



December 23, 2015

Tony Alamo, M.D., Chairman
Nevada Gaming Commission
555 East Washington Avenue, Suite 2600
Las Vegas, NV 89101

RE: Deutsche Bank's Ownership of Voting Rights and Interference in Proposed Station Casinos IPO

Dear Chairman Alamo,

As you are no doubt aware, on October 13th, 2015, Station Casinos filed registration documents to take the company public. In May of 2011, the Gaming Control Board and Gaming Commission approved the restructuring of Station Casinos without requiring Deutsche Bank to go through licensing despite its 25% ownership. Currently, Deutsche Bank does not hold voting interests in the company and is not to have control over Station Casinos. The bank also agreed it would not interfere with the management or voting rights of its designee, Robert A. Cashell, Jr., when you approved the new corporate structure of Station Casinos when it emerged from Chapter 11 bankruptcy protection back in 2011.¹

As we have previously communicated, we believe you should call Deutsche Bank forward for a suitability review given its recent and ongoing regulatory problems. Since the IPO filings indicate Deutsche Bank's subsidiary, German American Capital Corporation (GACC), will have voting rights we believe this only further warrants a suitability review of the bank with respect to its ownership stake in Station Casinos. Moreover, we also request that you review whether Deutsche Bank interfered in the decision of Station Casinos' Board of Directors to take the company public, contrary to the representations made by Station Casinos and Deutsche Bank and relied on by your agencies in allowing the Bank to invest in Station without undergoing suitability review.

Deutsche Bank will own voting and economic rights in post-IPO Station Casinos

Currently 38.6% of the voting interests in Station Casinos are owned by Deutsche Bank's designee, Mr. Cashell, and the remaining 61.4% are owned by an affiliate of Frank and Lorenzo Fertitta. Under the terms of the IPO, Station Casinos will issue Class A shares to public investors, while existing owners, including Deutsche Bank, will be issued Class B shares and LLC Units. Existing owners will also have the ability to convert their LLC units into Class A shares under certain conditions. Both Class A and Class B shares have voting rights.

Station Casinos plans to use the IPO proceeds to buy economic interests from existing owners; however, the company's IPO filings indicate that Deutsche Bank, through a subsidiary, will remain an owner and will now be a holder of voting shares. According to the registration documents:

GACC will hold approximately % of the LLC Units and % of the voting power of Station Corp. (assuming no exercise of the underwriters' option to purchase additional shares) and is a lender under our revolving credit facility and our land loan.²

After the IPO, Deutsche Bank will have both voting and economic rights in Station Casinos following the offering. This clearly changes the state's regulatory consideration with regard to Deutsche Bank.

Indications of Deutsche Bank interference in the Station Casinos IPO

On May 26, 2011, the Nevada Gaming Control Board and Gaming Commission held a special meeting to review the restructuring of Station Casinos coming out of its 2009 bankruptcy. Commissioners were keenly interested in ensuring that Deutsche Bank would have no control over the designee holder of its voting rights, Mr. Cashell.

To satisfy the Board, Deutsche Bank's legal counsel, Mark Clayton, described controls put in place to prevent the bank's interference in the voting and management of Station Casinos. Mr. Clayton said that Deutsche Bank had entered into a noninterference agreement stating the bank "will not take any action to interfere with the management and voting rights of their designee."³ Furthermore, in speaking about the independence of Mr. Cashell, Mr. Clayton said, "Again, I believe they are independent, they understand that, and they are not going to jeopardize their license, their reputation to take direction impermissibly from the banks."⁴

However, Station Casinos' IPO filings with the SEC appear to demonstrate possible direction from Deutsche Bank with respect to the structure of the proposed public offering. The board of Station Casinos, including Mr. Cashell, has agreed to set limitations on executive compensation based on Deutsche Bank's ownership:

[T]he limited liability company agreement will provide that the aggregate non-equity compensation of Frank J. Fertitta III will not change for two years following the

consummation of this Offering, the aggregate non-cash compensation of Lorenzo J. Fertitta shall be fixed at \$500,000 for two years following the consummation of this Offering and, **for so long as GACC and its affiliates beneficially own at least 5% of the outstanding Class A Common Stock of the Company** (determined on an as-exchanged basis assuming that all of the LLC Units were exchanged for Class A Common Stock), the aggregate non-equity compensation payable for the second year following the consummation of this Offering to all other executives and employees employed by Fertitta Entertainment prior to the consummation of this Offering will not exceed 105% of the aggregate non-equity compensation received by such individuals, in the aggregate, during the first year following the consummation of this Offering.⁵ [emphasis added]

This statement implies that Deutsche Bank has some relationship to the executive compensation framework disclosed in the IPO prospectus filings. Why did directors of Station Casinos seek a limitation on executive compensation tied to an ownership threshold of Deutsche Bank?

Deutsche Bank has been the subject of recent and ongoing regulatory problems, including a subsidiary's felony plea. We believe its 25% ownership in Station Casinos requires a suitability review to keep the industry free from criminal and corrupt elements. We ask the Commission to investigate Deutsche Bank's role in this managerial decision before the IPO structure is approved by regulators. Moreover, now that Deutsche Bank is set to own voting rights in Station Casinos through its subsidiary, and given the question of whether the bank may have exercised control over its at-will designee and whether Mr. Cashell may have not acted independently, we believe this only underscores the need to call the bank forward for a suitability review.

Sincerely,



Jason Kordosky
Research Analyst

¹ Nevada Gaming Control Board. Special Meeting. Transcript. May 26, 2011. Pp. 37-59.

² Station Casinos Corp. SEC Form S-1/A, November 23, 2015. P. 34.

³ Nevada Gaming Control Board. Special Meeting. Transcript. May 26, 2011. P. 40.

⁴ Nevada Gaming Control Board. Special Meeting. Transcript. May 26, 2011. P. 50.

⁵ Station Casinos Corp. SEC Form S-1/A. November 23, 2015. P. 150.