



Lottery and Gaming Control Commission

1800 Washington Boulevard, Suite 330, Baltimore, MD 21230

Acquisition of
American Casino and Entertainment Properties, LLC

by

Golden Entertainment, Inc.

COMMISSION PRESENTATION

EXECUTIVE SUMMARY

Introduction

In June 2017, staff of the Maryland Lottery and Gaming Control Commission (“the Commission”) received official notification that Golden Entertainment, Inc. (“Golden”) had signed a definitive agreement to acquire 100% of American Casino & Entertainment Properties, LLC (“ACEP”), which wholly owns four hotel/casinos in Nevada including Aquarius Casino Resort, Arizona Charlie’s Boulder, Arizona Charlie’s Decatur and Stratosphere Casino, Hotel and Tower. ACEP is wholly owned by W2007/ACEP Holdings, LLC, who is a wholly owned indirect subsidiary of The Goldman Sachs Group, Inc. On September 14, 2017, W2007/ACEP Holdings, LLC obtained an Institutional Investor Waiver with respect to the transaction. Golden Entertainment Inc. is the parent company of Evitts Resort, LLC and Operator of the Rocky Gap Casino. In accordance with the Maryland Gaming Law, Golden Entertainment, Inc. is requesting the Commission’s approval: (i) for Golden to issue more than 5% of its common stock to W2007/ACEP Holdings, LLC as part of the purchase price for the acquisition; (ii) for Golden to enter the financing for the acquisition, (iii) for Golden to pledge the equity of Evitts Resort, LLC as part of the security for the financing, (iv) for Evitts Resort, LLC to enter the financing in order to provide the guarantees required by the financing, and(v) for Evitts Resort, LLC to execute and deliver the Leasehold Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing required by the financing.

The Transaction

Consideration to be paid by Golden Entertainment, Inc. to acquire ACEP will consist of \$781 million in cash and \$69 million of Golden common stock. To finance the acquisition, Golden has obtained funding commitments from JP Morgan Chase Bank, N.A., Credit Suisse Securities, LLC, Macquarie Capital, Inc., and Morgan Stanley Senior Funding, Inc. totaling \$1.1 billion. The funding will consist of an \$800 million First Lien Term Loan, a \$200 million Second Lien Term Loan, and a \$100 million Revolving Credit Facility, which will be used by Golden to refinance its existing debt, pay the cash consideration to ACEP, and, with respect to the Revolving Credit Facility, for future growth opportunities.

As part of the sale, W2007/ACEP Holdings will acquire 4,046,494 shares of Golden Entertainment, Inc. common stock representing approximately 15% of Golden's outstanding shares. W2007/ACEP Holdings is owned 74.5% by Whitehall Street Global Real Estate Limited Partnership 2007 and Whitehall Street Global Real Estate Employee Master Fund 2007. Both of these entities are private equity funds managed by Goldman Sachs for a limited number (approximately 400) of private investors. Since W2007/ACEP Holdings, LLC will acquire approximately 15% of Golden's outstanding shares as a result of the transaction, the Gaming Law (Section 9-1A-19(b)(1)) requires the Commission's approval. On July 27, 2017, W2007/ACEP Holdings, LLC, as an affiliate of The Goldman Sachs Group, Inc., its parent company and/or beneficial owner, filed an Institutional Investor Waiver Application as required by The Gaming Law, which was granted as of September 14, 2017.

Investigation

Our investigation focused on the review and analysis of the following principal documents related to the financing of the acquisition:

- Institutional Investor Waiver for W2007/ACEP Holdings, LLC
- First and Second Lien Credit Agreements
 - *Evitts Resort, LLC guarantees repayment of loans made to Golden*
- First and Second Security Lien Agreements
 - *Grants security interest in Evitts Resort, LLC*
- Leasehold Deed of Trust (Rocky Gap)
 - *Pledges Evitts Resort, LLC as collateral*

A review of the First and Second Lien Credit Agreements revealed that Evitts Resort, LLC, as well as all of Golden's other subsidiaries, guarantees the repayment of loans made to Golden. The First and Second Security Lien Agreements grant security interest in Evitts Resort, LLC and the Leasehold Deed of Trust pledges Evitts Resort, LLC as collateral. All of the aforementioned documents contain language that explicitly denotes that certain provisions contained therein are subject to prior approvals of the Maryland Lottery and Gaming Control Commission as required by the Maryland Gaming Law. Specifically, the Beneficiary (Lender) acknowledges that rights, remedies and powers in or under the above documents, including with respect to the entry into and ownership and operation of the Gaming Facilities, and the possession or control of gaming equipment, may be exercised only to the extent that the exercise thereof does not violate any applicable provision of the Gaming Law and only to the extent that any required approvals (including prior approvals) are obtained from the Commission. The Beneficiary (Lender) also

disclaims any security interest in the VLT Operation License held by Evitts Resort, LLC.

Based on our investigation, MLGCA staff has determined that this proposed transaction is consistent with the Gaming Law and that W2007/ACEP Holdings, LLC (The Goldman Sachs Group) is qualified to be granted a waiver as an Institutional Investor. Therefore, staff recommends Commission approval of the proposed transactions, including (i) the issuance by Golden Entertainment, Inc. of more than 5% of its common stock (4,046,494 shares); (ii) for Golden Entertainment, Inc. to enter the financing; (iii) for Golden Entertainment, Inc. to pledge the equity of Evitts Resort, LLC as part of the collateral for the financing; (iv) for Evitts Resort, LLC to enter the financing in order to provide the guarantees required by the financing; and (v) for Evitts Resort, LLC to execute and deliver the Leasehold Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing required by the financing.