Red Rock Resorts/Station Casinos

IPO DISSECTED

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A Report by UNITE HERE

Ken Liu
(702) 387-7001
kliu@unitehere.org

Maya Holmes
(702) 386-5249
mholmes@unitehere.org

Jason Kordosky
jkordosky@unitehere.org

Zach Poppel
zpoppel@unitehere.org

What is the Red Rock Resorts, Inc. IPO?

The proposed stock offering by Red Rock Resorts, Inc.. is a complicated IPO with a simple result: **public shareholders will end up paying out substantial sums to the controlling Fertitta family in exchange for second-class shares.**

Station Casinos LLC ("Station Casinos") currently operates 21 casinos, including 9 major hotel-casinos and 10 smaller casinos in Las Vegas, one tribal casino in California and one tribal casino in Michigan. All of the economic interest in Station Casinos is held by Station Holdco LLC ("Holdco").

In broad outline,[1] the proposed IPO by Red Rock Resorts, Inc. ("RRR"), a new holding company, will sell its Class A shares to public investors. Existing Holdco LLC holders will be issued SCC Class B shares. SCC will use all the IPO proceeds from the sale of Class A sales to buy a "minority economic interest" in Holdco LLC by (1) buying an unspecified number of LLC units from existing Holdco owners (including the Fertittas) and (2) buying new LLC units to be issued by Holdco. Holdco (through Station Casinos) will use a combination of the IPO money it receives from RRR and additional debt to pay $460 million[2] to purchase Fertitta Entertainment LLC, which is majority-owned by the Fertittas and whose only business is to manage Station Casinos properties for a fee.

Buyers of RRR's Class A Shares will should consider the following:

- **RRR to pay insiders $460 million to buy zero new revenue.** The $460-million price tag of the Fertitta Entertainment acquisition is 8.9 times the trailing-12-month management fee the firm receives from Station Casinos. The non-insider cost for acquiring Fertitta Entertainment should be closer to $52 million, not $460 million because its management agreement covering 13 of the 19 managed properties provides for a termination fee of 1x TTM management fee upon third-party sale of the properties. And existing Fertitta Entertainment executives and corporate employees will stay on and become directly employed by RRR. Moreover, Fertitta Entertainment, whose only existing business is to manage Station Casinos properties, will not generate any revenues after the acquisition, which effectively "internalizes" management. The planned $460-million payout follows payments of over $1.25 billion to the Fertittas and other company insiders over the past decade. If the Fertittas are confident in the future of Station Casinos, why aren't they taking further equity in the company instead of cashing out?

- **RRR is letting insiders cash out substantial funds through the IPO instead of reducing debt, funding growth or simplifying risks.** A Fidelity fund's filing implies that it valued Station Casinos' equity value at approximately $1.12 billion at the end of August. This means that the $460 million to be paid for Fertitta Entertainment would equal approximately 41% of RRR's equity based on this value. Why are the Fertittas choosing to take the new IPO money out of the company rather than strengthen its financial condition or improve its growth prospects?

- **RRR is not planning to buy out Deutsche Bank as an owner, which poses licensing risks because Deutsche Bank has a criminal affiliate.** Red Rock makes it clear that Deutsche Bank is not selling all of its 25% in the company. But RRR has not disclosed the bank's recent and mounting regulatory problems: a bank subsidiary recently pled guilty to felony wire fraud, the bank itself paid a record $2.519 billion in fines to the U.S. Treasury and world financial regulators, and Deutsche is still under ongoing criminal investigations. These regulatory problems, which are not disclosed in the registration filings, could have implications for RRR shareholders because the company primarily operates in the highly regulated Nevada gaming industry.

- **RRR's Class A shares will be second-class shares with negligible votes and unclear prospects for dividends.** The company will remain controlled by the Fertittas after the IPO. While the family will sell a portion of their equity interest in the offering, they will enjoy 10:1 super voting rights for the foreseeable future, while new public shareholders' prospects for dividends may be hamstrung by the company's debt restrictions and tax-benefit obligations that limit Holdco's ability to pay dividends to the new public company. Moreover, the cost of dual class shares was recently illustrated in hospitality when Marriott prevailed in a contest to acquire Starwood Hotels over a company whose shares had disparate voting rights.

- **How confident are RRR and its controlling shareholders in the company's core Las Vegas locals business if they are selling valuable casino sites?** The company has disclosed in its registration filings that it is selling potential casino sites in spite of the "legal limitations that restrict the development of additional off-Strip gaming properties." Those sales listings, coupled with a substantial transfer of cash from the company to the Fertittas in this IPO beg the question: Do the Fertittas and the company they control have confidence in its core Las Vegas "locals" business, which provides over 90% of its net revenue?

Prospective investors face important questions when considering the Red Rock Resorts, Inc. IPO. The company is not planning to use IPO proceeds to grow or to reduce its overall indebtedness (it actually plans on taking on more debt). And surprisingly, it is not planning to buy out the entire ownership stake of Deutsche Bank, parent company of a criminal, in a business where state law provides that "gaming is free from criminal and corruptive elements." It is even selling valuable future casino sites in its primary market, where state law has restricted the possibility of having more casino sites.

Instead, the Fertittas are taking substantial sums from public investors, retaining control for the long term through super voting rights, and asking new investors to take on risks in exchange for buying second-class shares from Red Rock Resorts, Inc..

1. Red Rock Resorts, Inc. is paying insiders $460 million to buy a company that will have zero revenues after the acquisition.

Fertitta Entertainment LLC is 81.8% owned by the Fertitta family in terms of economic interest and 100% owned by them in terms of voting power.[3] Its only business is to manage Station Casinos pursuant to four separate management agreements. [4] The $460-million price tag for the Fertitta Entertainment acquisition by Red Rock Resorts represents 8.9 times the $51.7 million management fee it has received from Station Casinos over the twelve-month period ending 9/30/2015.[5]

This purchase price, approved by the board of Station Casinos, is far in excess of the termination fees provided for by the Fertitta Entertainment management agreements if the managed properties are sold to third parties. Given the conflicts of interest among board members, insiders, and lenders, such a valuation concurrent with the IPO should be questioned. If the Fertittas are confident in the growth prospects of Station Casinos, why aren't they taking further equity in the company instead of cashing out substantial sums through this IPO?

According to the management agreement for the "OpCo" properties, which cover 13 of the 19 Station Casinos properties managed by Fertitta Entertainment:

> The "Termination Fee" shall be, upon a Third Party Sale with respect to all Managed Properties, an amount equal to the sum of the Management Fees for the trailing twelve (12) month period prior to the Termination ("TTMMF") if the Third Party Sale occurs prior to the expiration of the fifth (5th) Full Fiscal Year of the Term [12/31/2016].[6]

And the termination fee upon a third-party property sale declines after the fifth year of the contract and becomes zero at the start of the twentieth year.

In the management agreement for the Wild Wild West casino, there is a provision for at-will termination:

> 3.2 At-Will Termination**.** Notwithstanding the provisions of Section 3.1 [Term], Owner shall have the right to terminate this Agreement at any time, for any reason or no reason upon thirty (30) days' prior written notice to Manager. Owner's right to terminate this Agreement under this Section 3.2 shall not be subject to any claim by Manager for damages, and shall be without payment of any termination fee, penalty, fee or other consideration in connection therewith other than the payment of all unpaid amounts due and owing in accordance with Section 14.4 [Events on Termination].[7]

If the termination fee for outright sale to third parties, where the management agreement is terminated and existing management is replaced, is to equal only one (1) time trailing 12-month management fee for a majority of Station Casinos properties, then the non-insider cost for acquiring Fertitta Entertainment should be closer to $52 million, not $460 million.

Moreover, existing executives and corporate personnel of Station Casinos, who are currently employees of Fertitta Entertainment, will become directly employed by Red Rock Resorts, Inc. after the deal.

> Following the consummation of the Fertitta Entertainment Acquisition, we will enter into new employment agreements with our executive officers and other individuals who were employed by Fertitta Entertainment and provided services to us through the management agreements prior to the consummation of the Fertitta Entertainment Acquisition.[8]

That is, instead of management fees to Fertitta Entertainment, Red Rock Resorts, Inc. will be paying corporate compensation to the same executives and managers going forward. This aspect of the Fertitta Entertainment deal makes it similar to a REIT's internalization of an external manager. While some REITs have been criticized for paying large sums to bring their related-party managers in-house, some "have stopped paying their management companies any money to bring them in-house."[9] In 2008, Healthcare Trust of America was one of the first to "transition into a self-managed company without an internalization fee" and many have followed suit.[10] Chamber Street Properties "internalized its management structure, with no separate fee paid" in 2012 before announcing its IPO in 2013.[11] This is the standard that benefits public investors.

Fertitta Entertainment does not appear to have any other revenue other than the management fees it receives from Station Casinos,[12] so, after the $460-million "internalization" acquisition, it will not bring in any new revenue for Station Casinos.

We also note that the planned $460-million payout follows payments of over $1.25 billion to the Fertittas and other insiders over the past decade, from 2005 through the first half of 2015.[13] These payments include executive compensation, cash payouts to insiders as part of the 2007 leveraged buyout, distributions to members of Station Casinos LLC, and management fees paid to Fertitta Entertainment. We will detail these payments in a separate report.

2. Red Rock Resorts, Inc. is letting insiders cash out substantial funds through the IPO instead of reducing debt, funding growth or simplifying risks.

A Fidelity fund's filing implies that it valued Station Casinos LLC's equity at approximately $1.12 billion at the end of August.[14] The $460 million price tag for the Fertitta Entertainment acquisition would therefore equal approximately 41% of SCC's equity value based on this implied valuation (unless IPO buyers give Station Casinos a significantly higher valuation than we infer from the Fidelity filing). This means Red Rock Resorts, Inc. is not planning on keeping $460 million of cash in the company's coffers, funds which could be used to grow the company through acquisitions or new development, or pay down the company's $2.2 billion of long-term debt.[15] It is also not using this money to buy out an existing owner who is the affiliate of a criminal (see below).

The large payout to insiders raises the question: Why are the Fertittas choosing to take the new IPO money out of the company rather than strengthen its financial condition or improve its growth prospects?

3. RRR is not planning to buy out Deutsche Bank as an owner, which poses licensing risks because Deutsche Bank has a criminal affiliate.

While RRR plans to use the IPO proceeds to buy some Holdco units from existing owners, the company's IPO filings so far indicate that Deutsche Bank, through its subsidiary German American Capital Corp., will remain an owner after the IPO in spite of the bank's recent and continuing regulatory troubles, which pose a risk for Station Casinos' operations in the highly-regulated Nevada gaming industry.

It appears that the use of IPO proceeds will not go toward buying out completely Holdco equity interest from Deutsche Bank's GACC. This is further confirmed by the language of a section of the S-1/A (unchanged from the S-1) regarding the potential conflict of interest on the part of GACC:

> Moreover, GACC will hold approximately % of the LLC Units and % of the voting power of Red Rock (assuming no exercise of the underwriters' option to purchase additional shares) and is a lender under our revolving credit facility and our land loan"[16]

However, RRR's filings do not disclose regulatory issues faced by Deutsche Bank. The bank's regulatory troubles include an affiliate's guilty plea to criminal wire fraud in the US,[17] record fines of more than $2 billion to US and UK regulatory authorities in the LIBOR rate rigging probe,[18] and at least two unresolved US criminal investigations, including a Justice Department probe into possible money laundering through the bank by its Russian clients[19] and whether the bank adequately vetted $6 billion in mirror trades.[20] It has been reported that beneficiaries of the transactions may include several close associates of Russian President Vladimir Putin who are also under US sanctions.[21]

We raised these issues with Nevada gaming authorities this past summer, shortly after the felony plea. In July, three months ***before*** SCC filed its S-1, the chairman of Nevada's Gaming Control Board told the press that "the board is investigating the union's allegations but hasn't reached any conclusions yet."[22] Then, in September, GCB chairman explained why another Nevada gaming company was being fined by the Gaming Board for violation of federal anti-money-laundering law, "When you violate U.S. federal law, we're not going to let that harm our reputation."[23]

Nevada's gaming industry is highly regulated.[24] The state's gaming regulators have wide-ranging power, and Nevada state law is designed to ensure that "gaming is free from criminal and corruptive elements."[25] Red Rock Resorts, Inc., as a new holding company, must apply for a finding of suitability (which is "comparable to licensing") and for registration with the Nevada Gaming Commission as a "Registered Corporation."

> The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, a Registered Corporation or its licensed subsidiaries, in order to determine whether such individual is suitable or should be licensed as a business associate of a Registered Corporation or a gaming licensee.[26]

For example:

- In 2013, Amer Ramo's application was denied. Ramo had pleaded guilty to receipt, possession and purchase of contraband cigarettes and had received a five-year probation sentence.[27]

- David Morris and his company were denied licensure. Morris had failed to make a full and true disclosure in his application and the Board found he had been "less than candid" during his background investigation and hearing.[28]
- In 2011, Robert Patterson was denied as a key employee. He had been terminated from his job based on embezzlement charges involving $34,000 and, related to those charges, he had been found guilty of criminal forgery.[29]

If Nevada gaming regulators determine Deutsche Bank is not suitable to own interests in Nevada casinos, this could force Station Casinos to buy out the bank's 25% interests (approximately $280 million, based on the $1.12-billion valuation described earlier), which would require additional equity or debt funding and could significantly change the financial terms of the proposed IPO. Alternatively, if such a determination by Nevada regulators occurred after the IPO, the bank would be forced to dispose of its interest unexpectedly, which could significantly depress the price of RRR's Class A shares.

RRR appears to be aware of exactly this risk. In the newly-filed S-1/A, it added a paragraph under the section, "Nevada gaming laws and regulations include requirements that may discourage ownership of our Class A Common Stock or otherwise impact the price of our Class A Common Stock":

> Moreover, if any of our significant stockholders or members of Station Holdco is required to, but does not, apply for a finding or suitability or licensing or is found unsuitable by the Nevada Commission, they may rapidly liquidate their equity holdings, which could cause the market price of our Class A Common Stock to decline. Additionally, we could be required to repurchase any shares or LLC Units held by such significant stockholder or member for cash, notes bearing interest at the applicable federal rate or a combination of cash and notes. In the event that we were required to repurchase shares for cash, our cash position would be reduced and our liquidity and financial condition could be materially adversely affected. There can be no assurance that we would have sufficient cash available to meet such obligation as well as our continuing operating requirements or that, if additional financing were required, that such financing could be obtained on terms acceptable to us, if at all.[30]

Ironically, the latest version of RRR's prospectus still does not disclose the regulatory troubles surrounding Deutsche Bank, who is also acting as the lead underwriter for the IPO. Prospective investors should be provided with full disclosure of the regulatory issues surrounding Deutsche Bank and the attendant risks before they invest.

4. Red Rock Resorts, Inc.'s Class A shares will be second-class shares with negligible votes and unclear prospects for dividends.

Red Rock Resorts, Inc. will be controlled by the Fertitta family after the IPO. This is explicitly stated as the intended effect upon the completion of the IPO, even though the current S-1 does not yet have the exact number to be issued for either the Class A shares or Class B shares.

> Affiliates of Frank J. Fertitta III, our Chairman and Chief Executive Officer, and Lorenzo J. Fertitta, a member of our board of directors, will hold the substantial majority of our issued and outstanding

> Class B Common Stock having ten votes per share. As a result, the Fertitta family will be able to control any action requiring the general approval of our stockholders, including the election of our board of directors, the adoption of amendments to our certificate of incorporation and bylaws and the approval of any merger or sale of substantially all of our assets. Accordingly, we will be a "controlled company."[31]

Here is a summary table as we understand the voting rights of the different classes of shares to be issued by Red Rock Resorts, Inc.: [32]

	Voting Rights	**Who Can Own These**
Class B Shares (to be issued to existing holders of Holdco LLC units): voting rights, with no economic interest in SCC.	10 votes per share	Existing Holdco owners who own at least 30% of Holdco LLC units and maintain 10% ownership of Class A shares. **Only the Fertittas can qualify** because they, through affiliates, currently own 54.8% of Holdco. The next largest owner is Deutsche Bank's GACC at 25%.
	1 vote per share	Other existing Holdco owners
Class A Shares (to be issued through the IPO): entitled to all economic interest in SCC.	1 vote per share	Station Casinos employees with profit units, Station Casinos warrant holders, existing Holdco owners who exchange their LLC units (along with their Class B shares), **IPO investors.**

While the Fertittas will probably sell a portion of their holdings through the IPO, they will enjoy 10:1 super voting rights with the Class B shares they continue to hold, while outside investors with Class A shares will only have 1:1 voting rights.

Because the company is not refinancing its debt and will be bound by a new tax receivable agreement which pays 85% of the potential tax benefit from the IPO transaction to existing Holdco owners,[33] new Class A shareholders' prospects for dividends may be dim. These obligations will limit Holdco's ability to upstream distributions for RRR (which will receive only a minority of any distributions from Holdco anyway):

> The existing debt agreements of Station [Casinos] LLC limit the ability of Station [Casinos] LLC to make distributions to Station Holdco, which effectively restricts the ability of Station Holdco to distribute sufficient funds to permit Red Rock to pay dividends to its stockholders. In addition, Red Rock will be required to apply funds distributed by Station Holdco to pay taxes and make payments under the tax receivable agreement. Therefore, we cannot assure you that you will receive any dividends on your Class A Common Stock. [34]

We will analyze the highly-complex corporate structure of RRR more fully in a separate report.

For now, we note that the cost of a dual-class share structure was recently illustrated in hospitality when Marriott prevailed in a contest to acquire Starwood Hotels over a company whose shares had disparate voting rights.[35] The cost was clear: "Shares with reduced voting rights make an unattractive buyout currency."[36] The losing bidder in this case will be one-sixth the size of the combined Marriott-Starwood, important to investors in a consolidating hospitality industry.

5. How confident are RRR and its controlling shareholders in the company's core Las Vegas locals business if they are selling valuable casino sites?

Red Rock Resorts has highlighted the value of its current Las Vegas locals casino franchise and owned development sites because of the "legal limitations that restrict the development of additional off-Strip gaming properties."[37] However, the company is selling off valuable potential casino sites, and it has disclosed these sale listings in its IPO filings.

Las Vegas local press recently reported that Station Casinos has listed a 56-acre, gaming-entitled parcel in south Las Vegas for sale with an asking price of $40 million and a deed restriction to bar gaming on the property in the future.[38] The company declined to comment for the story. In addition, one of the six "strategically located parcels in Las Vegas and Reno" described under "Developable Land" in its IPO filings[39] is also currently on the market.[40]

In a separate report, we take a closer look at the health of the Las Vegas locals gaming market, including the 14.3% decline in the number of slot machines over the last six years as well as the 9.6% decrease in the number of slots at Station Casinos' nine major properties in Las Vegas since the end of 2009.[41]

Given the property sale listings and the substantial cash the Fertittas are taking out of the company during this IPO, we ask whether Station Casinos and its controlling shareholders, the Fertittas, have confidence that its core Las Vegas "locals" business, which provides over 90% of its net revenue, can grow into their development sites.[42]

Conclusion

Red Rock Resorts, Inc. is not planning to use IPO proceeds to grow through either asset purchase or new development. It is not planning to reduce its overall indebtedness with the IPO proceeds; in fact it may do the opposite by taking on more debt to fund the Fertitta Entertainment acquisition. It is not going to simplify its capital structure by refinancing its restrictive debt concurrent with the IPO. Instead, current with the IPO, it is paying out a large sum to insiders in a deal that will not generate any new revenues. It is not even planning to buy out the ownership stake held by Deutsche Bank, parent company of a criminal, when the public policy of the state of Nevada declares that the "continued growth and success of gaming is dependent upon public confidence and trust" that, among other things, "gaming is free from criminal and corruptive elements." And the company is selling valuable gaming-entitled parcels in Nevada even though it is heavily dependent on its Las Vegas locals business.

Instead, as currently proposed, the IPO by Red Rock Resorts, Inc. will result in the Fertittas taking substantial sums from the company, retaining control for the long term through super voting rights, and shifting risks in its current structure to new public investors. The complicated IPO thus presents prospective investors with an unappealing proposition.

Notes

[1] See "THE REORGANIZATION OF OUR CORPORATE STRUCTURE" in Red Rock Resorts, Inc. S-1/A, filed 1/14/2016 (hereafter "S-1/A"), pp. 47-5.

[2] See S-1/A, p.60: "In October 2015, Station LLC entered into an agreement to purchase all of the outstanding membership interests of Fertitta Entertainment for aggregate cash consideration of $460 million."

[3] S-1/A. p.F-47: "Fertitta Entertainment has two classes of membership interests: common units and profit units. The common units, which represent 81.8% of the economic interests and 100% of the voting interests of Fertitta Entertainment, are owned by affiliates of Frank J. Fertitta III and Lorenzo J. Fertitta."

[4] The four management agreements are: (1) Management Agreement dated as of June 16, 2011 by and between the Company and FE Propco Management LLC, amended on 4/26/12, (2) Management Agreement dated as of June 16, 2011 by and between Station GVR Acquisition, LLC and FE GVR Management LLC, amended on 11/8/11, 4/26/12, and 4/25/13, (3) Amended and Restated Management Agreement executed on August 19, 2014 by and between NP Opco LLC and FE Opco Management LLC, and (4) Management Agreement dated as of June 16, 2011 by and between NP Tropicana LLC and FE Landco Management LLC, amended 4/26/12. It should be noted that even though its website (www.FertittaEntertainment.com) describes both Station Casinos and the UFC as its "business lines," Fertitta Entertainment does not have a financial relationship with the mixed martial arts company other than the fact that both Station Casinos and the UFC (formally Zuffa LLC) are majority-owned by the Fertittas, who are the principal owners of Fertitta Entertainment. Disclosures in a current litigation (*Cung et al v. Zuffa LLC*, 2:15-cv-01045, U.S. District Court, District of Nevada (Las Vegas)) have not identified Fertitta Entertainment as either an owner or having a contractual management relationship with the UFC.

[5] See financials filed in S-1/A.

[6] Exhibit "D" FINANCIAL TERMS of the Amended and Restated Management Agreement executed on August 19, 2014 by and between NP Opco LLC and FE Opco Management LLC, filed as Exhibit 10.12 to Station Casinos LLC's 10-K filed on 3/10/15.

[7] Management Agreement for Wild Wild West Gambling Hall & Hotel, dated 6/16/2011, filed as Exhibit 10.34 to Station Casinos LLC's 10-K filed on 3/10/15, p.26.

[8] S-1/A, p. 159, as part of the description of "Acquisition of Fertitta Entertainment" starting on p. 157.

[9] *Chicago Real Estate Daily*, 3/13/14, available at http://www.chicagobusiness.com/realestate/20140313/CRED03/140319830/after-deal-inland-american-moves-closer-to-a-cash-out.

[10] "Nontraded REITs push for industry change on fees," *National Real Estate Investor*, 2/6/13, at http://nreionline.com/reits/nontraded-reits-push-industry-change-fees.

[11] Chambers Street Properties press release, 4/29/13, "Chambers Street Announces Intent to List on the New York Stock Exchange and Launch Tender Offer for up to $125 Million of its Common Shares," available at http://www.sec.gov/Archives/edgar/data/1297587/000119312513182574/d527718dex991.htm.

[12] This can be seen by comparing the historical *combined* financial statements of Station Holdco LLC (which holds the economic interest in Station Casinos LLC) and Fertitta Entertainment LLC (as provided in SCC's filings) to the financial statements of Station Casinos LLC. The net revenue figures are identical, which means adding Fertitta Entertainment is not adding any external revenue to Station Casinos.

Net Revenues (in thousands)	**2013**	**2014**	**9M2015**
Station Holdco LLC	$ 1,256,137	$ 1,291,616	$ 1,004,184
Station Casinos LLC	$ 1,256,137	$ 1,291,616	$ 1,004,184

Source: Station Casinos LLC 10-K and 10-Q filings, Red Rock Resorts Inc. S-1/A.

[13] Based on SEC filings of Station Casinos Inc. and Station Casinos LLC, we reviewed all disclosed executive compensation ($530.9 million), distributions to members of Station Casinos LLC ($333.7 million), management fees paid to Fertitta Entertainment ($177.8 million), and, and payouts to non-executive insiders as part of Station Casinos Inc.'s 2007 leveraged buyout ($211,4 million).

[14] See the N-CSR filed by Fidelity Puritan Trust on 10/28/15. It gave an as-of-8/31/15 value of $4,383,000 to its holding of 1,194,419 Holdco LLC units, implying a $3.67 per unit value. Station Casinos LLC's 10-K filed 3/10/15 shows Fidelity affiliates own a total of 26,613,550 Station Hold LLC units representing 8.7% of economic interest in the company, which implies the total number of LLC units outstanding was 305,902,874. All of Station Casinos LLC's economic interests are held by Station Casinos Holdco LLC. Therefore, we estimate that the total value of equity in Station Holdco LLC, as implied by the Fidelity filing, is approximately $3.67 x 305,902,874 = $1.123 billion.

[15] Red Rock Resorts Inc.'s pro forma long-term debt as of 9/30/15 was $2,201 million. See p. 89 of S-1/A.

[16] S-1/A, p. 35.

[17] Department of Justice press release, "Deutsche Bank's London Subsidiary Agrees to Plead Guilty in Connection with Long-Running Manipulation of LIBOR," 4/23/15, at http://www.justice.gov/opa/pr/deutsche-banks-london-subsidiary-agrees-plead-guilty-connection-long-running-manipulation.

[18] "Deutsche Bank to Pay $2.5 Billion to Settle Libor Investigation", *Wall Street Journal*, 4/23/15, at http://www.wsj.com/articles/deutsche-bank-settles-libor-investigation-with-u-s-u-k-authorities-1429791118.

[19] "Deutsche Bank Investigating $6 Billion of Possible Money Laundering by Russian Clients", *Bloomberg*, at http://www.bloomberg.com/news/articles/2015-06-05/deutsche-bank-probe-said-to-target-6-billion-of-russian-trades.

[20] "US escalates Deutsche Bank probe into Russian trades," *Financial Times,* 10/25/15, at http://www.ft.com/intl/cms/s/0/9f0d10b0-79d2-11e5-a95a-27d368e1ddf7.html#axzz3sPC6Hsp8.

[21] "Putin Allies Said to Be Behind Scrutinized Deutsche Bank Trades," *Bloomberg*, 10/15/15, at http://www.bloomberg.com/news/articles/2015-10-16/putin-allies-said-to-be-behind-scrutinized-deutsche-bank-trades.

[22] "Culinary Union targets bank's ownership stake in Station Casinos", *Vegas Inc*, 7/13/15, at http://vegasinc.com/business/gaming/2015/jul/13/culinary-union-targets-banks-ownership-stake-stati/.

[23] "Caesars Fined $9.5 Million Over Lax Money-Laundering Controls", *Wall Street Journal*, 9/8/15, at http://www.wsj.com/articles/u-s-fines-caesars-8-million-over-money-laundering-controls-1441721034.

[24] See S-1/A, p.121ff on Nevada gaming regulations that apply to RRR.

[25] Nevada Revised Statutes 463.0129(1)(b): "The continued growth and success of gaming is dependent upon public confidence and trust that licensed gaming and the manufacture, sale and distribution of gaming devices and associated equipment are conducted honestly and competitively, that establishments which hold restricted and nonrestricted licenses where gaming is conducted and where gambling devices are operated do not unduly impact the quality of life enjoyed by residents of the surrounding neighborhoods, that the rights of the creditors of licensees are protected and that gaming is free from criminal and corruptive elements." See http://www.leg.state.nv.us/NRS/NRS-463.html#NRS463Sec0129.

[26] S-1/A, p.122.

[27] Order in the Matter of Restricted Agenda Item #25-05-13, R11-0419, State Of Nevada Gaming Control Board, 5/2/13.

[28] Order in the Matter of Restricted Agenda No. 11-0214, State Of Nevada Gaming Control Board, 9/22/11.

[29] Order in the Matter of Nonrestricted Agenda Item #01-02-11, State Of Nevada Gaming Control Board, 2/24/11

[30] S-1/A, p.42.

[31] S -1/A, Prospectus cover page.

[32] S-1/A, "Description of Capital Stock," p.163ff.

[33] S-1/A, p.36: We will enter into a tax receivable agreement with our existing owners that will provide for the payment by Red Rock to our existing owners of 85% of the amount of benefits, if any, that Red Rock realizes (or is deemed to realize in the case of an early termination payment by us, a change in control or a material breach by us of our obligations under the tax receivable agreement, as discussed below) as a result of (i) increases in tax basis resulting from our purchases or exchanges of LLC Units and (ii) certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments that we are required to make under the tax receivable agreement."

[34] S-1/A, p.39.

[35] "Marriot Wins Battle to Buy Starwood," *Wall Street Journal*, 11/16/15, at http://www.wsj.com/articles/marriott-to-acquire-starwood-hotels-resorts-1447673866.

[36] *Crain's Chicago Business*, 11/18/15, at http://www.chicagobusiness.com/article/20151118/BLOGS10/151119855/hyatts-lost-hotel-deal-spotlights-the-pritzkers-dilemma.

[37] S-1/A, p.2.

[38] "Have $40M? Station Casinos has some land it would like to sell to you," *Vegas Inc,* 11/3/15, at http://vegasinc.com/business/gaming/2015/nov/03/have-40m-station-casinos-has-some-land-it-would-se/.

[39] S-1/A, pp.117.

[40] See the CBRE listing brochure (http://files.propertyline.com/pdf/66466804.pdf) for a major portion of what the company calls the *"Boulder Highway*" site in the S-1/A, p. 114.

[41] See "Selling Growth While Cashing Out," at http://www.rrripodissected.org/reports/.

[42] See Station Casinos 10-Q filed 11/9/15. For the first nine months of 2015, 93.7% of its net revenues came from its operations in Nevada, with the rest coming from management fees from its two tribal casino management contracts.