

INDIANA GAMING COMMISSION  
BUSINESS MEETING  
JUNE 29, 2017

ORIGINAL

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CIRCLE CITY REPORTING  
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A P P E A R A N C E S

ON BEHALF OF THE GAMING COMMISSION:

Cris Johnston, Chairman

Marc Fine, Commissioner

Susan Williams, Commissioner

Joseph Svetanoff, Commissioner

Mike Herndon, Commissioner

Rich McClain, Commissioner

Sara Gonso Tait, Executive Director

Jennifer Reske, Deputy Director

Greg Small, General Counsel

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1 CHAIRMAN JOHNSTON: Good afternoon. I'd  
2 like to call the June 29, 2017, Indiana Gaming  
3 Commission meeting to order.

4 First order of business, we'll call the  
5 roll.

6 Commissioner Fine.

7 COMMISSIONER FINE: Present.

8 CHAIRMAN JOHNSTON: Commissioner Svetanoff.

9 COMMISSIONER SVETANOFF: Present.

10 CHAIRMAN JOHNSTON: Commission Williams.

11 COMMISSIONER WILLIAMS: Present.

12 CHAIRMAN JOHNSTON: Commissioner Herndon.

13 COMMISSIONER HERNDON: Present.

14 CHAIRMAN JOHNSTON: Commissioner McClain.

15 COMMISSIONER McCLAIN: Present.

16 CHAIRMAN JOHNSTON: And the chairman is  
17 present. We have a quorum.

18 The minutes from the last meeting, the  
19 March 23rd meeting, were sent out for review.

20 Any revisions, corrections that are needed?

21 Seeing none, is there a motion to approve  
22 the minutes?

23 COMMISSIONER SVETANOFF: Motion to approve.

24 COMMISSIONER HERNDON: Second.

25 CHAIRMAN JOHNSTON: There's a motion and a

1 second.

2 All those in favor, say aye.

3 (Chorus of ayes.)

4 Opposed.

5 The minutes are adopted. Thank you very  
6 much.

7 Moving on to our full agenda for today,  
8 we'll start with a report from the Executive  
9 Director.

10 Sara.

11 EXECUTIVE DIRECTOR TAIT: Thank you,  
12 Mr. Chair. Welcome everyone.

13 First up is our staff update. Our newest  
14 employee is Amber Shover. Amber, if you'll stand  
15 up. Amber joins the Charity Gaming Division as  
16 our newest clerical assistant. She comes with  
17 over eight years of experience in the retail and  
18 restaurant business, so welcome, Amber. Thank  
19 you.

20 I also have a lot of staff promotions, so  
21 I'll go through them quick.

22 Angie Bunton was promoted to Director of  
23 Compliance.

24 Marecia Dewar was promoted to Assistant  
25 Director of Compliance.

1           And Jeremy Hosier was promoted to a  
2 Background Investigator.

3           We also underwent a reorganization of our  
4 Law Enforcement Division. And Dan Hirst, in  
5 back, has been selected to fill the newly created  
6 Deputy Superintendent of Law Enforcement  
7 position. Dan has always gone above and beyond  
8 his job responsibilities and shown initiative in  
9 his numerous roles with us at the IGC. He's been  
10 promoted lots of times. He's a proven leader.  
11 He shares the vision of Superintendent Townsend  
12 and me, and we're excited to see what he does  
13 with this new role. So congratulations, Dan.

14           As a result of this reorg, we have a new  
15 North Zone Assistant Director who's Nick Rentas,  
16 a new Majestic Star Supervisor, who is Johnnie  
17 Hudson.

18           And then we created Assistant Supervisors at  
19 every single casino, so I'll just run through  
20 those people really quick.

21           Majestic Star is Anthony Edwards. Ameristar  
22 is Sean DeMuth. Blue Chip is Geoff Jania.  
23 Hollywood is David Whitesell. Horseshoe Hammond  
24 is Louis Molina. Indiana Grand, Greg Lee.  
25 Rising Star, Brian Beard. Hoosier Park, Ty

1 Shoopman. French Lick, Andrea Potter.  
2 Tropicana, Karla Friese. And Horseshoe South,  
3 Chad Daggy.

4 So congratulations to all of those deserving  
5 staff members.

6 Our Background and Financial Investigations  
7 Divisions have conducted reinvestigations of  
8 casino licensees Horseshoe Southern and Horseshoe  
9 Hammond and supplier Patriot Gaming. Those  
10 reports are -- have been submitted with the  
11 confidential materials, and Director Leek is here  
12 if there are any questions.

13 We've had 18 waivers since our last meeting.

14 Blue Chip, Hoosier Park, Horseshoe Hammond  
15 and Rising Star were all granted waivers to  
16 employ 18- to 20-year-olds in certain job  
17 positions.

18 Blue Chip was granted a request to move all  
19 active and one year termed team member files to  
20 an off-site out-of-state location.

21 French Lick was granted a limited waiver of  
22 68 IAC 1-7-1 due to their unique location.

23 Hollywood is allowed to utilize multi-deck  
24 preshuffled cards and players are allowed to  
25 touch the cards at all baccarat table games and

1 variations. Patrons are also allowed to alter  
2 cards as they will only be in play one time.

3 Horseshoe Southern was granted a request to  
4 add a \$100,000 World Series of Poker tournament  
5 chip.

6 Horseshoe Hammond and Horseshoe Southern  
7 were granted a request to allow a hand to be kept  
8 in action if a card should be found face upward  
9 in the baccarat shoe rather than burning the card  
10 during the play.

11 Also, they were granted a request to allow  
12 employees to display alternate names on their  
13 gaming badges.

14 Majestic Star is allowed to utilize 20  
15 additional traveling dealers for the America's  
16 Poker Tour event and utilize RFID playing cards  
17 at the final table.

18 The Casino Association was granted a request  
19 that all multi-deck preshuffled playing cards be  
20 verified for quantity and suit on every 20th  
21 preshuffled shoe.

22 They're also allowed to increase the maximum  
23 amount of impressment for slot pouches to \$20,000  
24 for a six-month trial period and to perform the  
25 rotation of primary chips \$25 or below twice



1 weekly. They were also granted a request to use  
2 token tubes for \$25 or less.

3 And, lastly, all casinos were granted a  
4 request to eliminate the badging replacement fee.

5 Since the March meeting, IGC staff has added  
6 15 individuals to the Exclusion List. Of those  
7 15 individuals who are now barred from entering  
8 any casino in Indiana:

9 Four were placed on the list for cheating;

10 Three for past-posting, pinching or capping  
11 bets;

12 Eight for conducting jackpot switches or  
13 using false ID;

14 Three, the final three for conducting an  
15 activity deemed to be adversely affecting the  
16 public confidence and trust in gaming.

17 So for the year of 2017, we have placed 38  
18 patrons on the Exclusion List, bringing the total  
19 to 668.

20 Pursuant to request by Full House Resorts  
21 and in accordance with the provisions of  
22 applicable law and Resolution 2014-56, on May 31,  
23 2017, I, after consultation with Chairman  
24 Johnston and Commissioner Saxon, issued an  
25 interim approval and partial waiver of

1 68 IAC 5-3-2 to Full House for a refinancing  
2 package that was proposed by the company. Since  
3 that time, Full House has notified staff that it  
4 no longer intends or expects to close the  
5 refinancing prior to September 6, 2017, which was  
6 the deadline in the interim approval. As such,  
7 Full House has requested that the interim  
8 approval and waiver be withdrawn, and I have  
9 consented to that request. As official action  
10 was taken by the Commission, a report of this  
11 activity to the entire Commission was required by  
12 our rules.

13 Also, I wanted to briefly thank the  
14 representatives from the paid fantasy sports  
15 applicants and Caesars Entertainment for  
16 traveling here to Indianapolis today to address  
17 our Commissioners and answer their questions. We  
18 look forward to hearing from all of you.

19 And, lastly, I promise, I have to praise our  
20 staff, especially our legal and investigations  
21 division. We undertook two very large projects  
22 which happened to coincide at the exact same  
23 time, so they quickly looked at new issues,  
24 created comprehensive reports, created an  
25 entirely new regulatory framework, and all of

1 their work exceeded expectations, so they worked  
2 on a very tight timeline, analyzed a very  
3 complicated bankruptcy, reinvestigated both  
4 Caesars' licenses and did a great job, so thank  
5 you to our staff.

6 And we're also especially grateful to Mike  
7 Hile, who is our bankruptcy consultant, who  
8 provided us outstanding legal counsel throughout  
9 this two and a half year bankruptcy process, so  
10 thank you, Mike.

11 And I'm done, if -- unless there are any  
12 questions.

13 CHAIRMAN JOHNSTON: I was worried you didn't  
14 have enough to do this quarter.

15 EXECUTIVE DIRECTOR TAIT: I know, right.

16 CHAIRMAN JOHNSTON: Are there any questions  
17 for Sara?

18 Seeing none, is there any old business to  
19 come before the Commission?

20 Seeing no old business, we'll move into the  
21 new business agenda.

22 As probably most everyone in this room is  
23 aware, a new responsibility has been bestowed  
24 upon the Indiana Gaming Commission to regulate  
25 paid fantasy sports and review the applicant --

1 applicants for operator's license, and that is  
2 the first matter on our agenda today, to consider  
3 three applicants.

4 So to kick things off, Danielle Leek, why  
5 don't you walk us through our paces.

6 MS. LEEK: Good afternoon, Commissioners and  
7 staff. We will have three orders for you today.  
8 The first order is 2017-64, and that is an order  
9 granting a permanent paid fantasy sports game  
10 operator's license to DraftKings.

11 In April or May of this year, DraftKings  
12 submitted a paid fantasy sports game operator  
13 license application and the required fees.  
14 Commission staff has conducted a background and  
15 financial investigation of the company and its  
16 operations and can find no derogatory information  
17 that would affect the applicant's suitability to  
18 hold a license. The order you are considering  
19 today will allow you to grant or deny the PFS  
20 license.

21 We also have two representatives from  
22 DraftKings here today, Sarah and Jen, if you'd  
23 like to come up and introduce yourselves.

24 MS. AGUIAR: I'm Jennifer Aguiar, head of  
25 compliance and risk at DraftKings. I've been

1 there for a year. I'm responsible for working  
2 out the compliance and risk management program  
3 there.

4 MS. KOCH: Hi, I'm Sarah Koch. I'm the  
5 assistant director of government affairs at  
6 DraftKings.

7 We're very excited to be here today.  
8 Indiana was the first state, this is the first  
9 state to pass a law with the regulatory  
10 framework, so I know that you guys have been hard  
11 at work getting a -- those rules, getting those  
12 rules set up, and we've been happy to be part of  
13 that process and we appreciate all of the work  
14 that you have done in getting the application up.

15 CHAIRMAN JOHNSTON: Thank you very much.  
16 Any questions for the folks from DraftKings?

17 I think if you want to continue.

18 MS. LEEK: Go on or do you want to approve  
19 them one by one?

20 CHAIRMAN JOHNSTON: We'll do these  
21 individually I think.

22 MS. LEEK: So, again, it would be Order  
23 2017-64 which would grant a permanent paid  
24 fantasy sports operator license to DraftKings.

25 CHAIRMAN JOHNSTON: And as I'm sure everyone

1 had a chance to review, there is a staff report  
2 with the background checks, and so I'll entertain  
3 a motion for approval of Order 64.

4 COMMISSIONER SVETANOFF: Motion to approve.

5 COMMISSIONER WILLIAMS: Second.

6 CHAIRMAN JOHNSTON: There's a motion and a  
7 second.

8 Any questions? Discussion?

9 Seeing none, all those in favor, say aye.

10 (Chorus of ayes.)

11 Opposed.

12 Order 64 is adopted. Thank you.

13 MS. LEEK: Thank you. The next order is  
14 2017-65 granting a permanent paid fantasy sports  
15 game operator license to FanDuel.

16 Again, in April or May of 2017, FanDuel  
17 submitted a paid fantasy sports game operator  
18 license application and the required fees.  
19 Commission staff conducted a background and  
20 financial investigation of the company and its  
21 operations and found no derogatory information  
22 that would affect the applicant's suitability to  
23 hold a license. Staff's final report regarding  
24 FanDuel is made available for your review.

25 And from FanDuel, Cory Fox is here.

1 MR. FOX: Good afternoon. I'm Cory Fox,  
2 counsel for policy and government affairs at  
3 FanDuel. I just want to thank the Commission for  
4 consideration of our application. Thank you.

5 EXECUTIVE DIRECTOR TAIT: I have one  
6 question. Sorry, it's sort of applicable to both  
7 of you, but I'll ask you.

8 MR. FOX: I won this one.

9 EXECUTIVE DIRECTOR TAIT: You guys all made  
10 the news last week or maybe two weeks ago about  
11 you were intending to merge, but then the FTC  
12 issued a block of that merger, so I guess I was  
13 just wondering, I know you applied separately  
14 here in Indiana, the impact of that and what you  
15 guys might plan to do in the future.

16 MR. FOX: At this stage I think there's  
17 really no impact. We'll each be operating as  
18 independent operators within the state if our  
19 applications are approved and we'll go forward  
20 that way. If at some later date, you know,  
21 there's the possibility of a merger, we'll  
22 definitely be in touch and discuss that with you  
23 at that point.

24 EXECUTIVE DIRECTOR TAIT: Okay.

25 CHAIRMAN JOHNSTON: Thank you.

1 EXECUTIVE DIRECTOR TAIT: Thank you.

2 MS. LEEK: So this is Order 2017-65, which  
3 would grant a permanent paid fantasy sports  
4 license to FanDuel.

5 CHAIRMAN JOHNSTON: Thank you very much.

6 Any questions of FanDuel or Danielle on this  
7 order?

8 Seeing none, what's the pleasure of the  
9 Commission?

10 COMMISSIONER SVETANOFF: Motion to approve.

11 COMMISSIONER FINE: Second.

12 CHAIRMAN JOHNSTON: There's a motion and a  
13 second.

14 Any further discussion?

15 All those in favor, say aye.

16 (Chorus of ayes.)

17 Opposed.

18 Order 65 is adopted. Thank you.

19 MS. LEEK: Thank you. The third one is  
20 Order 2017-66 granting a permanent paid fantasy  
21 sports game operator license to FantasyDraft,  
22 LLC. Again, the company submitted a paid fantasy  
23 sports game operator license application and the  
24 required fees. Commission staff conducted a  
25 background and financial investigation of the



1 company and its operations and found no  
2 derogatory information that would affect the  
3 applicant's suitability to hold a license.  
4 Staff's final report regarding FantasyDraft has  
5 been made available for your review.

6 And Steve Krombolz from FantasyDraft is here  
7 today.

8 MR. KROMBOLZ: Hello. I'm Steve Krombolz  
9 from FantasyDraft. I'm CEO and cofounder, and  
10 happy to be here today and look forward to the  
11 opportunity to work together in the future.

12 CHAIRMAN JOHNSTON: Thank you very much,  
13 Steve. Any questions for Steve?

14 Thank you.

15 MS. LEEK: So Order 2017-66 will grant a  
16 permanent paid fantasy sports license for  
17 FantasyDraft, LLC.

18 CHAIRMAN JOHNSTON: What is the pleasure of  
19 the board -- or Commission for Order 66?

20 COMMISSIONER FINE: Move for approval.

21 COMMISSIONER SVETANOFF: Second.

22 CHAIRMAN JOHNSTON: There's a motion and a  
23 second.

24 Any further questions or discussion?

25 All those in favor, say aye.

1 (Chorus of ayes.)

2 Opposed.

3 Order 66 is adopted.

4 MS. LEEK: Thank you.

5 CHAIRMAN JOHNSTON: Thank you. I would like  
6 to thank the applicants as well as the staff.  
7 This is new for everybody, and so it's been a  
8 tough road to get this all assembled to get to  
9 this point and want to thank everybody for your  
10 interest in the state of Indiana and compliance  
11 in that regard, as well as the staff efforts.  
12 Thank you very much.

13 Moving on to patron matters, Angie Bunton.

14 MS. BUNTON: Good afternoon, Commissioners  
15 and Executive Staff. You have before you 12  
16 orders regarding the Voluntary Exclusion Program.  
17 Pursuant to the rules of the program, the  
18 identities of Voluntary Exclusion Program  
19 participants must remain confidential. Pursuant  
20 to 68 IAC 6-3-2(g), a participant in the program  
21 agrees that if he or she violates the terms of  
22 the program and enters the gaming area of a  
23 facility under the jurisdiction of the  
24 Commission, they will forfeit any jackpot or  
25 thing of value won as a result of a wager.

1 Under Orders 2017-67 through 2017-78, a  
2 total sum of \$10,657.09 was forfeited by John  
3 Does 31 through 42. These winnings were  
4 collected at Ameristar, Belterra, Hollywood,  
5 Hoosier Park, Horseshoe Hammond, Indiana Grand  
6 and Majestic Star. These winnings were withheld  
7 as required by Commission regulations.

8 Commission staff recommends that you approve  
9 the remittance of these winnings for John Does 31  
10 through 42.

11 CHAIRMAN JOHNSTON: Thank you. Any  
12 questions for Angie?

13 Seeing none, what's the pleasure of the  
14 Commission on Orders 67 through 78?

15 COMMISSIONER FINE: Move for approval.

16 CHAIRMAN JOHNSTON: There's a motion.

17 COMMISSIONER SVETANOFF: Second.

18 CHAIRMAN JOHNSTON: And a second.

19 All those in favor, say aye.

20 (Chorus of ayes.)

21 Opposed.

22 The orders are adopted.

23 Thank you, Angie.

24 MS. BUNTON: Thank you.

25 CHAIRMAN JOHNSTON: Supplier matters.

1 Welcome, Noah.

2 MR. JACKSON: Good afternoon.

3 Commissioners, you have before you Order 2017-79.  
4 Pursuant to Indiana Code Section 4-33-7-8 and  
5 68 IAC Section 2-2-8, a supplier's license must  
6 be renewed annually along with the payment of a  
7 \$7,500 renewal fee. Each of the following  
8 licenses has -- licensees has submitted a timely  
9 request for renewal along with the required  
10 payment:

11 Ainsworth Game Technologies; Everi Payments;  
12 House Advantage; Konami Gaming; Novomatic  
13 Americas Sales; United States Playing Card  
14 Company; and NRT Technologies.

15 At this time Commission staff respectfully  
16 recommends the approval of Order 2017-79 to renew  
17 the supplier licenses of those listed.

18 CHAIRMAN JOHNSTON: Thank you very much.

19 Any questions?

20 Is there -- I'll entertain a motion to  
21 approve Order 79 for the supplier renewals.

22 COMMISSIONER WILLIAMS: So moved.

23 CHAIRMAN JOHNSTON: Motion to approve.

24 COMMISSIONER FINE: Second.

25 CHAIRMAN JOHNSTON: And a second.

1 Any questions?

2 All those in favor, say aye.

3 (Chorus of ayes.)

4 Opposed.

5 Order 79 is adopted.

6 Thank you, Noah.

7 MR. JACKSON: Thank you.

8 CHAIRMAN JOHNSTON: Continuing on with  
9 supplier matters, Angie, come on back.

10 MS. BUNTON: Thank you. You have before you  
11 three settlement agreements concerning  
12 disciplinary actions against licensed suppliers.

13 Order 2017-80 is a settlement agreement with  
14 Bally Gaming, Incorporated, wherein the supplier  
15 violated the rules for shipping electronic gaming  
16 devices.

17 Bally Gaming, Incorporated, has agreed to a  
18 monetary settlement of \$3,000 in lieu of  
19 disciplinary action.

20 Order 2017-81 is a settlement agreement with  
21 IGT and includes two counts.

22 In the first count, the supplier violated  
23 the rules for shipping electronic gaming devices.

24 In the second count, IGT failed to notify  
25 the Commission of the status change of three

1 employees, request renewal or request a review to  
2 determine if licensure was no longer necessary.

3 IGT has agreed to a monetary settlement of  
4 \$4,500 in lieu of disciplinary action.

5 Order 2017-82 is a settlement agreement with  
6 NRT wherein the supplier failed to timely notify  
7 the Commission of a termination.

8 NRT has agreed to a monetary settlement of  
9 \$1,000.

10 Commission staff recommends that you approve  
11 Order 2017-80 through Order 2017-82.

12 CHAIRMAN JOHNSTON: Thank you very much.

13 Any questions on these orders regarding  
14 settlement agreements?

15 Seeing none, is there a motion to adopt  
16 Orders 80 through 82 for approving the settlement  
17 agreements?

18 COMMISSIONER FINE: Move for approval.

19 COMMISSIONER SVETANOFF: Second.

20 CHAIRMAN JOHNSTON: There's a motion and a  
21 second.

22 All those in favor, say aye.

23 (Chorus of ayes.)

24 Opposed.

25 The orders are adopted.

1 Thank you.

2 MS. BUNTON: Thank you.

3 CHAIRMAN JOHNSTON: Occupational licenses.  
4 Noah.

5 MR. JACKSON: Thank you. Commissioners, you  
6 have before you Orders 2017-83 and 2017-84 which  
7 concern settlement agreements between Commission  
8 staff and occupational licensees. These  
9 licensees failed to comply with  
10 68 IAC Section 2-3-9.

11 In lieu of disciplinary action, Commission  
12 staff offered each of these -- each licensee a  
13 settlement agreement that would have them agree  
14 to an unpaid, voluntary relinquishment of the  
15 occupational license for a period of regularly  
16 scheduled working days, with no vacation or other  
17 paid time off to be used. Each licensee has  
18 agreed to the terms of the settlement agreements.

19 Orders 2017-83 and 2017-84 would approve the  
20 settlement agreements entered into by the  
21 parties, and Commission staff respectfully  
22 recommends that you approve these orders at this  
23 time.

24 CHAIRMAN JOHNSTON: Thank you, Noah.

25 Any questions on these two orders, 83 and

1 84?

2 Seeing none, what's the pleasure of the  
3 Commission?

4 COMMISSIONER FINE: Move for approval.

5 CHAIRMAN JOHNSTON: Motion to approve.

6 COMMISSIONER HERNDON: Second.

7 CHAIRMAN JOHNSTON: And a second.

8 All those in favor, say aye.

9 (Chorus of ayes.)

10 Opposed.

11 Orders 83 and 84 are adopted.

12 We have one more, Order 85.

13 MR. JACKSON: Thank you, Commissioners. You  
14 now have before you Order 2017-85 concerning the  
15 ratification of previously issued Commission  
16 Order 2017-63.

17 On March 1, 2017, Ho Van Phung submitted an  
18 incomplete Level 1 occupational license  
19 reinvestigation application to the Commission.  
20 As part of the reinvestigation process, the  
21 Commission determined that Mr. Phung had failed  
22 to maintain suitability for licensure as required  
23 under 68 IAC 2-3-9.

24 In response, a complaint was filed to take  
25 action against the occupational license of



1 Mr. Phung. However, for various reasons,  
2 including the high level of responsibility and  
3 access afforded to a Level 1 licensee, Commission  
4 staff determined that an emergency existed and  
5 action must be taken against the license prior to  
6 the administrative proceeding requested in the  
7 complaint.

8 Resolution 2012-151 allows the Executive  
9 Director, upon obtaining consent from one  
10 Commissioner, to exercise the powers and duties  
11 of the Commission under Indiana Code Section  
12 4-33-4-1 and Section 4-35-4-1.

13 Director Tait issued Order 2017-63 under the  
14 authority granted to the Executive Director in  
15 Resolution 2012-151. The authority given in the  
16 resolution requires the Executive Director to  
17 consult with and obtain consent from at least one  
18 Commissioner prior to issuing any order.  
19 Additionally, the resolution requires that the  
20 Executive Director report any action taken under  
21 the resolution to the Commission for  
22 ratification.

23 Per the requirements laid out in the  
24 resolution, the Executive Director has consulted  
25 with and on June 14, 2017, received approval from

1 Commission Chairman Cris Johnston to exercise the  
2 authority granted in the resolution.

3 Approval of Order 2017-85 would have the  
4 effect of ratifying the action taken by Executive  
5 Director Tait, with consent of Chairman Johnston,  
6 in Order 2017-63. More detailed information  
7 regarding the status of this situation has been  
8 provided in confidential materials you received  
9 prior to this meeting.

10 At this time Commission staff respectfully  
11 recommends approval of Order 2017-85 ratifying  
12 Order 2017-63.

13 CHAIRMAN JOHNSTON: Thank you.

14 Any questions for Noah on this order?

15 Seeing none, what is the pleasure of the  
16 Commission?

17 COMMISSIONER FINE: Move for approval.

18 COMMISSIONER SVETANOFF: Second.

19 CHAIRMAN JOHNSTON: There's a motion and a  
20 second.

21 Any questions?

22 Seeing none, all those in favor, say aye.

23 (Chorus of ayes.)

24 Opposed.

25 Order 85 is adopted.

1           You want to keep going?

2           MR. JACKSON: I will keep going, yes. Thank  
3 you.

4           Commissioners, you now have before you  
5 Orders 2017-86 through 2017-96 which deny  
6 individuals' applications for permanent  
7 occupational licenses to work in Indiana casinos.

8           Pursuant to Indiana Code Section  
9 4-33-8-3(4), the Commission may not issue an  
10 occupational license to an individual unless he  
11 or she has met the standards adopted by the  
12 Commission for holding an occupational license.  
13 An applicant for a Level 2 or Level 3  
14 occupational license must include the applicant's  
15 criminal history in his or her application.

16           Any misrepresentation or omission made with  
17 respect to the application may be grounds for  
18 denial of the application pursuant to  
19 68 IAC 2-3-4(b)(2).

20           As part of the routine background  
21 investigation into each applicant, Commission  
22 staff discovered that the applicants represented  
23 in Orders 2017-86 through 2017-96 failed to meet  
24 the established standards for licensure.

25           All individuals were given the opportunity

1 to withdraw their application from consideration  
2 for permanent licensure. Detailed information  
3 regarding each individual's investigation is  
4 contained in the confidential materials provided  
5 to the Commission.

6 Because the applicants failed to meet the  
7 established standards for licensure, staff  
8 recommends that the applications for permanent  
9 licensure be denied in Orders 2017-86 through  
10 2017-96.

11 CHAIRMAN JOHNSTON: Thank you.

12 MR. JACKSON: Thank you.

13 CHAIRMAN JOHNSTON: Any questions for these  
14 Orders 86 through 96?

15 Seeing none, is there a motion?

16 COMMISSIONER FINE: Move for approval.

17 COMMISSIONER SVETANOFF: Second.

18 CHAIRMAN JOHNSTON: There's a motion and a  
19 second.

20 All those in favor, say aye.

21 (Chorus of ayes.)

22 Opposed.

23 The orders are adopted.

24 Thank you.

25 MR. JACKSON: Thank you.

1 CHAIRMAN JOHNSTON: Casino matters, Angie  
2 Bunton.

3 MS. BUNTON: Good afternoon again. You have  
4 before you seven settlement agreements concerning  
5 disciplinary action.

6 Order 2017-97 is a settlement agreement with  
7 French Lick Resort Casino wherein the casino  
8 allowed an underage person on the casino floor on  
9 two separate occasions.

10 French Lick has agreed to a monetary  
11 settlement of \$9,000 in lieu of disciplinary  
12 action.

13 Order 2017-98 is a settlement agreement with  
14 Hoosier Park and includes two counts.

15 In the first count, the casino allowed an  
16 underage person on the casino floor.

17 In the second count, the casino failed to  
18 timely notify the Commission of two terminations.

19 Hoosier Park has agreed to a monetary  
20 settlement of \$3,500.

21 Order 2017-99 is a settlement agreement with  
22 Horseshoe Hammond wherein the casino violated the  
23 rules on playing cards. Horseshoe Hammond has  
24 agreed to a monetary settlement of \$1,500 in lieu  
25 of disciplinary action.

1           Order 2017-100 is a settlement agreement  
2 with Indiana Grand and includes three counts.

3           In the first count, the casino violated the  
4 rules on sensitive keys.

5           In the second count, the casino failed to  
6 timely notify the Commission of a status change  
7 for an occupational licensee.

8           In the third count, the casino failed to  
9 adhere to internal control procedures and the  
10 rule regarding child support obligor intercepts.

11           Indiana Grand has agreed to a monetary  
12 settlement of \$43,500 in lieu of disciplinary  
13 action.

14           Order 2017-101 is a settlement agreement  
15 with Majestic Star Casino and includes three  
16 counts.

17           In the first count, the casino violated the  
18 rule for the soft count process.

19           In the second count, the casino violated the  
20 rule on the central computer system and failed to  
21 provide notice to the Commission when the casino  
22 is conducting system maintenance on the central  
23 computer system.

24           In the third count, the casino violated the  
25 rule requiring surveillance to audibly record the

1 soft count process on two occasions and Gaming  
2 Enforcement staff discovered that the  
3 surveillance coverage had been altered to deny  
4 access to agents.

5 Majestic Star has agreed to a monetary  
6 settlement of \$16,000 in lieu of a disciplinary  
7 action. Majestic Star is also required to submit  
8 to the Commission a corrective action plan for  
9 the count and drop process and a formal  
10 notification on the system maintenance of the  
11 central computer system.

12 Order 2017-102 is a settlement agreement  
13 with Rising Star Casino and includes two counts.

14 In the first count, the casino violated  
15 their internal control procedures for the drop  
16 process by allowing a patron to walk through the  
17 designated drop area while the drop was in  
18 process.

19 In the second count, the casino violated the  
20 surveillance rules as slot storage was not being  
21 recorded.

22 Rising Star has agreed to a monetary  
23 settlement of \$3,500 in lieu of disciplinary  
24 action.

25 Order 2017-103 is a settlement agreement

1 with Tropicana Evansville and includes two  
2 counts.

3 In the first count, the casino violated a  
4 rule on electronic gaming devices when the  
5 integrity of the electronic gaming device had  
6 been questioned and the casino also failed to  
7 notify enforcement agents that an electronic  
8 gaming device had been removed from play.

9 In the second count, the casino violated the  
10 rule on table game fill and credit procedures.

11 Tropicana has agreed to a monetary  
12 settlement of \$4,500 in lieu of disciplinary  
13 action.

14 Commission staff recommends that you approve  
15 Orders 2017-97 through 2017-103.

16 CHAIRMAN JOHNSTON: Thank you, Angie.

17 Any questions on these disciplinary actions?

18 Seeing none, what's the pleasure of the  
19 Commission on Orders 97 through 103?

20 COMMISSIONER HERNDON: Motion to approve.

21 COMMISSIONER FINE: Second.

22 CHAIRMAN JOHNSTON: Motion and a second.

23 All those in favor, say aye.

24 (Chorus of ayes.)

25 Opposed.



1           The orders are adopted.

2           MS. BUNTON: Thank you.

3           CHAIRMAN JOHNSTON: Thank you. Noah is  
4 going to talk to you about some renewals.

5           MR. JACKSON: Thank you, Commissioners. You  
6 have before you Orders 2017-104 and 2017-105  
7 regarding the annual renewal of casino owner's  
8 licenses for Horseshoe Hammond, LLC, and the  
9 Majestic Star Casino, LLC, and the Majestic Star  
10 Casino II, LLC.

11           All entities have filed the proper paperwork  
12 and paid the required annual renewal fee. The  
13 Horseshoe Hammond license was set to expire on  
14 June 19, 2017, and the Majestic Star licenses  
15 were set to expire on June 2, 2017. Under the  
16 authority granted in Resolution 2003-13,  
17 Executive Director Tait issued interim renewals  
18 to the licensees to cover the period between the  
19 expiration date and this business meeting.

20           Additionally, by Orders 2016-135 and  
21 2016-137, the Commission approved the power of  
22 attorney for each of these casinos. The  
23 approvals expire upon the renewal of the casino  
24 owner's license. For that reason, all casinos  
25 must request renewal of the Commission's approval

1 of the written power of attorney concurrently  
2 with the request for renewal, or present the  
3 Commission with a new written power of attorney  
4 naming a new trustee-in-waiting.

5 Both licensees have stated that their  
6 intent -- have stated their intent to maintain  
7 the existing trustee-in-waiting and have not  
8 presented the Commission with any modifications  
9 to the power of attorney.

10 At this time Commission staff respectfully  
11 requests approval of Orders 2017-104 and 2017-105  
12 renewing the casino owner's licenses for a period  
13 of one year.

14 CHAIRMAN JOHNSTON: Thank you. Any  
15 questions on these renewals?

16 Seeing none, what is the pleasure of the  
17 Commission?

18 COMMISSIONER FINE: Move for approval.

19 COMMISSIONER SVETANOFF: Second.

20 CHAIRMAN JOHNSTON: There's a motion and a  
21 second.

22 All those in favor, say aye.

23 (Chorus of ayes.)

24 Opposed.

25 Orders 104 and 105 are adopted.

1 Thank you.

2 MR. JACKSON: Thank you.

3 CHAIRMAN JOHNSTON: Athletic Division. I  
4 didn't know you were so versatile.

5 MR. JACKSON: I'm all over everything.

6 CHAIRMAN JOHNSTON: That's right. Okay.

7 MR. JACKSON: Commissioners, you have before  
8 you Order 2017-106 concerning a settlement  
9 agreement between Commission staff and Kage  
10 Concepts, Incorporated, a licensed sanctioning  
11 body overseeing amateur mixed martial arts events  
12 in the state.

13 On March 18, 2017, Kage Concepts provided  
14 oversight of an amateur mixed marital arts event  
15 hosted by the Michiana Fight Club. During that  
16 event, a suspended mixed martial arts fighter was  
17 allowed to participate in a bout.

18 The suspension was issued by the California  
19 Athletic Commission and listed on the website --  
20 and listed on the website registry certified and  
21 operated by the Association of Boxing  
22 Commissions.

23 As a licensed sanctioning body, Kage  
24 Concepts should not have allowed the suspended  
25 fighter to participate in the bout at the

1 March 18th event.

2 The Commission is authorized to take  
3 disciplinary action against a licensee of -- the  
4 license of a sanctioning body under  
5 68 IAC 24-6-6(f). In lieu of administrative  
6 action, Commission staff offered to settle the  
7 matter with the licensee for a fine of \$500.

8 Kage Concepts accepted the terms of the  
9 settlement agreement. And at this time  
10 Commission staff respectfully recommends that the  
11 Commission approve Order 2017-106.

12 CHAIRMAN JOHNSTON: Any questions of Noah on  
13 Order 106?

14 Seeing none, is there a motion from the  
15 Commission?

16 COMMISSIONER FINE: Move for approval.

17 COMMISSIONER SVETANOFF: Second.

18 CHAIRMAN JOHNSTON: There's a motion and a  
19 second.

20 All those in favor, say aye.

21 (Chorus of ayes.)

22 Opposed.

23 Order 106 adopted.

24 Thank you, Noah.

25 EXECUTIVE DIRECTOR TAIT: I should note that

1 Noah is our lone staff attorney, so he's  
2 carrying --

3 CHAIRMAN JOHNSTON: Okay.

4 EXECUTIVE DIRECTOR TAIT: So that's why he's  
5 doing this whole meeting, but I should point out  
6 that we've had a very talented legal intern,  
7 Courtney Abshire, who's been helping us out this  
8 summer, too, while we're down, so thank you,  
9 Noah.

10 CHAIRMAN JOHNSTON: Thank you. We'll give  
11 Noah and Angie a break here. Since it's rules,  
12 we'll call Dennis, right.

13 MR. MULLEN: I'll break up the Noah and  
14 Angie show for a moment.

15 CHAIRMAN JOHNSTON: Dennis Mullen.

16 MR. MULLEN: Thank you, all. Good  
17 afternoon, Commissioners, Executive Staff, and  
18 thank you for your time this afternoon.

19 Before you is Resolution 2017-107 which  
20 readopts the Commission's emergency rules  
21 regarding paid fantasy sports. The emergency  
22 rule addresses Indiana Code Chapter 4-33-24,  
23 which directs the Commission to adopt standards  
24 and rules for paid fantasy sports operator  
25 licensees and paid fantasy sports operator

1 applicants.

2 Commission staff is requesting the emergency  
3 rule be readopted at this time due to our current  
4 emergency rule expiring on September 19th of this  
5 year. Meanwhile, as you know, our next  
6 Commission meeting is not scheduled until  
7 September 29th of this year. So in order to  
8 avoid the potential ten-day gap in coverage of  
9 the rule, we are respectfully requesting that you  
10 approve this resolution readopting the emergency  
11 rules.

12 In addition, Commission staff further  
13 requests you approve a 90-day extension of this  
14 emergency rule, which would allow it to run from  
15 September 19, 2017, until March 19, 2018.

16 Before I answer any questions regarding this  
17 resolution, I'd also like to give you a brief  
18 update regarding the promulgation of our formal  
19 rule and how that's going.

20 On January 3rd of this year, Commission  
21 staff requested approval to proceed under the  
22 current rule moratorium in place with the Office  
23 of Management and Budget Agency, to proceed with  
24 formal rulemaking, and on May 1st we did receive  
25 that authority to proceed.

1 Commission staff has posted a notice of  
2 intent to promulgate its formal rules, and the  
3 Indiana State Budget Agency is currently  
4 reviewing a draft of our -- of our formal rule.

5 Once we receive SBA approval, we'll be able  
6 to post that draft rule and begin with the public  
7 comments stage.

8 At this point it seems unlikely we'll have a  
9 formal rule for your ratification this year, but  
10 we anticipate that coming -- coming your way in  
11 2018.

12 So with that, thank you again, and I'll  
13 answer any questions regarding Resolution  
14 2017-107.

15 CHAIRMAN JOHNSTON: Thank you. Questions  
16 for Dennis?

17 So the three operators that we just approved  
18 today will be -- they'll have to comply and  
19 operate under the emergency rules that we're  
20 extending?

21 MR. MULLEN: That is right.

22 CHAIRMAN JOHNSTON: What is the pleasure of  
23 the Commission on Resolution 107?

24 COMMISSIONER SVETANOFF: Motion to approve.

25 COMMISSIONER WILLIAMS: Second.

1           CHAIRMAN JOHNSTON: There's a motion and a  
2 second.

3           All those in favor, say aye.

4           (Chorus of ayes.)

5           Opposed.

6           The resolution is adopted. Thank you.

7           You have three more resolutions, right?

8           MR. MULLEN: That is right. So the next  
9 three items before you, Resolutions 2017-108  
10 through 110, each update prior resolutions that  
11 authorized the Executive Director to take certain  
12 action and waive applicable provisions of  
13 Title 68 of the Indiana Administrative Code.

14           The background on why these resolutions  
15 require updating is that at our September 2016  
16 Commission meeting, the Commission approved a  
17 rulemaking that repealed a number of duplicative  
18 sections found in Title 68. This included many  
19 identical sections that allow the Executive  
20 Director or Commission to approve a rule  
21 deviation. The September 2016 rulemaking  
22 consolidated those sections into one new section  
23 which is found at 68 IAC 1-2-13.

24           So the first resolution -- the first two  
25 resolutions before you, Resolution 2017-108 and



1 Resolution 2017-109, simply update prior  
2 Resolutions 2017-33 and 2014-56 to cite to the  
3 newly promulgated section for approving a rule  
4 deviation. No other changes were made to the  
5 respective resolutions.

6 As a reminder of what those resolutions  
7 authorize, I will now just briefly describe all  
8 three resolutions before you and certainly answer  
9 any questions that the Commission has regarding  
10 them.

11 So with respect to Resolution 2017-108, this  
12 grants the Executive Director the authority and  
13 ability to waive the requirements of 68 IAC 5-1  
14 and 5-2 to approve a transfer of ownership that  
15 occurs between two Indiana supplier licensees or  
16 key persons of Indiana supplier licensees that  
17 have already undergone investigation by the  
18 Commission staff.

19 Title 68 of the Indiana Administrative Code  
20 requires all entities seeking a transfer of  
21 ownership interest to comply with certain  
22 requirements, including investigations, before  
23 transferring any ownership interest, and that's,  
24 of course, to protect the Commission's interest  
25 in the suitability of its licensees.

1           Those requirements are often waived by the  
2 Executive Director in instances where the  
3 entities are licensees or key persons of  
4 licensees that have already undergone those  
5 investigations.

6           However, even in those instances, it would  
7 still require Commission approval. This creates  
8 burden for the Commission, Commission staff, and  
9 importantly can delay time-sensitive  
10 transactions.

11           So this resolution simply improves  
12 efficiency by allowing the Executive Director to  
13 exercise the authority to waive the requirements  
14 of 68 IAC 5-1 and 5-2.

15           This resolution will supersede 2017-33 and,  
16 again, no other substantive changes were made  
17 between this resolution before you and that  
18 resolution.

19           So if there's any question, I'd be happy to  
20 answer.

21           CHAIRMAN JOHNSTON: Any questions for Dennis  
22 on these sort of -- these clean-up resolutions?

23           MR. MULLEN: That's a good way of putting  
24 it, thank you.

25           CHAIRMAN JOHNSTON: Seeing none, what's the

1 pleasure of the Commission on Resolutions 108  
2 through 110?

3 COMMISSIONER FINE: Move for approval.

4 COMMISSIONER SVETANOFF: Second.

5 CHAIRMAN JOHNSTON: There's a motion and a  
6 second.

7 All those in favor, say aye.

8 (Chorus of ayes.)

9 Opposed.

10 The resolutions are adopted.

11 Thank you very much.

12 MR. MULLEN: Thank you.

13 CHAIRMAN JOHNSTON: As Sara mentioned in her  
14 Executive Director's report, the other really  
15 heavy lift for a lot of people out there in the  
16 audience as well as staff has to do with our  
17 Horseshoe properties here in Indiana, and so to  
18 kind of give us some background on that before we  
19 get into the orders dealing with this matter, I  
20 would like to bring up Mike Hile, the  
21 Commission's bankruptcy advisor, to give us a  
22 background.

23 Mike.

24 MR. HILE: Good morning, Honorable  
25 Commissioners and Executive Staff. Afternoon

1 actually.

2 My name is Mike Hile. I'm with Jacobson,  
3 Hile & Kight. I've been retained by the  
4 Commission staff to be advisor as to the  
5 bankruptcy processes in this -- in this --  
6 respecting your licensees.

7 On January 17, 2017, Caesars Entertainment  
8 Operating Company, Inc., and approximately 170 of  
9 its subsidiaries and related entities confirmed a  
10 joint Chapter 11 plan in the bankruptcy court in  
11 Chicago. Quite a notable accomplishment and  
12 approximately two years almost to the day that  
13 they commenced their Chapter 11 cases. They  
14 commenced them on January 15th of 2015.

15 The confirmation of a plan is a milestone,  
16 but it is not a completion of the task. You  
17 aren't completed with the task until you  
18 consummate the terms of your plan.

19 This plan has several conditions of  
20 effectiveness which the entities are in the  
21 process of fulfilling and undertaking, including  
22 a merger of certain entities, etc., most  
23 importantly of which are the approval of -- all  
24 the regulatory approvals necessary, of which this  
25 hearing today is a part.

1           They anticipate that they will move forward  
2 rapidly and satisfy all of these conditions, and  
3 they're saying a September, end of September  
4 date, but there obviously is no guarantee that  
5 that date will stick depending on how these other  
6 conditions are moved forward and satisfied.

7           The plan -- I was asked to give you a very  
8 high level and brief, and I'll stress both of  
9 that, presentation, so I will discuss generally  
10 that the plan deleveraged this combined  
11 enterprise by about \$10 billion. It did that by  
12 doing a debt-for-equity swap, in essence. While  
13 they were in the bankruptcy, they also chose to  
14 use a tax favored process known as a REIT, which  
15 I believe you all are familiar with, providing  
16 the real property of these enterprises will be  
17 owned by the REIT and the operating entities will  
18 lease that from the REIT. The REIT is tax  
19 favored return -- has tax favored returns.

20           The deleveraging occurred by the swapping of  
21 the creditors' claims for equity in these  
22 enterprises' entities.

23           The bankruptcy process through Chapter 11  
24 pulls together the assets of the estate, the  
25 bankruptcy estate which is created upon filing.

1 The debtor management remain in possession and  
2 they operate it in the ordinary course of  
3 business, seeking approval of the bankruptcy  
4 court for extraordinary actions.

5 Their goal is to figure out using the tools  
6 of bankruptcy and their other advisors to  
7 maximize the value of the enterprise, restructure  
8 it operationally as necessary and with that  
9 maximize value, distribute it, or figure out how  
10 it will be distributed vis-a-vis the various  
11 creditor constituencies and parties of interest  
12 in accordance with their priorities.

13 That is accomplished through a plan in this  
14 case. The -- the system worked well, although  
15 this was a very contentious Chapter 11 case, the  
16 main reason being is that there was money. It  
17 wasn't necessarily a financial hardship  
18 situation, but when there's money, people are  
19 going to fight over how it's going to be  
20 apportioned and distributed, and that was the  
21 case here.

22 Prior to the bankruptcy cases, when you step  
23 back, in a brief summary, the debt-for-equity  
24 exchange will occur. In addition, there will be  
25 a compromise of numerous claims against various

1 related entities that arise either as a result of  
2 the potential breaches of fiduciary duty or other  
3 fraudulent transfer type claims, which I'll  
4 discuss a little more in detail. That value is  
5 probably in excess of four to five million  
6 dollars of contribution and creditor support by  
7 the parent company and others.

8 In exchange, under the plan they will obtain  
9 what's called a third party release, and it  
10 releases these third parties from these claims  
11 and other claims of the various creditors, etc.  
12 And that is, in essence, what will ultimately  
13 happen here after the debt is restructured.

14 In your materials there are charts showing  
15 the new organizational structure and there's a  
16 new capital chart as well, and I would refer you  
17 to those because they're difficult to -- and  
18 timely to describe here, but that is -- this is  
19 the general structure that I've just outlined.

20 Prior to the bankruptcy you need to  
21 understand that scenario because it leads into  
22 what occurred in the bankruptcy. In 2008 there  
23 was an LBO in which Apollo, TPG and several funds  
24 affiliated with them paid approximately  
25 \$30.7 billion for this collection of companies.

1 Some of that was on the assumption of debt and  
2 otherwise, but was valued at approximately  
3 \$30.7 billion.

4 LBOs are extremely highly leveraged  
5 transactions because all of the assets of the  
6 collective enterprise are -- collateralize the  
7 obligations to repay. Experts in the field,  
8 quite -- some argue in favor of LBOs, arguing  
9 that the leverage forces the entity to be  
10 extremely efficient and to gain every efficiency  
11 in processes; therefore they're good, some say.  
12 Others say that leverage kills the golden goose  
13 and ends -- ends enterprises.

14 We will not know as a result of this  
15 operation, however, because it met a equally --  
16 an equal opportunity killer of businesses or  
17 harmer of businesses, a global downturn including  
18 the greatest recession since the Great Depression  
19 which occurred and continued shortly after  
20 this -- right after this transaction was entered  
21 into.

22 Consequently, the high leverage and the  
23 downturn in the economy and increasing  
24 competition in the field, liquidity was hurt.  
25 And they needed liquidity. They had to keep up



1 to meet debt service and keep operations, etc.,  
2 going and so management entered into several  
3 transactions which they described as providing  
4 them runway, an opportunity to get through what  
5 they perceived would be a downturn, but not such  
6 a big downturn.

7 Their runway was not quite long enough, and  
8 in 2015 it became fairly clear that they were  
9 going to need to commence a bankruptcy case.

10 Prior to that time they also entered into  
11 discussions with the various creditor  
12 constituencies in attempt to restructure outside  
13 or at least to gain consents and approvals  
14 through a restructuring agreement that would help  
15 guide and ease the process through Chapter 11.

16 Those negotiations broke down. And they  
17 were entered back into with special collections  
18 of various creditors, etc., and they ended up  
19 getting certain consents of the higher -- higher  
20 priority debts, which allowed them to have  
21 restructuring agreements that gave them some  
22 guidance when they entered into Chapter 11.

23 The -- this runway that I described resulted  
24 from selling of assets, borrowing against other  
25 assets, refinancing certain debts, transferring

1 of agreements on sharing of operations, etc., and  
2 each of those transactions angered various  
3 different levels of -- different levels of  
4 priority creditors and litigation commenced,  
5 arguing that these were not in the best interests  
6 of the enterprise, etc., prebankruptcy.

7 As I said, the debtors entered into  
8 negotiations with their creditor constituencies  
9 in an attempt to resolve this prebankruptcy. It  
10 became clear the bankruptcy would be necessary in  
11 2015.

12 Three days before the debtors commenced  
13 their own Chapter 11 cases, three creditors  
14 commenced an involuntary bankruptcy case in  
15 Delaware. That raised the first of the issues  
16 that led to a compromise here and the compromise  
17 of the case, in that it was perceived that  
18 Delaware would be more friendly to the creditors  
19 and that their case law would not permit as  
20 opportune third party release scenarios as  
21 perhaps Seventh Circuit law, the Chicago courts.

22 The issue of which court was going to  
23 decide, eventually the Delaware court decided  
24 that the Illinois bankruptcy court had  
25 jurisdiction, transferred the cases there, and

1 never ruled ultimately on whether the involuntary  
2 bankruptcy and the date of its petition date  
3 would be effective. The issue never ultimately  
4 was decided, but it was one of the issues that  
5 was negotiated and resolved in this case.

6 There were additional litigations regarding  
7 these transactions that occurred to create runway  
8 in which creditors argued that there were  
9 breaches of fiduciary duty, fraudulent transfers,  
10 waste of corporate assets and other kinds of  
11 claims, and that was the -- the dispute that was  
12 out there, because the enterprise was valued at  
13 whatever it was valued at and the gravy was going  
14 to come from any recoveries that could come from  
15 these transactions that occurred.

16 Quick upon -- shortly after the commencement  
17 of the bankruptcy cases in Chicago and after all  
18 of the normal things that occur in a case, the  
19 debtors joined in a motion of other creditors and  
20 sought the appointment of an examiner. The  
21 examiner is appointed in a case when there are  
22 issues raised that require examination and which  
23 the court believes they would be assisted in  
24 having a third party come in and review.

25 The examiner was appointed. His name is

1 Richard Davis. He retained counsel at Winston &  
2 Strawn, his financial advisor was Alvarez &  
3 Marsal and Dispute Services, LLC, and he had  
4 special counsel of Luskin & Stern.

5 He undertook hours, months of investigation,  
6 reviewed thousands, millions of documents and put  
7 together a report about each of these questioned  
8 transactions, including the original LBO  
9 transaction.

10 And in his report, I won't go through each  
11 transaction, but he rated each transaction upon  
12 probable, potential, not likely, and then created  
13 some dollar value that he thought would be the  
14 potential recovery that would come from a lawsuit  
15 associated thereto.

16 His conclusion was that there could be  
17 recoveries in between 3.6 billion and 5.1 billion  
18 that would be available for distribution of  
19 creditors.

20 Having the examiner's report set up the  
21 furtherance of the negotiation process in that  
22 now there had been some identity as to value.  
23 Obviously creditors who were hoping for more  
24 thought the report was a little too conservative,  
25 although they liked the fact that it found

1 potential liability, and those who were going to  
2 have to pay thought that it was not an accurate  
3 finding.

4 So that the public knows and that you know,  
5 an examiner's report is not a judicial finding.  
6 It is merely the collection and conclusions on  
7 law by a reputable individual in the field that  
8 would be one piece of evidence if these matters  
9 were ever litigated.

10 They were not litigated, however. They were  
11 resolved by the settlement contained in the plan.

12 One important point here that I'm sure  
13 everyone with the -- your licensed entities and  
14 I'm sure you would like to know is that although  
15 there were claims for intentional fraudulent  
16 transfer, and that sounds awful, but what that  
17 means in the law is that there was an intent to  
18 hinder, delay or defraud creditors, which could  
19 include an actual intent to defraud. The  
20 examiner, however, specifically found that there  
21 was no intent to defraud creditors here, but  
22 merely that there were actionable claims under  
23 the intent to hinder or delay creditors.

24 The big dispute that the examiner made --  
25 concluded or that he resolved, or in his mind he

1 resolved in his report, was that the complaint  
2 here was that CEOC, the subsidiary that had all  
3 the operating entities prebankruptcy, ended up  
4 transferring assets, many of which went to the --  
5 or for the benefit of CEC, its parent company  
6 which was owned by these investment funds  
7 associated with Apollo and TPG. The -- the  
8 concern was that all of these transactions  
9 favored the parent company and harmed the  
10 creditors at that stage who didn't get fair value  
11 back in return.

12 The -- the key conclusion by the examiner  
13 was that the LBO itself did not make this entity  
14 insolvent, but that sometime in late 2008 it  
15 actually became an insolvent entity, an insolvent  
16 entity the CEC, CEOC insolvent entity. An  
17 insolvent entity's board has duties under the law  
18 that governs CEOC to operate not for the benefit  
19 of shareholders any longer, or equity holders,  
20 but for the benefit of the creditors, and that  
21 because it was an insolvent entity and because it  
22 did not have a separate board but had the same  
23 board as CEC, who the creditors believed had been  
24 favored vis-a-vis these transactions, that this  
25 created a breach of fiduciary duty, put into

1 question all of the fairness opinions that were  
2 entered into in all of these challenged  
3 transactions because all of the advisors had been  
4 retained by the same people who allegedly were  
5 benefiting and that there had been no independent  
6 look-see at CEOC.

7           Shortly before commencing the bankruptcy  
8 case there had been independent directors  
9 appointed to CEOC and CEOC had commenced its own  
10 investigation of these issues. So this was the  
11 interesting creditor battle within the bankruptcy  
12 and the bankruptcy estate asset.

13           Tied along with this was -- one of these  
14 last transactions was one in which stock was  
15 issued which caused a trigger position under some  
16 debt instruments to permit the release of the  
17 guarantee of the \$18 billion of debt that CEC had  
18 previously had. So CEC would have been on the  
19 hook if this transaction had not occurred, and it  
20 was off the hook, at least according to CEC, as a  
21 result of this transaction. That raised  
22 litigation prebankruptcy which continued into the  
23 bankruptcy in the federal courts in New Jersey  
24 and Delaware over whether this particular  
25 transaction violated the Trust Indenture Act, a

1 Depression era law that has lain dormant until  
2 every time there's some kind of significant  
3 economic downturn and it gets brought back out  
4 and dusted off, and until very recently had great  
5 credibility in the courts in New York until the  
6 Second Circuit Court of Appeals determined that  
7 many of the theories that were being espoused  
8 under it are not appropriate.

9 But because that was an all or nothing kind  
10 of litigation, either CEC would be \$18 billion  
11 liable or liable for nothing, and that was going  
12 to control the day, the debtors initially sought  
13 an injunction to hold that litigation off against  
14 its parent company. It had been stayed as to the  
15 debtor. The bankruptcy court initially denied  
16 the injunction. It was appealed to the Seventh  
17 Circuit, which eventually found the injunction  
18 was appropriate, sent it back to the district  
19 bankruptcy court. The bankruptcy court then  
20 filed an injunction, but for a limited period of  
21 time. It was extended all during this time when  
22 negotiations were going on because this was the  
23 mechanism, along with the examiner's report which  
24 sort of pegged where the results should be, this  
25 was the mechanism that was going to move the CEC



1 side to come to the table to make a negotiation.

2 Finally, in the summer of 2016, the  
3 injunction lapsed. There was a scheduled summary  
4 judgment hearing in front of a judge who had  
5 already in the press and in her open statements  
6 in court had indicated that she found the TIA  
7 questions to be extremely interesting and tended  
8 to think that it was a sacrosanct statute that  
9 meant exactly what it said and not anything else,  
10 and the parties began further negotiations in  
11 earnest. Those negotiations resulted into the  
12 plan as it existed.

13 It, as I said, switches \$10 billion of debt  
14 into equity into these two new entities and  
15 brings in about, depending on valuation, at least  
16 \$5 million in value, which is distributed to  
17 these creditors in accordance with their  
18 priorities and additionally helps recapitalize  
19 the entity.

20 As I said, the case was confirmed on  
21 January 17th. It was an extremely costly and  
22 contentious battle, but the court did find that  
23 the settlements contained therein were fair and  
24 equitable and within the realm of reasonableness  
25 of what would likely be the result if they had

1           been fully litigated, and he approved the plan.  
2           All objections to the plan were amicably  
3           resolved, and I believe the plan was confirmed  
4           without objection at that point.

5           And the entities are here today. They can  
6           discuss with you more fully where they stand in  
7           satisfying the conditions to effectiveness, and  
8           to the extent you have more detailed questions  
9           about their capital structure, operating  
10          structure, I'm sure they can also help you do  
11          that.

12          If I flew too high, went too fast or  
13          mumbled, please feel free to ask questions as  
14          well.

15          CHAIRMAN JOHNSTON: Any questions for Mike?

16          Okay. Thank you.

17          MR. HILE: Thank you.

18          CHAIRMAN JOHNSTON: On behalf of Caesars  
19          Entertainment and the Horseshoe properties, I  
20          believe we have Mr. Donovan and Mr. Hession,  
21          perhaps others.

22          MS. CIERZNIAK: I'll make introductions  
23          first. Thank you, Mr. Chairman, members of the  
24          Commission and Executive Staff. I'm Libby  
25          Cierzniak from Faegre Baker & Daniels here today

1 on behalf of Caesars Entertainment. I have with  
2 me Tim Donovan, who serves as executive vice  
3 president and general counsel and chief  
4 regulatory and compliance officer for Caesars,  
5 Eric Hession, who is CFO for Caesars. Also with  
6 us today is Ed Pitoniak, who will serve as CEO of  
7 VICI Properties, Inc., which is the REIT that  
8 will hold the real property associated with the  
9 two Indiana licensees. He's joined by Rob Kim  
10 from Ballard Spahr, who is regulatory counsel for  
11 the REIT, and Danny Eggermann from Kramer Levin  
12 who has counseled the first lien creditors in the  
13 bankruptcy, so they'll be available for  
14 questions.

15 As Mr. Hile explained, Caesars reached  
16 agreement with its creditors on a plan of  
17 reorganization in December. Since that time  
18 we've been working with the Gaming Commission  
19 staff on an almost daily basis to lay the  
20 groundwork for the orders that you will be  
21 considering today.

22 And before I move on, I want to take this  
23 opportunity to thank Executive Director Sara  
24 Tait, Assistant Executive Director Jenny Reske,  
25 General Counsel Greg Small, the directors of

1 background and financial investigations, Garth  
2 Brown and Danielle Leek, as well as their  
3 executive staffs for their guidance, assistance  
4 and, most of all, patience through this very  
5 complicated restructuring that has moved forward  
6 at a very aggressive timeline, so, again, we much  
7 appreciate your help.

8 Caesars and VICI are here today to seek  
9 approval from the Commission for three key  
10 elements of the proposed restructuring.

11 First, we're asking the Commission to  
12 approve the transfer of ownership interest in two  
13 subsidiaries of Caesars that hold a hundred  
14 percent interest in Horseshoe Hammond and  
15 Horseshoe Southern Indiana. These subsidiaries  
16 will be converting from corporations to LLCs as  
17 part of the restructuring process. It's Roman  
18 Holding Corporation and Caesars Entertainment  
19 Operating Company. And as you know, under the  
20 Commission's rules, a change in entity form  
21 requires an approval of transfer of ownership  
22 interest.

23 The second thing is approval of the  
24 financing package for the restructuring.

25 And, finally, approval of a permanent

1 supplier's license for VICI Properties, Inc.

2 And I'm going to turn the podium now over to  
3 Tim Donovan and Eric Hession who will walk you  
4 through an overview of the restructuring and how  
5 the Indiana licensees will be impacted. And I  
6 have a copy of the handout. You want me to  
7 distribute it?

8 CHAIRMAN JOHNSTON: Sure.

9 MR. DONOVAN: Thanks, Libby. Good  
10 afternoon. It is indeed a pleasure, as you can  
11 tell from Mr. Hile's report, it's a pleasure to  
12 be here after such a long and complicated and  
13 complex situation that we've been through for the  
14 last several years. The bankruptcy started now  
15 more than two years ago, but obviously there was  
16 a lot of stress in the organization that occurred  
17 before that, as Mr. Hile explained.

18 As Libby said, I'm joined here today with  
19 Eric Hession, our CFO, but I also would like to  
20 thank Sue Carletta, who's my deputy compliance  
21 officer, and Tim Lambert is here, and also would  
22 like to thank, you know, Sara Tait, her team,  
23 Deputy Director Reske, General Counsel Small.  
24 And I have to give a shout out to two gentlemen  
25 that are sitting back here somewhere, at least

1 they -- yeah, Bill Murphy and Dana Coleman. I  
2 spent a great deal of time with these two  
3 gentlemen, I don't know, earlier this spring, and  
4 want to thank them because I know they put a lot  
5 of hard work into getting to where we are today.

6 So as I said, it's -- personally, it's quite  
7 a pleasure being here, as you can imagine, given  
8 all the work that's led to this. And  
9 professionally on behalf of Caesars  
10 Entertainment, it's also a pleasure to be here  
11 today to seek the approval of this what is  
12 obviously a momentous transaction that we're  
13 about to undertake as a result of the plan of  
14 reorganization.

15 So we do have a presentation, is that -- I  
16 think we have handed out. And Mr. Hile gave a  
17 very detailed and very good description, so I  
18 won't go into too much detail here and try to be  
19 at a high level. Obviously if you want more  
20 detail, questions, of course, we're available and  
21 willing to take them.

22 But as Mr. Hile mentioned, this all began,  
23 at least the bankruptcy portion of all of this  
24 began on January 15th of 2015. At that time  
25 CEOC, that's Caesars Entertainment Operating

1 Company, and its subsidiaries filed in the  
2 bankruptcy court up the road here, Northern  
3 District of Illinois, a Chapter 11 proceeding.

4 Fast-forward two years, a lot of time,  
5 effort, turmoil, negotiations, as you heard a lot  
6 of litigation. On January 17th we did get our  
7 plan of reorganization confirmed, and I guess the  
8 headline from -- from that plan is a much more  
9 healthy balance sheet for Caesars Entertainment  
10 Operating Company and its subsidiaries, as well  
11 as on a more macro level, the same would be true  
12 of Caesars Entertainment.

13 And Eric will talk a little bit more about  
14 this in a few minutes and get into some of the  
15 detail. But \$16 billion less debt, big,  
16 substantial drop in the amount of debt. 1.5  
17 billion less annual interest payments as a result  
18 of that \$16 billion reduction in debt, and  
19 900 million of positive, generation of positive  
20 cash flow based on our, you know, forecasts and  
21 our modeling today. And Eric, again, will get  
22 into that.

23 I will say that, irony, shortly after we  
24 filed for bankruptcy in 2015, operations started  
25 turning around, and Eric may touch on this, but

1 we have done quite well in our operations. The  
2 operations weren't phased really at all as a  
3 result of this entire, you know, ordeal. I think  
4 the people that spent a lot of time on it, Eric's  
5 team, my team, obviously it impacted us, but for  
6 the vast majority of all the employees, for all  
7 the people running the operations, it was  
8 seamless to them, and virtually seamless to the  
9 customers as well, so as a result, we were able  
10 to continue operating all of our properties,  
11 doing much better than we had. The recession  
12 started to come out of that, we saw business pick  
13 up. We set out to, you know, cut costs and do  
14 other things, primarily in certain areas, not on  
15 the capital, because we actually -- and Eric will  
16 talk about this, we spent more capital during  
17 this period of time than we had historically in  
18 improving the properties, but it -- as Mr. Hile  
19 said, we didn't have enough runway by  
20 January 15th. Had we had another six to eight  
21 months of runway, we might not even be here today  
22 asking for the approval of these transactions.

23 So flipping to the next page at a high  
24 level, and I'm on page 2 of the handout, these  
25 are the key takeaways or the key actions that



1 will arise and be closed on in connection with  
2 implementing the plan of reorganization which we  
3 hope to do in late September or early October.

4 I mentioned before CEC and CEOC's financial  
5 conditions will be significantly improved. We  
6 will merge CAC back into CEC, so all of the  
7 properties and operations that were -- in a  
8 series of transactions that were moved to a  
9 company called Caesars Acquisition Company,  
10 Caesars Acquisition Company will be merged back  
11 into CEC and it'll all be one happy family. I  
12 like to refer to it as putting Humpty Dumpty back  
13 together again.

14 CEOC will separate the majority of its  
15 operating assets into -- from the properties, the  
16 brick and mortar, put it into a REIT, and we --  
17 and CEC and all the people that continue to  
18 provide operational services at all those  
19 properties will continue operating those  
20 properties. And there'll be a lease between the  
21 REIT and CEC/CEOC and there will also be a  
22 management agreement.

23 In terms of the stockholder composition,  
24 which I'll get into a little bit more detail  
25 after the dust has cleared on implementing the

1 plan of reorganization, Apollo and TPG and their  
2 Co-Invest Funds will be significantly diluted.  
3 Part of that reason is because they -- as part of  
4 the settlement, they agreed to relinquish their  
5 existing holdings in CEC, and their continuing  
6 interest in CEC will only be as a result of the  
7 shares they receive upon the merger of CAC back  
8 into CEC. And then, of course, also CEC's and  
9 CEOC's board of directors will be substantially  
10 reconstituted from where we are today, and I'll  
11 mention that, get a little bit of detail on that  
12 in a few minutes, but now I'm going to turn it  
13 over to Eric and he can run you through some of  
14 the details on the capital structure.

15 MR. HESSION: Yeah, thanks, Tim. And,  
16 again, thanks, everybody, for allowing us to come  
17 talk to you today.

18 If you turn to page 3, Mr. Hile did a great  
19 job summarizing the improved financial condition  
20 of the company, but I thought I'd just highlight  
21 a few of the items.

22 From a CEC perspective, excluding the REIT,  
23 we will have reduced our debt from approximately  
24 25.6 billion, which is the amount of debt we had  
25 right prior to when we went into restructuring,

1 and also about the same amount at the time when  
2 we conducted the leveraged buyout down to  
3 9.6 billion, or a \$16 billion difference.

4 The interest expense is approximately  
5 \$1.3 billion less. That's very important, as we  
6 mentioned and as was reported in Mr. Hile's  
7 report, liquidity had been a primary issue that  
8 we were facing over the years heading up into the  
9 restructuring. This will generate a much  
10 improved financial performance on the bottom  
11 line. In fact, we'll have approximately  
12 \$900 million of increased cash flow due to the  
13 restructuring transaction.

14 One thing to note, you'll notice here we  
15 said in the slide that we'll have \$800 million  
16 worth of positive cash flow. That was at the  
17 time of the restructuring when we announced the  
18 conclusion of the plan. Since then we've taken  
19 actions in the market to re-rate some of the  
20 interest expense coupons associated with some of  
21 our debt, and we've saved a hundred million  
22 dollars' worth of interest annually, so that's  
23 how you get to the 900 million we referenced on  
24 the first side.

25 In addition, there's an opportunity post

1 restructuring to further reduce our interest  
2 expense by approximately \$125 million due to some  
3 bonds that we're unable to refinance today. That  
4 will put us over a billion dollars of positive  
5 cash flow. The definition we're using here is  
6 pre-capex, so if you were to subtract a run rate  
7 capex of around \$425,000,000 for the entity,  
8 we'll be solidly into the five hundred and six  
9 hundred million dollar range of available cash  
10 every year that can be used for corporate  
11 purposes or further reinvestment into the  
12 entities.

13 From a CEOC specific perspective, you can  
14 see we broke it down to show that particular  
15 entity. That's where all the debt reduction  
16 occurred, so the full 16 billion occurred at the  
17 CEOC level. The interest expense reduction is  
18 about a billion and a half dollars, so extremely  
19 sizable.

20 One thing that I'd note is offsetting that  
21 billion and a half dollars of interest expense is  
22 the increase in the lease, because we didn't have  
23 that before, so the lease is approximately  
24 \$640 million, so even compared between the  
25 reduction of interest expense and the increased

1 lease, you can see how we're generating  
2 significantly improved cash each year on the part  
3 of the entity. And the CEOC entity itself should  
4 generate around \$400 million worth of cash flow.

5 I'll note on this slide as well that VICI  
6 Properties will have a capital structure of its  
7 own of approximately \$6 billion worth of debt.  
8 Their EBITDA will be the lease payments that's  
9 made from CEOC less some operating expenses, and  
10 so it's estimated here at around \$600 million of  
11 EBITDA on that side.

12 So the key takeaways are much improved  
13 capital structure in terms of a reduction in  
14 debt, both from an absolute perspective, but also  
15 from an interest rate perspective given the  
16 reduced leverage and significantly improved cash  
17 flow which will provide the company with plenty  
18 of flexibility to move forward and to operate our  
19 businesses in a great way.

20 As Tim's mentioned, the past two years we've  
21 had a tremendous performance. Our EBITDA has  
22 grown nearly \$800 million, up 52 percent from the  
23 2014 peak. This is on a consolidated basis. And  
24 as Tim had mentioned, had that happened six to  
25 eight months earlier, I think we'd be in a

1 different situation, but as things happened, the  
2 turnaround in our performance really occurred at  
3 that first quarter after we entered  
4 restructuring.

5 So with that, I'll turn it back over to Tim  
6 and be available for questions.

7 MR. DONOVAN: Thanks, Eric. Turning to  
8 slide 4, and I -- I don't want to get into  
9 detail, but these are just schematics, if you  
10 will, or organizational slides, slides 4 and 5,  
11 that show on the first page the -- on 4 the  
12 CAC-CEC merger and how that ends up with CAC  
13 going away, becoming fully part of CEC. And then  
14 the shareholders or stockholders of CAC receiving  
15 CEC stock as a result of that merger.

16 On page 5, it just depicts the equity  
17 consolidation. What's not on the chart, so -- so  
18 as a result of CEC contributing cash and CEC  
19 convertible notes to CEOC as a capital  
20 contribution, that will dilute down the existing  
21 minority stockholders almost to, you know, nearly  
22 nothing at the CEOC level, making it -- CEOC once  
23 again a wholly-owned subsidiary of CEC, and that  
24 CA -- CEC as a result of the merger and as a  
25 result of various other transactions called for

1 under the plan of reorganization, when all the  
2 dust is cleared, the stockholders, at least as we  
3 count it today, and keep in mind that these are  
4 securities, these bonds -- these debt securities  
5 still trade, but as we see it today, the best we  
6 can estimate, 22 percent of CEC stock will be  
7 held by a combination of TPG, Apollo and their  
8 Co-Invest Funds, about 8 percent of CEC's legacy  
9 stockholders, which basically are the employees  
10 that have stock options, as well as one  
11 significant investor that invested early on in  
12 CEC will have 8 percent. 12 to 13 percent will  
13 go to the CACQ stockholders as a result of the  
14 merger. 10 will go, approximately, to the first  
15 lien bond holders, and about 38 percent to the  
16 second lien bond holders.

17 So turning to page 6, just to focus on, at a  
18 high level, the -- what the REIT will look like,  
19 CEOC will transfer roughly about 25 real estate  
20 properties, so just the brick and the mortar, in  
21 some cases a couple -- a couple golf courses, but  
22 also in some cases unimproved land to VICI  
23 Properties, which is a newly formed real estate  
24 investment trust. CEOC will convey the stock of  
25 that VICI Properties to certain of its creditors,

1 so those creditors will end up being at least  
2 initially the hundred percent stockholders of the  
3 REIT.

4 CEOC subsidiaries here in Indiana, including  
5 Horseshoe Hammond and Horseshoe Southern Indiana,  
6 will remain the operators, so as I mentioned  
7 earlier, the operations won't change at all and  
8 have not really changed as to who's operating  
9 them and the way we operate them and how we  
10 operate them and how we interact in terms of  
11 those operations from a centralized corporate  
12 area, as well as individually at the individual  
13 properties.

14 CEOC and subsidiaries of VICI Properties  
15 will enter into, as I mentioned, a lease. The  
16 initial term is 15 years, with four 5-year  
17 renewal terms. And we're in the process of  
18 finalizing all of those documents and getting it  
19 ready for closing hopefully, you know, late  
20 September, early October.

21 Page 7 again is just a high level depiction  
22 of the distribution to the creditors coming as a  
23 result of the -- or in addition to the REIT  
24 related conveyances, and it's -- it gets into the  
25 capital structure, the issuance of preferred



1 stock that can be exchanged for CEC stock, and  
2 then CEC convertible notes. It's very complex,  
3 as everything involved in this entire process has  
4 been.

5 And then 8 shows the CEOC conversion by  
6 merger and CEC equity conveyances. And just to  
7 hit the highlights, CEOC will merge, as I think  
8 Mr. Hile mentioned, into CEOC, LLC, that's a  
9 limited liability company, for tax purposes,  
10 because a REIT is a flow-through tax entity,  
11 meaning that there's not double taxation as a  
12 result of, you know, first on the income at the  
13 entity and then on the dividends it would pay  
14 out, you skip the taxation at the entity level to  
15 consistently have that flow through or  
16 converting, you know, CEOC and other subsidiaries  
17 that have cash flowing through or income throwing  
18 through to the limited liability companies which  
19 have the same tax flow-through feature as a real  
20 estate investment trust.

21 I mentioned a few moments ago the  
22 reconstitution of the board of directors. And if  
23 you go to page 9 of the presentation, we lay this  
24 out here. At the CEC level the board will  
25 consist of 11 members. One member will be the

1 CEO of CEC, eight members will be independent,  
2 and that term is defined in the plan of  
3 reorganization, as well as it adopts the New York  
4 Stock Exchange standard for that definition. And  
5 those eight will be appointed, and have been,  
6 with the exception of one, we have seven  
7 appointed, will be appointed by the various  
8 constituencies, primarily in large measure by the  
9 creditors, but then also by the CAC and CEC  
10 special committee, and two of the -- so we got --  
11 there's nine. The last two will be members --  
12 can be nonindependent and can be associated with  
13 or affiliated with either Apollo and TPG.

14 On the effective date of the plan, the board  
15 of directors of CEOC will consist of three  
16 members, one of whom will be an independent  
17 member, and there will also be an observer of  
18 that board. And then after the effective date,  
19 the board of directors of CEC will just be  
20 elected in the normal course as boards of all  
21 publicly traded companies are elected in the  
22 normal course by its stockholders.

23 Page 10 just shows you what happens here in  
24 Indiana with respect to Horseshoe Hammond and  
25 Horseshoe Southern Indiana. I already mentioned

1 a lot of this, but I think the headline is really  
2 from an operational standpoint nothing changes.  
3 The only thing that's changing is VICI is going  
4 to -- or a subsidiary of VICI will own the  
5 actual -- you know, the property, own the brick  
6 and mortar, etc., and we'll be a lessee of that  
7 landlord.

8 And then page 11 is just what that looks  
9 like here at Horseshoe Southern Indiana and  
10 Horseshoe Hammond with the transaction in terms  
11 of the structure, the organizational structure,  
12 what did that look like.

13 And that concludes our formal presentation.  
14 If -- I'd be happy to entertain any questions.

15 I will say, I do have one regret as a result  
16 of all this, and that is I grew up -- my first 26  
17 years of my life I grew up in a little town that  
18 has a college football team about 170 miles east  
19 on I-70. My next 26 years was spent up in a  
20 little town that's about equally 170 yards up --  
21 170 miles up I-65, and I really, other than  
22 driving through coming from Chicago to Columbus,  
23 hadn't spent much time in Indianapolis, and I've  
24 had the pleasure seriously of spending time here  
25 in the city and I fell in love with it and I

1 appreciate all the hospitality we've gotten here  
2 and again want to thank the staff here. So  
3 thanks.

4 CHAIRMAN JOHNSTON: Thank you very much.  
5 It's obviously been a heavy lift for Caesars and  
6 the Horseshoe properties to get to this point and  
7 am glad you've come and made this presentation to  
8 us today.

9 Are there comments, questions from the  
10 Commission at this time?

11 COMMISSIONER SVETANOFF: Mr. Donovan.

12 MR. DONOVAN: Yes.

13 COMMISSIONER SVETANOFF: What assurances do  
14 we have from Caesars that we'll never end up in  
15 this situation again?

16 MR. DONOVAN: Well, Caesars is a  
17 guarantee -- a guarantor on the lease. You know,  
18 we can't -- the economy is the economy and, you  
19 know, companies fail or succeed depending on how  
20 they operate them coupled with the economic  
21 situation, but given the reduction, you know,  
22 substantial reduction in debt and the improved  
23 operational performance, you know, I don't -- I  
24 don't personally see this happening again.

25 Now, you know, there's a lot of things going

1 on in the world that could severely impact -- or  
2 could go on in the world that could severely  
3 impact, you know, the broader, the macroeconomics  
4 things that could put a strain, but we don't see  
5 this happening, at least not in my tenure.

6 COMMISSIONER SVETANOFF: Well, I'm  
7 encouraged by the reconstituting of the board to  
8 make sure we have more of an objective view on  
9 it, so we appreciate your time.

10 MR. DONOVAN: Thank you. And I appreciate  
11 your time as well.

12 CHAIRMAN JOHNSTON: I think that was one of  
13 my questions as well. And maybe -- and I don't  
14 want to rehash, Mr. Hile went through a lot of  
15 detail, and under the category of -- this was a  
16 few years ago and so I want to look to the  
17 future, but under the category of those  
18 challenged transactions that you had to work  
19 through, is it fair to say that the board  
20 structure and are there other things in terms of  
21 corporate, your approved governance as well as  
22 internal controls, that you learned things from  
23 that and that you're instituting in these new  
24 organizations going forward?

25 MR. DONOVAN: I'm sorry, is it safe to say

1 that those -- those are things -- that changes  
2 have been made that will go a long way to  
3 insuring this doesn't happen, are those -- yes.

4 CHAIRMAN JOHNSTON: Absolutely. Not only in  
5 the board structure, but operational things as  
6 well that you did --

7 MR. DONOVAN: Absolutely.

8 CHAIRMAN JOHNSTON: -- when you had to  
9 analyze, were forced to go through all of those  
10 challenged transactions.

11 MR. DONOVAN: Yes.

12 CHAIRMAN JOHNSTON: That you've got an  
13 improved internal control environment and  
14 governance structure.

15 MR. DONOVAN: Absolutely. You know, the --  
16 all but one of the new board members at CEC have  
17 been appointed. They have not, of course, taken  
18 their seat yet because that will happen on merges  
19 per the plan of reorganization, but we've had,  
20 you know, a number of meetings and interactions,  
21 all informal, because they're not yet truly board  
22 members, but I think there's going to be -- you  
23 know, obviously we'll no longer be a privately  
24 owned company as we were for many of the years  
25 leading up to from the LBO until the bankruptcy,

1 and so as a result, it's going to be a much more  
2 interactive board with competing, you know,  
3 challenges on -- and competing ideas and  
4 competing opinions.

5 CHAIRMAN JOHNSTON: Okay. Very good. I  
6 wanted to make sure I'm clear in my mind on your  
7 presentation here. On page 2 where we're talking  
8 about the REIT VICI, which I love the branding.

9 MR. DONOVAN: CEC wasn't responsible for  
10 that, but.

11 CHAIRMAN JOHNSTON: But it says VICI is --  
12 will own the vast majority of CEOC's real estate,  
13 including the Horseshoe properties, right?

14 MR. DONOVAN: Correct.

15 CHAIRMAN JOHNSTON: But then on page 11, it  
16 says Horseshoe Southern and new Horseshoe Hammond  
17 will own the real property. Is that just in the  
18 step prior to that it's under PropCo? I just  
19 want to -- eventually the Indiana properties will  
20 be part of the REIT.

21 MR. DONOVAN: Correct. And those -- those  
22 entities, again, as I mentioned, are LLCs, so  
23 flow-through entities, yes.

24 MS. CIERZNIAK: They're subsidiaries and  
25 their names parallel the names of the licensee,

1 so it's a little confusing.

2 CHAIRMAN JOHNSTON: Okay. So it's a conduit  
3 up through them to the REIT?

4 MR. DONOVAN: Correct.

5 CHAIRMAN JOHNSTON: Okay. And then in that  
6 regard, again looking forward, can you give just  
7 a high level overview of the -- are there minimum  
8 investments that the operators will be, as part  
9 of the operating agreement with VICI, required to  
10 make and will that be monitored, because  
11 obviously the investments in Indiana properties  
12 are top of mind for us?

13 MR. DONOVAN: Sure, and I'm going to let my  
14 colleague Eric address that, if you would.

15 MR. HESSION: So you're absolutely right.  
16 There are a number of minimum investment criteria  
17 that were negotiated between the lender group  
18 that was going to be assuming control of the REIT  
19 and the op co. You know, from a fundamental  
20 perspective, both entities have an incentive to  
21 invest in the assets; the REIT because they're  
22 the owner of the assets and they would like the  
23 assets to be obviously maintained and improved as  
24 much as possible, and then the op co from the  
25 standpoint of investing in those properties



1 generates higher returns. And so the amount of  
2 capex that we've spent over the last two years  
3 and the amount of capex that's currently  
4 contemplated in our plans and in all of our  
5 projections that we've shown in the S-4 and in  
6 the materials is significantly in excess of those  
7 minimum amounts, and I would be very surprised if  
8 we were even close to the minimum amounts  
9 because, again, when you look over the portfolio  
10 of investments, including the projects that we  
11 have at Hammond and Southern Indiana, in  
12 aggregate the returns for the op co are much  
13 superior if we invest in those facilities, and  
14 our equity investors like us to do that because  
15 they are investing in the company in an  
16 expectation of growth, so everyone's aligned from  
17 an investment perspective and our plans are to  
18 continue to invest at or above the level that  
19 we've been investing the last couple years, which  
20 as Tim noted, because of the liquidity concerns,  
21 the prior years were below that amount.

22 CHAIRMAN JOHNSTON: Okay. All right. Any  
23 other questions?

24 If not, thank you again.

25 MR. DONOVAN: Again, thank you all very

1 much.

2 MR. HESSION: Thank you.

3 CHAIRMAN JOHNSTON: To get to the orders at  
4 hand dealing with these transactions, I'll turn  
5 it over to Greg Small.

6 MR. SMALL: Thank you, Mr. Chairman. As  
7 Ms. Cierzniak pointed out, there are three items  
8 that the Commission's going to be asked to vote  
9 on today. Two of those are set forth in Order  
10 2017-111, it's the transfer of ownership  
11 interests and the approval of a debt financing  
12 package.

13 We thought just it made sense to -- after my  
14 presentation, to go directly to Danielle Leek,  
15 who will be presenting Order No. 2017-112, and  
16 that would be a consideration of a permanent  
17 supplier's license to VICI, the REIT.

18 This transaction has been evaluated by  
19 financial investigations, the legal department  
20 and outside bankruptcy counsel Michael Hile.  
21 Staff has arrived at a favorable recommendation  
22 regarding this transaction as a result of the  
23 numerous conditions placed upon its approval.

24 Staff took the following additional steps  
25 which are factors in evaluating the soundness of

1 this proposed transaction. One is inclusion of  
2 enhanced reporting and notice requirements, much  
3 as we talked about when we were looking at the  
4 capex investment. Both VICI and Caesars are to  
5 report those numbers annually and each time the  
6 project is proposed to the Commission, so this is  
7 a mechanism where we can monitor those  
8 investments specifically to the Indiana  
9 properties.

10 The second thing that we have done here is  
11 the designation of a power of attorney who would  
12 serve as VICI's trustee to maintain and oversee  
13 the real property assets owned in the state of  
14 Indiana. And, again, this is just another kind  
15 of fallback protection that we have. In case a  
16 worst scenario comes to be, we know that we have  
17 a trustee who can step in and manage that  
18 property.

19 Another component of the sale is a CEOC,  
20 LLC, debt financing package. Staff financial  
21 investigator Bill Murphy prepared a detailed  
22 report that was included in your packet  
23 discussing the financing package.

24 Staff will recommend approval of the  
25 financing and a waiver of the so-called two

1 meeting rule.

2 Staff respectfully recommends you take two  
3 actions in this order. First, the Commission  
4 will ask you to approve the transfer of ownership  
5 interest in casino owners' licensees as follows:  
6 Horseshoe Hammond and Horseshoe Southern Indiana  
7 from CEOC to CEOC, LLC, and Horseshoe Southern  
8 Indiana from Roman Holding Corp. of Indiana to  
9 Roman Holding, LLC.

10 Second, the Commission will be asked to  
11 approve CEOC, LLC's, debt financing package  
12 related to the transaction with VICI allowing the  
13 transfer of real property assets of Horseshoe  
14 Hammond and Horseshoe Southern Indiana to VICI,  
15 along with the waiver of the so-called two  
16 meeting rule found at 68 IAC 5-3-2(b)(2) and (3).

17 I'll pass this on to Danielle Leek to  
18 discuss the final piece, which is the request for  
19 permanent supplier license for VICI.

20 MS. LEEK: Order 2017-112 will grant a  
21 permanent supplier's license to VICI Properties,  
22 Inc. On April 5th VICI Properties submitted a  
23 supplier license application to the Commission.  
24 As you are aware, VICI is a newly formed real  
25 estate investment trust that will lease certain

1 properties to Horseshoe Hammond and Horseshoe  
2 Southern Indiana as part of Caesars  
3 Entertainment's restructuring.

4 Commission staff conducted a background and  
5 financial investigation on VICI and its  
6 substantial owners and key persons. Commission  
7 staff found no derogatory information that would  
8 affect the applicant's suitability. Staff's  
9 final report regarding VICI has been provided in  
10 your confidential materials.

11 Again, the order will grant a permanent  
12 supplier license to VICI Properties, and  
13 Commission staff recommends that you approve the  
14 license.

15 CHAIRMAN JOHNSTON: Thank you very much.  
16 So, Greg, the recommendation is to act on 112  
17 first and then 111?

18 MR. SMALL: I think that would be perfectly  
19 fine. You can take them -- I would just take  
20 them separately. But we wanted just to present  
21 them because they do relate to the same  
22 transaction.

23 CHAIRMAN JOHNSTON: Absolutely. Okay.  
24 Well, let's go ahead and take them in order,  
25 then.

1           With Order 111 on the transfer of the  
2 ownership interest, any questions, final  
3 questions for Greg, Danielle, anyone from  
4 Caesars?

5           Seeing none, what's the pleasure of the  
6 Commission on Order 111 transferring the  
7 ownership interest in this riverboat owner's  
8 license?

9           COMMISSIONER SVETANOFF: Motion to approve.

10          COMMISSIONER FINE: Second.

11          CHAIRMAN JOHNSTON: There's a motion and a  
12 second.

13          Any questions?

14          All those in favor, say aye.

15          (Chorus of ayes.)

16          Opposed.

17          Order 111 is adopted.

18          Now Order 112 on the licensure for --  
19 supplier's license for VICI Properties.

20          Any questions, comments?

21          Seeing none, is there a motion?

22          COMMISSIONER SVETANOFF: Motion to approve.

23          COMMISSIONER HERNDON: Second.

24          CHAIRMAN JOHNSTON: There's a motion and a  
25 second.

1 Any questions, comments?

2 All those in favor, say aye.

3 (Chorus of ayes.)

4 Opposed.

5 Order 112 is adopted.

6 Thank you all. This is coming to a close on  
7 this Commission meeting today. Just one final  
8 announcement is we will be on the road at our  
9 next Commission meeting September 29th in  
10 Evansville at Tropicana, looking forward to  
11 seeing what the development -- how it's  
12 progressing down there, so thank you for all the  
13 information and your time this afternoon.

14 If there's no other business, I'll take a  
15 motion to adjourn.

16 COMMISSIONER HERNDON: So moved.

17 CHAIRMAN JOHNSTON: We have plenty of moved,  
18 motions and seconds. We are adjourned. Thank  
19 you.

20 (At 2:38 p.m., June 29, 2017, this meeting  
21 of the Indiana Gaming Commission was adjourned.)  
22  
23  
24  
25

1 STATE OF INDIANA )  
2 ) SS:  
3 COUNTY OF MARION )

4 I, Dianne D. Lockhart, a Notary Public and  
5 Stenographic Reporter within and for the County of  
6 Marion, State of Indiana at large, do hereby certify  
7 that the Indiana Gaming Commission Business Meeting  
8 held on June 29, 2017, commencing at 1:00 p.m. at the  
9 Indiana State Library, Historical Reference Room B,  
10 315 West Ohio Street, Indianapolis, Indiana, was  
11 taken down in stenograph notes and afterwards reduced  
12 to typewriting under my direction, and that the  
13 typewritten transcript is a true record of the  
14 proceedings had.

15 IN WITNESS WHEREOF, I have hereunto set my hand  
16 and affixed my notarial seal this 10<sup>th</sup> day of  
17 July, 2017.

*Dianne D. Lockhart*

\_\_\_\_\_  
N O T A R Y P U B L I C

21 My Commission Expires:  
22 June 4, 2023

23 County of Residence:  
24 Marion County

25