

Wachtell, Skadden Steer \$2.8B Merger Of Casino Operators

By **Benjamin Horney**

Law360, New York (December 18, 2017, 1:21 PM EST) -- Casino operators Penn National Gaming Inc. and Pinnacle Entertainment Inc. have come to terms on a roughly \$2.8 billion cash-and-stock merger, the companies said Monday, in a deal guided by respective legal counsels Wachtell Lipton Rosen & Katz and Skadden Arps Slate Meagher & Flom LLP.

The transaction sees Penn National absorbing Pinnacle, according to a statement, with Pinnacle shareholders receiving \$20 in cash and 0.42 shares of Penn National common stock per Pinnacle share.

The combined company will own and operate a total of 41 properties in 20 jurisdictions across North America. Rumors of a merger between Penn National and Pinnacle date back to October.

Timothy J. Wilmott, CEO of Penn National, praised the deal in a statement, saying the companies have "highly complementary portfolios and similar operating philosophies."

Wilmott added: "Going forward, we will have the financial and operational flexibility to further execute on our strategic objectives, while maintaining our track record of industry-leading profit margins and generating significant cash flow to reduce leverage over time. We look forward to welcoming Pinnacle's talented employees to our team and to further enhancing our status as North America's leading regional gaming operator."

In connection with the merger, Penn National has agreed to sell Pinnacle's gaming operations at Ameristar Kansas City and Ameristar St. Charles in Missouri; Belterra Casino Resort in Indiana; and Belterra Park in Ohio for approximately \$575 million in cash. The divestitures will only occur if the deal between Penn National and Pinnacle closes. The buyer is Boyd Gaming Corp.

The boards of directors for both Penn National and Pinnacle have approved the merger, which is still subject to the approval of applicable gaming authorities, as well as other conditions. It is expected to close during the second half of next year.

"We believe the combination will produce an even stronger gaming entertainment platform that builds on the individual accomplishments of both companies and benefits our collective team members, shareholders and guests," said Anthony Sanfilippo, CEO of Pinnacle.

Once the deal has been completed, Penn National shareholders will own roughly 78 percent of the

combined company, with Pinnacle shareholders holding 22 percent.

Goldman Sachs & Co. LLC is acting as lead financial adviser to Penn National, with BofA Merrill Lynch also acting as a financial adviser and Wachtell Lipton providing legal advice.

The Wachtell Lipton team is led by corporate partners Daniel A. Neff and Gregory E. Ostling and includes antitrust partner Nelson O. Fitts, executive compensation and benefits partner Adam J. Shapiro, finance partners Joshua A. Feltman and Gregory E. Pessin, real estate M&A counsels Mark A. Koenig and Dianna Chen, and tax partner Joshua M. Holmes.

JPMorgan Chase & Co. is acting as financial adviser to Pinnacle, with Skadden providing legal advice.

The Skadden team includes M&A partners Stephen Arcano and Neil Stronski, banking partner David Reamer, executive compensation and benefits partner Regina Olshan, corporate finance partner Jonathan Ko (Los Angeles), real estate partner Evan Levy, and tax partner Steven Matays. All of the attorneys are based in New York unless otherwise noted.

Morrison & Foerster LLP is advising Boyd Gaming. The MoFo team advising Boyd Gaming is led by San Francisco corporate partner Brandon C. Parris.

--Editing by Catherine Sum.

Update: This story has been updated to include additional counsel information.