Lottery and Gaming Control Commission

1800 Washington Boulevard, Suite 330, Baltimore, MD 21230

PPE Casino Resorts Maryland, LLC

MODIFICATION of

$550 Million Senior Secured Credit Facility

COMMISSION PRESENTATION

EXECUTIVE SUMMARY

Background

In October 2018, the Maryland Lottery and Gaming Control Commission ("the Commission") approved a request by PPE Casino Resorts Maryland, LLC to enter into an amended and restated credit agreement with various lenders to obtain a senior secured credit facility in an amount not to exceed $550 million. The credit facility consisted of a Term Loan in the amount of $400 million and Revolving Loans in an aggregate principal amount not to exceed $150 million. KeyBank, N.A. will serve as the credit agreement Administrative Agent. The credit agreement provides that the proceeds of the Term Loan and Revolving Loans will be used by PPE Casino Resorts for the refinancing of existing indebtedness, working capital and other general corporate purposes, and fees and expenses related to the transaction.

The Gaming Law (State Gov't (SG) § 9-1A-01, *et seq.*) requires that the Commission determine whether a transfer of a licensee's interests meets, and is consistent with, the requirements of the Gaming Law. SG § 9-1A-19.

MODIFICATION of SENIOR SECURED CREDIT FACILITY

In late November 2018, the Maryland Lottery and Gaming Control Agency was notified that PPE Casino Resorts Maryland, LLC was seeking to modify its $550 Million Senior Credit Facility. The modification consists of increasing the $150 million revolving credit portion of the loan to a revolving credit of $200 million. Representatives of PPE Casino Resorts Maryland, LLC reported to MLGCA Staff that the desire to increase the revolving loan amount was a result of bank interest accelerating in the weeks prior to closing the agreement. They further proffered that the additional $50 million will increase PPE Resorts Maryland, LLC's ability to reinvest in the Maryland Live! Casino.

Upon reviewing the modified loan documents, MLGCA Staff has determined that all of the provisions in the original credit agreement related to required approvals of gaming authorities, compliance with gaming laws, etc., remain unchanged in the amended and restated credit agreement.

Participating Lenders

A syndicate of financial institutions will serve as lenders under the credit agreement.

- KeyBank
- Banco Bilbao Vizcaya Argentaria, S.A.
- Fifth Third Bank
- M&T Bank
- US Bank
- Wells Fargo
- Comerica, Inc.
- Nevada State Bank
- Citizens Bank
- Raymond James Bank
- First Tennessee Bank
- Mutual of Omaha Bank

Wells Fargo and Banco Bilbao Vizcaya Argentaria, S.A. are both multinational financial institution with assets in excess of $1 trillion U.S. dollars. The remaining lenders are U.S.-based local or regional banks with assets ranging from $8.3 billion to $453.0 billion. The lenders will have a first priority security interest in all tangible and intangible assets of PPE Casino Resorts Maryland, LLC and its subsidiary guarantors. The lenders will also have a first priority perfected lien on 100% of the capital stock or other equity interests of PPE Casino Resorts and its subsidiary guarantors.

For each lender, we reviewed the Moody's, Standard and Poor's, and Fitch credit ratings relating to the lender's creditworthiness. Moody's assigned a credit rating of "Baa1" or better to each lender indicating none of the lenders was worse than a moderate credit risk. Standard and Poor's assigned a credit rating of "BBB" or better indicating that adequate payment protection parameters were in place and the lenders had adequate capacity to meet financial commitments. Finally, Fitch rated each lender "BBB-" or better, indicating an adequate capacity for payment of financial commitments and a low default risk.

We conducted an internet records search for material regulatory actions or sanctions that have been imposed on the lenders in the past five years by either the Federal Reserve Board or the Office of the Comptroller of the Currency. Our review disclosed the following:

- **Wells Fargo** – Between May 2016 and April 2018, Wells Fargo was cited by the Office on four separate occasions and assessed civil money penalties totaling $625 million. The deficiencies noted by the Office included the bank's failure to maintain an adequate compliance risk management program, improper management and oversight of sales practices, and the accumulation of excessive escrow account balances from mortgage customers. Additionally, the Board issued Wells Fargo a cease and desist order in February 2018, which prohibited the bank from growing beyond its total asset size as of December 31, 2017 until the Board determined that the bank had significantly improved its overall governance and controls. This was in response to Wells Fargo's business strategy of prioritizing growth without ensuring that a proper risk management framework was in place, which the Board concluded had harmed consumers.

- **Banco Bilbao Vizcaya Argentaria, S.A.** – The Board assessed BBVA a civil money penalty of $27 million in December 2016 for exceeding limits previously imposed by the Board on the bank's securities underwriting and dealing activities.
- **US Bank** – The Board found that US Bank had inadequate management and oversight to ensure compliance with US economic sanctions, Bank Secrecy Act requirements, and anti-money laundering requirements, and assessed a civil money penalty of $15 million.
- **Citizens Bank** – In November 2015, the Office found that the bank had sold identity protection and debt cancellation products to customers but did not provide all the benefits and coverages promised to customers. Citizens Bank was assessed a civil money penalty of $2 million and was required to identify and reimburse all harmed customers.
- **First Tennessee Bank** – The bank was assessed a civil money penalty of $1 million for selling identity protection products to customers but not providing all services paid for.

In each of these cases, the lenders satisfied the sanctions imposed and none of the lenders were ever barred from conducting business in the U.S. or internationally.

Findings

Based on our investigation, MLGCA staff has determined that the modification to the Senior Secured Credit Facility, the credit agreement and other loan documents are consistent with the Gaming Law. Therefore, staff recommends Commission approval of the modified loan transaction.