

MISSOURI GAMING COMMISSION
COMMISSION RESOLUTION NO. 22-020
REQUEST FOR VARIANCE FOR INSTITUTIONAL INVESTOR WAIVER

April 27, 2022

WHEREAS, Oaktree Special Situations Fund II (Cayman) Holdings, L.P., Oaktree Fund GP 1A, Ltd., OCM Luxembourg Baccarat Bidco S.a.r.l., OCM Luxembourg Baccarat Holdco S.a.r.l., OCM Luxembourg Baccarat Midco S.a.r.l., OCM Luxembourg SSF II S.a.r.l., and OCM SSF II 1B Holdings, L.P., collectively referred to as the Oaktree Entities, have filed a Request for Waiver of Licensure of Institutional Investors.

WHEREAS, 11 CSR 45-4.020(3)(B) limits an institutional investor to holding 20% of ownership in a licensee.

WHEREAS, the Oaktree Entities shall hold or control 100% of the non-voting economic interest in licensed suppliers Interblock D.D. and Interblock USA, L.C.

WHEREAS, the Oaktree Entities have filed its Request for a Waiver of the 20% ownership limitation contained in 11 CSR 45.4.020(3)(B).

NOW, THEREFORE, BE IT RESOLVED, that the Commission grants a variance to the Oaktree Entities to hold or control 100% of the non-voting economic ownership in Interblock D.D. and Interblock USA, L.C.

BE IT FURTHER RESOLVED, that Commission reserves the right to rescind this Waiver and demand a licensure of the Oaktree Entities at any time in its sole discretion.

SO ADOPTED.



Mike Leara
Chairman
Missouri Gaming Commission

IN THE MISSOURI GAMING COMMISSION
STATE OF MISSOURI

RECEIVED

MAR 18 2022

MISSOURI GAMING COMMISSION

In re:)
)
INTERBLOCK, D.D.)
Gorenjska cesta 23)
1234 Menges)
Slovenia)
)
INTERBLOCK USA L.C.)
1106 Palms Airport Drive)
Las Vegas, Nevada 89119)
)
IB OCM VOTECO)
1106 Palms Airport Drive)
Las Vegas, Nevada 89119)

REQUEST FOR VARIANCE

COME NOW INTERBLOCK, D.D., a Slovenia joint stock company (“Interblock”), INTERBLOCK USA L.C., a Nevada limited liability company and wholly owned subsidiary of Interblock (“Interblock USA”) and IB OCM VOTECO, a Cayman Islands Exempted Company (“Voteco”), by and through counsel and pursuant to 11 CSR 45-1.100, to petition the Missouri Gaming Commission (the “Commission”) for a variance and waiver of the requirements of 11 CSR 45-4.020(3)(B) to allow for Oaktree Special Situations Fund II (Cayman) Holdings, L.P. and Oaktree Fund GP 1A, Ltd. (collectively, “Oaktree”), through its subsidiaries, to hold or control in excess of twenty percent (20%) of non-voting economic interest in the Missouri Supplier Licensee Interblock upon the consummation of that certain Equity Purchase Agreement dated as of December 16, 2020 by and among Interblock, OCM Luxembourg Baccarat Bidco S.A.R.L., a Luxembourg private limited company (“Bidco”), Elektroncek Group B.V., a private limited liability company organized under the laws of the Netherlands as representative for the Sellers (“Elektroncek”), the Sellers named therein (along with Elektroncek, herein referred to as

the “Selling Parties”) and the Founder’s named therein (the “Purchase Agreement”). Concurrent with the consummation of the Purchase Agreement (the “Acquisition”), the equity of Interblock will be split into economic equity that provides no control features to the holder and control equity which provides 100% of the control features to the holder. At closing, 100% of the voting equity of Interblock will be transferred to Voteco and 100% of the economic equity of Interblock will be transferred to Bidco which is an indirect, wholly-owned subsidiary of Oaktree.

In support of their petition for variance of 11 CSR 45-4.020(3)(B), Petitioners state as follows:

1. Founded in 1989, Interblock is a duly organized Slovenia joint stock company in good standing that been granted and maintains a Suppliers License from the Commission.

2. Interblock USA, L.C. is a duly organized Delaware limited liability company in good standing that been granted and maintains a Suppliers License from the Commission.

3. Voteco is a Cayman Islands Exempted Company in good standing that was recently formed on March 15, 2021. Voteco is 100% managed and controlled by three individuals, Matthew Wilson, Jordon Kruse and David Quick who each hold one-third of the equity of Voteco (collectively referred to as the “Voteco Members”). The Voteco Members are each Managing Directors of Investments for Oaktree Capital Management, L.P., which is a global investment management firm formed in 1995 and registered with the U.S. Securities and Exchange Commission. Oaktree Capital Management, L.P. through the Voteco Members serves a variety of passive investors. The Interblock holding structure resulting from the Acquisition does not permit these passive investors to have any voting interest or other ability to influence any decisions or operations of Interblock. All such voting interest and control are held by the Voteco Members.

4. Voteco has filed a Key Business Entity License Application with the Commission and each of the Voteco Members has filed a Key Person License Application with the Commission.

5. The Purchase Agreement executed on December 16, 2020 contemplates the acquisition of 100% of the equity of Interblock from the Selling Parties, following the satisfaction of specified conditions to closing, including receipt of all regulatory approvals, in exchange for an aggregate purchase price of approximately Three Hundred Thirty Six Million Dollars (\$336,000,000.00), as further described therein (the "Purchase Price"). Petitioners have previously provided a fully executed copy of the Purchase Agreement to the Commission.

6. At the time of the Acquisition, the Purchase Price will be distributed among the Selling Parties and Interblock will convert to a Slovenian limited liability company which will allow for all voting and control rights to be granted to Voteco. Following the consummation of the Acquisition, the Selling Parties will no longer possess any ownership interest in Interblock or have any control over its operations with the entirety of such control and ownership being vested solely in Voteco. It is not anticipated that the operations of Interblock in Missouri will be altered or impacted by the Acquisition.

7. Attached is a post-consummation structure chart that reflects the manner in which the equity of Interblock would be held with all voting control held by Voteco and the passive economic equity held ultimately by Oaktree through five (5) wholly-owned subsidiaries as follows (the "Subsidiaries"):

- a. OCM Luxembourg Baccarat Bidco S.a.r.l.
- b. OCM Luxembourg Baccarat Holdco S.a.r.l.
- c. OCM Luxembourg Baccarat Midco S.a.r.l.
- d. OCM Luxembourg SSF II S.a.r.l.
- e. OCM SSF II 1B Holdings, L.P.

8. The Subsidiaries are part of the holding structure to assist with corporate international tax, investment regulation and accounting issues. Along with Oaktree, each of the subsidiaries have covenants that they will exert no influence or control over the operations of Interblock.

9. Moreover and critically, the following seven (7) entities, including Oaktree and each of the Subsidiaries)(collectively, the “Economic Interest Entities”), have filed with the Commission an executed Request for Waiver for Licensure of Institutional Investor (collectively, the “Waivers”):

- 1) Oaktree Special Situations Fund II (Cayman) Holdings, L.P.
- 2) Oaktree Fund GP 1A, Ltd.
- 3) OCM Luxembourg Baccarat Bidco S.a.r.l.
- 4) OCM Luxembourg Baccarat Holdco S.a.r.l.
- 5) OCM Luxembourg Baccarat Midco S.a.r.l.
- 6) OCM Luxembourg SSF II S.a.r.l.
- 7) OCM SSF II 1B Holdings, L.P.

These Waivers required each of the Economic Interest Entities to certify under oath directly to the Commission that they will hold the economic interests for passive investment purposes only and will exert no influence or control over the Interblock operations.

10. Waiver of the licensing requirement in this instance is supported by (i) precedent transactions, including in Missouri, (ii) a number of structure features for this transaction and (iii) the benefits to the integrity of the regulated gaming industry. First, the voteco structure has been used and accepted throughout the gaming regulatory agencies in the United States, including Missouri, to allow for large funds to participate in gaming without licensure. In 2008, a Missouri Class A Licensee, Caesars Entertainment Corporation, was taken private through a voteco structure very similar to the structure proposed for the acquisition. The equity of Caesars Entertainment Corporation was split into voting equity and passive economic equity. Apollo

Funds and Texas Pacific Funds were not required to be licensed even though they each held far in excess of twenty percent (20%) of the passive economic equity.

11. Second, there is a true lack of ability of Oaktree to control any operations of Interblock from both a legal and practical perspective. Both internal covenants and the covenants made directly to the Commission under oath in each of the Waivers make clear that there are specific restrictions and consequences should Oaktree or the Subsidiaries attempt any influence or control of the Interblock operation. Moreover, Oaktree and the Subsidiaries function merely as holding structures to allow for the numerous institutional investors that invest with Oaktree to maintain their passive investments. The voteco structure along with the requirements from the Commission do not allow for the holders of the passive economic equity to influence the Interblock operation.

12. Third, allowing large funds such as Oaktree to utilize their highly regulated structures to support the gaming industry enhances the integrity of the gaming industry as such funds serve large institutional investors, including retirement funds and state pensions, under a set of strict federal regulations and scrutiny. These funds are managed by teams, such as the members of Voteco, that have significant expertise in accessing expansion and maintenance capital and are accustomed to long term investment horizons and state of the art business practices. These were the original reasons that many gaming regulatory agencies supported the voteco structure when it developed around 18 years ago.

13. Finally, the Waivers make clear that should the Commission change its perspective, it may call Oaktree or any of the Subsidiaries for licensure “at a future date, in its sole discretion, with or without cause....”

14. Section 11 CSR 45-4.020(3)(B) provides that “[t]he commission by majority vote may grant exemption from licensure for holdings of up to twenty percent (20%).” Section 11 CSR 45-1.100 provides that “[t]he commission may waive or grant a variance from the provisions of Title 11, Division 45, Chapters 1- 40 of the Code of State Regulations upon a licensee's or a Fantasy Sports Contest Operator applicant's written request, if the commission determines that the waiver or variance is in the best interests of the public.” Subject to the Commissions discretion, Petitioners respectfully request a waiver of the requirements of 11 CSR 45-4.020(3)(B) to allow for the Economic Interest Entities to hold or control in excess of twenty percent (20%) of non-voting economic interest in the Missouri Supplier Licensee Interblock subject to the provisions of the Waivers.

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WHEREFORE, the Petitioners respectfully request that this Request for Variance of 11 CSR 45-4.020(3)(B) with respect to Oaktree and the Subsidiaries to allow for the Acquisition be approved by the Commission.

Respectfully submitted,

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