



Lottery and Gaming Control Commission

1800 Washington Boulevard, Suite 330, Baltimore, MD 21230

Radio One Entertainment Holdings, LLC

MODIFICATION of

\$50 Million Senior Secured Term Loan Transaction

COMMISSION PRESENTATION

MODIFICATION of SENIOR SECURED TERM LOAN TRANSACTION
(Radio One Entertainment Holdings, LLC)

EXECUTIVE SUMMARY

Background

Radio One Entertainment Holdings, LLC (the “Company”), a wholly owned direct subsidiary of Urban One, Inc., submitted a Principal Entity Disclosure Form to the Maryland Lottery and Gaming Control Commission in August 2016 relating to its investment in MGM National Harbor, LLC (MGM). Specifically, Radio One Entertainment Holdings invested \$40 million to obtain 160 Class A-1 Units of MGM National Harbor, LLC. The investment entitles the Company to a Preferred Distribution in an amount equal to 1.0% of MGM’s net gaming revenues, and a Liquidating Distribution in the amount equal to 6.67% of the proceeds of liquidation. The investment is purely economic and does not entitle Radio One Entertainment Holdings to any voting rights. Radio One Entertainment Holdings, LLC was found qualified by the Maryland Lottery and Gaming Control Commission (“the Commission”) as a Principal Entity of MGM National Harbor, LLC on November 17, 2016.

Senior Secured Term Loan

In October 2018, the Maryland Lottery and Gaming Control Commission (“the Commission”) approved a \$50 million Senior Secured Term Loan transaction between Radio One Entertainment Holdings, LLC and Carlyle Credit Opportunities Fund, L.P. The proceeds of the loan will be used by the Company to retire its existing 9.25% Senior Unsecured Notes. Wilmington Trust, N.A. will serve as Administrative and Collateral Agent on the loan.

As a condition of the financing, the lender required that Radio One Entertainment Holdings, LLC transfer its economic interest in MGM to a newly created wholly owned bankruptcy remote subsidiary. A bankruptcy remote subsidiary is a special purpose

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entity formed to hold a defined group of assets to protect them from being administered as property in a bankruptcy proceeding. To fulfill this requirement, the Company formed Urban One Entertainment SPV, LLC on October 4, 2018. Urban One Entertainment SPV, LLC filed a Principal Entity Disclosure Form with the Commission and was found qualified as a Principal Entity at the Commission's November 2018 meeting. Mr. Alfred C. Liggins, III, one of only two officers and control persons of Urban One Entertainment SPV, LLC is currently licensed as a Principal by the Commission. The other officer and control person of Urban One Entertainment SPV, LLC was identified as Peter Thompson; his Principal application is pending.

Modification of \$50 Million Senior Secured Term Loan and MLGCA Investigation

In late November 2018, the Maryland Lottery and Gaming Control Agency was notified that Radio One Entertainment Holdings, LLC was seeking to modify its aforementioned \$50 Million Senior Secured Term Loan. The modification seeks to increase the loan from \$50 million to \$100 million. Upon receiving this information, the MLGCA Licensing and Background Investigations Division initiated an investigation.

The investigation revealed that the lender approved by the Commission at its November 2018 meeting, Carlyle Credit Opportunities Fund, L.P., is being replaced by TCG Senior Funding, LLC. TCG Senior Funding, LLC is a different fund wholly managed by the Carlyle Group. Essentially, our inquiry determined that the money for this loan is coming out of a different entity of the same lender.

The original amount of the term loan that the Commission approved at its November 2018 meeting (\$50 million) remains intact. That amount will be loaned to Urban One on the effective date of the agreement. The additional \$50 million added to the revised credit agreement is in the form of **optional** incremental term loans

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and **required** incremental term loans. This is what the parties to the agreement are currently negotiating and have not yet agreed to. The optional incremental term loans are amounts that Urban One may wish to borrow in the future. The lender has the option of refusing to make these loans. The required incremental term loans are amounts that the lender can force Urban One to borrow (whether they want to or not) under certain circumstances. In any case, the total of the optional and required incremental term loans cannot exceed \$50 million.

In addition, language has been added to the loan documents that requires that all necessary governmental approvals, including approval by the Commission at its December 2018 meeting, must be obtained before the effective date of the agreement. As such, no funds will be loaned (including the original \$50 million previously approved at the November 2018 meeting) until the Commission approves the revised terms.

Findings

Based on our investigation, MLGCA staff has determined that the modifications to the proposed Senior Secured Term Loan credit and pledge agreements contain provisions that are consistent with the Gaming Law. Additionally, no derogatory information was identified concerning TCG Senior Funding, LLC; therefore, staff recommends Commission approval of the modified transaction.