, as well as the assets and liabilities of Hollywood Casino Perryville. Through this transaction, Hollywood Casino Perryville became a wholly-owned subsidiary of GLPI. The Commission approved the separation plan in September 2013.

In December 2020, Penn National entered into an agreement with GLPI to reacquire the operations of Hollywood Casino Perryville for \$31.1 million in an effort to better position itself to enter the online sports wagering market in Maryland while continuing to operate the casino. The acquisition, which was approved by the Commission on May 27, 2021, was finalized on July 1, 2021. At that time, Penn Cecil became a direct, wholly-owned subsidiary of PENN Entertainment. Simultaneous with the closing of the transaction, Penn National entered into an agreement to lease the real estate assets of Hollywood Casino Perryville from GLPI for an initial annual rent of \$7.8 million subject to escalation. The initial term of the lease is 20 years with three subsequent five-year renewal periods, exercisable at Penn National’s option. Penn Cecil submitted the Video Lottery Operation License Renewal Application and PENN Entertainment has filed a Principal Entity Disclosure Form with the Commission.

OWNERSHIP OF PENN CECIL

As previously noted, Penn Cecil is a wholly-owned subsidiary of PENN Entertainment which is traded on the NASDAQ Stock Exchange under the symbol “PENN”. In its most recent Proxy Statement filed with the U.S. Securities and Exchange Commission, PENN Entertainment reported that as of April 5, 2024, it had 151,867,302 shares of common stock outstanding. The following entities held beneficial ownership of 5% or more of the outstanding shares:

- FMR LLC – 15,824,941 shares owned (10.4%)
- The Vanguard Group, Inc. – 14,729,920 shares owned (9.7%)

- HG Vora Capital Management, LLC – 14,500,000 shares owned (9.6%)
- Black Rock, Inc. – 13,009,868 shares owned (8.6%)

FMR LLC, The Vanguard Group, Inc., HG Vora Capital Management, LLC and BlackRock, Inc. are all institutional investors. The Commission has previously granted each an Institutional Investor Waiver.

DISCUSSION OF FINANCIAL PERFORMANCE

We performed a detailed analysis of the Company's operating performance and financial condition for the period from January 1, 2019 to December 31, 2023.

Penn Cecil's overall operating performance was consistently positive despite a downturn in business due to the COVID-19 pandemic, with net profits totaling \$45.9 million over the five-year review period. This positive performance continued into calendar year 2024 as the Company realized profits of \$4.2 million in the first nine months of the year. Throughout the review period, the Company generated substantial liquidity and cash flows from its operating activities and used these resources to satisfy its capital demands and finance lease obligations, as well as, pay dividends to its parent company. Additionally, the Company's financial condition is sound and it has had no long-term bank debt during the period reviewed and is not highly leveraged.

Penn Cecil has sufficient liquidity to meet its financial obligations and working capital requirements in the ordinary course of business for the foreseeable future, and appears poised to continue its positive operating performance and maintain its financial strength moving forward. The Company's auditors have not expressed any concerns with its financial condition, results of operations or continuation as a going concern, and its financial ratios and margins are generally solid and compare favorably with those of its competitors. There are no financial concerns with the re-licensure of Penn Cecil Maryland, LLC as a Video Lottery Operator.

REGULATORY HISTORY

During their licensure period, the Company has satisfactorily addressed minor issues as required and has maintained its Video Lottery Operation License in good

standing. Penn Cecil currently possess an operation license that expires on September 26, 2025.

CONCLUSIONS AND OPINION

MLGCA's investigation has confirmed that the Company has sufficient financial resources and found no derogatory information regarding the Applicant's qualifications. MLGCA has not found any disqualifying factors that would preclude Penn Cecil Maryland, LLC from renewal of its Video Lottery Operation License. Based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d), we conclude that the Company has established by clear and convincing evidence the qualifications required for renewal of its Video Lottery Operation License for a 15-year term in accordance with SG § 9-1A-13(d)(2).

Payment of fees for renewal of an operation license is to occur in accordance with SG § 9-1A-13(d)(6) requiring the calculation of the fee to occur for each 5-year period of the 15-year term. Payment of the renewal license fee is be paid in equal annual installments. SG § 9-1A-13(d)(6)(i). The first payment is not required until the effective date of the renewed license. SG § 9-1A-13(d)(6)(ii)1. If the Commission approves the renewal of Penn Cecil's operator license, the effective date will be September 27, 2025, once the existing 15-year term concludes.