

Staff Report of the Executive Director, IHRC

In Re: Eldorado's Petition to Acquire the IHRC Permits and Licenses of Caesars Entertainment

Introduction

This review of Eldorado Resorts Inc.'s ("ERI") Petition for Transfer of Ownership ("ERI Petition") has been guided by the provisions of the Indiana Pari-Mutuel Wagering on Horses Act (Ind. Code § 4-31-1-1 *et seq.*), The Gambling Games at the Race Tracks Act (Ind. Code § 4-35-1-1 *et seq.*), and Title 71 of the Indiana Administrative Code, containing all Indiana racing regulations.

A review of the current state of racing in the State of Indiana provides context for this report and support for the Indiana Horse Racing Commission Staff ("Commission Staff") recommendations to the Indiana Horse Racing Commission ("IHRC") contained herein. To assist in gathering the information that was used to prepare this report, the IHRC retained F. Douglas Reed ("Reed"), a principal in Racing, Gaming and Entertainment, LLC ("RG&E"). Reed is well known in international racing circles and perhaps best known for his 22-year association with the University of Arizona Race Track Industry Program ("RTIP") where he served in virtually every capacity – including a stint as the program's director. In addition, Reed also served for many years as the director of the RTIP's highly respected annual Global Symposium on Racing & Gaming, North America's largest pari-mutuel racing conference.

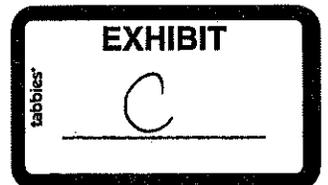
Given the time period between the permit transfer approval of Caesars Entertainment ("Caesars") by the IHRC in 2018, and the acquisition/merger of Caesars with ERI, Reed has prepared two reports in a relatively short period of time. On May 29, 2018, Reed provided the IHRC with a report titled "A Report for the Indiana Horse Racing Commission – Considerations and Recommendations for the Commission" ("Reed's First Report"). Reed's First Report is incorporated herein and attached and identified as Exhibit C.2. In Reed's First Report, tasked with providing analysis and commentary on Caesars as a prospective permit holder, he performed interviews and on-site inspections to evaluate the then-current state of racing in Indiana under ownership of Centaur. In that report, he made the following observations:

Another thing to consider is the level of satisfaction of the stakeholders with the state of the industry. When evaluating Indiana by this measure, it is clear to me this is almost an anomaly in the fact that all stakeholders (while having different economic concerns and priorities) are unanimous in their opinion of the cooperative efforts that exists [sic].

...

It was clear that currently [under Centaur ownership] the racing side of the business is not looked at solely by ROI [Return on Investment].

...



As a closing comment on this situational analysis, one often hears that the grass is greener on the other side, but that was not the case in Indiana. (Reed's First Report, The Current Situational Analysis – Indiana Horse Racing Industry Today, pp. 4-6).

Less than two years later, the IHRC again sought Reed's assistance, this time to provide analysis and commentary on ERI's request for permit transfer upon its acquisition of Caesars. Reed again memorialized his findings in a report titled "A Report for the Indiana Horse Racing Commission – Considerations and Recommendations for the Commission" dated January 9, 2020 ("Reed's Second Report"). Reed's Second Report is incorporated herein and attached and identified as Exhibit C.3.

The second report offered additional complimentary statements on the state of racing in Indiana under Caesars ownership. Reed made the following observation:

Another thing to consider is the level of satisfaction of the stakeholders with the state of the industry. When evaluating Indiana by this measure, the situation has not changed too much since the May 2018 report. With only one year under the new operators, Caesars, overall the environment has been good from a racing perspective. There have been a few changes noticed, but it doesn't appear to have created any serious problems.

Commission Staff believes that Reed's complimentary observations are on-point. The current, enviable state of Indiana racing did not happen by accident. Commission Staff is of the opinion that the IHRC, the permit holders, and the horsemen have done a fantastic job of maintaining the high standards put in place over 25+ years of horse racing.

Commission Staff is cognizant of the fact that this is the second permit transfer request in a short period of time, and that these permit requests result in significant uncertainty. The investigation and due diligence undertaken by Commission Staff has been largely an effort to ensure that ERI, if granted the permits for both racetracks, will maintain the high standards set by previous operators. With that said, the Commission Staff's investigation has produced somewhat mixed results as discussed in further detail below.

State of the Industry Following Transition of Ownership

While the IHRC understands that Centaur was perhaps a "gold standard" as far as horse racing operators go, it also recognizes that Caesars has generally done a good job of maintaining the horse racing industry and the high standards set by their predecessor. However, Caesars time as the sole permit holder has not been without some missteps. At the December 3, 2019, IHRC meeting, the Commissioners noted that the annual Operational Plans prepared by Caesars appeared to be inadequate and lacked the participation/support of the horsemen's associations.

The December 3, 2019, Meeting Minutes are incorporated herein and attached and identified as Exhibit C.4. While Caesars has since greatly improved upon the original versions of the Operational Plans submitted for Commission consideration, it is important to note that these inadequacies did occur, and the IHRC was compelled to step in and address them.

During the December 3, 2019, IHRC meeting, Jeff Hendricks of ERI stood before the Commission and stated that ERI is committed to upholding any commitments made by Caesars with regard to the Operational Plans. He also indicated that ERI is aware of the history and proud tradition of horse racing in Indiana, and plans to continue to maintain and grow the industry if granted the opportunity to take over the permits.

Because IHRC had the good fortune of regulating racing while working in conjunction with a motivated and interested permit holder in Centaur, any other prospective permit holder must be judged against the experience provided by Centaur. In light of that fact, the IHRC believes that Caesars, despite some missteps, has largely been a worthy successor to Centaur.

Relevant Legislative History

The legislature, being extremely mindful of the storied history of horse racing in Indiana, enacted the Pari-Mutuel Wagering Act in 1989. This cleared the way for legalized pari-mutuel wagering in Indiana. Initially, a percentage of the admission fees paid to board riverboats was directed to the Commission and included monies to be distributed for purses, to horsemen's associations and for administrative expenses of the Commission. In 2007, the General Assembly enacted legislation that allowed racetrack permit holders to seek gambling games (slots) at the tracks as long as a certain percentage (15%) of the adjusted gross receipts of the slot machine wagering each month was paid to support the horse racing industry.

The legislature made clear that gaming at the tracks was permitted if, and only if, a race track permit holder was in good standing with the IHRC:

IC 4-35-5-4.5

Horse racing required of licensee

Sec. 4.5. A license issued under this article is null and void if the licensee fails to:

- (1) obtain or maintain a permit issued under IC 4-31-5 to conduct a pari-mutuel wagering horse racing meeting in Indiana; or
- (2) satisfy the requirements of IC 4-31 concerning the amount of live horse racing that the licensee must conduct at the licensee's racetrack.

As added by P.L.233-2007, SEC.21.

(Emphasis added.)

In other words, the "price of admission" to operate gambling games at the two centrally located Indiana racetracks mandated a recognition by track ownership that slots, and more recently table games, were only possible because of the existence of and as a means of supporting the Indiana horse racing industry. At the same time, the legislature limited the number of permits for pari-mutuel racing to two (2). That number mirrored the number of tracks in operation at that time. These are the same two tracks (Harrah's Hoosier Park Racing & Casino and Indiana Grand Racing & Casino) that continue to operate today and are the subject of the ERI Petition.

In addition, pursuant to the initial legislation enabling pari-mutuel wagering, joint ownership of Indiana racetracks was prohibited. This changed in 2011 when the General Assembly determined that joint ownership of the two Indiana racetracks would be allowed (effectively creating a monopoly) if, and only if, the proposed joint ownership was determined to be: "In the best interests of the: (A) Indiana horse racing industry; and (B) state". Ind. Code § 4-31-5-8(c)(3). Centaur met this burden in late 2012 when it petitioned the Commission to approve its purchase of Indiana Grand and move to "one breed/one track" racing in Indiana. There is little dispute within the industry that Centaur's ownership and the advent of "one breed/one track" racing in Indiana has been a resounding success. However, the Commission has long been of the opinion that the monopoly ownership of both racetracks is only feasible under **outstanding ownership** and close cooperation between the permit holder, the IHRC, and the horsemen.

In 2013, the legislature established an intricate process of negotiation between the tracks and the representatives of the horsemen's associations (subject to final approval by the Commission) which allowed the track payments of adjusted gross receipts to horsemen to fall between 10% and 12% (inclusive).

Transfer Criteria

The criteria for transferring ownership of the tracks mirrors the original permit criteria which are found at 71 IAC 11-1-6. [For the benefit of the Commission, a complete copy of this regulation is attached to this report and identified as Exhibit C.1.] Many of the referenced criteria (scheduled completion of the facility, types and variety of racing offered, status of governmental actions needed to develop the facility, extent of public support or opposition to horse racing, effects of location, etc.) have already been established and/or are not much in dispute with respect to the ERI Petition filed. There are, however, a number of critical issues which the Commission must weigh and determine with respect to the ERI Petition.

Financial Ability of the Applicant

71 IAC 11-1-6(b)(5) essentially provides that the applicant (ERI) must have the financial ability to "successfully" own and operate a pari-mutuel facility. In this particular case, the applicant must have the financial ability to "successfully" own and operate two pari-mutuel facilities. ERI have submitted numerous financial documents to the Indiana Gaming Commission ("IGC") and IHRC that relate to its ability to operate the racinos and "successfully" conduct pari-mutuel wagering operations at Indiana Grand and Hoosier Park.¹

The IHRC has asked ERI to provide information and answer some inquiries regarding the put/call provision of ERI's agreement with the real estate investment trust ("REIT"), VICI.² ERI has taken the position that approval or denial of the put/call provision is not appropriately

¹ The IGC Staff has been extremely helpful and generous in sharing both confidential information and resources with the IHRC under the "intra-agency deliberative materials" exception to the PRA. These materials have either been designated as "Confidential" when submitted to the IGC/IHRC by the applicant and/or by the IGC.

² A REIT is a popular tool in the gaming industry whereby a casino operator transfers its real property to VICI and leases it back from them through a leaseback agreement.

considered as part of ERI's permit application, because it cannot be exercised until 2022. The IHRC has previously acknowledged some reservation about allowing Indiana racetracks to operate under a contractual agreement with a REIT. Final Order Approving Caesars Permit Application, dated July 10, 2018, Condition 10, p. 26 ("Final Order"). Therefore, IHRC retains any and all rights to examine a proposed transfer by ERI and VICI, at the appropriate time and exercise its right of approval or denial of the transaction.

Redacted – Confidential Information provided to Commissioners for consideration.

Commission Staff believes there are significant financial considerations that may impact ERI's ability to successfully operate two racetracks if approved. The transaction is incredibly complex and involves many moving pieces. Commission Staff is concerned that external factors (some of which may be outside ERI's control) may have negative impacts on racing in Indiana if suddenly ERI is not so well-capitalized.³ Additionally, because of the complexity of the transaction, there are numerous financial institutions that ERI is depending upon for financing. If factors like the corona virus or some other unforeseen circumstance continue to drag on the economy, Commission Staff is concerned that the ripple effect of such issues may be felt far and wide and felt most acutely in sectors of the business which are generally not as profitable on a balance sheet like horse racing.⁴

Integrity

71 IAC 11-1-6(b)(1) authorizes the IHRC to consider the integrity of the prospective operator. ERI already holds a license to operate the Tropicana Evansville facility in Evansville, Indiana. Though this report does not identify any specific, outstanding issues, given the IHRC's broad authority to consider "any other indices" related to the integrity of the applicant that the Commission considers relevant, Commission Staff believes that it is important to consider some of the events that occurred during the IHRC's investigation process.

Redacted – Confidential Information provided to Commissioners for consideration.

A permit holder's candidness and openness with regulators is of the utmost importance in the successful operation of racing in Indiana. The ability of the Commission Staff to request and receive candid and accurate information from a permit holder is absolutely vital. Though one incident may not disqualify a permit applicant, Commission Staff believes that it is worth pointing out that incidents like this might bring ERI's suitability as a permit holder into question.

³ At the time of this writing ERI's stock shares were trading at \$41.70/share, while the 52-week high is \$70.74. While fluctuations and variations in the stock market are common and not necessarily cause for alarm, it is difficult for Commission Staff to accept that ERI will remain committed to dedicating money to horse racing if EBITDA and other important financial measurement metrics begin to decrease.

⁴ That being said, in the current economic environment, there is financial risk both in approving and allowing the Merger (where ERI becomes the controlling party of "New Caesars") OR in denying the Petition and forcing the "Old Caesars" to move forward with their current Gaming and Racing responsibilities. If the Commission were to approve the Merger with stringent conditions relating to horse racing, the Indiana horse racing industry would arguably be in a better position with increased "leverage" moving forward than if there was a denial of the Merger Petition and racing was to continue under the existing (7/10/2018) Final IHRC Order.

Commission Staff will recommend strict and candid/increased accountability from the permit holder should the Commission elect to approve ERI's permit application.

Efforts to Promote and Improve the Horse Racing Industry in Indiana

71 IAC 11-1-6(b)(9) provides that the Commission may consider an applicant's: "[E]fforts to **promote**, develop and **improve** the horse racing industry in Indiana." (Emphasis added.) This criterion does not allow an applicant to simply make efforts to *maintain* the current state of the industry. Because of the high standards of operation currently in place, the required commitment to improve the industry must be substantial. It will require meaningful accountability.

Given that ERI has no past racing history in Indiana, Commission Staff must rely on commitments and statements made by ERI regarding its future plans for racing. To that end, Commission Staff applauds ERI's efforts to reach out to the horsemen's associations and compile a list of commitments that Commission Staff believes are a good starting point to ensure that racing in Indiana continues to grow and flourish.

Initially, on February 5, 2020, Commission Staff received a letter from Eldorado that included a number of commitments in response to Reed's Second Report (the "February Letter"). The February Letter is attached herein and incorporated as Exhibit C.11. The February Letter contained a few important commitments, namely ERI's commitment to adopt the recommendations set forth in Reed's Second Report and to retain knowledgeable racing managers and hire other qualified managers. As a result of this commitment, ERI hired Mr. Joe Morris and created the SVP Racing role. A number of these commitments are included in the Commission Staff's recommendations below.

Following the receipt of the February Letter, evidently, ERI continued to come to terms with the gravity and importance of the horse racing industry in Indiana. Commission Staff is aware that ERI undertook concentrated efforts to meet with the horsemen directly and discuss a list of commitments that the horsemen believe are necessary to ensure that Indiana horse racing continues on its current path of success and innovation.

On March 4, 2020, Commission Staff received a letter from ERI restating its commitment to grow and improve Indiana racing in partnership with the IHRC and the horsemen's associations (the "March Letter"). The letter, dated March 3, 2020, is attached herein and incorporated as Exhibit C.12. The March Letter includes a number of commitments, indicating that, perhaps for the first time during this application process, that ERI was devoting serious thought and consideration to the improvement and growth of Indiana racing.

ERI guaranteed the horsemen's distribution of twelve percent (12%) through the 2033 racing season, with the promise to undertake a legislative effort directed to permanently set the distribution at twelve percent. In the event that a legislative effort would be unsuccessful, ERI has committed to an automatic ten-year renewal of the twelve percent commitment following the 2033 racing season. Commission Staff is pleased with ERI's commitment to the horsemen and the apparent understanding that the horsemen's distribution is foundational to maintaining and improving the horse racing industry in Indiana.

ERI has also agreed to fund an initial “Racing Capital Escrow Fund” of \$20-25 million to be spent over a ten-year period beginning in 2020. The funds are intended to be used to “fund major projects and enhancements to the race track facilities. . .” To administer the fund, ERI proposes the creation of the Racing Capital Fund Advisory Committee which would consist of three ERI members and a representative of the three horsemen’s associations that currently hold contracts with the racetracks. Again, Commission Staff is of the opinion that this is a positive step by ERI to addressing concerns about its leadership and interest in holding horse racing permits.

The commitments described above, along with the others listed in the March Letter give the Commission Staff some hope that, were ERI to become the sole racing permit holder, that the Indiana racing industry would be in the hands of an entity that has at least begun to think about the monumental importance that the racing permits hold, and the long-term, unwavering commitment necessary to ensure that horse racing continues to flourish and grow in Indiana.

While the horsemen’s associations have remained neutral, Commission Staff did receive a letter from Standardbred horsemen Ernie Gaskin, Nat Hill, and Henry Blackwell, voicing strong opposition to the approval of ERI as the IHRC permit holder. The letter is attached herein and incorporated as Exhibit C.13. Additionally, Commission Staff received a letter from Dwayne Rhule, a long-time horseman and participant in Indiana horse racing, which is attached and identified as Exhibit C.14. Commission Staff recognizes and appreciates the contributions that these four gentlemen have made to Standardbred racing in Indiana and recommends that the Commission take notice of their concerns.⁵

Management Ability of the Applicant

71 IAC 11-1-6(b)(7) provides that the IHRC may consider the management ability of the applicant. Because ERI has not managed a track in Indiana, the Commission Staff relies heavily on Reed’s Second Report detailing, among other things, the current status of ERI racetrack properties: Pompano Park, Scioto Downs, and Mountaineer⁶. While Commission Staff commends ERI’s efforts to make commitments to growing the racing industry in Indiana, its management of racetrack properties that it either has owned or currently owns, is cause for significant concern of the Commission Staff.

The following excerpt from Reed’s Second Report represents Doug Reed’s findings after visiting ERI properties and conducting tours and interviews with staff:

- Eldorado has limited racing experience and lacks a deep bench of racing expertise to pull from when adding the existing properties in Indiana.⁷

⁵ This letter does not purport to speak for the Indiana Standardbred Association or any of the other horsemen.

⁶ The Mountaineer (WV) was acquired by ERI in 2014 and subsequently sold in 2019 to Century Casinos. The transaction was expected to close in early 2020. Despite the fact that ERI may no longer own Mountaineer, Commission Staff believes that Doug Reed’s findings at Mountaineer are instructive and have thus elected to include them as part of this Report.

- [R]elationships with horsemen groups were far less supportive than average; keeping in mind there were unique circumstances at two facilities and stakeholders often felt racing manager's "hands were tied[.]"
- [S]ecuring expenditures on the racing side sometimes took pressure to get results but most gaming operators value their gaming licenses therefore requests may get approved – especially if complaints are elevated to a regulatory body[.]
- [W]hile facilities visited are old, it appears the minimum is spent on the racing side and bottom line cuts seemed to be the norm. It should be noted that competitive environments in all three cases were challenging.

Below are additional excerpts from Reed's visit to **Scioto Downs**:

Upon leaving the rear of the casino you discover one of two entrances to the simulcast area closed due to an escalator shutdown and to my left a fenced off closed grandstand that I was told was condemned due to an unsafe roof. The grandstand was closed prior to the 2017 racing season and remains fenced off. (Reed's Second Report, p.8).

...

There were some horsemen that raced and have participated at both Scioto Downs and Hoosier Park and they felt there was no comparison and did not like how the property at Scioto had become more "run down" since Eldorado took over. The relationship with the horsemen association was challenging but perhaps not as adversarial as observed at the other two properties visited. (Reed's Second Report, p.9).

...

For the most part (at this track and others visited) there were only a few [horsemen] that had problems with the racing management, but most [horsemen] said their "hands were tied" by upper management and therefore local racing management couldn't do much. (Reed's Second Report, p. 9).

...

There were a number of people interviewed that reported marketing as an area of deficiency. However, many did say the races attract good crowds on Friday and Saturday nights. Of course, the large grandstand has been closed so the crowds are now shifted to either the clubhouse or a small bleacher type grandstand. (Reed's Second Report, p. 9).

Reed also noted a number of issues at **Pompano Park**:

Not having been to that property for decades, I did park on the wrong side and was greeted again by a closed grandstand and clubhouse (pictures of the facility Appendix B). Like Scioto, there was a much smaller bleacher type grandstand placed at the rear of the casino, with a much less desirable viewing area of the live races.

...

It was clear when I spoke to stakeholders the first issue on their mind was that lawsuits were in progress and Eldorado was aggressively seeking to "decouple" racing from the casino by replacing the pari-mutuel license with a Jai Alai license.

...

When Eldorado took over the management and ownership of Pompano the efforts to “decouple” escalated. There were a number of cuts made in personnel and hardly any capital was spent on racing.

...

A number of mid-level managers were eliminated and several stated that on many race nights top racing management are not present. There was deferred maintenance, a few dorms (rent is charged for dorm rooms – a policy in place before Eldorado owned the property) were closed rather than fixed, and a few barns had a transformer that needed repair, but those barns were closed instead. (Racing managers said the barn area will not be full this year and those barns would not be needed.)

...

Negotiations with horsemen went from bad to worse according to many when the property changed hands from Isle of Capri to Eldorado. (Reed’s Second Report, p.10).

...

Most horsemen felt there was little if any marketing on the racing side. Others interviewed that could make reasonable comparisons felt racing marketing was better elsewhere. (Reed’s Second Report, p.11).

Finally, Reed made the following observations during his time at **Mountaineer** racetrack which Eldorado owned beginning in 2014 and sold at the end of 2019:

It is a very large facility by today’s standards and with the exception of the lower level of the grandstand, the remaining grandstand and entire clubhouse are closed on regular days of racing. With the exception of the horsemen, there appeared to be very few racing customers.

...

It was very clear that any spending now that a sale was pending had been cut to bare bones. However, it’s a case of going from bad to worse. It seems evident that cuts were made pre-sale, perhaps to make the bottom line look better, but this is just speculation. In multiple interviews “bottom line” and “cuts” were often mentioned. (Reed’s Second Report, p.11).

...

Mountaineer does not offer wages similar to other tracks and has difficulty hiring qualified racing officials. Two examples are Mountaineer has been months without a track superintendent (and allegedly has a very short-handed track crew) and do not have enough assistant starters on the gate crew. Horsemen have had to pressure management to get more hands in the starting gate and management has even used temp help that are not familiar with horses. (Reed’s Second Report, p.12).

Despite not visiting **Presque Isle Downs** (“PID”), Reed conducted some due diligence and noted the following:

Unlike the other racing properties acquired by Eldorado, this property was very new, in fact newer than the Indiana properties.

In 2017, the director of racing retired and the position was filled by the director of finance as an additional title/duty. Also similar to some of the properties visited, I was left with the impression that Eldorado needed encouragement or requirements to get things done for racing at this property versus just asking or expecting it to be part of the expense of running a horse racing facility. (Reed's Second Report, p.13).

As discussed above, Eldorado has certainly made encouraging statements and taken important actions, such as the hiring of Joe Morris for the newly-created Senior Vice President of Racing position. However, all of Eldorado's commitments to Indiana horsemen and the IHRC must be evaluated against the backdrop presented in Reed's Second Report.

Unfortunately, it's very difficult for Commission Staff to read through Reed's Second Report and come away with any optimism about ERI's history of managing racing properties. ERI's management style to this point has been the antithesis of the management style that has been encouraged, expected, and largely received, from Centaur and Caesars. Rather, it raises significant concern about whether handing ERI the "keys to the kingdom" by granting them both racing permits in Indiana is truly in the best interest of Indiana racing.

Impact of Racing on Anderson, Shelbyville, and the State of Indiana

71 IAC 11-1-6(b)(10) and (13) allow the IHRC to examine the impact of the racing operations on the state and local communities where the tracks operate. If the Commission approves this transfer, ERI will become the sole operator of Indiana's two pari-mutuel racetracks. The importance of this position cannot be understated. The Commission should effectively consider ERI to occupy a position with the horsemen and local communities that is akin to a fiduciary relationship.

In the past, Centaur had been an excellent steward of these same relationships. Following the acquisition of Centaur by Caesars, the Commission imposed a condition upon Caesars as a permit holder that it commit to continue to support the State of Indiana, and the communities of Anderson and Shelbyville in a manner comparable to Centaur efforts. (Final Order, p. 26, Condition 12). Commission Staff recommends that the Commission impose the same condition on any new owner of the racing permits. There is no doubt that the communities of Shelbyville and Anderson are important and it's vital that the permit holders remain productive and active members of both of these communities.

As a final point, pari-mutuel racing has become an integral part of the Anderson and Shelbyville communities over the past several years. The state, local communities, and racing industry have all benefitted from the one breed/one track racing instituted in 2013. The Executive Director strongly emphasizes that she can foresee no circumstance where she would recommend returning to past practices and support a recommendation to consolidate racing operations at one of the two existing pari-mutuel tracks.

Executive Director Recommendations

There is no doubt that this is a difficult, and monumental decision for the Commission. The horse racing industry as a whole is facing difficult obstacles, including the call for stricter safety and animal welfare regulation and increased scrutiny on the use of medication in horse racing. The Indiana racing industry has benefitted from the hard work and tireless dedication of the IHRC, the horsemen, and the permit holders, throughout its storied history. Now, in the opinion of Commission Staff, the permit holder must be an entity that is not only capable, but eager to lead the Indiana industry into the future.

Unfortunately, based on all of the information before the Commission Staff, it is not clear that ERI offers the capable leadership needed for the future of Indiana racing. This is not a conclusion that the Commission Staff reaches lightly. As stated above, the Commission Staff was impressed with the commitments that ERI offered in the March Letter. These commitments, for the first time, made Commission Staff believe that ERI was giving serious thought and consideration to its ownership of the two racing permits and its place as a steward of both racing and the Anderson and Shelbyville communities.

On the other hand, Commission Staff cannot ignore the information in Reed's Second Report. It is difficult to reconcile the "two sides" of ERI as an organization. One that is promising great things and making commitments to the Indiana horsemen and IHRC to be the permit holder that the Indiana industry needs. The other, an entity that is and has been clearly disinterested in horse racing since entering the industry in 2014 and seems strongly averse to spending any additional money to improve horse racing at its currently-owned properties.

Upon completion of its merger with MTR Gaming, Inc., ERI became the owner of Scioto Downs in 2014 and has been the owner since that time. Commission Staff understands that there are economic considerations that a company must make when determining what facilities should receive a limited amount of capital. But for an organization like ERI, claiming that they will operate first-class racing facilities in Indiana, Commission Staff is left to wonder why Doug Reed's impression of Scioto offered such stark contrast to the Indiana racetracks. It is unclear why ERI, having owned Scioto since 2014, and having claimed an interest in operating first-class racing facilities, has neglected to even complete a grandstand repair at Scioto in five-plus years of ownership, let alone handling the issues Reed described on the backside.

Additionally, it is unclear to Commission Staff that ERI would remain as committed to horse racing if Indiana Grand and/or Hoosier Park are affected by economic downturn or fall short of expected revenues following the table game build-out. Admittedly, this is unclear no matter the applicant, however, with ERI it is particularly concerning given Reed's assessment that bottom line cuts and sacrifices are commonplace at other ERI racing properties in difficult markets.

In short, it is impossible for Commission Staff to offer its enthusiastic or unqualified recommendation for the approval of ERI's permit application. Should the Commission determine that approval of ERI's application is in the best interest of racing, Commission Staff recommends the following conditions be placed on ERI licenses:

1. Eldorado should honor, perform and comply with the horsemen's association contracts in effect at the time a Final Order is issued on its application;
2. Eldorado should agree to comply with the Initial Distribution Agreement, including its commitment to the maximum statutory distribution amount of 12% of adjusted gross receipts to the horsemen through calendar year 2033;
3. Eldorado should agree to an automatic ten year renewal of the above, following calendar year 2033;
4. Eldorado should prepare in consultation with the horsemen's associations and present to the Commission for approval, on an annual basis, a racing operations plan for the upcoming calendar year before race dates are allocated. Eldorado must agree that any material changes to the operational plans are subject to Commission approval and material deviations from the plan without Commission approval will be tied to the license and (depending on the nature of the deviation) with the Commission's discretion as to whether penalties will be imposed or other administrative action might be taken;
5. Eldorado must continue to employ racing management that is knowledgeable, trusted and familiar and that is appropriately empowered/authorized to address any concerns raised by the Commission or its Executive Director, subject to appropriate corporate governance policies and procedures;
6. Eldorado will strive for the highest track safety for its participants and equine athletes. Eldorado agrees that in the event of track maintenance or safety concerns, and/or in the event that the Commission has determined that track maintenance or safety concerns exist, Eldorado will employ top-tiered industry expert consultants to help advise and formulate the best recommendations and methods to best remedy the subject matter, as needed. Eldorado agrees that it will accept the recommendations of the industry experts and begin the process of implementing the recommendations within sixty days of receipt of the recommendations;
7. Eldorado must maintain or increase the current number of stalls and maintain or improve the current condition of stalls. Eldorado must maintain or improve the current condition of the racetrack surfaces, maintain and improve the response to any backside maintenance issues that may arise and promptly address any safety or integrity concerns that may present in the future;
8. Eldorado will provide approved horsemen's associations an additional \$1 million for three years (2020-2022) to cover the timeframe of future expansion projects needed for full implementation of table games. This \$1 million distribution is set at the same percentages set forth in IC 4-35 for the horsemen's adjusted gross receipts distribution;
9. Eldorado should allow for an off season training period and provide stall and dormitory rooms free of charge during off season training. The intent of off season training is to allow for its use by horsemen actively participating in Indiana racing programs. Rules to determine eligibility for off season training should be agreed upon with each tracks respective management and the respective horsemen's associations racing at each track. Eldorado agrees to properly winterize any barn or facility that might be used during the off season training period;
10. Eldorado must materially comply with the schedule for equipment replacement through 2033 as set forth in the titled "Hoosier Park and Indiana Grand Equipment Summary, Revised May 18, 2018" and identified as Exhibit C.15., of the Staff Report. Eldorado

- must agree that any material deviations from the schedule are subject to approval by the Commission or the Executive Director;
11. Eldorado must fund a Racing Capital Escrow Fund with \$25M to be spent over a 10-year period beginning in 2020. The funds must be held in a third party escrow account and will fund major projects and enhancements to the racetrack facilities to ensure that both tracks will be industry leading. There will be no maximum or minimum spent per year and the fund will be replenished with \$25M every ten years;
 12. Eldorado must create a Racing Capital Fund Advisory Committee to consist of: a representative from Eldorado's corporate executive management, a representative from Hoosier Park racing management, and a representative from Indiana Grand racing management. Additionally, the Committee must include a representative of each of the flat racing associations that have a contract with the track, as well as two representatives from the Standardbred racing association that has a contract with the track;
 13. Eldorado must seek and maintain accreditation for Indiana Grand with the NTRA Safety and Integrity Alliance;
 14. Eldorado acknowledges and understands that it has applied for two separate racing permits and gambling games licenses and it will be obligated to make the integrity fund payments for each permit and license required under Ind. Code 4-35-7-12.5, 4-35-7-15, 4-35-8.7-2, and 4-35-8.7-3;
 15. Eldorado acknowledges the importance of the Indiana Horse Racing Commission and the regulatory role it plays in racing. Eldorado agrees that it will make no effort to diminish the amounts allotted to the IHRC in Ind. Code 4-35-7-12.5(2)(b) and (c);
 16. Eldorado acknowledges and understands that the Commission takes no position as to whether a REIT operation would be appropriate and/or permitted at one of the Indiana racetracks or OTB facilities. Eldorado understands there is no guarantee that VICI or any other REIT would be approved/licensed in the future if the appropriate request was made to the Commission;
 17. Eldorado will continue to do all things necessary to assist Commission Staff in processing and completing the licensing of Board members, racing participants at the tracks and licensed satellite facilities and any other designated representatives who "participate in racing" (regardless of whether they do so at a permitted racetrack or licensed satellite facility). To the extent that the Commission would exercise its discretion not to license a particular individual, Eldorado agrees to work with the Commission to rectify any issues that may arise;
 18. Eldorado commits to continue to support the State of Indiana, and the communities of Anderson and Shelbyville in a manner comparable to Centaur and Caesars efforts. Eldorado agrees to provide the Commission with a quarterly breakdown, including specific dollar amounts, spent on community investment in both Anderson and Shelbyville. These breakdowns should include direct community spend in Shelbyville and Anderson and should not be propped up by sponsorship dollars to local sports teams or other entities. Eldorado further agrees that its racing permits are tied to its continued involvement in the Anderson and Shelbyville communities and failure to maintain or improve current community spend may result in a suitability issue going forward;
 19. Eldorado, if given both permits, will covenant to conduct the "one-breed/one track racing" initially authorized by the Commission in 2013 unless and until otherwise approved by the Commission;

20. Eldorado shall be subject to the continued review and regulation by the Commission and the Indiana Gaming Commission in that Eldorado, Harrah's Hoosier Park Racing & Casino and Indiana Grand Racing & Casino are subject to, among other things, laws and regulations contained in Title 4, Articles 31, 33 and 35 of the Indiana Code (I.C. 4-31, I.C. 4-33, I.C. 4-35) and Titles 71 and 68 of the Indiana Administrative Code (Indiana Horse Racing Commission and Indiana Gaming Commission, respectively);
21. Eldorado agrees that any Final Order issued on its permit application cannot feasibly incorporate/cover all issues or challenges that may arise while operating the two racetracks. Eldorado agrees to work collaboratively with the horsemen and the Commission to resolve any such issues not addressed directly in a Final Order; and
22. Eldorado acknowledges and commits that legally recognized constituents of the Indiana Horse Racing Industry will participate and receive revenues at the maximum statutory distribution amount of 12% from any new forms of wagering that may be authorized at any racino under the regulation of the Commission and/or off track betting facility operated by ERI. In the event that new revenue streams from additional forms of pari-mutuel racing become available to ERI, ERI covenants and commits that any such revenues will be distributed in the same manner and according to the same relative percentages that pari-mutuel revenues are currently calculated and distributed to racing industry constituents.

Commission Staff remains deeply concerned that ERI is not truly interested in becoming a true horse racing partner, as evidenced by its lackluster efforts at other racetracks that it owns or has previously owned. Any conditions imposed by the Commission must allow for meaningful accountability to ensure that the commitments that ERI has made are not eroded due to outside challenges or circumstances, or general reluctance to spend additional money on racing.



Deena Pitman, Executive Director
Indiana Horse Racing Commission

PERMIT APPLICATION REQUIREMENTS AND CRITERIA

71 IAC 11-1-6 Permit criteria

Authority: IC 4-31-3-9

Affected: IC 4-31-4; IC 4-31-5

Sec. 6. (a) The commission may issue a permit under IC 4-31-5 if the commission determines that the applicant meets all of the requirements under IC 4-31 and this title and, that on the basis of all the facts before it, the following is shown:

- (1) The applicant is qualified and financially able to operate a race track.
- (2) Racing meetings at a race track will be operated in accordance with all applicable laws and rules.
- (3) The appropriate county fiscal body has adopted the ordinance required under IC 4-31-4.
- (4) The issuance of a permit will ensure that racing will be conducted with the highest of standards and the greatest level of integrity, and ensure the protection of the public interest.

(b) In reviewing an application, the commission may consider any information, data, reports, findings, factors, or indices available which it considers important or relevant to its determination of whether an applicant is qualified to hold a permit under IC 4-31-5, including, without limitation, the following:

(1) The integrity of the applicant, its partners, directors, officers, policymakers, owners, directly or indirectly, of any equity, security, or other ownership interest in the applicant, including, but not limited to, the following:

- (A) Criminal record.
- (B) Whether a party to litigation over business practices, disciplinary actions over a business license or permit or refusal to renew a license or permit.
- (C) Proceedings in which unfair labor practices, discrimination, or government regulation of pari-mutuel wagering was an issue or bankruptcy proceedings.
- (D) Failure to satisfy judgments, orders, or decrees.
- (E) Delinquency in filing of tax reports or remitting taxes.
- (F) Any other indices related to the integrity of the applicant which the commission considers important or relevant to its determination.

(2) The quality of physical improvements and equipment proposed or existing in the applicant's facility, including, but not limited to, the following:

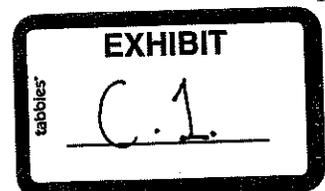
- (A) Race track or tracks.
- (B) Stables and stable area.
- (C) Detention barn.
- (D) Paddock, jockeys' and drivers' quarters.
- (E) Grandstand.
- (F) Totalizator equipment.
- (G) Parking.
- (H) Access by road and public transportation.
- (I) Perimeter fence.
- (J) Other security improvements and equipment.
- (K) Starting, timing, photo finish, photo-patrol, or video equipment.
- (L) Commission work areas.
- (M) Concessions areas.
- (N) Pari-mutuel management areas.
- (O) Any other indices related to the quality of physical improvements and equipment which the commission considers important or relevant to its determination.

(3) Schedule for completion of facility and feasibility of meeting schedule, including commitments of architects, engineers, contractors, suppliers, materialmen, and vendors.

(4) The types and variety of pari-mutuel horse racing which applicant seeks to offer.

(5) Financial ability of the applicant to develop, own, and operate a pari-mutuel facility successfully, including, but not limited to, the following:

- (A) Ownership and control structure; amounts and reliability of development costs.
- (B) Certainty of site acquisition or lease.



PERMIT APPLICATION REQUIREMENTS AND CRITERIA

- (C) Current financial condition.
 - (D) Sources of equity and debt funds, amounts, terms and conditions, and certainty of commitment.
 - (E) Provisions for cost overruns, nonreceipt of expected equity or debt funds, failure to achieve projected revenues, or other financial adversity.
 - (F) Feasibility of financial plan.
 - (G) Expert opinions relative to feasibility.
 - (H) Any other indices related to financial ability which the commission considers important or relevant to its determination.
- (6) Status of governmental actions required by the applicant's facility, including, but not limited to, the following:
- (A) Necessary road improvements.
 - (B) Necessary public utility improvements.
 - (C) Required governmental approvals for development, ownership, and operation of the facility, including appropriate zoning approvals.
 - (D) Any other indices related to the status of governmental action which the commission considers important or relevant to its determination.
- (7) Management ability of the applicant, including, but not limited to, the following:
- (A) Qualifications of managers, consultants, and other contractors to develop, own, or operate a pari-mutuel facility.
 - (B) Security plan.
 - (C) Plans for human and animal health and safety.
 - (D) Marketing, promotion, and advertising plans.
 - (E) Concession plan.
 - (F) Personnel training plan.
 - (G) Equal employment and affirmative action plans.
 - (H) Any other indices related to management ability which the commission considers important or relevant to its determination.
- (8) Compliance with applicable statutes, charters, ordinances, or regulations.
- (9) Efforts to promote, develop, and improve the horse racing industry in Indiana.
- (10) Impact of facility, including, but not limited to, the following:
- (A) Employment created, purchases of goods and services, public and private investment, and taxes generated.
 - (B) Ecological and environmental impact.
 - (C) Social impact.
 - (D) Cost of public improvements.
 - (E) Any other indices related to the impact of the proposed facility which the commission considers important or relevant to its determination.
- (11) Extent of public support or opposition to horse racing and pari-mutuel wagering at the location where the permit is sought.
- (12) Effects of location of track, including, but not limited to, the following:
- (A) Number, nature, and relative location of other permits.
 - (B) Minimum and optimum number of racing days sought by the applicant.
 - (C) Any other indices relating to location of track which the commission considers important or relevant to its determination.
- (13) The commission may consider any other information which the commission considers important or relevant to a proper determination by the commission.

(Indiana Horse Racing Commission; 71 IAC 11-1-6; emergency rule filed Feb 10, 1994, 9:20 a.m.: 17 IR 1210; readopted filed Oct 30, 2001, 11:50 a.m.: 25 IR 899; readopted filed Mar 23, 2007, 11:31 a.m.: 20070404-IR-071070030RFA; readopted filed Nov 26, 2013, 11:25 a.m.: 20131225-IR-071130345RFA; readopted filed Aug 28, 2019, 1:23 p.m.: 20190925-IR-071190319RFA)

71 IAC 11-1-7 Assignment of racing meetings

Authority: IC 4-31-3-9

Affected: IC 4-31-5-9

*Re: The transfer application of Eldorado Resorts Inc.
to acquire the permits, licenses and related assets and liabilities of
Caesars Entertainment Corporation – Hoosier Park & Indiana Grand*

A Report for the Indiana Horse Racing Commission

Considerations and Recommendations for the Commission



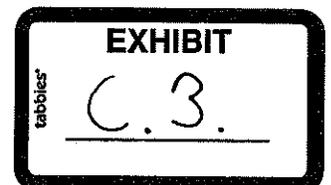
January 9, 2020

Prepared by:



Racing, Gaming & Entertainment LLC

Principal: F. Douglas Reed



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Executive Summary

The Indiana Horse Racing Commission (IHRC) is in the process of evaluating a sale, permitting and related licensing for both racing operations in the state of Indiana. As part of the commission's due diligence they are charged with the responsibility to investigate and evaluate the appropriateness of any permit holder. In addition, the commission must keep in mind the statutory charge of the regulatory body which includes: safety, integrity, promotion of racing and protecting the interest of the public.

As part of this ongoing process F. Douglas Reed, principal of RGE LLC (Appendix D) was contracted to review the current state of Indiana horse racing, evaluate some of the racino operations of Eldorado Resorts, Inc. and make recommendations for the commission to consider regarding this matter.

The process included: research, site visits, numerous interviews with stakeholders and knowledgeable parties, along with the Reed's 40+ years of experience to compile this report.

The report contains an analysis of the Indiana horse racing environment and several Eldorado properties. The current state of Indiana horse racing can be described as healthy in comparison to other jurisdictions and the culture and facilities are thought of by stakeholders to be in excellent condition.

While there did not appear to be significant changes to the Indiana racing environment since the May 2018 report there were some changes. It is noted that it is not possible to conclude what the situation would have been had the IHRC conditions of licensing not been in place for the past year. A number of stakeholders did see a difference in an increased level of bureaucracy and its effect on getting things done in a timely manner. Some felt the partnership between management and horsemen was not as strong as before. The relations between management and stakeholders still seemed to be relatively good and the capital requirements specified by the licensing conditions appear to have been met. There does seem to be some deficiencies in the communication and execution of the operational plan. The transparency, communication, details and measurability of the operational plan should be improved to assist the IHRC in its ability to monitor the intent of the operational plan.

Over 90 people were interviewed to complete this report. The operations of the Eldorado properties visited each had unique situations that had an impact on those facilities and the environment. The following key items were noted in most cases:

- the financial resources and competitive environment as expected would have a significant impact;
- the age and condition of the facilities when purchased;
- the revenues generated by gaming operations and tax structure;
- and the learning curve for new management, especially operators not familiar with horse racing's nuances if they have never owned/operated such facilities.

Eldorado Gaming Scioto Downs was the first of three site visits. Perhaps of the three visited it would have achieved the highest grade. The barn area has been closed the past two years and the grandstand closed (allegedly due to an unsafe roof) prior to the 2017 race season. The Isle Casino Racing Pompano Park visit was clouded by "the elephant in the room," – the effort to "uncouple" horse racing and replace it with a Jai Alai license so much of the property could be commercially developed. Again, on this visit the main building for racing was closed (original clubhouse and grandstand.) One thing not disputed at Pompano was that the horsemen/management relationship was adversarial. The third visit to Mountaineer Casino Racetrack and Resort was clouded by the pending sale to Century Casinos Inc. Mountaineer is a large older racing facility. Most of the racing facility was closed during the visit except for the one lower level with bare bones amenities. The crowd was very small and mostly horsemen and friends. At each site visit there was a constant echo of cuts

made to racing and racing managers whose “hands were tied.” Horsemen relations ranged from poor to adversarial, but as noted in two cases the circumstances (a pending racetrack sale and an attempt to ‘uncouple’ racing from the casino) clouded the situation.

A SWOT analysis similar to the previous report is included, but it’s apparent that in comparison to that report, Caesars brought more potential to the table for the racing side of operations than it appears Eldorado does.

Eldorado has very limited horse racing experience and has only had racing properties since 2014. It is conceivable that they may only be left with one racing property by next year since the sale of Mountaineer is complete and Eldorado is waiting on the result of a court case in hopes of “uncoupling” racing to obtain a Jai Alai license at Pompano. Regardless of that result, Eldorado lacks depth in racing executive talent to draw from for racing expertise if they purchase additional racing facilities.

The regulatory environment in Indiana will have higher standards compared to other racing jurisdictions in which Eldorado currently operates. This may present a challenge to them if current practices are not improved.

Like Caesars, Eldorado is a publicly traded company and therefore has a fiduciary responsibility to its shareholders which may present challenges for Eldorado, racing interests and the IHRC.

The purpose of this report is not to opine on licensing, but to first evaluate Eldorado as a racing operator and second, if the IHRC moves forward on licensing to make recommendations.

Some key things that influenced the recommendations include:

- Eldorado has limited racing experience and lacks a deep bench of racing expertise to pull from when adding the existing properties in Indiana;
- relationships with horsemen groups were far less supportive than average; keeping in mind there were unique circumstances at two facilities and stakeholders often felt racing manager’s “hands were tied;”
- securing expenditures on the racing side sometimes took pressure to get results but most gaming operators value their gaming licenses therefore requests may be approved – especially if complaints are elevated to a regulatory body and;
- while the facilities visited are old, it appears the minimum is spent on the racing side and bottom line cuts seemed to be the norm. It should be noted the competitive environments in all three cases were challenging.

Eldorado, in a letter to the IHRC dated October 17, 2019, has indicated that they will continue to honor a number of the recommendations made in the previous report (May 2018.) While that statement is appreciated, the operational plans as implemented in 2019 and 2020 needs to be better implemented and executed. There needs to be better communication, inclusion and transparency during the process. Perhaps even more importantly there needs to be more details of specifics included in the report to make monitoring and measurability of the report easier to achieve its intended goals. To facilitate this recommendation a change in the timeline for completion and added details to the process is outlined to a greater extent in this report.

Also similar to the May 2018 report, racing managers need to manage racing. Steps must be taken to alleviate their “hands being tied,” which will allow them to execute the operational plan, make any needed adjustments and work with the commission as the racing season is in progress.

Eldorado has also indicated they agree to comply with the equipment replacement plan through 2033. It may be necessary to make sure reasonable (but not overly burdensome) investments in overall racing operations are maintained. Some companies allocate a percentage of revenue to put back into the business for improvements

or research or capital expense etc. Such benchmarking may be a way to monitor racing expenditures over time but also allow for adjustments that are reasonable as business life cycles certainly influence a company's ability to reinvest. Total racing expenditures including the equipment replacement plan tied to a benchmark will permit some flexibility while making sure reasonable overall reinvestment is complied with.

Requiring NTRA Safety & Integrity Alliance accreditation should be continued and it also has been indicated that requirement will be honored by Eldorado. As the staff and commissioners of the IHRC are aware, the issue of safety and welfare is of critical importance now more than ever before. As racing operators, Eldorado should be prepared to face new challenges (and thus expenditures tied to those challenges) and given their limited experience in racing should have a plan to work with the commission on future endeavors in this area. This report was not designed to review all the new national industry initiatives in this area, but the commission may want to consider adding to any condition of licensing the necessary adoption of safety measures that go beyond just accreditation or meeting minimum standards.

Eldorado is a gaming company with limited racing experience that may be acquiring racing properties at a time of rapid expansion of their core business. As a gaming company, adding two racetracks to their core business and at the same time tremendously expanding in scale, there is a question of how and where will the focus on innovation and improvement be directed?

Externally it is difficult to regulate, or to know, the actual goals or intent of an applicant (expressed internally) and whether those goals align with the expressed desires of a specific regulatory body. The recommendations in this report may help to ascertain the real intent of the applicant. Unfortunately, it will take a least a few years to determine whether the potential owners will continue to move these properties in the direction that the regulatory body desires.

Introduction

F. Douglas Reed, principal of RGE LLC (**Appendix "D"** biographical sketch and CV) entered into a professional services contract with the Indiana Horse Racing Commission (IHRC) to "provide consulting services to the Commission in relation to the transfer application of Eldorado Resorts, Inc., to acquire the permits, licenses and related assets and liabilities of Caesars Entertainment Corp. and/or any of its affiliates¹."

The purpose of this report is to provide the Commission with an evaluation of the horse racing operations of Eldorado Resorts, Inc. (Eldorado) at properties where they have or had ownership and management of those properties. The report will also provide an assessment of the current racing industry environment in Indiana and what impacts the change of ownership may have. It will conclude with recommendations to preserve the racing industry in Indiana and maintain the status quo.

Process and Overview

The information, analysis and recommendations were derived from the following methodology and very similar to the process used for a similar report in May 2018 for the IHRC.

There were three properties owned/operated by Eldorado that conduct live racing at the time of the track visits. They were Eldorado Gaming Scioto Downs (ScD), Isle Casino Racing Pompano Park (PPk), and Mountaineer Casino Racetrack and Resort (Mnr.) The three racing properties that Eldorado operated that had live racing during the timeline of this report were visited in person (the sale of Mountaineer to Century Casinos and VICI Properties, Inc. closed December 2019,² but was still operated by Eldorado during the visit.) Since the focus of this report is the horse racing industry and operations, no casino 'only' properties owned by Eldorado were visited. In addition to the aforementioned racetracks, Presque Isle (PID) in Pennsylvania prior to the sale of the property to Churchill Downs was operated by Eldorado so some interviews regarding that operation while Eldorado operated the facility were conducted.

The first track visited was Scioto in August 2019 near the end of their live harness race meet. During that visit 20 people at the location were interviewed including racetrack management and horsemen. Stakeholder groups in that jurisdiction that were not available to meet in person were interviewed by phone. The facilities were examined, and photographs taken of the "frontside," "backstretch" and paddock barn. More time was spent in the racing areas of the facilities versus the casino area given the purpose of this report.

In early November 2019, Pompano and Mountaineer were visited during the same week. Pompano Park was at the start of their racing season while it was near the end of the racing season at Mountaineer. Over 60 people were interviewed pertaining to the two properties. Stakeholder groups in both jurisdictions that were not available to meet in person were interviewed by phone. Similar to the Scioto visit most of the time was spent in the racing areas of the facilities with photos take of both the "frontside" and "backstretch."

Interviews were also conducted with former managers or administrators of the Eldorado racing properties.

Interviews were conducted with key stakeholders in the Indiana horse racing industry to assess the current benchmark of the state of the industry today and compare it to the situational analysis of the May 2018 report.

¹ Indiana Horse Racing Commission, "Professional Services Contract, Contract #036336," August 2019, page 1.

² Howard Stutz, CDC Gaming Reports, Eldorado closes \$385 million sale of three properties to Century Casinos and VICI, December 6, 2019 <https://www.cdcgamingreports.com/eldorado-closes-385-million-sale-of-three-properties-to-century-casinos-and-vici/> (accessed December 6, 2019).

The interviews included track managers, appropriate breed specific members of the horsemen's associations, breeders' associations, racing commissions, and former track managers. This was done to gain as broad and varied a perspective as possible. In total over 90 interviews were conducted throughout the process, either in person or by phone to help eliminate any one person or organizational bias.

The template for the interviews conducted was created using a very similar format to those used in the May 2018 report for the Indiana Horse Racing Commission when Caesars acquired the properties. Those questions can be found in **Appendix "A"** of this report. One goal of using the template was to ensure that the same questions were asked: what each person saw as strengths or the best about the racing in that jurisdiction, but also what could be improved. This was an effort to not only be fair in the questioning, but to also obtain information that would allow for evaluation of what assets the new ownership may bring forth to improve the industry. It also allows for the examination of areas that the commission would want knowledge of if there are concerns with continuing to fulfill the commission's statutory charge to: conduct racing "with the highest standards and greatest level of integrity" (IC 4-31-1-2,)³ "to promote the Indiana horse racing industry" (IC 4-31-3-8,)⁴ and to ensure the safety of participants and the public interest.

The report contains a situational analysis of the current state of the Indiana horse racing industry as well as individual reports on the tracks owned/operated by (or at one time owned/operated by) Eldorado. This provides a look at each jurisdiction individually since each has unique aspects that make it difficult to directly compare the operations in different jurisdictions. However, there were some commonalities that are useful and reflected in a SWOT (strengths, weaknesses, opportunities, threats) analysis or conclusions given the potential change of ownership.

The last section, conclusions and recommendations, are suggested as a means to allow the regulatory body to consider what is important and better understand some of the potential changes. The commission may wish to monitor improvements that can be made by the new ownership and address any concerns consistent with the commission's statutory charge. Given Indiana's statutory and regulatory scheme, the commission will look to maintain the current standards as well as to encourage actions that will improve and promote the industry.

³ Indiana Code 2017, <http://iga.in.gov/legislative/laws/2017/ic/titles/001> Accessed October 2019

⁴ Ibid

The Current Situational Analysis – Indiana Horse Racing Industry Today

Interviews of the major stakeholders along with prior industry knowledge of the various racing jurisdictions from 40+ years were utilized in formulating this evaluation of the current Indiana horse racing industry environment. Some documents were also reviewed which included: Drafts of the 2020 operational plan for both tracks, 2019 operational plan, Eldorado Resorts response letter, dated October 17, 2019, to the IHRC, letter to the IHRC from Taft Law on behalf of the horsemen's associations and a document provided by some horsemen groups.

Interviews included track managers, members of every breed's horsemen and breeders' associations, and the racing commission.

There are many ways to compare the horse racing industry in various states. It is easy to compare the size of the breeding industries (number of foals, stallions, mares) or purses can be used as a reasonable benchmark for quality of racing. But one challenge the industry faces in all jurisdictions is that the different stakeholders have different economic interests. This often leads to contentious or at least challenging relationships.

Another thing to consider is the level of satisfaction of the stakeholders with the state of the industry. When evaluating Indiana by this measure, the situation has not changed too much since the May 2018 report. With only one year under the new operators, Caesars, overall the environment has been good from a racing perspective. There have been a few changes noticed, but it doesn't appear to have created any serious problems.

It should be noted, it's not possible to opine on what would or would not have been the analysis if the IHRC conditions of licensing were not put in place. As stated in the May 2018 report, *"it sometimes took pressure or nudging to get results. It is clear that Caesars does value their gaming licenses in all jurisdictions."* We are of the opinion that this also applies to the potential new owners, Eldorado, being compliant is important and in some cases this minimum bar of compliance seems to be the result.

Racing in Indiana continues to be something most are proud of and this is certainly a bar that racing stakeholders desire to maintain. The properties in Indiana are well maintained and significantly newer and something to be proud of when compared to most racing properties (the exception being PID which opened in 2007 which Eldorado sold in 2018) that Eldorado purchased which were built in the 1950s and 1960s.

As might be expected, one change was the noted bureaucracy of a large corporation. The Indiana properties and stakeholders were used to having one person who could make major decisions and with such a quick response, things would get done quickly. As is the norm with large corporations the corporate capital improvement process or approval of any major expense is now a process that takes more time. The one recognized change was that things took longer to get done in a number of cases. The slowness of approvals and payments can be a detriment to getting things done in a timely manner. A few stakeholders felt the slowing of payments and the bureaucratic processes may have impeded progress and quick completion on some major projects like the track resurfacing at Indiana Grand.

Most felt the relations between management and stakeholders was good. There were some individuals that felt there were fewer formal meetings and some felt less informed about the operational plan. This is something easily remedied. Another change that concerned horsemen was the shift in tellers from pari-mutuel wagering to sports wagering. The horsemen felt this not only moved labor to activities they do not share in revenue from but also undersupplied the necessary tellers for pari-mutuel wagering.

The amount of CAPEX invested on the racing side of the business at both properties adhered to the commitments required by the IHRC according to those interviewed. One thing that should be noted when reviewing the CAPEX requirements issued by the IHRC there doesn't appear to be much flexibility. While adding

flexibility has both a positive and potential negative side to it, it may be something to consider moving forward. On the positive side, if some of the "required" purchases are not necessary because equipment was well maintained, in good running order, it might benefit all stakeholders to spend that capital elsewhere. Of course, the flip-side of allowing flexibility is it could lead to "gamesmanship" of the process to move capital to expenditures that would need to be made such as general maintenance or other places track owners would spend regardless of the required purchases according to the mandate.

With the noted exception of a few feeling "left out", most felt the operational plan was useful. It was, as expected in year one, an added burden but most felt it would be less so moving forward. Neither the 2019 or 2020 operational plan(s) were as detailed as desired/outlined in the May 2018 report. The lack of detail makes measuring and accountability more difficult.

The idea of a partnership between management and horsemen expressed in the 2018 report may not be as strong, but part of this was the change in management and the fact that the bar was set so high in the past.

It is hard to gauge if there was any change in the marketing of racing. Opinions always vary and some felt there was less while other stakeholders had no concern. What was observed was that only one of the two drafts of the 2020 operational plan presented at the December 3, 2019 IHRC meeting included an actual budget expenditure for race marketing. As noted in the May 2018 report: *"There should be a commitment to spend an agreed upon amount for the marketing of racing during the plan year..... The racing marketing plan should include the amount of spending on racing specific events and initiatives. Of course, some marketing expenditures would be for the entire facility and may be more inclusive. This budget should fairly allocate expenditures based upon some reasonable metrics."*

There did not seem to be any concerns over maintenance or safety issues other than the previous mention that some felt that getting some maintenance done took longer than in the past. The Breeders Crown was still supported but perhaps to a slightly lesser degree.

Time was not spent to statistically compare Indiana racing with many other states regarding racing metrics such as handle, number of races, days, field size and the breeding industry. That type of comparison is easily done if necessary, as part of the IHRC analysis (much of which is in the IHRC Annual Reports). An exception to this is found in **Appendix C** where the gaming revenues are compared as this is significant when you consider resources and capabilities to invest in racing. The gaming revenues are greater at the Indiana properties compared to those generated by the Eldorado properties visited as part of this report.

There was once again a concern among most stakeholders that the ownership change in 2020 would be "trading down." Also, there was a concern about what impact a racetrack owned by a REIT (Real Estate Investment Trust) would have on the Indiana properties.

Track Reports

When comparing other race tracks and industries to Indiana it is important to look at each specific situation. For example, the age of the facilities would have a significant impact on the amount of capital improvement needed. Another significant factor is the amount of revenue and resources available in the industry or at the track to support the horse racing needs.

Of the three Eldorado' properties visited the age of the Indiana tracks differ significantly. Mountaineer Park (Mnr) (formerly Waterford Park 1951) Scioto Downs (1959) and Pompano Park (1964) are all substantially older than the Indiana facilities: Hoosier Park (1994) and Indiana Grand (2002). This is evident when looking at the pictures taken during the visits in **Appendix B**.

The amount of revenue from gaming that can support the horse industry must also be considered when making any comparisons. In **Appendix C** are the most recent annual gaming revenues generated at each of the facilities as described in Annual Reports. In order to fairly compare the expenditures for racing at each track the amount of revenue generated is relevant to the ability to invest.

Eldorado Gaming Scioto Downs (ScD)

The evaluation of the racing operations at this facility included a site visit during live racing and also interviews with approximately 20 individuals as described in the process section of this report. The visit occurred just a few days before the closing day of the live racing meet.

Scioto was the first Ohio racetrack to open a casino in June 2012.⁵ (Scioto became a property of Eldorado when they completed the merger with MTR Gaming in 2014.) Perhaps the most notable part of this site visit were the following observations: As you approach the facility from the entrance you see The Brew Brothers microbrewery (added in 2015⁶) and adjacent to the facility a Hampton Inn (a joint venture agreement, opened in 2016.)⁷ Once inside the casino area, you can observe very nice casino amenities along with the latest machine technology and newest games in the market. However, when I got to the back of the casino, I did have to ask for directions to the horse racing area. Upon leaving the rear of the casino you discover one of two entrances to the simulcast area closed due to an escalator shutdown and to my left a fenced off closed grandstand that I was told was condemned due to an unsafe roof. The grandstand was closed prior to the 2017 racing season and remains fenced off.⁸

Photos in **Appendix B** along with additional photos provided to the commission on a flash drive of the barn and frontside area give a good idea of the conditions there.

There is a small set of bleachers that were installed as a "replacement grandstand" well before the finish line. This is the best area to view live racing, but not the most comfortable. The nicest area for horseplayers is the clubhouse and simulcast area which is past the finish line with a dining area.

⁵ Shawn Mitchell, "Horse Racing: Scioto Downs Rescued by Racino Status," The Columbus Dispatch, September 6, 2014 <https://www.dispatch.com/article/20140906/SPORTS/309069947>

⁶ "Eldorado Resorts Continues Scioto Downs Racino Expansion with Construction of \$5.9 Million 'The Brew Brothers' Microbrewery and Restaurant," <https://www.sciotodowns.com/article/eldorado-resorts-continues-scioto-downs-racino-expansion-construction-59-million-brew> Accessed November 11, 2019.

⁷ Evan Weese, "Scioto Downs adding 118-Room Hotel as Racino Raises the Stakes in Columbus' Gaming Market," Columbus Business First, October 22, 2015, <https://www.bizjournals.com/columbus/news/2015/10/22/scioto-downs-adding-118-room-hotel-as-racino.html>

⁸ Brooks Jarosz, "Races on Despite Grandstand Closure at Scioto Downs," ABC Ch 6, May 5, 2017. <https://abc6onyourside.com/on-your-side/races-on-despite-grandstand-closure-at-scioto-downs>

Perhaps of the three tracks visited, horsemen relations with management was the most mixed based on a large number of interviews. Since the race purses are good and most horsemen are happy with the track surface a number were satisfied to have somewhere to race with good purses. Others liked the fact that the racing was close to home for them. The racing quality is good here and seems to be important to both racing management and horsemen.

There were a number of concerns expressed by horsemen. In the past, the track charged stall rent of \$150 per month but the backstretch was closed for stabling sometime in 2017 and the past two seasons they have only been able to use the ship-in barns and there is only one wash rack space in the barn area despite there being multiple ship-in barns (photo Appendix B). Many horsemen are unhappy with the barn area for ship-ins, the water available in the barn area and the general ship-in experience. Most did like the racing surface and according to management there is a plan to resurface the track this off-season.

There were some horsemen that raced and have participated at both Scioto Downs and Hoosier Park and they felt there was no comparison and did not like how the property at Scioto had become more "run down" since Eldorado took over. The relationship with the horsemen association was challenging but perhaps not as adversarial as observed at the other two properties visited.

When interviewing management, it was not an ideal situation as both upper management and the racing manager were together. I would have preferred to talk to each separately. I did follow up with a call to the general manager by phone at a later date.

There is a significant amount of gaming competition in the region and a large amount of racing days (120) required by statute. However, with horsemen's agreement they are permitted to run less days. The parties have agreed to 90 days at Scioto.

The process for CAPEX approval is the same at all the properties visited. The needs are first assessed by local management. Thereafter, those necessary or thought to pencil out are sent to corporate for approval or rejection. The process is similar to Caesars and is bureaucratic given the large corporate nature of the organization. At this property when asked about recent capital improvements most would fall into the maintenance category. One large project presented to the racing commission over 18 months ago was a plan to replace the condemned grandstand, but nothing has been done and no one mentioned plans for construction. The other CAPEX expenditure discussed was the resurfacing of the racetrack surface planned for the off-season.

For the most part (at this track and others visited) there were only a few that had problems with the racing management, but most said their "hands were tied" by upper management and therefore local racing management couldn't do much.

All stakeholders were asked their opinion of the marketing efforts. As stated earlier, it's difficult to get a good assessment of this because there are substantial variances in the opinions, the amount of knowledge about the subject and the knowledge of the specifics of the marketing plan. There were a number of people interviewed that reported marketing as an area of deficiency. However, many did say the races attract good crowds on Friday and Saturday nights. Of course, the large grandstand has been closed so the crowds are now shifted to either the clubhouse or a small bleacher type grandstand.

Isle Casino Racing Pompano Park (PPK)

The evaluation of the racing operations at this facility included a site visit during live racing and interviews with 30 individuals as described in the Process section of this report. The visit occurred on opening night and the next day and night of racing. Most stakeholders were interviewed in person, with the remainder interviewed by phone.

This track opened in 1964 and was purchased by Eldorado in 2017 from Isle of Capri. Due to delays in travel, I was only able to visit the track for several races opening night, but attended the races the next night as well. Opening night there was a very small crowd and the weather was not good as heavy rains and winds proceeded my arrival and may have had an effect on the crowd size.

Not having been to that property for decades, I did park on the wrong side and was greeted again by a closed grandstand and clubhouse (pictures of the facility Appendix B). Like Scioto, there was a much smaller bleacher type grandstand placed at the rear of the casino, with a much less desirable viewing area of the live races. At the top of the bleacher grandstand there was a nice bar, simulcast area, poker room and the entrance to the casino area. Food options in the racing area were very limited and you needed to go to the casino to obtain most food items. There did not appear to be any options for quick food service, my sandwich order for takeaway in the casino area included at least a 10-minute wait. The main entrance, had I found my way there, would take me through the casino to reach the racing area.

The greatest challenge to the evaluation at this facility was what I labelled “the elephant in the room.” It was clear when I spoke to stakeholders the first issue on their mind was that lawsuits were in progress and Eldorado was aggressively seeking to “decouple” racing from the casino by replacing the pari-mutuel license with a Jai Alai license. (See Appendix D for an article about this topic.) When interviewing anyone potentially affected by the change, this was the first thing they spoke about. This no doubt is a reason both parties recognized the horsemen/track relationship was adversarial.

Eldorado would have many acres of land to develop by replacing horse racing with Jai Alai, so from a shareholder’s point of view it may likely present an opportunity.

The property is in a very competitive gaming market. The Seminole Coconut Creek Casino is 16 minutes away and about 7 miles in distance. The Casino at Dania Beach is 14 miles and 28 minutes away and the Seminole Classic Casino is located about 18 miles away and a 27-minute drive⁹.

When Eldorado took over the management and ownership of Pompano the efforts to “decouple” escalated. There were a number of cuts made in personnel and hardly any capital was spent on racing. The racing department felt there was “fat” that could be cut regarding staffing. A number of mid-level managers were eliminated and several stated that on many race nights top racing management are not present. There was deferred maintenance, a few dorms (rent is charged for dorm rooms -- a policy in place before Eldorado owned the property) were closed rather than fixed, and a few barns had a transformer that needed repair, but those barns were closed instead. (Racing managers said the barn area will not be full this year and those barns would not be needed.)

Negotiations with horsemen went from bad to worse according to many when the property changed hands from Isle of Capri to Eldorado. While no important or major issues to note, there were two stories I could not determine the veracity of since the difference in sides was like two alternate universes – which only left me convinced of the distance of the relationship. (The two issues were: the removal of a water cooler in the paddock *<management claims free water is available, but many horsemen were not aware of this>* and the other issue is the removal of washing machines from the barn area *<again two very contrasting stories of details>*.)

It was repeatedly heard at several of the facilities visited that the racing personnel for the most part are reasonable to get along with but “their hands are tied,” when it comes to getting a number of things done. Given the low purse structure and limited slot money dedicated to purses and the location of the track it is a

⁹ Google Maps used for drive time and distances

reasonable statement by management that it's hard to attract horses to the property. Pompano is geographically far removed from other harness tracks and is essentially an island, the main attraction is the weather during their racing season. Stall rent of \$200 a month is charged (horsemen can get a refund of rent if the horse runs 10 times during the season.) Since Eldorado took ownership, the stall rent was raised \$50 but Eldorado also added the option of the refund if the horse starts 10 times.

A number of horsemen have also raced and stabled at Hoosier and each said there was "no comparison" or they were "spoiled" by Hoosier.

When inquiring about CAPEX and marketing, neither seemed to be too significant. The process for CAPEX approvals was the same at all three properties, moving from racing to management to corporate for approvals. Most responses to CAPEX were maintenance issues or upgraded to "usable." It is also clear by the CAPEX expenditure summary submitted to the IHRC that since 2017 very little has been spent on the racing property. Most horsemen felt there was little if any marketing on the racing side. Others interviewed that could make reasonable comparisons felt racing marketing was better elsewhere. Again, given the unique situation of potential "uncoupling" the responses about both issues were not surprising.

Mountaineer Casino Racetrack and Resort (Mnr)

The facility was built in 1951 and at that time called Waterford Park.¹⁰ Eldorado announced a merger with MTR Gaming Group in September 2013.¹¹ Eldorado took over operations in 2014 and a sale of the property to Century Casino closed December 2019.

On day one of the visit, the racetrack facilities were toured and pictures of many areas are in Appendix B as well as other pictures supplied to the IHRC on a flash drive. It is a very large facility by today's standards and with the exception of the lower level of the grandstand, the remaining grandstand and entire clubhouse are closed on regular days of racing. With the exception of horsemen, there appeared to be very few racing customers.

Two significant things had a negative impact on racing at this location. One is the impact of Ohio expanding their gaming market with racinos. This was well in process prior (began 2012) to the purchase of this property by Eldorado. The other has been continuous legislation changes that have cut funding to racing. Some of the legislative cuts occurred well before the purchase, while another happened in 2014 the same year as Eldorado moved in to manage the facility. Essentially a series of changes reallocating funds of the VLTs from racing to other sources. Apparently moving forward next year, some of the funding is returning to help racing.

Similar to the Pompano visit, there were unique circumstances that made the evaluation a challenge. A sale of Mountaineer was pending to Century Casino and the sale closed December 2019 after the site visit. It was very clear that any spending now that a sale was pending had been cut to bare bones. However, it's a case of going from bad to worse. It seems evident that cuts were made pre-sale, perhaps to make the bottom line look better, but this is just speculation. In multiple interviews "bottom line" and "cuts" were often mentioned. Racing is a necessity at best and a requirement (burden?) at worst to maintain the casino licenses.

Something that was clear from various points of view was the salaries for racing were not competitive enough to attract knowledgeable, experienced racing personnel. Mountaineer does not offer wages similar to other tracks

¹⁰ "Track History," Mountaineer Casino Racetrack and Resort website, <https://www.moreatmountaineer.com/article/track-history#targetText=Construction%20was%20finally%20underway%20by,as%20Mountaineer%20Park%20in%201987>. (Accessed on October 30, 2019)

¹¹ "MTR Gaming Group and Eldorado Resorts Announce Merger Agreement," Business Wire, <https://www.businesswire.com/news/home/20130909005810/en/MTR-Gaming-Group-Eldorado-Resorts-Announce-Merger> (Accessed October 30, 2019.)

and has difficulty hiring qualified racing officials. Two examples are Mountaineer has been months without a track superintendent (and allegedly has a very short-handed track crew) and do not have enough assistant starters on the gate crew. Horsemen have had to pressure management to get more hands in the starting gate and management has even used temp help that are not familiar with horses. Two different sources both told me the valets and gate crew pay are very low compared to the market of tracks in the region. Compounding this issue, according to management the local labor pool is weak. There was no doubt the low wages were a detriment to the overall workforce for racing staff shortages. Another issue was that as race dates were cut (statute requires 210 days unless an agreement is reached with the horsemen's group, the past few years horsemen and management have agreed to 130 live race days); a significant number of racing people not only lost work days, but perhaps a bigger impact was that benefits were taken away from many that previously had benefits.

Regarding CAPEX, again the procedure is the same moving from racing to management to ultimate corporate final say. The stories were not much different than expressed in the May 2018 report, it took aggressive action or necessity to get some things done on the racing side. Another factor in analysis of the CAPEX is in West Virginia there is a development fund where money from casino play goes into a fund for the express purpose of racing improvements. The racetracks must get bids and get permission from the racing commission for the use of this money. A number of the improvements made on the clubhouse and elsewhere was money from this fund. A couple of the observable CAPEX projects were the clubhouse structure/outside wall and the new inner rail for the turf course.

Similar to the last report in May 2018, I believe that unless it is required or there is pressure, Eldorado will not spend on the racing side. Most agreed that not much was spent on the racing facilities. Racing was viewed as an expense. Eldorado appears to be a casino company that likely needs to be reminded of the requirement to maintain and improve racing to earn the privilege of running a gaming operation in Indiana.

It would also appear that the marketing of racing, while some is done, has declined under the current operators compared to prior management. Racing must fend for itself; marketing budgets are tied to VLTs which have declined and things like social media is the low-cost medium used. According to a few HBPA executives, the HBPA pays for a billboard to market racing. No attempt to verify this was made.

I left with the opinion that you could sort participating horsemen into two groups. Some horsemen were at a minimum happy to have a place to race with a reasonably long racing season that didn't require they move much while others when comparing this track to other racetracks felt a lot more could be done. Some of the problems Eldorado inherited -- like the entire barn area being blacktopped (which is not safe and many horsemen of course dislike.) Given that fixing that problem would be extremely costly, there are other problems that can be addressed such as repairs to leaks in the grandstand or hiring the proper racing staff to make sure the racing surface is properly maintained and hiring the necessary starting gate crew for safety and integrity.

Getting maintenance done seemed to depend on whom I talked to whether it was satisfactory or not. I left with the feeling they have a very minimal maintenance crew and if you are liked or take care of the crew you get better service while others feel like little is done or it takes a very long time.

A \$20 start fee (charged to all horse owners that make a start) was negotiated several years ago, but the use of that fund is unclear to me. Not surprisingly, the horsemen and management version of the uses of that fund vary. Management informed me it was agreed upon to use as a source of funding to help offset the general costs of running racing. Various horsemen felt it was to be used for things horsemen wanted to get done, or safety initiatives, while others merely are upset that there is no accountability or transparency as to where that money goes.

The relationships between the horsemen and the racing managers (director of racing, racing secretary etc.) as is typical, you may get a few complaints, but I would say the relations were good to normal. But a reoccurring theme here and elsewhere was horsemen would respond: they are "ok" but "racing manager's hands were tied" and it is difficult for the racing managers to get things done.

When trying to assess safety issues at this facility it was difficult to get a consensus and see all aspects of this on a short trip. However, the NTRA did visit the facility in 2017 for accreditation consideration, but as of November 2019 Mountaineer was not accredited by the NTRA Safety & Integrity Alliance.

In **Appendix B** there is a picture of a vending machine in the track kitchen. When I inquired about this with a horseman if that was all that was available, the comment was yes. They added that the vending machine was it but that it was an improvement. Vending machines as the only option at a track kitchen is certainly below standards compared to other racetracks in the US.

I was informed of a Legionnaires outbreak in 2018 necessitating the shutdown of racing for a number of days; while I did not delve into the veracity of the story, an article about the incident can be found in Appendix D.

Presque Isle Downs and Casino (PID)

Presque Isle was not visited as part of this report because it is now owned and operated by Churchill Downs. However, the track opened in 2007 and as part of the merger in 2014 of Eldorado and MTR Gaming, Eldorado took over operation in 2014. The property was sold to Churchill in 2018 with the sale completed January, 2019.

Since this property was one of only a few racing facilities that Eldorado operated, some due diligence was done. Unlike the other racing properties acquired by Eldorado, this property was very new, in fact newer than the Indiana properties.

As with the acquisition of Scioto and Mountaineer, when they took over this track, Eldorado had no experience with horse racing. The attention to racing was left in the hands of racing management but at times it seemed clear as with the other facilities, the racing management's "hands were tied" and things could not get done. In 2017, the director of racing retired and the position was filled by the director of finance as an additional title/duty. Also similar to some of the properties visited, I was left with the impression Eldorado needed encouragement or requirements to get things done for racing at this property versus just asking or expecting it to be part of the expense of running a horse racing facility.

The commission requested the prior owners of PID to build more barns. When Eldorado assumed ownership not all the barns previously requested to be built by the commission were built. Once again, a variety of opinions left me unable to fully understand why the commitment to build all the required barns was not completed but it seemed some compromise was reached between Eldorado, horsemen and the commission. I was not able to get details of this from prior commission personnel and I was referred to examine minutes of commission meetings from that time period. Given the amount of effort (and time needed) for this type of inquiry that was not done for this report.

SWOT Analysis

The following is a SWOT analysis of the current transfer of license application for the racetracks in the state of Indiana. It examines the strengths and weaknesses of Eldorado as it applies to the horse racing operations (with limited references to the casino operations, since this was not the focus of this report.) It also suggests potential opportunities and threats that may be presented to the horse racing industry in Indiana as part of a transition.

STRENGTHS	WEAKNESSES
<i>Strengths were both derived from current management, former management and various stakeholder's points of view</i>	<i>Most weaknesses were derived from other stakeholders, former management and site visits/observations</i>
Through the merger, Eldorado will inherit many of the Caesars's strengths outlined in the last report (May 2018) – such as Total Rewards, analytics, training, brand etc.	It was difficult to witness Eldorado's strengths since only racing properties were visited and two of them had unique circumstances – one seeking “decoupling” from racing while the other was in the process of being sold shortly after the racing season.
Eldorado states a focus on team and family for employees and guest. ¹²	The “family” emphasis did not resonate well with many employees at a couple of the facilities as cuts were made to staff and elsewhere.
Efficient operations may be a strength, but there was a sense from a fair number of interviews that cuts went beyond efficiency.	Middle managers expressed they “cut fat” in the department – no real detail was provided.
Rely on racing managers so upper management can learn about racing.	Eldorado has limited racing experience; management of their first racing facilities began with the merger with MTR Gaming when Eldorado took over the management of Mnr, ScD, & PID (2014).
Well known racehorse owner Michael Pegram named to Eldorado board as of September 2014.	“Push/pull” between things that need investment, but may not have strong ROI for shareholders when compared to other opportunities for investing.
	Shareholder focus: sometimes some things necessary for racing, security, integrity just don't ‘pencil out’ due to such investments potentially decreasing shareholder value.
For the most part racing managers were fair to work with, but “hands are tied”.	Racing managers “hands are tied” at times due to corporate hesitation to spend on the racing side of the business.
	CAPEX expenditures sometimes required pressure from stakeholders.
	Marketing/promotion of racing – a mix of opinions in some jurisdictions, but overall a clear majority felt very little was done for race marketing.

¹² Eldorado, Our Story, “The biggest little family in the world,” <https://www.eldoradoresorts.com/our-story> (accessed November 19, 2019.)

	Horsemen association representatives have a more adversarial relationship with management than normally seen in other jurisdictions.
	Bare bones racing management in place with Eldorado. They will need to rely on Caesar's resources for racing management or search for additional talent as needs arise.

OPPORTUNITIES	THREATS
Many of the opportunities it would appear from my interviews would be similar to those expressed in the prior (May 2018) report that Caesars can bring to the racing side of the business.	Based on operations at existing Eldorado properties, <u>the racing strengths</u> are better with existing owners/operators (Caesars) of Indiana properties.
Inheriting a better situation (except PID)	Cuts in marketing budgets for racing. Making sure the racing employees are not left with a feeling of disregard.
More leveraging of Caesars strengths for the racing side of the business	
	Indiana experiencing staff cuts for minimizing racing costs or other cuts in racing as was seen at the other Eldorado properties.
	CAPEX investment being downgraded from the status quo in Indiana.
The current environment (with the current racing management relationships) are viewed as good. Maintaining that will be deemed important to other stakeholders.	Eldorado has limited racing experience and is a "gaming not a racing company" – there is a general concern of "trading down again" in the management of the track since many stakeholders knew what it was like over 2 years ago.
	Shareholder focus The Push/Pull of shareholders vs IN state statutes that tie racing and gaming together.
	Potential of legislation crafted that does not benefit racing in the same way as currently treated.
Leveraging synergies with having multiple racing properties outside of Indiana. Power of buyers/suppliers for selling/buying racing simulcasting, economies of scale. However, it is possible Eldorado may have as few as one additional racing property to the existing mix if "decoupling" is approved in Florida. Caesars is already trying things with their properties in this regard.	Potential of Eldorado to drive business to more profitable venues/games without a "revenue share" with racing, thus creating more profit for Eldorado. Example: some felt mutuel tellers were moved to sports wagering in Indiana to the detriment of the racing side.
	Cuts in the number of races, race days, or barn area closure for cost savings only, stall rent for horsemen.

	Cuts in the number of races or race days that are necessary due to industry trends and decrease in horses/owners.
The corporate efficiency could reduce costs and no doubt the new operator could “lose less money” on racing.	The damage done to the culture, relationships and racing side of the business if all things necessary to “lose less money” were implemented. It is hard to measure the impact/cost and long-term threat it could pose. If the “mission” of Eldorado’s team/family is coupled with cuts, this will damage the culture and employee morale as it has at other Eldorado racing properties.
Casinos have great surveillance cameras and technologies, so it should be easy to invest more on cameras etc. to enhance racing surveillance and utilize other integrity technologies. Example: Indiana Grand intent to install video at the jockey’s scales per December 5, 2018 minutes of IHRC commission meeting.	Not maintaining the status quo. The current environment in Indiana when compared to other racino markets is good. The challenge faced by any new owner (any change) is to maintain this and the current perception of stakeholders is one of concern.

Conclusions & Recommendations

The SWOT analysis was more difficult to compile compared to the May 2018 report as Caesars executives in 2018 articulated ways their gaming strengths could be utilized to enhance racing whereas the Eldorado executives did not provide this type of information. Notwithstanding these difficulties, the SWOT does give some insights into Eldorado and a potential merger with existing owners.

Before making recommendations, I took a moment to look at the analysis from an overview. Everything there is to know about Eldorado as a racing operator occurred since 2014. (This report does not attempt to evaluate them as a casino operator.) Eldorado began operation of three facilities in 2014 as a result of a merger with MTR Gaming: Presque Isle Downs Casino, Mountaineer Casino Racetrack & Resort and Eldorado Casino Scioto Downs. In 2017, after a purchase of the property, Eldorado took over operations of the only other racing facility they have operated, Isle Casino Racing Pompano Park.

Numerous Eldorado employees, (some of which were management level) acknowledged that they knew nothing about racing, prior to the 2014 acquisitions, and it was not their main business. Three of the four tracks were old facilities and one was a much newer racino opened in 2007 (Presque Isle Downs.)

Where may Eldorado be by early 2020? Let's assume that they win the case in Florida, which they clearly want to win, and are granted permission to "uncouple" racing from the casino. The assumption that they will eliminate racing at Pompano Park is not unreasonable. Pompano will be in the process of opening a Jai Alai fronton instead of a harness racing operation; the sale of Mountaineer to Century Casino just closed this month, December 2019¹³ and Presque Isle, the newest of their racing facilities, was sold a few years after Eldorado's purchase. The results – Eldorado has one racing property, Scioto Downs, with a condemned grandstand (of which to date no construction has been undertaken nor plans made to remedy that issue), and a closed barn area since they took over the operations.

Horsemen relations across all three properties visited were less than ideal. Each horsemen's group had various issues that extended beyond the normal type of friction found in many jurisdictions.

It is the opinion of this author, that Eldorado will be judged by a higher standard from regulators in Indiana than in Ohio, Florida or West Virginia. The regulatory philosophy and statutes are not the same as in Indiana when compared to the states Eldorado currently operates in. In Ohio, West Virginia and Florida the stated main charge is safety and integrity of racing and wagering. For example, operating in the same manner as Scioto Downs will not be perceived the same way in Indiana as it is in Ohio.

Mentioned in the SWOT, Eldorado states "At Eldorado Resorts, our T.E.A.M. - Together Everyone Achieves More, makes the difference. Born out of a value for people and a love of gaming's classic roots, we're a company brought together by a focus on detail like no other. From our games to our restaurants and our hotels to our racetracks, each location brings something unique and exciting to the table for a *superior guest experience*."¹⁴

Several people interviewed mentioned that in light of cuts made when Eldorado took over operations, while at the same time promoting a team/family approach, it did not "sit well" with a number of employees. Others mentioned the concern of employee morale.

¹³ Howard Stutz, CDC Gaming Reports, Eldorado closes \$385 million sale of three properties to Century Casinos and VICI, December 6, 2019 <https://www.cdcgamingreports.com/eldorado-closes-385-million-sale-of-three-properties-to-century-casinos-and-vici/> (accessed December 6, 2019)

¹⁴ Eldorado, Our Story, "The biggest little family in the world," <https://www.eldoradoresorts.com/our-story> (accessed November 19, 2019.)

I did not experience a “*superior guest experience*” at the racing facility at Mountaineer nor in other areas of the casino/hotel facilities. The Mountaineer racing facility is far away from the casino so any casino amenities are not available to racing customers. At the other two facilities visited, part of the racing area is attached to the casino so the customer can access both to enhance their visit. At Pompano Park, the best racing area is adjacent to the poker room of the casino and one can easily access the casino. The main entrance at Pompano is the casino. Similar to Scioto, the main entrance and what seemed like the only entrance was the casino with racing behind that structure.

One obvious thing that is important to this analysis, conclusions and recommendations is that Eldorado like Caesars is a publicly traded company and therefore has fiduciary responsibilities to its shareholders.

This creates what has been described throughout this report as the ‘push/pull’ effect between shareholders and a number of necessary racing expenditures that don’t “pencil-out” in the view of ROI or to shareholders. To use the racing term vernacular this might be viewed as a “coupled entry”, but to business operators a more similar term might be “loss-leader.”

In most jurisdictions (Indiana specifically) gaming is tied to racing and this “coupled entry” of the two push/pull between racing expenditures and shareholder profit maximization will no doubt be a concern and something that the commission would want to consider when looking at maintaining the positive racing environment that exists. Florida is a good example of what “decoupling” would mean for horse racing in Indiana.

Like Caesars, Eldorado will be assuming control of a “coupled entry” that includes racing and gaming. Racing currently is a “loss-leader”, but an important element of the whole gaming structure and economic benefits of gaming when you consider the history and legislation enabling casino style games at the tracks. When looking at ROI and making decisions on CAPEX, Eldorado will be tempted to spend money in the areas most profitable to them and cutting cost on the racing operations. Nothing in their history of running racetracks with casinos indicates otherwise. However, racing is a more expensive operation than a slot machine operation and Eldorado must look at reasonable opportunity cost on racing as part of its total investment in the central Indiana racing and gaming operations.

Based on the gaming revenues generated as illustrated in **Appendix C**, the discussions with management and the purses paid at the Eldorado racing facilities, Eldorado is accustomed to less support to racing – both in terms of actual dollars and based on a percentage of net win when compared to those revenues and the amount of purse support at the Indiana facilities.

The purpose of this report is not to opine on licensing, but first to evaluate Eldorado as a racing operator and second, if the IHRC moves forward on licensing, to make recommendations.

There are a number of things considered during the evaluation process that lead to or influence these recommendations. While not a totally inclusive list, the following were important to the overall construction of recommendations should the IHRC proceed with licensing the new owners/operators:

- Eldorado as explained has limited racing experience and knowledge of racing operations. Given the situation of the properties examined they also do not have a deep bench of racing expertise to pull from other Eldorado properties if needed in Indiana.
- Relationships with key horsemen groups were worse than average, but most individual horsemen interviewed who were not involved in negotiations with management were satisfied with the racing managers, but at the same time also noted that their manager’s “hands were tied.”

- Similar to what was noted in the May 2018 report, getting expenditures on the racing side sometimes took pressure or nudging to get results. Like most gaming operators, their gaming licenses in all jurisdictions are valued. That said, minimal or small expenditures eventually occur.
- Three of the four properties acquired by Eldorado are very old and some things could not easily (or reasonably) be changed, but there seemed to be the minimum spent on the racing side (excluding legislated funds earmarked for things) and bottom line cuts seemed to be the norm. Each property examined does operate in a competitive environment.

Acquiring a racino is different than acquiring only a casino. No doubt since 2014, Eldorado has experienced this. In most states and specifically in Indiana, the enabling legislation for the racino specifies that various resources must also be committed to racing.

Based on the overall environments when comparing the other jurisdictions where Eldorado operates racing venues (Florida, Ohio and West Virginia) the opinion is that the expectations of other stakeholders especially regulators will be much greater in Indiana. The best example is Florida where the possibility of “decoupling” exists and Eldorado is aggressively moving forward should that be permitted. Second, Ohio stakeholders seemed at best satisfied with “just being compliant.” In the case of West Virginia, while the competition has had a serious negative impact, the management lacked long-term experience in their present positions.

Since Eldorado took over operations of racing facilities, besides a number of cuts to middle management and other personnel on the racing side, several racing executives with years of experience have retired or moved on to other jobs.

Should Eldorado take over operations of additional racetracks they need to have quality racing management. They will have to rely exclusively on existing racing management in Indiana given their limited resources and experience in racing operations. It’s entirely possible that they may only operate one other racing property in the near future, leaving them with no racing executive “bench” to draw additional resources from.

The major recommendations are a direct result of the conclusions reached.

One recommendation is to continue to require the approval of an operational plan on an annual basis before race dates are allocated. It appears from documents reviewed of responses to the IHRC that Eldorado has already agreed to this in writing.

However, moving forward and based on limited observation and feedback, but also based on reviewing the 2019 draft versions of the 2020 operational plan, the process needs to be improved. Given the limited racing experience of Eldorado, more details and monitoring of this annual operational plan process may also be helpful to expand the company’s experience with the operations of the racing side of the business. Such improvements should also aid the commission’s ability to monitor the direction Eldorado is taking with racing in Indiana.

The two main issues to address for improvement are allowing stakeholder transparency and input prior to plan submission for approval and perhaps most important, adding measurable and quantifiable details to the operational plan that can be monitored, revised, discussed and enhanced moving forward.

The first issue is relatively easy to address. Not all the stakeholders felt they were included in the operational plan process and therefore were not allowed to offer input or feedback. This is easily remedied by making sure steps are in place to allow for this. The track operators need to communicate the plan to key stakeholders in time for feedback prior to initial submission for approval. The breed associations, and horsemen’s associations should be able to review such plans with sufficient time prior to the meeting for commission approval and provide feedback to the racetracks and commission.

The second improvement suggested, given the realities of race management and how they plan and the limited number of commission meetings in Indiana, is more difficult. An attempt at a suggested “timeline” as part of the modifications to the existing process of the operational plan is in a table below. The timeline is only a suggestion and may be adjusted to fit the specific timing needed by the commission and stakeholders so that the goal is achieved.

Date	Item	Comment
November	Submission of draft plan to commission and necessary stakeholders. Submissions of results of prior year plan with <u>necessary documentation</u> to commission as required as evidence of proper completion of the plan.	Request feedback, comments, and concerns submitted to commission and the respective tracks prior to December meeting.
December meeting	<u>Tentative</u> commission approval of general ops plans. Allow that very specific details, itemized budgets, measurable goals and specific timeline be submitted to the executive director by Feb. 15	See in text regarding this item and the necessary detail and timing challenges/changes recommended.
February 15 (this date allows racing management time after end of prior live meet to provide full plans and necessary detail)	Final very detailed plans submitted to executive director who is empowered to give temporary approval pending March Commission full approval or request additional information as needed.	The operational plan must provide detail to satisfy the executive director that it can be monitored to the extent necessary. The February date may be adjusted to make it best suited for achieving the intent.
March meeting	Final commission approval of very detailed plans. Set expectations for November required documentation sought by the commission to satisfy plan completion at year end.	Commission authorized to require what is needed to satisfy the ability of commission staff to measure if the plan is actually implemented
August meeting	Reports updating commission of progress of plans and measures of goals, actions etc.	Interim report to commission on progress on the plan
November	Repeat the cycle for next year	

Understanding that planning next season’s marketing, staffing changes, and other components required in the operational plan normally takes place in the off-season of live racing, the current timing of approvals (December) coupled with the recommended added details are not logistically easy. Therefore, the above table outlines a timeline for changes.

Those changes would require a few extra steps but give management more time to prepare and give the commission more details to enable them to better monitor operations at the same time. A process such as follows is suggested:

1. November: drafts (perhaps similar to what has been done in the past) are submitted to the commission and stakeholders. This would include necessary updates, documents, or requested materials satisfying the commission on implementation and monitoring of results of the prior year’s plan.

2. Feedback from stakeholders is submitted to the commission and the respective racetrack in sufficient time before the December commission meeting to be reviewed by commissioners and give racetracks ample time to respond or amend.
3. December: assuming proper plans are submitted and there are no major issues the Initial plan is approved subject to budgets, measurable goals, very specific details of the plans being submitted to the executive director by mid-February for tentative approval or the executive director may request needed changes prior to the March commission meeting.
4. March: Final approval of the detailed operation plan may be approved by the commission.
5. At the August meeting (or information submitted just prior to said meeting) the tracks should provide the commission a satisfactory update and any required materials to satisfy the commission the operational plan is meeting its goals and implementation is progressing as outlined.
6. November the process/cycle repeats and as in August the commission is updated on past results to their satisfaction on the implementation of the past year's plan.

The operational plan would be a commitment by the owner and any changes that need to be made during the year would be subject to commission approval. Violations of the operational plan without commission approval would be tied to the license and depending on the nature of the violation it would be up to the discretion of the commission as to the extent of any penalties that might be imposed. If the change/deviation would be deemed an emergency then the executive director of the commission should be empowered to approve any part that could not wait for full commission approval.

I am of the opinion that Eldorado has limited experience with horse racing properties and most of the racing managers at their current properties have been at those properties for almost all of their working career and thus lack diversity of experience. Given this fact, it will be very important as Eldorado continues to learn about the industry, that they maintain key racing personnel in addition to hiring new racing personnel with experience. Give them the empowerment and make sure they have the necessary talent structure on the racing side of the business.

Another recommendation is that Eldorado continue what Caesars has done thus far regarding racing management: keeping knowledgeable managers and hiring other qualified managers. Empowering its racing managers so as not to tie their hands any more than necessary will be a challenge based on observations of the corporate structure and Eldorado's limited experience with racing.

Below are details to be included in the operational plan. Much of this section is identical or very similar to the May 2018 report. What is new is the underlining of text that needs to be better addressed or have more detail added to allow for monitoring and accountability. Item "j" below has been added as an idea to help improve the operational plan in the future if adopted. Item "k" and "l" are notes of further explanation regarding the overall plan.

An outline for a yearly operational plan needing approval before race date allocation *(the commission may want to consider the following elements and add/delete as they deem necessary given the Indiana statutes and regulatory scheme, with consideration of what is practical, fair and reasonable and being careful to guard against unintended consequences.)*

- a. Contracts with the necessary horsemen groups should be approved beforehand and included as a part of the operational plan. The operational plan should be shared prior to approval with all the relevant horsemen groups/associations and feedback solicited.
- b. An overview of changes planned for the upcoming year. It could/should also include changes made to address opportunities to enhance or better racing for employees, customers, horsemen

and/or other stakeholders. Examples may be post time changes, new personnel, changes in strategy to attract more handle, any legislative agenda, surveillance or other technological improvements, training initiatives, Total Reward changes, ADW changes, any synergistic efforts with other Eldorado and Caesars properties, etc. It would be helpful to include data analytics to support any change that might be made.

- c. Racing CAPEX expenditures should be identified with a timeline and cost estimates. The allocation should address what is necessary for safety, upkeep, frontside and backside racing related expenditures, new initiatives and/or what need is to be addressed with each outlay of capital (i.e., the expenditure enhances integrity or surveillance, or is enhancing racing customer or horsemen comfort, etc.)
- d. The racing marketing plan. There should be a commitment to spend an agreed upon amount for the marketing of racing during the plan year. The plan should identify specific promotions, marketing advertising buys, CRM efforts, social media and any other appropriate marketing outlays. The plan should cover the marketing of live racing, but should also include some key simulcast events. The racing marketing plan should include the amount of spending on racing specific events and initiatives. Of course, some marketing expenditures would be for the entire facility and may be more inclusive. This budget should fairly allocate expenditures based upon reasonable metrics.
- e. Any of the usual, normal and necessary things needing approval for race dates would be included in the operational plan: the race dates, post times, staffing etc. The plan should be specific as to staffing of racing personnel at each track in that this was a critical component of the good relationships at the various jurisdictions reviewed. A process that increases the chance that quality hires are made should be considered.
- f. The commission may want to consider, given the opportunities that the new ownership may bring to the table, that one item each year on the plan specifically address an issue of safety, integrity, promotion, industry growth, increase of an industry standard that is forward looking and may be an outcome of discussions during the previous year.
- g. Prior to any consideration of the approval of the operational plan for an upcoming year, the commission must be presented year end projected results and validation to demonstrate to the satisfaction of the commission that the current year's plan was accomplished in good faith. With measurable budgets, goals etc. in the plan the report on the prior year is more easily monitored and this adds to the accountability a commission would want.
- h. Other items as may be deemed necessary by the commission or its Executive Director.
- i. A force majeure type clause or similar provision that would apply to any elements of the operational plan that could not be completed due to issues beyond Eldorado's control.
- j. An acronym used for creating goals that helps give criteria to guide in the setting of objectives is SMART goals. (Specific, measurable, achievable, realistic and timely) Using this or something similar to incorporate and express goals of the operational plan may be useful and even necessary for the commission to be able to monitor the execution of promised plans. For example, by being more specific, timely and including detailed items that are measurable, the commission can determine if the operational plan was satisfactorily implemented/executed.
- k. Given that normal management practice when preparing for upcoming live meets includes things like specific detailed marketing budgets and budgets for racing operations, live meet plans and expenditures, adding the additional time for details past the dates allocation deadline of December will help track management prepare and share more detail of their plans with the commission. This change also provides the commission better benchmarks to monitor

implementation of approved plans and any necessary deficiencies can be addressed either mid-season or at the conclusion of the live meet.

- I. The commission may desire to add items to the plan requirements that are either important to specific rules/statutes or regionally important in Indiana.

This recommendation is intended to provide transparency to all racing constituents and would formalize a process that provides for an annual review of the racing side of the business and the discussion of forward-looking issues that would impact racing. It would help to ensure accountability on the racing side of the product. Some stakeholders have questioned whether the current plan has been fully executed. Updates at commission meetings with appropriate review, question and answers that are not overly burdensome would be appropriate as a means to provide the commission the ability to monitor progress.

Similar to 2018 recommendations, submission of this plan is to address or create some assurance that the status quo (regarding Eldorado having racing management with racing experience and knowledge in place) will be maintained in Indiana- and preferably improved. Commission approval is required of executive management and changes to those positions. The importance of the need for qualified racing management (whenever such approvals come about) cannot be overstated, but Eldorado must also empower them to do what is necessary to produce a quality racing product and manage it well.

Often the racing manager is the “face” of Eldorado before the commission at most meetings. The person (or another authorized representative) attending the commission meetings should be empowered to make decisions up to a certain level. The person(s) designated to attend the meetings should be identified as part of the operational plan along with the level of authority for that individual. This would allow certain commitments to be made that would minimize the need to unnecessarily involve corporate management. This might help alleviate the stakeholders feeling that racing manager’s ‘hands are tied’ and the fear that things cannot get done or will be delayed unnecessarily because another layer of bureaucracy is in place. It is understood that Eldorado is a large corporation and may legitimately feel that decisions at one facility may have an impact elsewhere. However, if an operational plan (as recommended) is in place for the year, that plan would cover most major decisions and the personnel attending the commission meetings throughout the year should be expected and able to handle any other type of decision, especially as it relates to the operational plan. (Crisis/emergency anomalies aside).

Based on observations, interviews and site visits there has been a pattern of neglect of the racing side of the business in the past by Eldorado. However, as discussed in the report there was a clear indication that Eldorado desired to get rid of properties or “uncouple” racing from the operation so in evaluating two of those properties, part of the neglect was no doubt due to those facts. Based on interviews there is still a concern that cuts or the bottom-line approach is not solely due to those factors. The challenge of making additional recommendations to ensure racing is not neglected is difficult.

While Eldorado has agreed to continue to comply with the schedule for equipment replacement through 2033, making sure reasonable and not burdensome investment in overall racing operations may be an area of concern. Of course, the amount of the investment a company can reasonably expect to put back into the business is tied to the revenue and profit they expect. Some companies allocate a percentage of revenue to put back into the business for improvements, research, capital expense etc. Such a benchmark may be a way to monitor racing expenditures over time. The equipment replacement expense and other racing capital expenses should all be included as part of the benchmarking and if tied to revenues, will keep such expectations from being unreasonable while providing the commission some benchmarking tools.

Another statutory area all racing commissions are concerned with is safety and integrity. The commission shall want to require some reasonable safety and integrity plans or in the case of Indiana Grand, continued accreditation by the NTRA Safety & Integrity Alliance. It would also be in the best interests of Eldorado to maintain such accreditation (In the letter to the IHRC dated October 17, 2019 Eldorado has agreed to this). The NTRA Safety & Integrity Alliance has such a code of standards and in thoroughbred racing it would most likely be viewed as the industry standard.

Also, a new continuing education opportunity is available from the NTRA (details can be viewed at: <https://www.ntra.com/reg-vet-ce/>). While this is geared to regulatory vets it may be useful for the track veterinarian(s) as well. If upon evaluation of this program by the IHRC, it feels that there are track personnel that would benefit from attending, this could be included in the recommendations.

Both IHRC staff and commissioners are well aware of the challenges regarding the safety and integrity of the racing participants which has reached greater levels of concern nationwide for the industry. Therefore, in addition to these recommendations, new initiatives for safety may have to be considered regardless of ownership in the future and licensees should be aware of the added costs this brings to all stakeholders. This report was not designed to analyze new safety measures implemented elsewhere, but the commission may want to add some of the new initiatives in Indiana and no doubt as part of licensing those changes will be required of tracks.

While the recommendations in this report such as an operational plan are made to facilitate the IHRC in monitoring the racing operations of a potential new owner, ideally this would not be necessary in the long run. Things like keeping a facility and the equipment maintained and updated are merely doing what is expected. What the applicant should strive for is innovation and implementing efforts to improve racing.

Eldorado, given its brief experience operating horse race facilities, is a gaming company getting into the racing business in Indiana, not a racing company adding gaming to their operation. The challenge for Eldorado will be given the tremendous expansion of their core business (gaming) and the merger with Caesars, how will resources be allocated for the improvement and operation of a non-core business since they have very limited experience operating horse racing tracks? A regulatory body can require compliance and restrictions on licensing but it cannot direct the focus of efforts of a company. A regulatory body cannot regulate an applicant into becoming a good partner in a state racing industry if they are ill-equipped and/or internally resistant to achieving the regulator's expressed goals.

Appendices

Appendix A – Interview Question Template

Questions for interviews

Note: This is the template for questions when conducting interviews with stakeholders. There were times that depending on the situation, I had to go off script. At times due to site visits talking to horsemen involved walking with them while they were working, or having a limited amount of time so I would ask the main questions that captured the “spirit” of the outline. Other times, depending on the respondents answers I would adjust. For example, if the person did not have experience outside the jurisdiction in question then questions of comparison were dropped. If someone did not fit exactly into one of the categories, I would ask similar questions based on their position/stake in the industry.

At the beginning of each interview I discussed the nature of the questions, and level of confidentiality if they had concern. Also, I gave them some perspective of my background, experience, familiarity with subject matters.

At the end of each interview I asked them if I have any follow up questions would they be willing to give me a few minutes on the phone and if so, how can I contact them?

Horsemen

1. How long have you raced horses at this track?
2. What other tracks have you spent significant time at racing?
3. What is the best/worse things about racing at this track?
4. How do those best/worse things compare to other tracks that you race at?
5. What do you think of the racing management at this track?
6. How does that compare to racing management at other tracks you spend significant time at?
7. What are the positive and negative contributions the track makes to maintaining safety and general maintenance of the facilities from your perspective?
8. How does that compare to other tracks you spend significant time at?
9. What capital improvements have been made at this track and approximately when were those improvements made?
10. How does the track management market the racing side of the business and how does this compare to other tracks you spend significant time at?
11. What other insights can you tell me about the overall experience at this track that may not have already been discussed in the other questions?
12. How do those subject matters discussed in Question #11 compare to the other tracks you have spent significant time at?

Breeders

1. How long have you been involved in the breeding industry in this state?
2. Have you had similar experience in other states? If so, explain.
3. Describe the relationship of the breeders and breeders’ association with the track management at this track.
4. Do you race horses at this track? What has been your experience as an owner at this track?
5. Have you raced or bred horses in other jurisdictions? If so, how does the track management relationship with breeders and the respective breeders’ association compare?
6. Discuss your thoughts on the track management at this track and their outlook and support of the state bred races here?
7. What other insights can you tell me about the overall experience at this track from your perspective?

8. How do those subject matters discussed in Question #6 compare to other tracks you have spent significant time at?

Current Track Management

1. How long have you been in management here and worked here? Please give me a brief time line of your job(s) and duties/responsibilities during your tenure here.
2. Can you describe the general decision-making process for major decisions at this track as it pertains to horse racing matters, capital improvements etc.
3. How do you perceive the overall management of the track and the casino? What are the things that in your opinion are done the best and what areas do you think there could be improvement?
4. Can you give me some detail or discuss what capital improvements have been made at this property the past two years? Are there any other major projects that may have been done in the years prior that you feel were significant? When were those done? (If necessary, ask them specifically about racing related capital improvements.)
5. How has management approached the racing aspects of the business over the past 3 years? Include what changes have been made, business trends, significant positive and negative events, marketing of racing and other aspects you feel are important.
6. I would like to gain a little insight into how purses are generated and distributed at this track and also learn about any significant horsemen contract negotiations.
 - a. Are purses from slots/gaming based on a fixed legislated amount, negotiated, or other?
 - b. Similarly, are purses from live, ADW, & simulcast wagering negotiated percentages with horsemen or are they fixed percentages by statute/rule?
 - c. What are the major components of the horsemen's contract with this track and how often are they usually re-negotiated?
 - d. What has been the most difficult issue(s) with contract negotiations and in your opinion why?
 - e. How are race days and number of races decided each year?
7. Do you feel other stakeholders such as horsemen, racing commission, breeders, jockeys/drivers, etc. would have very different either positive or negative opinions of the management here and if so explain what and why? Discuss each stakeholder separately as necessary.
8. What other insights can you tell me about the overall management/experience at this track that may not have been already discussed in the other questions?
9. How do those subject matters discussed in Question #8 compare to the other tracks you have spent significant time at? (Explain what your job/function was at the other tracks as well.)

Former track management

1. How long were you in management at said track? Please give me a brief time line of your job(s) and duties/responsibilities during your tenure there.
2. Can you describe the general decision-making process for major decisions at that track as it pertains to horse racing matters, capital improvements etc. (How was this different from other tracks you worked at?)
3. How did you perceive the overall management of the track and the casino? What are the things that in your opinion were done the best and what areas do you think there could have been improvement? (How did that compare to other tracks you worked at?)
4. Can you give me some detail or discuss what capital improvements had been made at the property when you worked there? (How did that compare to other tracks you worked at?)

5. How did management approach the racing aspects of the business while you worked there? Include what changes had been made, business trends, significant positive and negative events, marketing of racing and other aspects you feel are important. (How did that compare to other tracks you worked at?)
6. How were race days and number of races decided each year?
7. How were the working relationships of the track management and the following stakeholders?
 - a. Horsemen
 - b. Breeders
 - c. Jockeys/drivers
 - d. Racing Commission
 - e. Others that you think may have been uniquely positive or negative and why?
 - f. (How did that compare to other tracks you worked at?)
8. What other insights can you tell me about the overall management/experience at this track that may not have been already discussed in the other questions?
9. How do those subject matters discussed in Question #7 compare to the other tracks you have spent significant time at? (Explain what your job/function was at the other tracks as well.)
10. Are there any things that you think were the most positive about the management during your time there that you have not mentioned and would like to share? Is there anyone else you think I should talk to?

Racing office personnel/racing secretary

1. How long have you been racing secretary (or other title) at this track? Any other positions held at this track and give me a brief timeline of those jobs.
2. Have you worked any significant time at other tracks? If so, please explain where, job titles and approximate length of time.
3. How do you perceive the overall management of the track and the casino? What are the things that in your opinion are done the best and what areas do you think there could have been improvement? (How did that compare to other tracks you worked at?)
4. How has management approached the racing aspects of the business over the past 3 years? Include what changes have been made, business trends, significant positive and negative events, marketing of racing and other aspects you feel are important. (How does this compare to other tracks you worked at?)
5. As a member of the racing department what if any changes would you make that could reasonably be done if you were permitted to do so? Why can't those changes be made?
6. How are race days and number of races determined?
7. How does track management get along with the following stakeholders?
 - a. Horsemen
 - b. Breeders
 - c. Jockeys/drivers
 - d. Racing commission
 - e. Other?
8. What other insights can you tell me about the overall management/experience at this track that may not have been already discussed in the other questions?
9. How do those subject matters discussed in Question #7 compare to the other tracks you have spent significant time at? (Explain what your job/function was at the other tracks as well.)
10. Are there any things that you think are the most positive about the management during your time here that you have not mentioned and would like to share?

Racing Commissions

1. How long have you worked with the Commission in this state? Have you worked with racing commissions or other pari-mutuel entities prior to your time with the commission? Explain.
2. What is the general philosophical approach to regulating in this jurisdiction and what is the general statutory charge of the commission? (integrity, promotion, safety, etc)
3. How do you perceive the overall management of said track and the casino? What are the things that in your opinion are done the best and what areas do you think there could be improvement? Compare your answer with what you would say about the other tracks in the state that you regulate. (If applicable, compare to other jurisdictions you have worked in?)
4. How has management approached the racing aspects of the business over the past 3 years? Include what changes have been made, business trends, significant positive and negative events, marketing of racing and other aspects you feel are important. (How does this compare to other tracks in this state?)
5. From a regulators point of view what has been the best or smoothest aspects of working with the management team at said track and what has been the most challenging or confrontational? (How does this compare to other tracks in the state?)
6. Can you give me some detail or discuss what capital improvements have been made at this property the past two years? Are there any other major projects that may have been done in the years prior that you feel were significant? (If necessary, ask them specifically about racing related capital improvements.) (How does this compare to other tracks in the state?) Are there any capital improvements that should have been done but have not?
7. Are there any integrity or safety issues that have been discussed regarding this track in the past 3 years? Explain.
8. How are race days and number of races determined?
9. From your perspective and experience how are the working relationships of the track management and the following stakeholders?
 - a. Horsemen
 - b. Breeders
 - c. Jockeys/drivers
 - d. Customers
 - e. Racing Commission
 - f. Others if applicable
10. What other insights can you tell me about the overall management/experience at this track that may not have been already discussed in the other questions?
11. How do those subject matters discussed in Question #9 compare to the other tracks you regulate?
12. Are there any things that you think were the most positive about the management that you have not mentioned and would like to share? Is there anyone else you think I should talk to?

Many of the stakeholders interviewed for this section were the same individuals that were interviewed as part of a prior project in the spring of 2018. I reviewed their answers (when applicable) from 2018 and asked for their perspective now compared to their answers then.

Indiana current management

1. How long have you been in management here and worked here? Did you work under both the Centaur and Caesar management teams?
2. Can you describe the general decision-making process for major decisions at this track as it pertains to horse racing matters, capital improvements etc. – Has it changed in the last year? How?
3. What are the things that in your opinion are done the best and what areas do you think there could be improvement? Has this changed in the last year?
4. Can you give me some detail or discuss what capital improvements have been made at this property the past year? How did the last year compare to prior years? (If necessary, ask them specifically about racing related capital improvements.)
5. How has management approached the racing aspects of the business over the past year? Include what changes have been made, business trends, significant positive and negative events, marketing of racing and other aspects you feel are important. Has this changed in the last year?
6. I would like to gain a little insight into how purses are generated and distributed at this track and also learn about any significant horsemen contract negotiations. Is this essentially the same as the last time we spoke a year ago?
 - a. Are purses from slots/gaming based on a fixed legislated amount, negotiated, or other?
 - b. Similarly, are purses from live, ADW, & simulcast wagering negotiated percentages with horsemen or are they fixed percentages by statute/rule?
 - c. What are the major components of the horsemen's contract with this track and how often are they usually re-negotiated?
 - d. What has been the most difficult issue(s) with contract negotiations and in your opinion why?
 - e. How are race days and number of races determined/negotiated?
7. Do you feel other stakeholders such as horsemen, racing commission, breeders, jockeys/drivers, etc. would have very different either positive or negative opinions of the management here (since spring 2018/ compare) and if so, explain what and why? Discuss each stakeholder separately as necessary.
 - a. Are there any specific topics we discussed in the previous questions (1-6) where one specific item (for example: capital improvements, marketing, purses, specific events/issues) may be viewed in an extremely different perspective of a stakeholder? Explain each stakeholder and item separately as necessary. (Specifically, since spring 2018.)
8. When looking at such things as marketing, security, and any parts of a racino operation that would crossover or apply to both the casino side and the racing side how does corporate and overall management approach those areas – i.e. what is identical and what is different regarding allocation of resources and strategies etc. (Specifically, since spring 2018.)
9. What other insights can you tell me about the overall management/experience at this track that may not have been already discussed in the other questions?
10. What has been the impact of the commissions orders that were put in place when Caesars took over the license? Specifically tell me about the operation plan that were required and your thoughts on that.

Indiana Horsemen

1. How long have you raced horses at this track?
2. What other tracks have you spent significant time at racing?

3. What is the best/worse things about racing at this track? Have they changed since spring of 2018?
4. How do those best/worse things compare to other tracks that you race at?
5. What do you think of the racing management at this track?
6. How does that compare to racing management at other tracks you spend significant time at?
7. What are the positive and negative contributions the track makes to maintaining safety and general maintenance of the facilities from your perspective?
8. How does that compare to other tracks you spend significant time at?
9. What capital improvements have been made at this track and approximately when were those improvements made? Approximately when were those improvements made?
10. How does the track management market the racing side of the business and how does this compare to other tracks you spend significant time at? Have you seen changes in the last year?
11. What other insights can you tell me about the overall experience at this track that may not have been already discussed in the other questions?
12. How do those subject matters discussed in Question #11 compare to the other tracks you have spent significant time at?
13. Is there anything you could add regarding the relationship the horsemen have with the current management that would give me insight into the relationship, the positive and the negatives that may exist especially in comparison to you point of references at other places you raced?

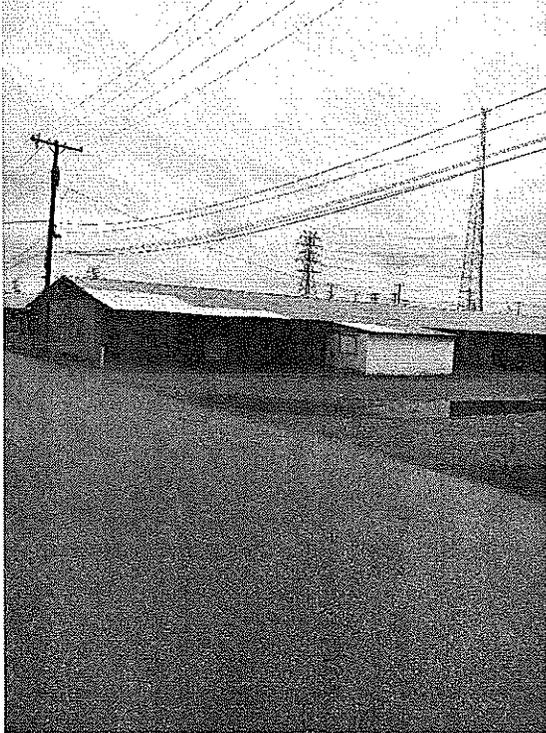
Indiana Breeders

1. How long have you been involved in the breeding industry in this state?
2. Have you had similar experience in other states? If so, explain.
3. Describe the relationship of the breeders and breeders' association with the track management at this track. Have they changed since the spring of 2018?
4. Have you raced or bred horses in other jurisdictions? If so, how does the track management relationship with breeders and the respective breeders' association compare?
5. Discuss your thoughts on the track management at this track and their outlook and support of the state bred races here? Has it changed in the last year?
6. What other insights can you tell me about the overall experience at this track from your perspective?
7. How do those subject matters discussed in Question #6 compare to other tracks you have spent significant time at?
8. Is there anything you could add regarding the relationship the horsemen have with the current management that would give me insight into the relationship, the positive and the negatives that may exist especially in comparison to you point of references at other places you raced?

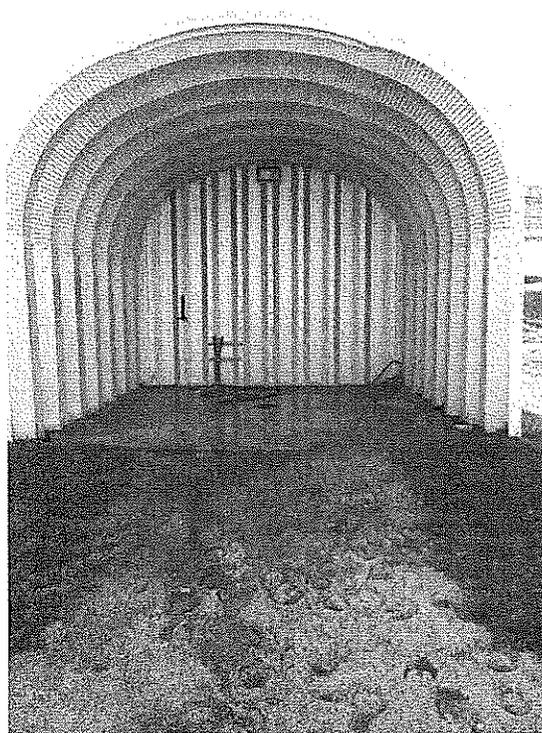
Appendix B – Photographs from Site Visits

Note: All original size digital photos were sent on a flash drive to the Executive Director of the IHRC should someone like to see a larger close up of the actual photos taken. Also, not all photos taken are displayed in this report but will be included with the digital version, the flash drive.

Eldorado Gaming Scioto Downs, Columbus Ohio - (Visited August 26-28, 2019) During Live Harness Race Meet



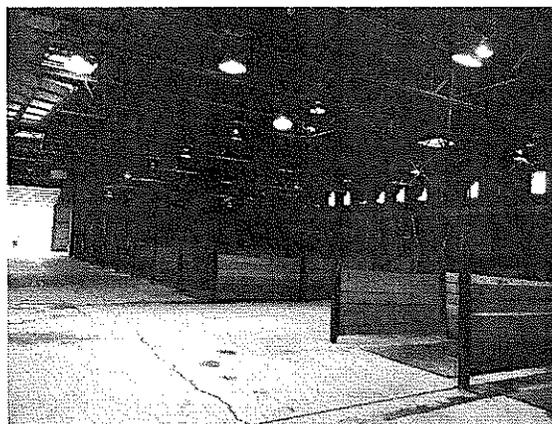
Barn Area – ship-ins



Only wash rack in barn area



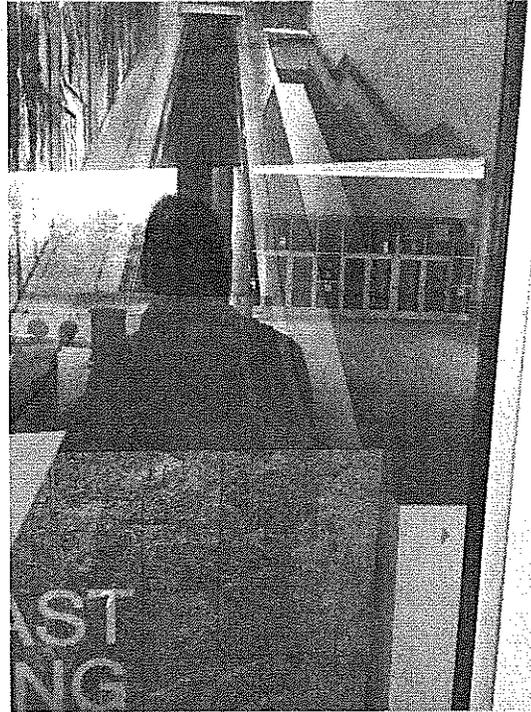
Barn Area – ship-ins



Paddock Barn – 4 race barn



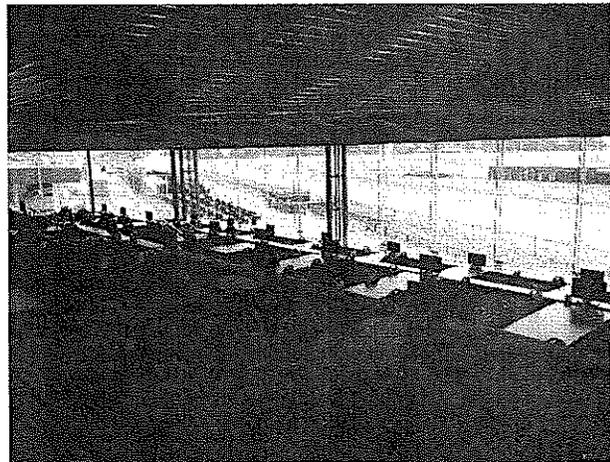
Fenced off, closed grandstand



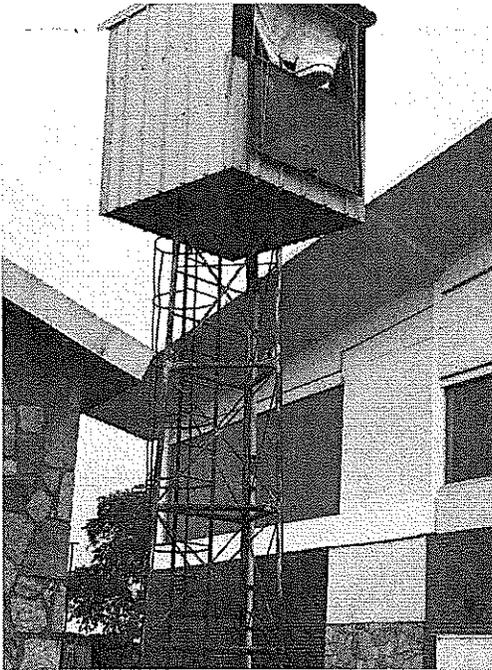
Closed escalator entrance to simulcast area/clubhouse



Condemned, closed grandstand view



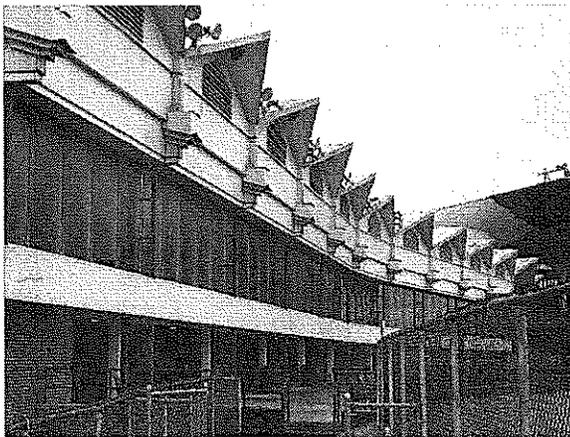
Interior of clubhouse – main area for race viewing



Camera tower



Simulcast area



Outside view of clubhouse



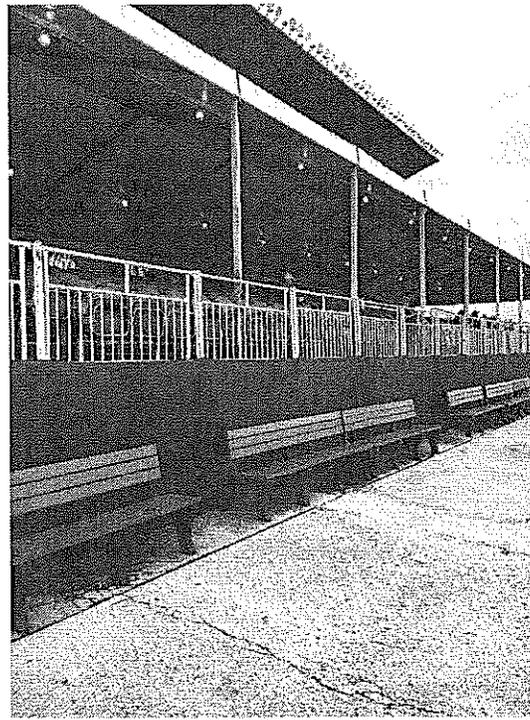
Outside view of frontside – clubhouse & grandstand



View from clubhouse area



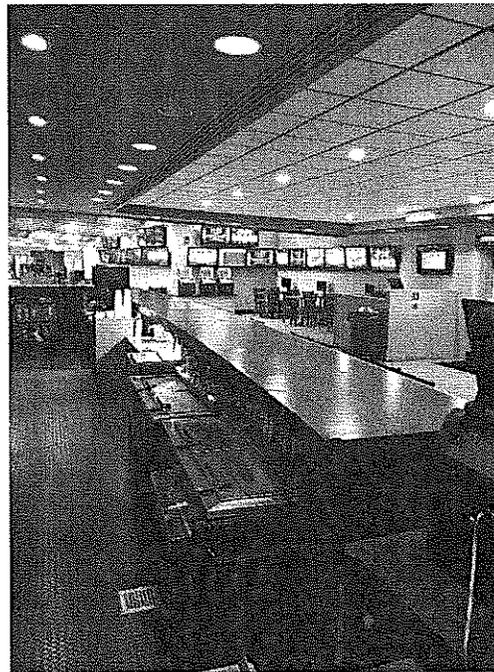
Track equipment



Grandstand replacement seating



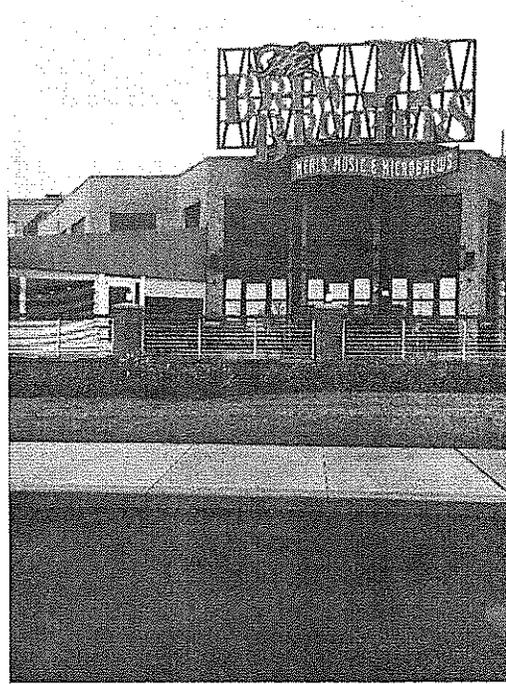
Closed barn area in the distance



Simulcast area

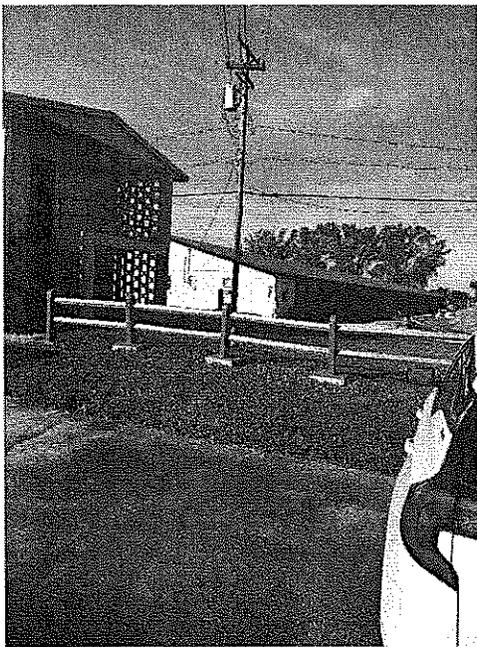


Hotel adjacent to Casino

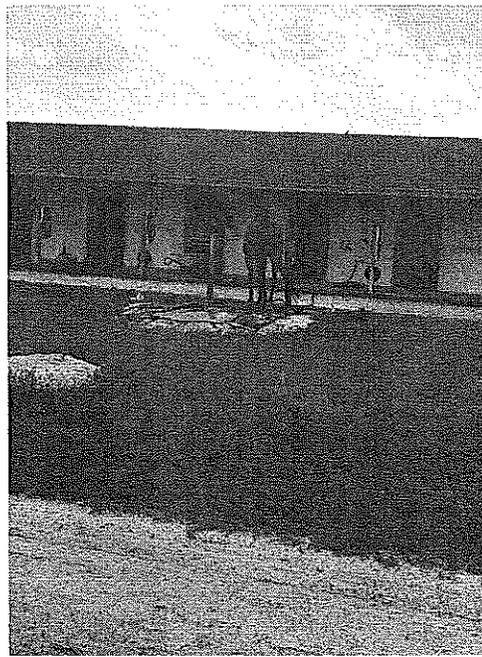


Brewery at casino

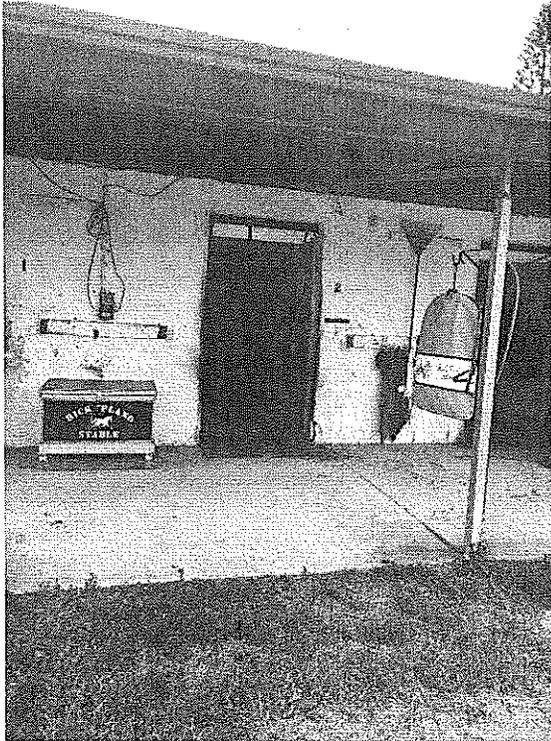
Isle Casino Racing Pompano Park, Pompano Beach, FL - (Visited November 3-4, 2019) Included Opening Night and the Second Evening of Live Harness racing



Dorm for barn area



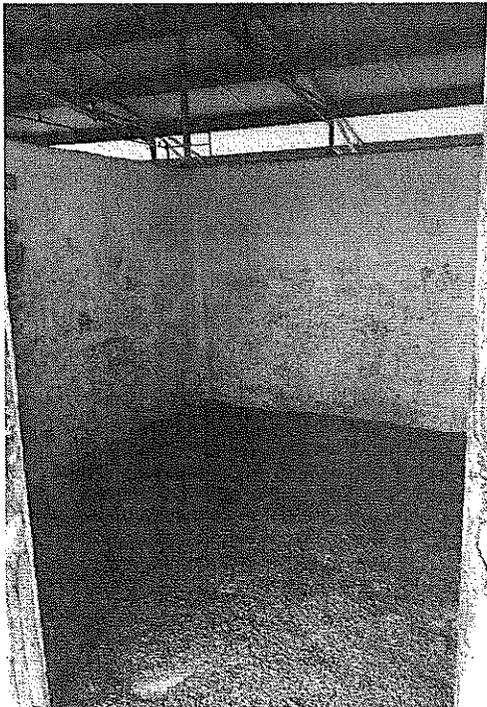
Barn



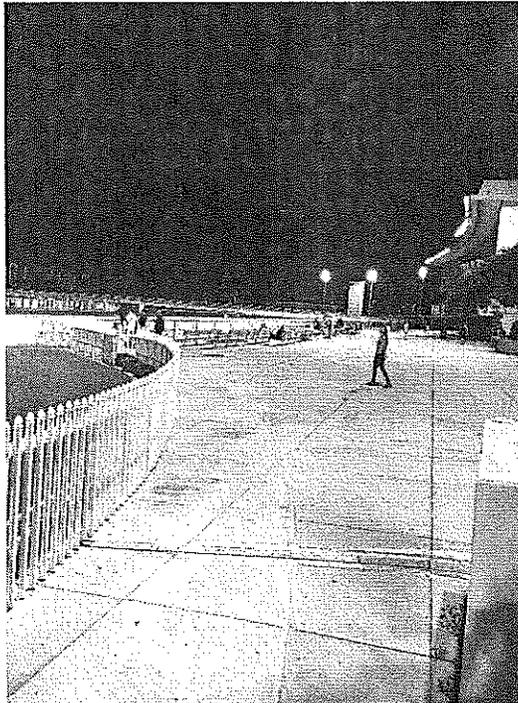
Barn



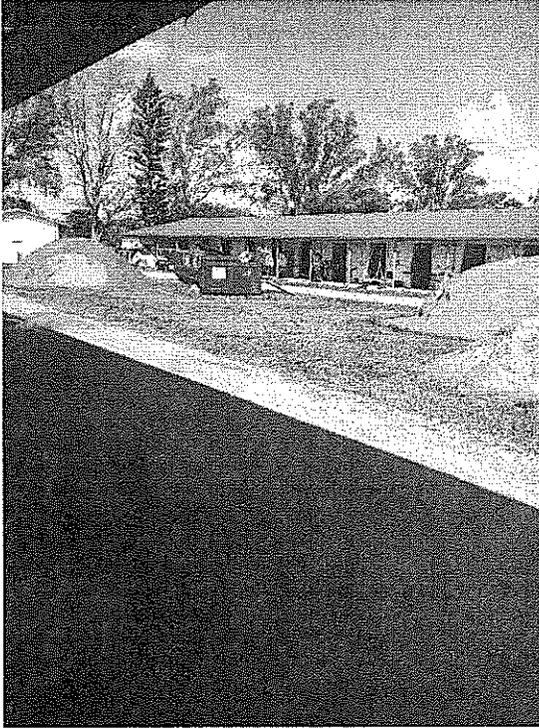
Stalls



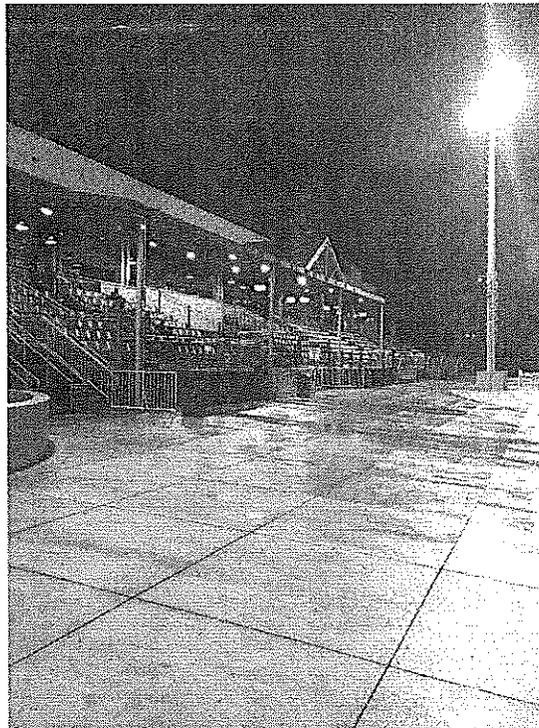
Stalls



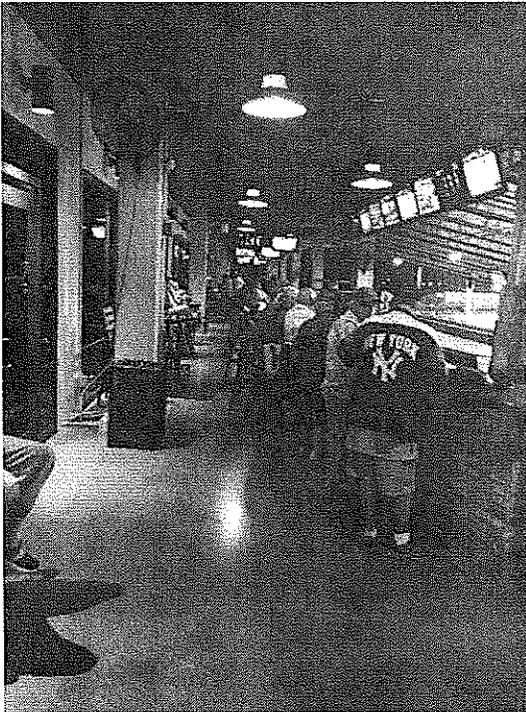
Apron view – closed clubhouse/grandstand in distance



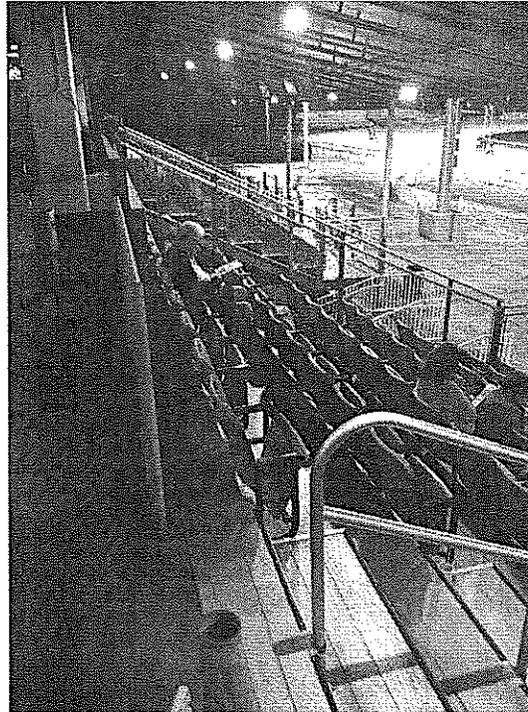
Barn area



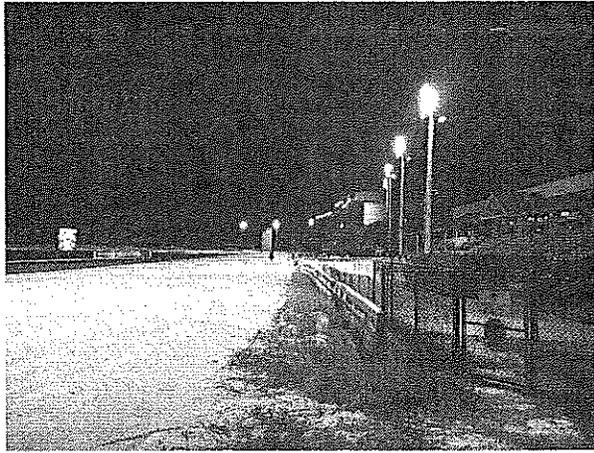
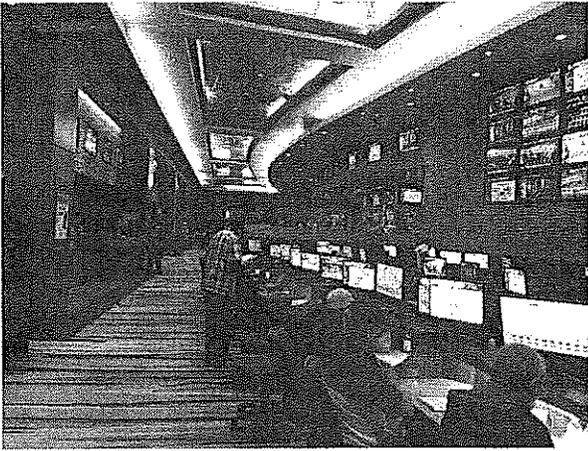
Bleachers – viewing area for races



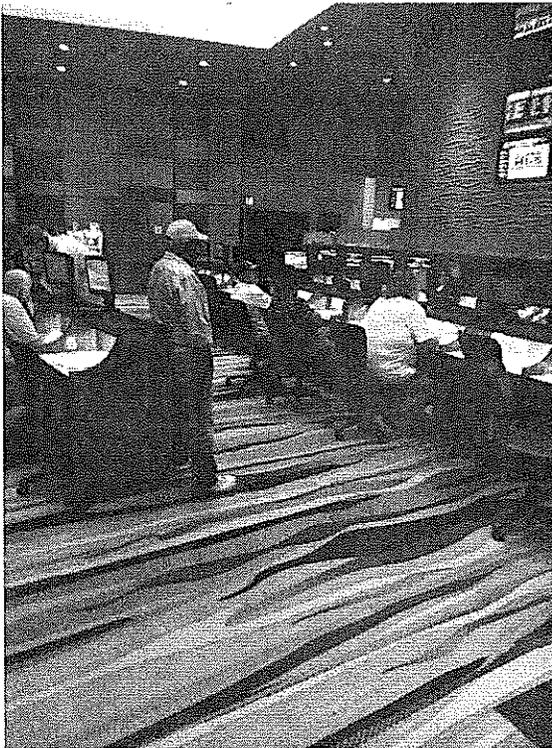
Bar at top of bleachers – entrance to simulcast



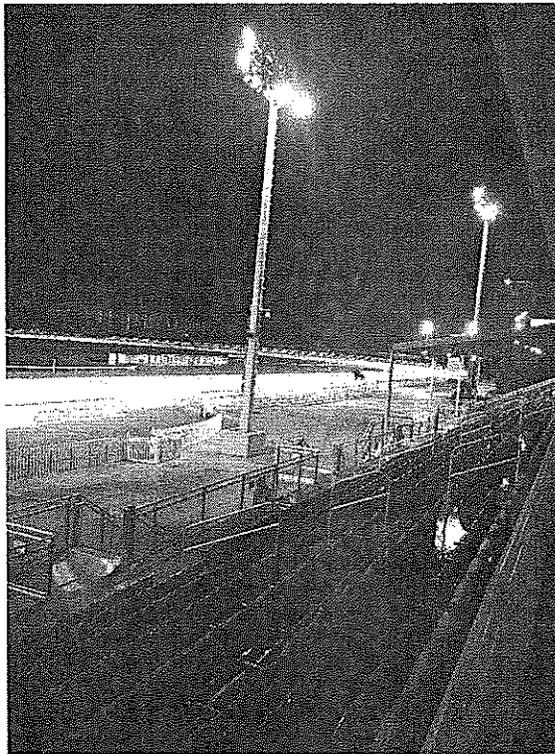
Close up of bleachers – bar area behind the seats



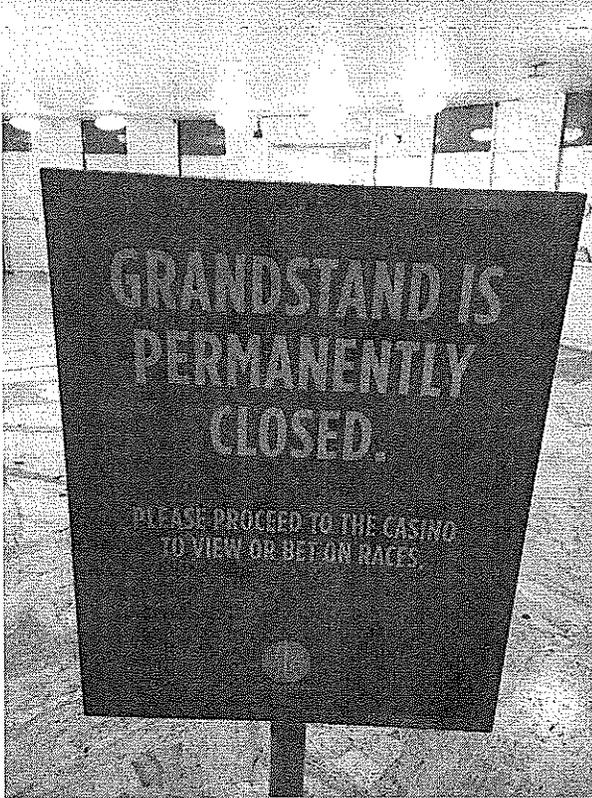
Simulcast area – rear of casino area, behind bleachers Track view – bleacher near side, closed building far away



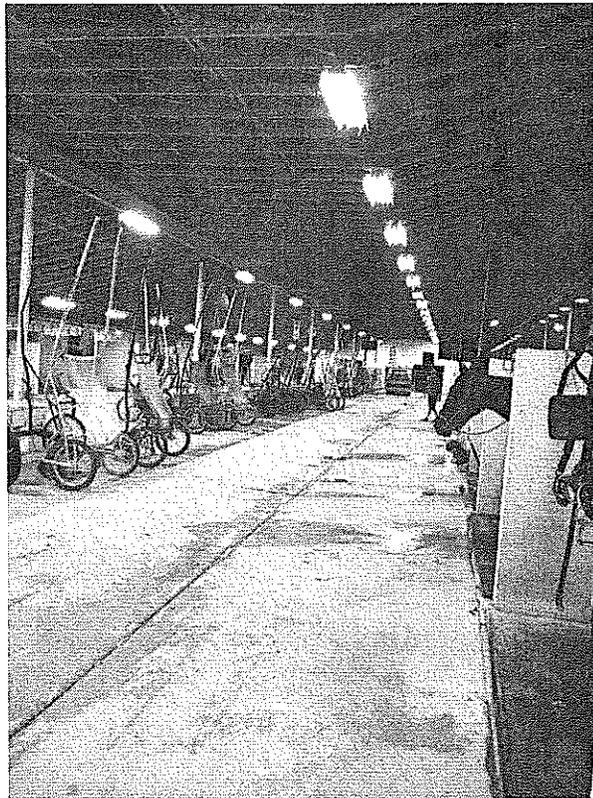
Simulcast area



View from grandstand



Sign at entrance to original building



Paddock Ban



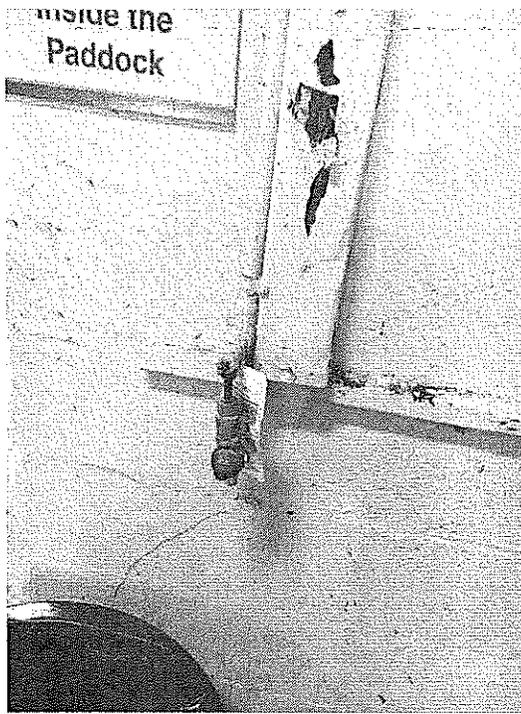
Paddock barn bathroom



Paddock barn area

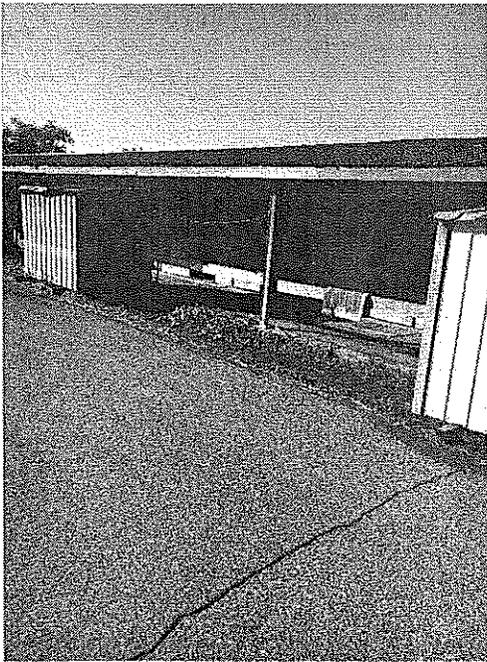


Bathroom in casino area

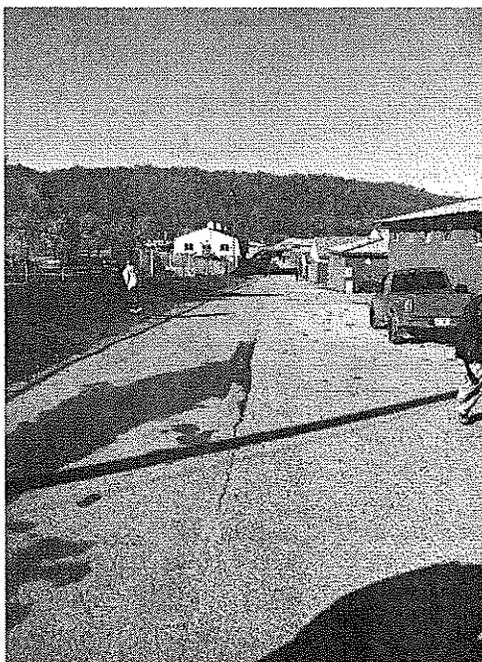


Removed water cooler from paddock barn

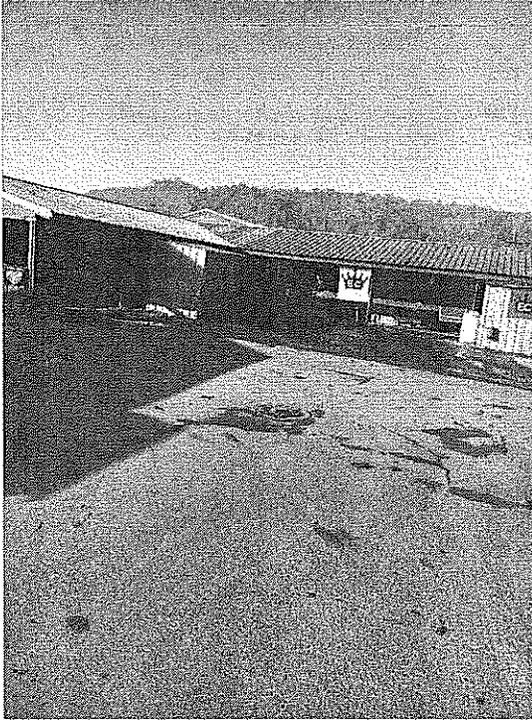
Mountaineer Casino Racetrack and Resort, New Cumberland, WV – (Visited November 5-6, 2019) During Live Thoroughbred Race Meet



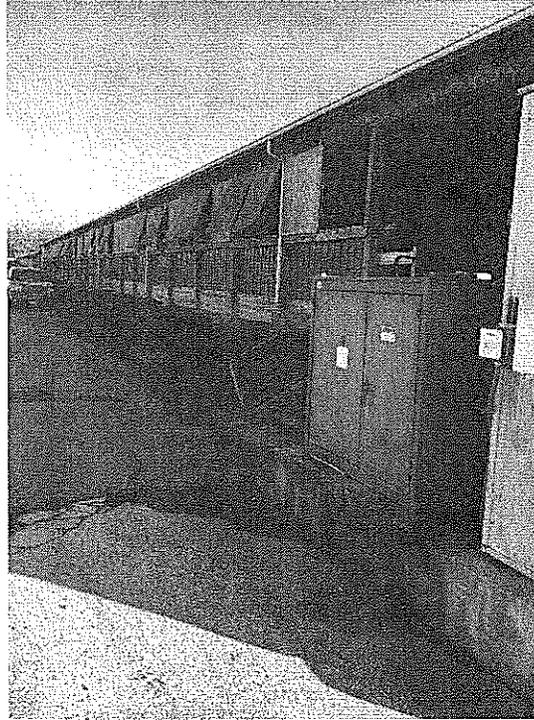
Barn



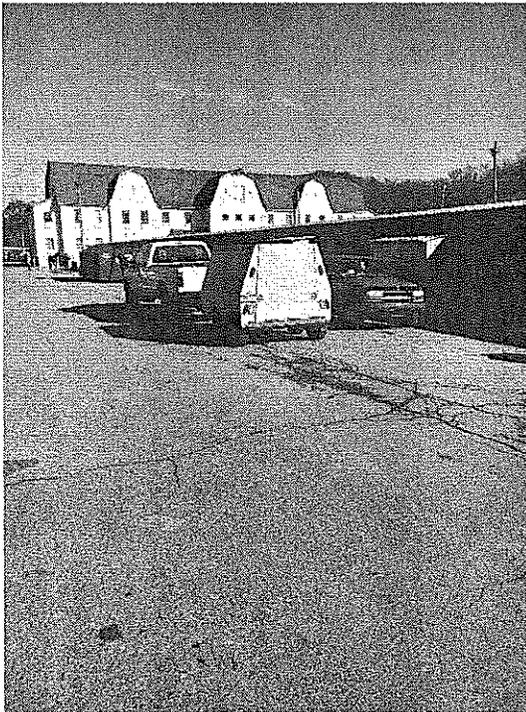
Barn area



Barn



Barn



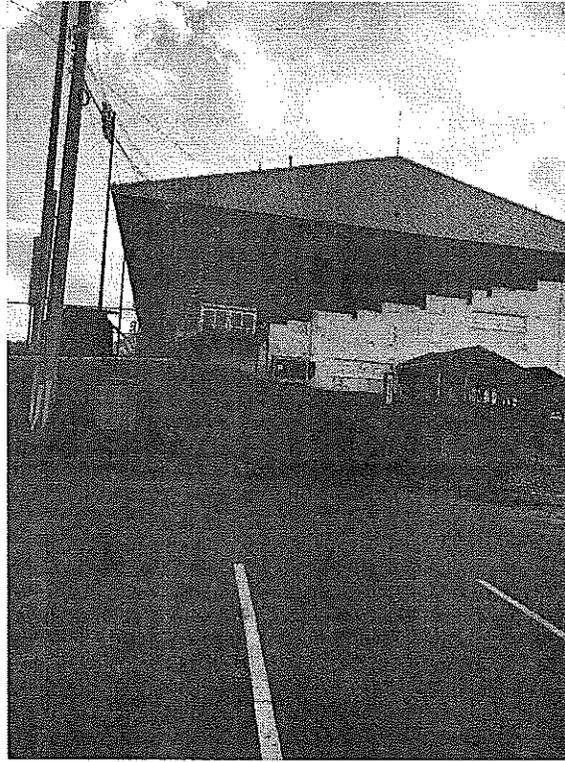
Dormitory building behind barn



Track kitchen vending machine



Wash area in barns



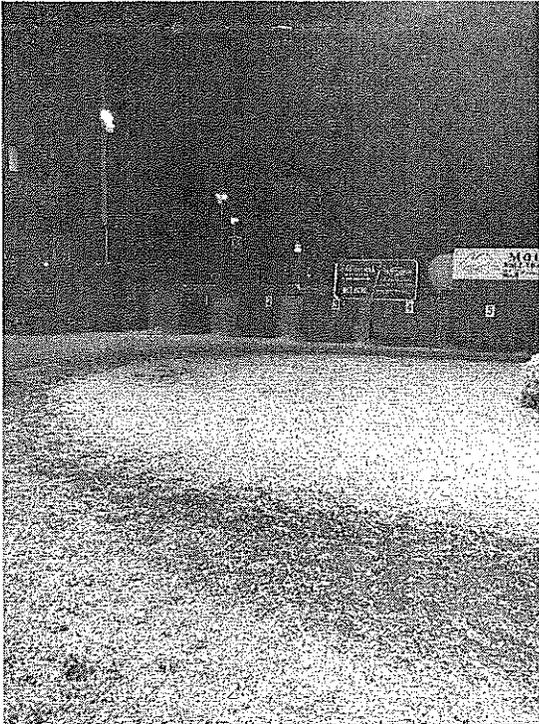
Grandstand entrance



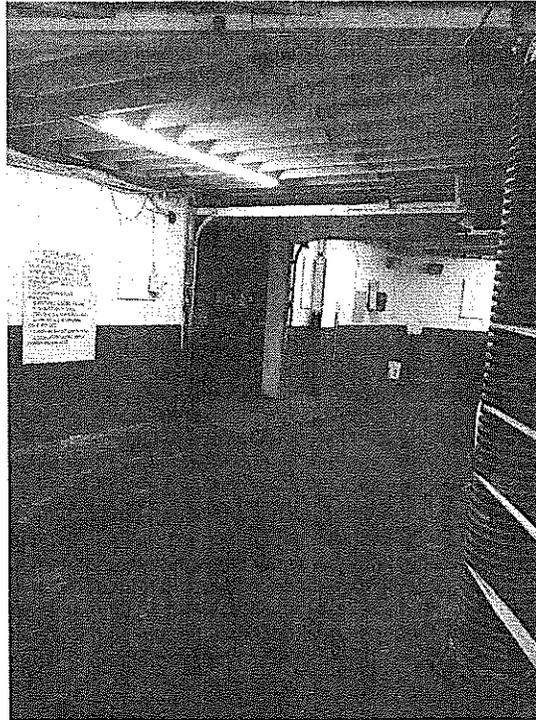
New façade on clubhouse



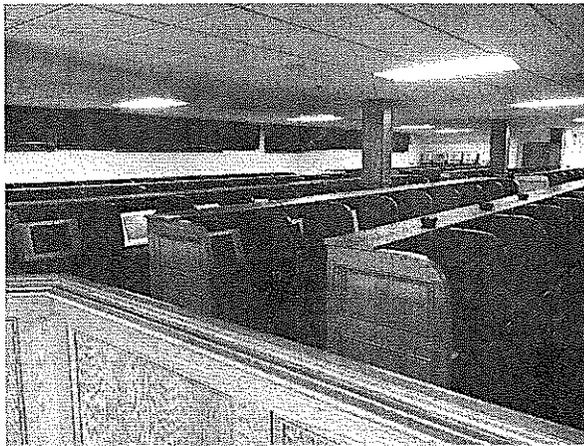
Indoor paddock area



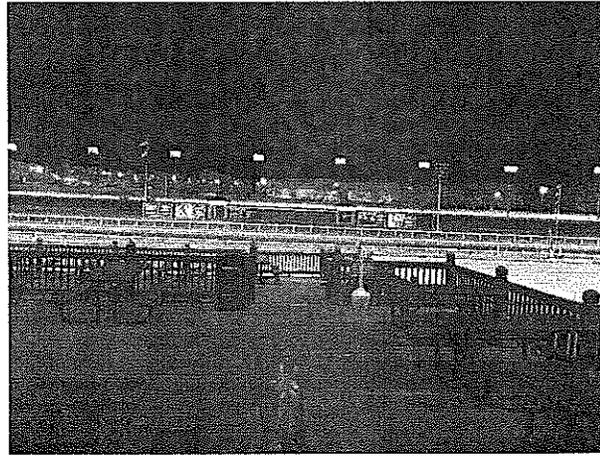
Outdoor paddock area



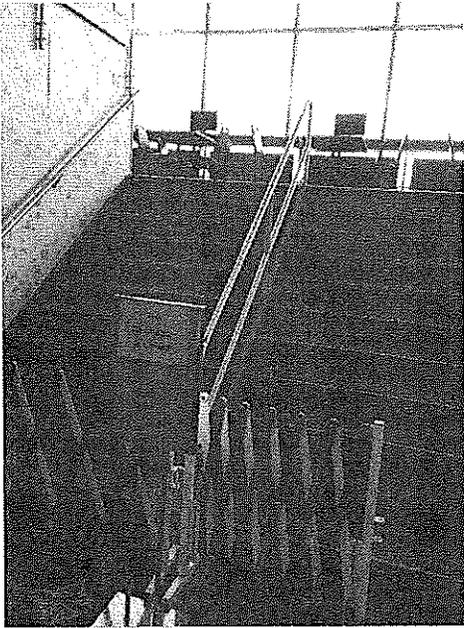
Gateway from outdoor to indoor paddock



Simulcast area - 1st floor



Apron area in front of grandstand



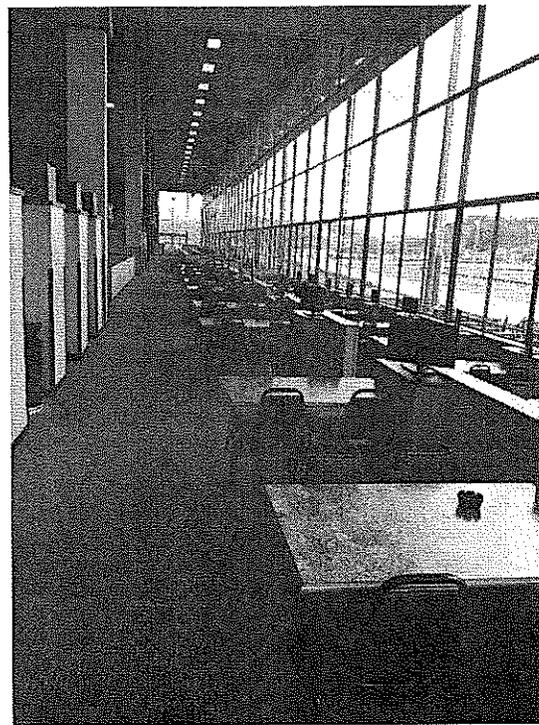
Closed clubhouse



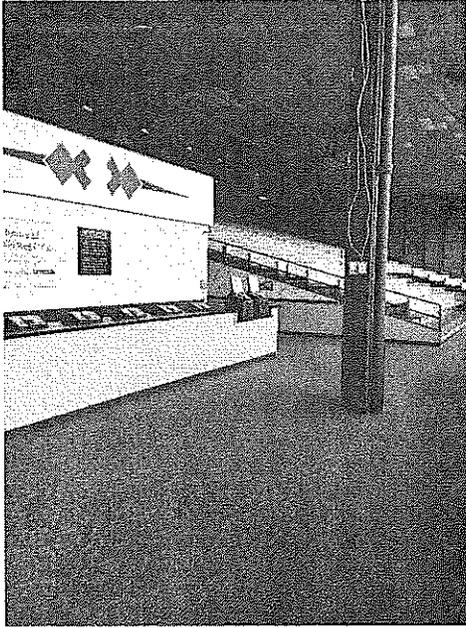
Section of grandstand



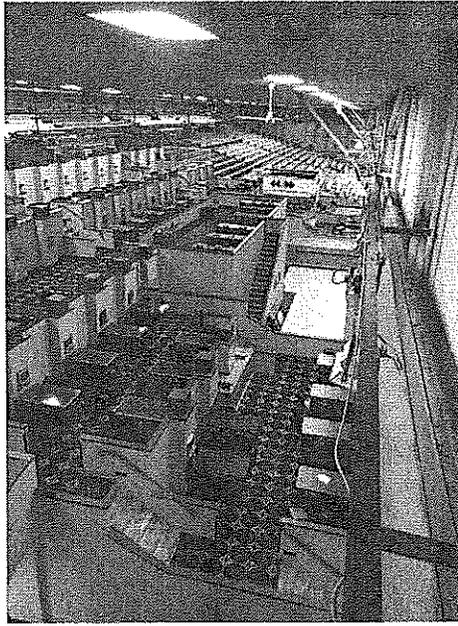
Closed area in race building



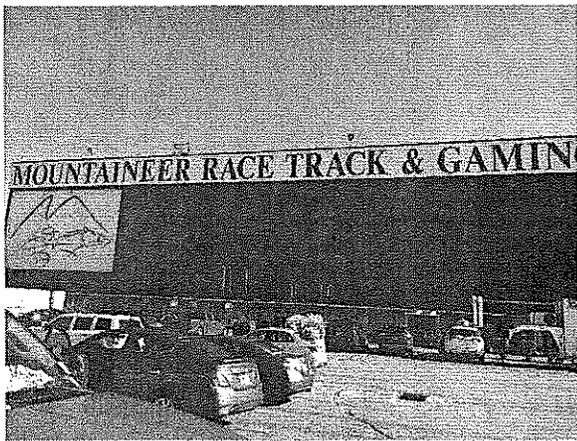
Closed dining area in race building



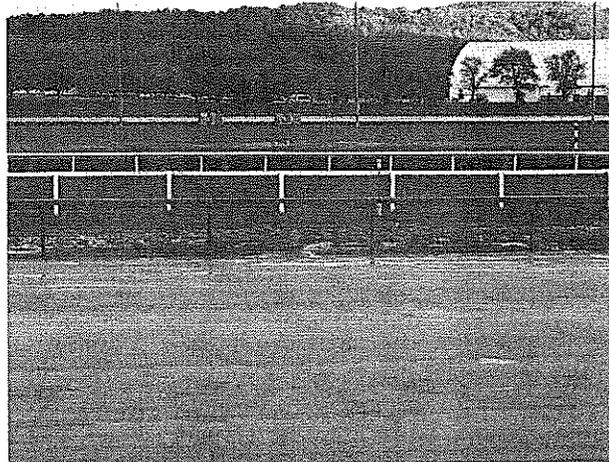
Closed area in race building



Closed level in race building



Rear of grandstand race building



Inner dirt rail not replaced (accreditation issue?)



Track equipment

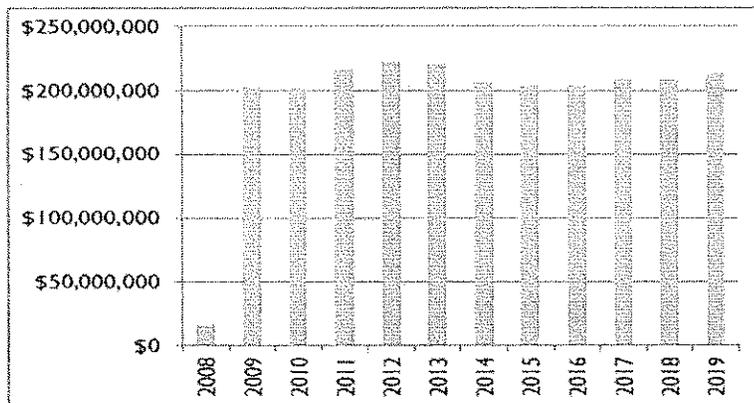
Appendix C – Track Statistical Comparison

The following is a comparison of the most recent yearly data available from the regulatory bodies of gaming revenues from each track.

Gaming Revenue:

Hoosier Park

Yearly Win Totals

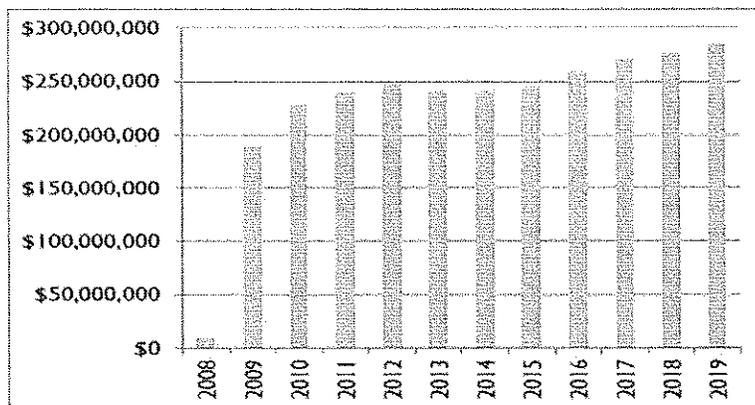


Yearly Win Totals FY 2019 (July-June) Total Win = \$213,958,966 Electronic gaming devices: 1,582, Table Game Positions: n/a

Source: Indiana Gaming Commission 2019 Annual Report

Indiana Grand

Yearly Win Totals



Yearly Win Totals FY 2019 (July – June) Total Win = \$285,257,802 Electronic gaming devices: 2,072, Table Game Positions: n/a

Source: Indiana Gaming Commission 2019 Annual Report

In addition to Slot Win, Indiana Race Tracks have recently added table games which provide more revenue to support the operations, industry and state.

Eldorado Gaming Scioto Downs VLT Results for Fiscal Year 2019-2016

	2019	2018	2017	2016
Revenue	\$ 178,261,650	\$ 117,951,277	\$ 59,717,653	\$ 592,720
Expenses	\$ 168,319,999	\$ 111,373,136	\$ 56,387,200	\$ 559,663
Net Revenue	\$ 153,190,715	\$ 101,362,467	\$ 51,318,890	\$ 509,358
Net Revenue	\$ 148,920,233	\$ 98,536,795	\$ 49,888,277	\$ 495,161

Source: Ohio Lottery VLT Results for Fiscal Year 2019-2016

<https://www.ohiolottery.com/About/Financial/VLT-Revenue.aspx> (Accessed October 30, 2019)

According to sources approximately 10.6% of VLTs goes to racing funds (contract) with 70% of that for purses the other 30% to other funds, benefits etc. (over \$13 million to purses)

Isle Casino Racing Pompano Park – Fiscal Year Data – 2018/19 to 2015/16

	2018/19	2017/18	2016/17	2015/16
Average Number of Machines	1461	1456	1452	1449
Number of Operating Days	365	361	364	366
Average Daily Revenue Per Machine	\$ 231	\$ 240	\$ 265	\$ 270
Net Slot Machine Revenue	\$ 123,169,220	\$ 126,794,395	\$ 140,233,423	\$ 143,082,238
State Tax Revenue	\$ 43,109,227	\$ 44,378,038	\$ 49,081,698	\$ 50,078,783
Permitholder Revenue	\$ 80,059,993	\$ 82,416,357	\$ 91,151,725	\$ 93,003,455

Source: Florida Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering – Annual Reports and Slot Information Statistical Information

In addition to the slot machines, Pompano has a poker room and offers electronic table games but not live dealer table games. Pompano's contract with horsemen provide about \$7.75 million to purses – the amount is negotiated with horsemen not part of statute.

Mountaineer Casino Racetrack and Resort – Lottery Revenue – FY 2018 to 2015

	2018	2017	2016	2015
VLTs	\$ 93,993,000	\$ 102,526,000	\$ 107,116,000	\$ 132,557,000
Table Games	\$ 14,152,000	\$ 15,221,000	\$ 17,071,000	\$ 20,201,000

Source: West Virginia Lottery, West Virginia Lottery Progress Report FY 2018

According to sources approximately in 2018, \$11.2 million from gaming support racing funds and purses

Appendix D – News Articles

Mountaineer Park Remains Closed Through Nov. 21 After Legionnaire's Disease Confirmed

by [Paulick Report Staff](#) | 11.12.2018 | 9:25am
Mountaineer Park in New Cumberland, W. Va.

Mountaineer Park officials announced that the Newell, W. Va., racetrack will remain closed through Nov. 21 after a number of employees became seriously ill and local health department officials confirmed four cases of Legionnaire's disease in the community.

That brings to 16 the number of live racing days lost since the track was closed on Oct. 28 while management said it was "working on some improvements at our racetrack." At the time of the announcement, officials said racing would resume Nov. 7.

The 2018 Mountaineer Park meeting is scheduled to end Nov. 28. Horsemen are hoping to extend the meeting to make up for some of the lost days once the track reopens.

"Effective immediately we are extending the suspension of racing at Mountaineer Casino, Racetrack & Resort through Wednesday Nov. 21, 2018, while we continue to clean and conduct safety reviews of our clubhouse and grandstand buildings," a Nov. 7 statement from track officials said.

"Our casino, hotel and restaurants remain open and are not affected by this closure.

"The health and safety of our guests and team members is our highest priority. We apologize for any inconvenience and appreciate your understanding."

The shutdown affects the racetrack grandstand, which is a separate building housed across the racing oval from the casino and hotel. It does not affect the stable area or training schedule for horses.

The Hancock County health department, which confirmed four local cases of Legionnaire's disease, has been conducting an investigation, interviewing the individuals who have gotten sick and looking for commonalities.

According to the [Centers for Disease Control and Prevention](#), Legionnaire's disease is contracted by breathing in mist containing the Legionella bacterium. It does not spread from one person to another. Symptoms usually begin two to 10 days after exposure and there is no vaccine to prevent the disease, which was named after a 1976 outbreak at an American Legion convention in Philadelphia.

Goodbye horses, hello jai alai? Casino Pompano looks to revive fast-paced game

By DAVID LYONS
SOUTH FLORIDA SUN SENTINEL |
JUL 12, 2019 | 6:45 PM

The cesta is the jai alai player's tool for rocketing a hardened ball against the court wall at speeds of up to 150 miles per hour. (Kevin Martin / Courtesy)

For several South Florida casinos, jai-alai is shaping up as a better bet than dogs and racehorses.

Isle Casino Racing Pompano Park is the latest gambling mecca looking to install the centuries-old court game, and spectators bet on the outcomes of head-to-head matches.

But the plan would mean phasing out the casino's long-time harness racetrack in favor of a jai alai fronton that seats up to 300 people, suggests the casino's parent, Eldorado Resorts, in a proposal filed with the City of Pompano Beach.

The planned move comes after decades as a horse racing venue in the winter months. On its website, Isle Casino says it has been "Home to World-Class Standardbred Racing since 1964."

It is unclear why Eldorado, of Reno, NV., and its joint venture partner, Cordish Companies of Baltimore, has elected to install jai alai, a sport that has been on the wane in South Florida for decades. Eldorado representatives did not respond to a request for comment. But in an email late Friday to the South Florida Sun Sentinel, Cordish CEO David Cordish suggested that both sports could co-exist at Pompano Park.

"There could be both," he wrote. "Just speaking personally I find [jai alai] a fascinating and truly local sport with a great history." He said he agreed "that there will be a resurgence in the popularity of the sport." Revival signs

Whatever emerges, there is a strong notion among jai alai promoters that their sport is undergoing somewhat of a revival in South Florida. The sport, executives say, which suffered a dramatic decline in popularity since a strike in the early 1990s, is showing signs of a comeback.

Magic City Casino in Miami just started its second jai alai season after closing its greyhound dog racing operation in the wake of a statewide constitutional amendment halting the sport. Gulfstream West, formerly known as Calder Race Course, which dropped horse racing, is starting its second season Aug. 1. Casino Miami starts a new season in December. And Dania Beach Jai Alai, the stalwart of the sport in South Florida for decades, was part of a recently completed multimillion dollar renovation of The Casino at Dania Beach.

"Our ownership group and management firmly believe that jai alai can be re-energized within the South Florida community," said Arnaldo Suarez, general manager of The Casino at Dania Beach. "It's an icon of the city. It has brought thousands of people to our fronton."

He added that with “several additions” by casinos that have dropped their horse and dog racing operations, “it allows for potential new fans.”

A much faster version of racquetball, jai-alai originated in the Basque region of northern Spain centuries ago. To succeed on the court, players need extraordinary hand-eye coordination and quick reflexes. The ball, called a pelota, travels up to 150 mph. Players may not hold the ball, and use a curved basket called a cesta for catching and throwing, which is continuous.

Now in its second year, Magic City Casino, which installed the games in 2018, sees progress in building public acceptance, said Scott Savin, the chief operating officer.

“We’re extremely happy with how things are going,” Savin said of jai alai, “which quite honestly was on death’s doorstep. So far we are on course.”

The casino’s jai alai season runs from July 1 through Nov. 30.

“There’s more interest,” Savin said. “Some days there might be only 30 people in our audience. Last Sunday we had over 250 people here. We encourage people to come out with their kids.”

He said it’s cheaper to operate jai alai than a dog track.

“On the real estate side, instead of needing the acreage for a track and kennels for dogs, now you’re talking about a fronton,” Savin said. With a glass wall front that separates the players from spectators, “people can stand at the far end of the fronton and see the ball hitting the wall at a 125 or 150 mph.”

Until last year, most of the players in South Florida have hailed from Europe. But Magic City says it is investing in local athletes in the belief they will help draw more area patrons.

“We have a belief and vision about jai alai that’s different than everybody else,” Savin said. “Our players are different from all the other players. We went out and recruited through the University of Miami ex-college athletes from various sports.”

One of them, Tanard Davis, 36, is a former UM player who earned a Super Bowl ring while with the Indianapolis Colts. Initially, he said, he and some former fellow players thought it was a “scam” when they received emails from Magic City inviting them to try out for its jai alai roster.

But the offer was legitimate. Twenty recruits now have jobs that pay up to \$50,000 annually with health benefits.

“I’m very competitive and I put the work in through outside training and coaching,” he said.

“A lot of us had struggled,” Davis said, with the game’s pace and the techniques of properly using the cesta to throw, catch and serving.

“As the season went on, we got more confident,” he said. “I literally fell in love with within the first month. It’s extremely competitive. You have to go against the opponent, the ball and court.”

Nonetheless, he became the first recruit to win 100 games. And he sees a future for the sport in South Florida, particularly if local children receive training.

"It could become something that if we continued the model, I think it could be really popular," Davis said.

Appendix E— Author’s Biographical Sketch and CV

Doug Reed is an authority in the horse racing and gaming industry, with over 40 years’ experience in the racing, gaming and entertainment sector. He focuses on operations, strategic planning and innovation.

Currently Principal for Racing, Gaming & Entertainment LLC a horse racing, racino and entertainment consulting company and former director of the University of Arizona Race Track Industry Program (RTIP), Reed also has extensive experience as a racing official, track executive and racing and gaming industry consultant.

He was affiliated with the RTIP for 22 years and responsible for all aspects of the racing program, including administration, instruction, promotion and fundraising.

He was also director of the RTIP’s annual Global Symposium on Racing & Gaming, North America’s largest pari-mutuel racing conference.

Prior to joining the University of Arizona, Reed was vice president of Santa Fe Racing, Inc., which operated two pari-mutuel tracks in New Mexico. He also spent many years as a racing official, including serving as racing secretary at Arlington Park, Oaklawn Park and Rockingham Park.

Reed has been a featured speaker and presenter at a variety of industry conferences, seminars and events, including events hosted by the Asian Racing Conference, Gaming, Racing & Wagering Australia, Association of Racing Commissioners International, Harness Horsemen International, International Simulcast Conference, National Council for Legislators from Gaming States and the International Conference of Gambling & Risk Taking.

Highly regarded on the international racing scene, Reed has ties to many international racing jurisdictions, including Japan, Hong Kong, Singapore, Canada, New Zealand, Australia, Ireland, United Kingdom, France, Sweden, Trinidad/Tobago, South Africa and South Korea.

Consulting clients include:

- Arizona Attorney General
- United States Trotting Association
- SunRay Gaming
- New Mexico Horse Breeders Association
- Korea Racing Authority
- International Securities Exchange
- Serecon Consulting Group/Horse Racing Alberta
- Betting Levy Board, Trinidad & Tobago
- NM State Univ. Animal & Range Sciences Dept.
- Spectrum Gaming Group
- American Horse Council
- Churchill Downs Inc.
- Ladbroke
- Centaur Inc.
- Indiana Horse Racing Commission
- Prairie Meadows Racetrack & Casino
- Narvaez Law Firm, P.A.
- Laguna Development Corporation
- Racetracks of Canada, Inc.
- National HBPA
- The Innovation Group
- Sportech

He has helped organizations like University of Arizona, National HBPA, Racetracks of Canada, New Mexico State University, United States Trotting Association and others with strategic planning.

He received his undergraduate degree in mathematics from Albright College, and an MBA from the University of Arizona, Eller School of Management.

CURRICULUM VITAE - F. Douglas Reed
2028 E. Mabel St.
Tucson, AZ 85719

EXPERIENCE

BUDGET:

In charge of a college program with a \$1 million annual budget, prior to that was responsible for an annual payroll/expense budget for all racing operations at two racetracks

Research and analyze wagering patterns, research business aspects pertaining to racing operations

Turned around University's Race Track Industry Program from yearly losses to a profit center retiring from the program leaving it with substantial assets

ADMINISTRATION:

Administered all aspects of the Race Track Industry Program (RTIP) at The University of Arizona including North America's largest pari-mutuel conference, the Global Symposium on Racing & Gaming and numerous racing operations in North America

Supervised 50+ employees, some seasonal and others full time, co-managed two other departments with a total of 200 employees. Employees under my supervision have diverse skills and job classifications.

Prepare evaluations and recommendations for hiring and firing.

Was responsible for overall compliance of regulations set forth by the New Mexico Racing Commission, was the track's representative at monthly meetings

FINANCIAL:

Responsible for all financial aspects of the RTIP, including the Annual Global Symposium on Racing & Gaming which each year had attracted as many as 1,000 participants from throughout the world. Diversified the event to attract 20% of its attendees from outside the USA

Responsible for financial aspects of a college program - Almost 70 percent of operations were from soft money (non-state funds) - Successfully led a \$1 million fund raising campaign for an endowed chair for the program.

Negotiated contracts with vendors and others, providing services to the racetrack. Saved substantial funds when re-negotiating contracts for New Mexico racetracks

Developed a number of projects and plans for racetracks and racinos through various consulting efforts

PUBLIC RELATIONS:

The RTIP services the entire pari-mutuel industry and director balances a delicate mix of interests among four different breeds/species of pari-mutuel racing

Teach classes pertaining to race track operations, international racing, strategic planning, human resources, organizational management and provide various outreach presentations on related subjects

Made numerous media appearances representing the RTIP and race tracks

Attended and spoke at numerous industry conferences throughout the world and has established contacts throughout the global racing industry

Led strategic planning efforts for numerous racing and academic organizations

COURSES TAUGHT:

Animal Science 342 - Organization and Administration of the Racing Department
Animal Science 344a and 344b – Racing Law and Advanced Racing Law
Animal Science 441 – Racetrack Organization, Structure and Management
ISTA 497a – Collaborative Application Design & Development (Building Apps for the Racing Industry (33%))
Retailing & Consumer Sciences 496a – Management Policy, Strategic Management
ACBS 442/542 – Racing Business and Financial Management
ACBS 497a/596A/696A Speaker Forum/ Graduate student presentations (co-taught)
ACBS 498/598b – Senior Capstone Course
ACBS 446 – Human Resource Management
ACBS 302 - Management and Human Side of Organizations
ACBS 301 - Financial and Economic Strategy
ACBS 499/599 -Independent Study (percent varies w/ project)
ACBS 493/593 -Internship (33%)
ACBS 468/568A & B, Bioeconomy, Marketing and Business Principles

Graduate Student advising, Member of the Graduate Committee
Instructional material preparation – There were no textbooks dealing with the operations of racetracks and therefore all course material was produced by the instructor. Developed five new business courses for the College of Agriculture and Life Sciences.
Developed a Graduate study program for the Race Track Industry Program
Presented at a careers event, El Paso Community College 2004
Presentations on Equine Education and Racing at FanFest 2004, Dallas Texas
Developed an Executive in Residence Study Program at the RTIP bringing in international participants

WORK HISTORY:

June 2016-present	Racing, Gaming & Entertainment LLC, Tucson, Arizona Principal University of Arizona, Tucson, Arizona Director Emeritus Race Track Industry Program
2001- June 2016	University of Arizona, Tucson, Arizona Director of the Race Track Industry Program
1994 to 2001	University of Arizona, Tucson, Arizona Coordinator of the Race Track Industry Program
1989 to 1994	Santa Fe Racing Inc., Santa Fe, New Mexico Vice President
1985 to 1989	Oaklawn Jockey Club, Hot Springs, Arkansas Arlington International, Chicago, Illinois Rockingham Park, Salem, New Hampshire Racing Secretary
1983 to 1984	Arlington International, Chicago, Illinois Laurel Race Course, Laurel, Maryland Assistant Racing Secretary
1978 to 1983	Timonium, Bowie, Laurel, Pimlico, Keystone (Parx), Monmouth, Meadowlands, Hialeah, Gulfstream, and Fair Hill Racing Official

EDUCATION:

M.B.A. University of Arizona, Eller School of Management
Tucson, Arizona GPA 3.8

B. S. Albright College, Reading, Pennsylvania
Mathematics, Summa Cum Laude, GPA 3.75

AFFILIATIONS/PROFESSIONAL DEVELOPMENT:

- Past member of the Thoroughbred Industry Council – National Thoroughbred Racing Association
- Master Fund Development Training
- Governor's County Fair, Livestock and Agriculture Promotion Fund Advisory Committee, past member
- Past president of the Linda Vista Estates Homeowners Association and past treasurer of the CDO Little League board of directors
- Member of the Wilson K-8 School Advisory Board
- Created the Executive in Residence Program for visiting executives to the Race Track Industry Program
- Planned and Facilitated Departmental Strategic Planning Sessions
- Planned and Facilitated planning meetings for the National HBPA, USTA and for the Canadian Racing Industry Stakeholders
- Facilitated the Animal Science Extension Planning Session
- Year-To-year Appointed Professional Award for Excellence 2010, College of Agriculture & Life Sciences, University of Arizona
- Lineage Legend Award, NM
- Board of Directors, Rillito Park Foundation

SELECTED INTERNATIONAL/NATIONAL MEETING PRESENTATIONS:

- Speaker at the World Harness Congress March 1995
- Speaker at the Association of Racing Commissioners International Annual Conference May 1995
- Speaker at the Harness Tracks of America Annual Convention March 1996
- Speaker at Harness Horsemen's Association Conference – "Association Management" 1998
- Speaker at the Asian Racing Conference February 1999, Macau
- Chairman of the Education and Careers session at the 2000 Asian Racing Conference, Singapore
- Moderator & speaker, International Simulcast Conference – "The Competitive Environment" Oct. 2000
- Speaker at the American Greyhound Track Operators Association Convention March 2001
- Speaker at the Harness Tracks of America Conference March 2001
- Speaker at the American Greyhound Track Operators Association Convention March 2002
- Speaker at the Harness Tracks of America Conference February 2002
- Speaker at the International Simulcast Conference September 2002
- Facilitated Strategic Planning Session for the National HBPA September 2003
- Speaker at the Symposium on Racing December 2003 – "Racinos, the Effect on the Racing Product"
- Speaker, National Council for Legislators from Gaming States Jan. 2004 – "Effects of gaming on the racing product"
- Speaker at the California Authority of Racing Fairs Conference March 2004
- Speaker at the Joint Conference of the North American Pari-Mutuel Regulators Association and the Association of Racing Commissioners International April 2004
- Presented at the Pima County Parks and Recreation – "Economic Impact of Rillito Race Track" 2005
- Speaker at the National Thoroughbred Racing Association's Marketing Conference September 2005
- Speaker (two different sessions) at the Asian Racing Conference May 2005 – "Factors Effecting Racing Competition in North America" and "Careers and Education in Racing" Seoul, South Korea
- Speaker at the Korea Racing Authority International Racing Symposium July 2006 – "Where & Who are your customers? How to reach them & know them", Seoul, South Korea

- Speaker at the International Conference of Gambling & Risk-Taking May 2006 – “Gambling at Racetracks: The Effects on the Racing Product”, Lake Tahoe, NV
- Speaker (two sessions) Asian Racing Conference January 2007 – “Racing Management, Why Racing Has Traditionally Failed to Develop the Highest Quality People” and “New Education Programs” Dubai, UAE
- Speaker at the Asian Racing Conference April 2010 – “Labour & Education Exchange” Sydney, Australia
- Speaker at the Asian Racing Conference January 2016 – “Innovation & Racing” Mumbai, India
- Speaker at the Canadian Gaming Summit June 2016 – “Unfreezing the Old Model and Innovating the Future for Horse Racing” Ottawa, Canada
- Speaker at the National Council for Legislators from Gaming States Winter Meeting January 2017– “The Good, the Bad and the Possibilities” Scottsdale, AZ
- Testimony before the CT Finance, Revenue and Bonding Committee regarding the impact of expanded gaming in the state. April 17, 2017
- Speaker, moderator and opening address for the 8th annual Gaming, Racing & Wagering Australia conference, Sydney Australia, August 14-16, 2017
- Speaker, 2017 China Wuhan International Horse Industry Summit Forum, October 2017 – “Developing Educational Programs for an Emerging Horse Racing Industry – Case Study China,” Wuhan China
- Speaker NCLGS (National Council of Legislators from Gaming States), “The Future of Racetracks – What They Need to Survive;” Cleveland, Ohio, July 13-15, 2018
- Speaker NCLGS, “Address to the Committee on Pari-Mutuel Gaming” and “Pari-Mutuels 101,” New Orleans, Louisiana, January 4, 2019

SELECTED CONSULTING, RESEARCH AND INDUSTRY EXPERIENCE:

- Facilitated the Canada Racing Industry Strategy Session August 1996.
- Facilitated Thoroughbred Owners and Breeders Association Horsemen’s Forum 1997
- Facilitated International Simulcast Conference Work Groups 1996, 97, 98 & 99
- Ladbroke, operators of Detroit Race Course – Evaluated and established recommendations for the efficient operation of the racing department and the racing program. 1997
- SunRay Park and Casino – Consulted on the successful bid to lease the racing facilities from San Juan County through a competitive request for proposal. Part of the team of the successful license application to conduct a race meet which was approved by the New Mexico Racing Commission. 1998-99
- Facilitate strategic plans for the Animal Science Department and for the Race Track Program 1996-2016
- Churchill Downs Incorporated and Hoosier Park Race Track – Testified before the Indiana Racing Commission regarding the impact of an additional racing license in the Indianapolis market. 2001
- DPS Inc. – Advised executives on the feasibility, technical development and legal hurdles for implementing their new wagers in a pari-mutuel environment. 2001
- Collaborated with Dr. Margaret Ray on the creation of the “Competitive Index” a method of quantifying the competitiveness of each pari-mutuel race event (based on the Herfindahl Index). 2001
- Arizona Attorney General – Expert witness and advisor to the AZ Attorney General regarding a racing related lawsuit in AZ. 2002
- Advised and consulted with Dr. Margaret Ray on an economic impact study and research project for Prairie Meadows Racetrack and Casino. 2002
- Facilitated strategic planning for the National Horsemen’s Benevolent and Protective Association 2003
- “Gambling at Racetracks: The Effects on the Racing Product” Published May 2004. Authors: RTIP students: Neil Fernandes, Matt Foszcz, Brody Johnson, Dorothee Ostle, Steve Spears, and RTIP faculty: Steve Barham, Wendy Davis, Douglas Reed. 2003-04
- Serecon Consulting Group and Horse Racing Alberta – Collaborated with Serecon Consulting Group to evaluate the market and recommend future strategies for the Alberta Racing Industry. 2003
- Hobbs Racetrack & Casino, Gerald Peters – Consulted on a racing license application in New Mexico. Testified before the New Mexico Racing Commission on the racing and competitive market. 2003
- Centaur Inc. – Testified before the Pennsylvania Horse Racing Commission regarding a racing license and the feasibility of the Centaur project. 2004

- New Mexico Horse Breeders Association – Presented at the New Mexico Racing Commission regarding the development of new racing programs to promote increased participation in racing racetracks. 2007
- Narvaez Law Firm, P.A. – consulted and prepared a report for the firm representing the New Mexico Racing Commission. 2008
- Prairie Meadows Racetrack & Casino – along with Dr. Margaret Ray recommended long range, comprehensive plans for the racing programs to the racing committee of the board of directors. 2009
- International Securities Exchange, Longitude – Prepared a comprehensive report on the international horse racing market. 2011
- Betting Levy Board, Trinidad and Tobago – with John Sanchez a comprehensive study of the gaming and racing industry was done along with a business plan for the future.
- 2014-15 Laguna Development Corporation – assisting with a horse racing license application
- 2016 Horse Racing in the Virgin Islands – A Reasonable Approach in a Difficult Industry & Market, Womble Carlyle Sandridge & Rice, LLP
- 2016-17 University of Arizona College of Agriculture and Life Sciences – developing business courses
- 2016-current, Spawn Point Pte. Ltd.- agent working at the intersection of gaming and esports
- Facilitated department strategic planning for NM State Animal & Range Sciences Department, Nov. 2016
- 2017 Spectrum Gaming – Senior Pari-Mutuel Associate
- 2017 Innovation Group – American Horse Council – National Economic Impact Study of the Horse Industry – Senior Racing Industry Advisor
- 2018 Organized and facilitated strategic planning for the United States Trotting Association
- 2018 & 2019 Consulting on license application for two racetracks for the Indiana Horse Racing Commission
- 2018-19 Laguna Development Corporation – consultant on a racing license application in New Mexico and purchase of Ellis Park, KY
- 2019 Spectrum Gaming, contributor for the “Comprehensive Gaming Industry Analysis – State of Louisiana,” April 2, 2019

GRANTS AND CONTRACTS:

- 2006/7 - Completed fund raising for the RTIP Endowed Chair (\$1 million campaign)
- 2016 – RTIP awarded a \$40,000 grant from the Bert W. Martin Foundation
- Annual sponsor revenue (range: \$110,000-\$225,000 per year)
- Foundation funds and conference revenue support 1.75 FTE staff salaries; 1.2 FTE faculty salaries; one adjunct lecturer for a course and all office expenses

UNIVERSITY COMMITTEES:

- Search committees for: Department Head/Director of School, Adjunct Lecturer, Visiting Research Professor, Endowed Chair Professor, Associate Coordinator for Race Track Industry Program, IT Staff position, and Senior Graphic Designer
- Graduate Committee, Curriculum Committee, Curriculum and Assessment Committee
- Vet Science/Animal Science Operations and Organizational Committee
- Peer Review Committee and Department Head Review Committee
- Professional Master’s Program Development Committee, Equine Steer Committee
- Classified Staff Salary/Equity Review Committee, Accounting and Budget Committee
- Student Club Advisory and University of Arizona Bowling Team Manager

AWARDS:

- 2010 College of Agriculture and Life Sciences Year-to-Year Appointed Professional Award of Excellence
- 2007 Lineage Legend Award – New Mexico horse racing industry

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Memorandum of the Regular Meeting of the
Indiana Horse Racing Commission

December 3, 2019

Indiana State Library – Author’s Room
315 W. Ohio Street
Indianapolis, IN 46202

Commission members present: Philip C. Borst, Chairman; Greg Schenkel, Vice Chairman; Susie Lightle, member; and William McCarty, member.

Commission Staff members present: Deena Pitman, IHRC Executive Director; Tom Linkmeyer, IHRC Deputy Director; Noah Jackson, IHRC Deputy General Counsel; Dale Lee Pennycuff, IHRC Counsel; Jessica Barnes, IHRC Breed Development Director; Wendi Samuelson-Dull, IHRC Controller; Megan Arszman, Communications Coordinator; and Joyse Banister, Standardbred Breed Development Coordinator.

Attorney General’s Office members present: Nicole Schuster, Deputy Attorney General (acting as counsel to the Commission on Agenda Items III.1 and III.2.)

Speakers from the audience: David P. Murphy, Esq., representing Dr. Duane J. Wilcox, DVM; Brian Elmore, Executive Director of the Indiana Horsemen’s Benevolent & Protective Association; Paul Martin, President of the Quarter Horse Racing Association of Indiana; Lee Ann Hopper, Executive Secretary of the Indiana Thoroughbred Owner’s and Breeder’s Association; Joe Putnam, President of the Indiana Standardbred Association; Trent McIntosh, Senior Vice President and General Manager for Harrah’s Hoosier Park; Mike Rich, Senior Vice President and General Manager for Indiana Grand; Rick Moore, Vice President and General Manager of Racing for Harrah’s Hoosier Park; Emily Gaskin from Marketing at Harrah’s Hoosier Park; Kiersten Flint, Vice President of Marketing for Harrah’s Hoosier Park; Jon Schuster, Vice President and General Manager of Racing for Indiana Grand; Tammy Knox, Race Marketing Manager for Indiana Grand; Jeff Hendricks, Vice President of Regulatory Compliance for Eldorado Resorts; Gene Chabrier, Vice President of Regulatory Affairs for Xpressbet; Allison Meyer, Vice President of Legal and Business Affairs for TVG; Chad Riney, Senior Counsel to Churchill Downs, Inc.; Nelson Clemmens, CEO of AmWest Entertainment; and Scott Snyder, Chairman of the Indiana Standardbred Breed Development Advisory Committee.

I. Call to Order

Chairman Borst called the meeting to order at approximately 10:00 a.m. A quorum was present.

II. Approval of memorandum from the August 20, 2019 Special Meeting.

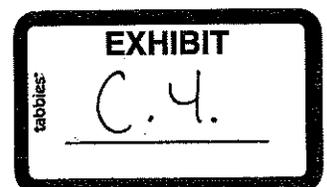
Chairman Borst asked for a motion for approval of the memorandum from the August 20, 2019, Special Commission Meeting. Motion for approval by Commissioner McCarty. Vice Chairman Schenkel seconded the motion. The vote was unanimous 4-0 for approval.

III. Agenda

Note: All items on the agenda were transcribed by a court reporter from Stewart Richardson. Transcripts are available at www.in.gov/hrc.

1. Consideration of the Administrative Law Judge’s Recommended Findings of Fact, Conclusions of Law, Ultimate Findings of Fact and Recommended Order in the matter of Indiana Horse Racing Commission (“IHRC”) licensee Duane J. Wilcox, DVM.

Deputy Attorney General Nicole Schuster, Esq., represented the Commission.



Murphy, Esq., represented Dr. Duane J. Wilcox. The Commission Staff was represented by Noah Jackson, Esq. Ms. Schuster provided a quick summary of the matter and the Commission's four options in deciding the matter.

Mr. Murphy presented the oral argument for Dr. Wilcox. Mr. Jackson presented the oral argument for Commission Staff. Next, Chairman Borst asked for any Commission member questions. Vice Chairman Schenkel asked if Dr. Wilcox's veterinary license was currently suspended in Indiana or if it was currently valid. Mr. Murphy answered it was valid, but discussed a complaint that had been filed with the Attorney General's office by a Commission investigator that is still pending. Vice Chairman Schenkel asked if a hearing was scheduled with the Attorney General's office to which Mr. Murphy replied: "No, the Attorney General put it on hold."

The Commission and Mr. Murphy discussed which type of animals Dr. Wilcox was allowed to practice on and in which locations. Chairman Borst discussed the medication, which was the subject of the violation, being injected into the horses by Dr. Wilcox and the keeping of veterinarian records. Vice Chairman Schenkel asked Ms. Schuster how upholding the recommended order of the ALJ would effect Dr. Wilcox's license. Ms. Schuster stated the Commission ruling was confined to the Commission's jurisdiction. Commissioner McCarty asked when the suspension would start and if there was an allowance for the amount of time Dr. Wilcox has been excluded. Mr. Jackson answered that while it was up to the Commission, past practice had been to start the suspension on the date the Commission approved the recommended order for cases such as this. Chairman Borst officially closed the arguments.

Chairman Borst asked for a motion. Commissioners McCarty and Lightle and Vice Chairman Schenkel discussed whether the suspension should start from the exclusion date or the current date. Chairman Borst asked if the Commission had a motion. Commissioner McCarty moved to approve the Recommended Order with the modification that the ten-year suspension date start on the date of the exclusion and not the current date. Vice Chairman Schenkel seconded the motion. Vice Chairman Schenkel and Commissioners McCarty and Lightle voted to affirm the Recommended Order and adopt it as the Final Order of the Commission in this proceeding with the following modification (only): that the affirmed ten year suspension of Dr. Wilcox's horse racing license begin on March 28, 2018 (in essence granting Dr. Wilcox "credit" for the time that he has been excluded from the racetrack) instead of having the suspension begin to run from the date of the issuance of this Final Order. Commission Chairman, Dr. Philip Borst, DVM, voted in dissent of the modification only, stating that although he approved of the ten year suspension and ten thousand dollar fine, he believed that credit for time excluded should not be given and that Dr. Wilcox's ten year suspension should begin to

run from the date of the Final Order. The motion carried 3-1.

2. Consideration of Settlement Agreement between IHRC Staff and Nate C. Brannin.

Deputy Attorney General Nicole Schuster represented the Commission.

The Stewards fined Mr. Brannin for a violation of 71 IAC 7.5-9-5, which he timely appealed. Commission Staff requested that the Commission approve the settlement agreement between the IHRC Staff and Mr. Brannin.

Chairman Borst asked for a motion to accept the settlement agreement. Vice Chairman Schenkel moved to accept the settlement agreement. Commissioner Lightle seconded the motion. The vote was unanimous 4-0 for approval of the Settlement Agreement between the IHRC Staff and Nate C. Brannin.

For Agenda Items 3-6, Mr. Jackson briefly described the background and process for applications from the horsemen's associations to be recognized to receive slot funds. He listed the four applicants for 2020: IHBPA, ITOBA, QHRAI, and the ISA. Mr. Jackson discussed the prehearing orders that were issued and listed items the Commission would take official notice of when deliberating on the applications.

3. Hearing on 2020 Renewal Application of Indiana Horsemen's Benevolent & Protective Association for Approval as a Registered Horsemen's Association pursuant to 71 IAC13-1-1 *et seq.* (pursuant to Notice of Hearing and Pre-Hearing Order issued on or about November 8, 2019).

Brian Elmore, Executive Director of the Indiana Horsemen's Benevolent and Protective Association (the "IHBPA"), presented the application and on behalf of the IHBPA respectfully requested approval for their 2020 application.

Chairman Borst asked if there were any Commission Staff, interested parties, or Commission questions. Hearing none, Chairman Borst asked for a motion to approve the IHBPA's 2020 horsemen's application. Commissioner Lightle moved to approve the application. Commissioner McCarty seconded the motion. The vote was unanimous 4-0 for approval of the IHBPA's 2020 horsemen's application.

4. Hearing on 2020 Renewal Application of Quarter Horse Racing Association of Indiana for Approval as a Registered Horsemen's Association pursuant to 71 IAC 13-1-1 *et seq.* (pursuant to Notice of Hearing and Pre-Hearing Order issued on or about November 8,

2019).

Paul Martin, President of the Quarter Horse Racing Association of Indiana (the "QHRAI"), introduced several QHRAI personnel present at the meeting and then presented the application and on behalf of the QHRAI respectfully requested approval for their 2020 application.

Chairman Borst asked if there were any questions. Hearing none, Chairman Borst asked for a motion to approve the QHRAI's 2020 horsemen's application. Vice Chairman Schenkel moved to approve the application. Commissioner Lightle seconded the motion. The vote was unanimous 4-0 for approval of the QHRAI's 2020 horsemen's application.

5. Hearing on 2020 Renewal Application of Indiana Thoroughbred Owner's and Breeder's Association for Approval as a Registered Horsemen's Association pursuant to 71 IAC 13-1-1 *et seq.* (pursuant to Notice of Hearing and Pre-Hearing Order issued on or about November 8, 2019).

Leigh Ann Hopper, Executive Secretary of the Indiana Thoroughbred Owners and Breeders Association ("ITOBA"), introduced the current and former ITOBA presidents and presented the application and on behalf of ITOBA respectfully requested approval for their 2020 application.

Chairman Borst asked if there were any Commission Staff questions. Vice Chairman Schenkel asked if ITOBA's administrative secretary and executive director was one in the same person. Ms. Hopper answered that it was essentially one in the same. Chairman Borst asked if there were any other questions. Hearing none, Chairman Borst asked for a motion to approve ITOBA's 2020 horsemen's application. Vice Chairman Schenkel moved to approve the application. Commissioner Lightle seconded the motion. The vote was unanimous 4-0 for approval of ITOBA's 2020 horsemen's application.

6. Hearing on 2020 Renewal Application of Indiana Standardbred Association for Approval as a Registered Horsemen's Association pursuant to 71 IAC 13-1-1 *et seq.* (pursuant to Notice of Hearing and Pre-Hearing Order issued on or about November 8, 2019).

Joe Putnam presented the application. For 2020, highlights include the Breeder's Crown returning to Hoosier Park, and ISA entertaining the idea of a new economic impact study for all breeds. Chairman Borst asked if the study was going to be similar to the previous study in 2011. Mr. Putnam indicated it was. Chairman Borst asked if the study was in concert with Purdue, to which Mr. Putnam answered, "Yes." Vice Chairman Schenkel asked about how the study would be funded. Mr. Putnam indicated they were looking for

partners, and that in the past it was the ISA, Purdue, the past owner of Centaur, and some other associations. The Commission suggested several entities to Mr. Putnam that might also provide assistance. Vice Chairmen Schenkel also discussed with Mr. Putnam the positive relationship the ISA has had with Caesars and Mr. Putnam's concern about how the relationship might change based on Eldorado's purchase offer for Caesars.

Chairman Borst asked if there were any Commission Staff questions. Hearing none, Chairman Borst asked for a motion to approve the ISA's 2020 horsemen's application. Commissioner McCarty moved to approve the application. Commissioner Lightle seconded the motion. The vote was unanimous 4-0 for approval of the ISA's 2020 horsemen's application.

7. Consideration of Caesar's 2020 Operational Plan as required by the Commission's **Permit Transfer Final Order** dated July 10, 2018.

Mr. Jackson reviewed the Permit Transfer Final Order that is the basis for the 2020 Operational Plan. Trent McIntosh introduced Mike Rich. Next, Mr. McIntosh, Rick Moore, Emily Gaskin, and Kiersten Flint presented the operational plan.

Vice Chairman Schenkel expressed his concern that the 2020 Operational Plan was not done in conjunction with the ISA and his hope that this would be corrected in the future. Vice Chairman Schenkel also enquired about the number of employees since Caesars had taken over Hoosier Park. Mr. Moore replied it was on the same level, right around 800 employees. Mr. Moore also discussed how Caesars gives back to the community and uses local suppliers. Vice Chairman Schenkel referenced the June discussion of 2018 regarding how Caesars would determine community contributions and how the 2020 Operational Plan did not disclose any kind of cash contributions. Mr. Moore assured the Commission they are doing it. Mr. McIntosh stated to date they had given \$414,000 in the community here in Indiana. Vice Chairman Schenkel stated it was appreciated, but it would have been helpful to have evidence of that in the operational plan. Vice Chairman Schenkel further clarified the content of the information needed to be provided to the Commission in the record. Mr. McIntosh stated Caesars would provide the requested information for the record. Commissioner McCarty asked if the \$414,000 was for both Hoosier Park and Indiana Grand. Ms. Flint stated it was for Hoosier Park. Commissioner McCarty requested for the Commission to see an itemized list of the sponsorships and donations.

Jon Schuster and Tammy Knox presented Indiana Grand's 2020 Operational Plan. Mr. Schuster explained that because the Indiana Grand staff is in constant contact with the IHBPA and QHRAI they also did not formally develop the 2020 Operation Plan with the

horsemen's groups and apologized to the IHBPA and QHRAI. Mr. Schuster highlighted that the Indiana Derby set a new record for handle and attendance, with handle being up 13% to \$4.1 million.

Vice Chairman Schenkel asked if this was additional spending, which Mr. Schuster confirmed several items were in addition to the previously planned items. Next Ms. Knox went through the community impact and marketing plans. After a question by Vice Chairman Schenkel, Ms. Knox listed many of the cash and in-kind donations. Vice Chairman Schenkel requested Indiana Grand supply the Commission an itemized list that gives more detail and clarity on the donations. Mr. Schuster agreed to supply the list. Commissioner Lightle expressed concern about how the track resurfacing delay affected the horsemen at the beginning of the race meet. Mr. Schuster explained that the delay was weather related. Chairman Borst entered a letter from Taft into the record.

Chairman Borst asked Mr. McIntosh how Caesars had put its stamp on horse racing in Indiana over the last eighteen (18) months. Mr. McIntosh listed promoting horse racing, handicapping contests, and the 2020 Breeder's Crown. Vice Chairmen Schenkel, referencing the Taft letter, asked about the status of the Quarter Horse Challenge Races for 2020. Mr. Schuster replied that hosting the 2020 race was not going to happen. Vice Chairmen Schenkel asked about 2021. Mr. Schuster replied that it was also not going to happen.

Chairman Borst stated there was a couple of issues. First, the meetings with the Horsemen's Associations still needed to happen. Second, the Commission needed the itemized lists to show the impacts of the cash and in-kind donations made by both Hoosier Park and Indiana Grand.

Jeff Hendricks, from Eldorado, spoke about the communications between the Commission, the tracks, and the horsemen.

Chairman Borst asked for a motion for approval of the 2020 Operational Plan. Vice Chairman Schenkel moved to conditionally approve the 2020 Operational Plans for Harrah's Hoosier Park and Indiana Grand, collectively Caesars, with the following conditions required before approval being made:

- a) Further information is provided for all of the operations related to community and corporate involvement completely detailing the contributions.
- b) Caesars corrects any further deficiencies that may have been outlined in the letter which the staff had sent earlier, including holding meetings with the respective Horsemen's Associations.

- c) The Commission Members and Chairman will review the updated submissions to the operational plans and will inform Executive Director Pitman of Commission approval of the submission, thereby delegating to Executive Director Pitman, the ability to give final approval of the 2020 Operational Plan based on Commission recommendations and review.
- d) All of the requested information be submitted by December 31, 2019.

Commissioner McCarty seconded the motion. The vote was unanimous 4-0 for conditional approval of the 2020 Operational Plan.

8. Review and approval of Indiana Grand's (Centaur Acquisition, LLC) permit renewal application and consideration of pari-mutuel permit for 2020 in accordance with 71 IAC 11-1-21 and consideration of Indiana Grand's request for live racing dates for 2020 pursuant to IC4-31-5-9, IC 4-31-5-10 and 71 IAC 11-1-7.

Mr. Jackson stated that approval by the Commission would be a conditional approval subject to the same conditions as the 2020 Operational Plan.

Chairman Borst asked for a motion for the conditional approval of Indiana Grand's permit renewal and consideration of their request for live racing dates for 2020. Vice Chairman Schenkel moved to approve. Commissioner Lightle seconded the motion. The vote was unanimous 4-0 for conditional approval of Indiana Grand's permit renewal and consideration of their request for live racing dates for 2020.

9. Approval of the renewal of Indiana Grand's satellite facility license in Clarksville for 2020 in accordance with 71 IAC 12-1-23 and 71 IAC 12-1-10.

Mr. Jackson stated that approval by the Commission would be a conditional approval subject to the same conditions as the 2020 Operational Plan.

Chairman Borst asked for a motion for the conditional approval and renewal of the Indiana Grand satellite facility in Clarksville for 2020. Commissioner McCarty moved to conditionally approve the Indiana Grand satellite facility in Clarksville for 2020. Commissioner Lightle seconded the motion. The vote was unanimous 4-0 for conditional approval and renewal of the Indiana Grand satellite facility in Clarksville for 2020.

10. Review and approval of Harrah's Hoosier Park permit renewal application and consideration of pari-mutuel permits for 2020 in accordance with 71 IAC 11-1-21 and consideration of Harrah's Hoosier Park request for live racing dates for 2020 pursuant to IC 4-31-5-9, IC 4-31-5-10 and 71 IAC 11-1-7.

Mr. Jackson stated that approval by the Commission would be a conditional approval subject to the same conditions as the 2020 Operational Plan.

Chairman Borst asked for a motion for the conditional approval of Hoosier Park's permit and renewal application and consideration of pari-mutuel permit for 2020, and also their request for the live racing dates for 2020. Commissioner Lightle moved to approve. Vice Chairman Schenkel Commissioner seconded the motion. The vote was unanimous 4-0 for conditional approval of Hoosier Park's permit and renewal application and consideration of pari-mutuel permit for 2020, and also their request for the live racing dates for 2020.

11. Approval of the renewal of Harrah's Hoosier Park satellite facility licenses in New Haven and Indianapolis for 2020 in accordance with 71 IAC 12-1-23 and 71 IAC 12-1-10.

Mr. Jackson stated that approval by the Commission would be a conditional approval subject to the same conditions as the 2020 Operational Plan.

Chairman Borst asked for a motion for the conditional approval and renewal of Harrah's Hoosier Park satellite facility licenses in New Haven and Indianapolis for 2020. Commissioner McCarty moved to conditionally approve. Vice Chairman Schenkel seconded the motion. The vote was unanimous 4-0 for conditional approval and renewal of Harrah's Hoosier Park satellite facility licenses in New Haven and Indianapolis for 2020.

12. Review and approval of the following IHRC Emergency Rules.

Mr. Jackson presented the IHRC Emergency Rules broken down by breed, with the intent to approve them with a single vote. Mr. Jackson detailed how the rules had been presented to the stakeholders for the various breeds, how several of the proposed rule changes came about through judicial rulings, new legislation, and general housekeeping. Mr. Jackson explained that all the rules would be adopted through the Commission's emergency rule adoption procedure and go into effect as soon as filed.

Chairman Borst asked for a motion to approve all the emergency rules. Commissioner McCarty moved to approve all the emergency rules. Commissioner Lightle seconded. The vote was unanimous 4-0 for approval of all of the IHRC Emergency Rules.

13. Review and consideration of 2020 Secondary Pari-Mutuel Organization (SPMO) license applications.

Mr. Jackson discussed that Commission Staff had reviewed and assessed each of the SPMO applications, contracted with the Thoroughbred Racing Protective Bureau to review daily wagering data provided by each of the SPMO, and each of the five SPMOs have been operating on a probationary license. Mr. Jackson further discussed that Commission Staff has been in close contact with the Oregon Racing Commission which has set itself up as the foremost authority on advance deposit wagering (“ADW”) operations, including conducting yearly audits and maintaining strict licensure requirements on each SPMO. Each of the five SPMOs for licensure are considered to be in good standing with the Oregon Racing Commission. Mr. Jackson had the representatives from the SPMOs who were in attendance to introduce themselves.

Nelson Clemmens, of AmWest Entertainment, spoke to the Commission about AmWest’s collaboration with industry organizations, their capabilities, issues with getting a signal at Hoosier Park or Indiana Grand for ADW due to the content being withheld for competitive purposes, and their involvement in opening a track in Michigan. Chairman Borst thanked Mr. Clemmens for his comments and suggested Mr. Clemmens send information regarding any issues he may have to the Commission Office.

Mr. Jackson stated the SPMO license was an annual renewal license that would be effective from January 1, 2020, to December 31, 2020, and would need to be renewed each year during the December meeting.

Chairman Borst asked for a motion to approve the SPMO license applications from January 1, 2020, to December 31, 2020. Vice Chairman Schenkel moved to approve. Commissioner Lightle seconded the motion. The vote was unanimous 4-0 for approval of the five SPMO applications for 2020.

14. Review of commission rulings – March 5, 2019 – November 25, 2019.

Chairman Borst asked if there were any Commissioner questions. Vice Chairman Schenkel asked if the rulings were complete, with no outstanding rulings. Executive Director Pitman noted there may be a few rulings yet to be entered dealing with drug positives that are currently out for split-laboratory analysis. Commissioner McCarty, noting the rulings covered approximately nine months, asked if there was an increase in violations. Executive Director Pitman stated there was not an increase, that it was a pretty standard year. No vote was required.

15. Review and consideration of Notice of Sixth Subsequent Term pertaining to the Initial Distribution Agreement.

Mr. Pennycuff explained the Senate Enrolled Act 609 committee composed of horsemen and the tracks came together in 2013 to negotiate what percentage of slot revenue would be allocated to the horse racing industry, with the initial agreement including a provision that if no party objects, it will automatically renew for a subsequent year. Since no notice of non-renewal was given by September 1, 2019, the agreement will renew for another year on January 1, 2020.

Chairman Borst asked for a motion for the sixth subsequent term. Vice Chairman Schenkel moved for approval of the subsequent term agreement for 2020 for the distribution agreement. Commissioner McCarty seconded the motion. The vote was unanimous 4-0 for the approval of the subsequent term agreement for 2020 for the distribution agreement.

16. Presentation of the 2020 Standardbred Breed Development Advisory Committee Program.

Scott Snyder presented the 2020 Standardbred Breed Development Advisory Committee Program. Mr. Snyder discussed how the program is well represented nationally, the sale of two Indiana-sired trotters for \$175,000 each, and the challenge of determining funding levels based on the increased funding from table games.

Chairman Borst asked for a motion to approve the Standardbred plan. Vice Chairman Schenkel moved to accept the 2020 Standardbred Breed Development Advisory Committee Program. Commissioner Lightle seconded. The vote was unanimous 4-0 for approval of the 2020 Standardbred Breed Development Advisory Committee Program.

17. Status update of the 2020 Standardbred Advisory Board Program.

Jessica Barnes discussed the fact that the Standardbred Advisory Board, whose program primarily deals with county fair racing, would not be set until the annual convention of the Indiana Association of Fairs, Festival, and Events, which occurs the first weekend in January. Therefore, the proposal will not be completed until after that meeting. Ms. Barnes asked the Commission to delegate to the Executive Director the ability to approve the Standardbred Advisory Board's proposal at that time.

18. Status update of the 2020 Thoroughbred Breed Development Advisory Committee Program.

Ms. Barnes stated that the Thoroughbred Breed Development program just received new appointments to the advisory committee the week before. While they Advisory

Committee has had one meeting, they are still putting their proposal together. Ms. Barnes asked the Commission to delegate to the Executive Director the ability to approve the Thoroughbred Breed Development proposal at that time.

19. Status update of the 2020 Quarter Horse Breed Development Advisory Committee Program.

Ms. Barnes stated that the Quarter Horse Breed Development program is in a similar situation with the advisory committees only being reappointed the week before and the program would not be ready until the middle of January. Ms. Barnes asked the Commission to delegate to the Executive Director the ability to approve the Quarter Horse Breed Development proposal at that time.

Agenda Items 17, 18, and 19, requiring the Commission to delegate to the Executive Director the ability to approve the programs were voted on in one motion. Chairman Borst asked for a motion. Commissioner Lightle moved to approve. Vice Chairman Schenkel seconded. The vote was unanimous 4-0 for approval to delegate to the Executive Director the ability to approve the three programs in Agenda Items 17, 18, and 19.

III. Old Business

There was no old business.

IV. New Business

No new business was brought before the Commission.

V. Adjournment

Before adjournment, Executive Director Pitman discussed the great working relationship between the Commission, the horsemen's associations, and the racetracks in Indiana. The meeting was adjourned at approximately 1:30 p.m.



State of Indiana Indiana Horse Racing Commission

Eric Holcomb, Governor

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September 24, 2019

Jeff Hendricks
VP of Compliance
Eldorado Resorts, Inc.

Dear Mr. Hendricks:

The Indiana Horse Racing Commission ("IHRC") is currently conducting its investigation into the permit transfer application of Eldorado Resorts, Inc. ("ERI") to merge with and acquire both the Indiana Grand and Hoosier Park pari-mutuel racing permits from Caesars Entertainment Company ("CEC"). The IHRC considers this transaction to be of monumental importance to the future of the Indiana horse racing industry, the betting public, the Indiana agribusiness community and to the State of Indiana as a whole. As part of the IHRC's continuing investigation, the IHRC intends to exercise its right, pursuant to 71 IAC 11-1-6(13), to gather additional information as it deems necessary in order to make a decision that "will ensure that racing will be conducted with the highest of standards and the greatest level of integrity and (will) ensure the protection of the public interest" relative to the ERI application. 71 IAC 11-1-6(a). As a part of its preliminary investigation, the IHRC has put together a list of questions with requests for related documents set forth below. These questions should be answered as completely as possible with specific examples/information provided where appropriate.

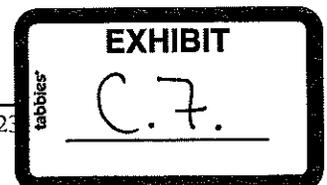
As the potential (exclusive) Indiana pari-mutuel permit holder, ERI would be responsible for not only maintaining, but for "promoting" and "improving" (growing) the horse racing industry in Indiana. The IHRC believes that the vibrant, dynamic Indiana horse racing industry was accurately described by Doug Reed in the report of RG&E-submitted relative to the CEC purchase of Centaur. (Report of RG&E to the IHRC dated 5/29/2018). Subsequently, the IHRC referenced and recognized the critically important constructive relationships within and positive standing of the Indiana horse racing industry throughout its July 10, 2018 Final Order (with Conditions; the "Final Order") which approved the sale of the race tracks to CEC.

In the same Final Order, the Commission indicated its reservation about allowing the Indiana race tracks to operate under a contractual agreement with a REIT by requiring CEC to acknowledge and agree to the following condition:

10. Caesars acknowledges and understands that the Commission takes no position in this proceeding as to whether a REIT operation would be appropriate and/or permitted at one of the Indiana racetracks or OTB facilities. To date, neither VICI or any other REIT has been licensed or permitted by the Commission and there is no expectation or guarantee that this would be done in the future if an appropriate request were to be made to the Commission;

Final Order, Condition 10, p.26.

Despite this admonition, Eldorado has made the following representation to the IHRC in paragraph 4 of its Petition to Acquire CEC and the Horse Racing Permits filed and served on July 31st, 2019 ("Eldorado Petition"):





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Eldorado has reached an agreement with VICI Properties ("VICI"), whereby VICI has a call right to acquire, and Eldorado has a put right to require that VICI acquire, the land and real estate associated with Hoosier Park and Indiana Grand between January 1, 2022 and December 31, 2024. Eldorado, through its direct and indirect subsidiaries, will continue to hold the Recognized Meeting Permits and would have a lease agreement to continue to operate on the real estate should the put-call option be exercised.

Despite the acknowledgement of Caesars referenced above (by its acceptance of the IHRC's 7/10/2018 Final Order with Conditions), it appears that either party (either Eldorado or VICI) to the referenced agreement ("the Eldorado/VICI Agreement") would have a unilateral contractual right to timely invoke the REIT put-call option if the IHRC would vote to approve the Eldorado Petition.

1. Being mindful of the background referenced above, please provide answers to the following:
 - a. Does Eldorado maintain that the IHRC did (or does now) have the right to approve the Eldorado/VICI Agreement pursuant to the provisions of 71 IAC 11-1-12(a)(5)?
 - b. If the answer to the preceding question is in the affirmative, please indicate when Eldorado believes the IHRC was or is to make this determination and outline in detail the process that Eldorado believes is appropriate for the IHRC to utilize in making such a determination. If the answer to the preceding question is in the negative, please explain the factual and legal basis for this position.
 - c. Does Eldorado maintain that the IHRC currently possesses the right to disapprove of the Eldorado/VICI Agreement pursuant to the provisions of 71 IAC 11-1-12(f)?
 - d. If the answer to the preceding question is in the affirmative, please indicate when Eldorado believes that the IHRC is to make this determination and outline in detail the process that Eldorado believes is appropriate to utilize for making such a determination. If the answer to the preceding question is in the negative, please explain the factual and legal basis for this position.
 - e. What analysis was made, what data was used, and/or what studies were conducted, to determine that the best path forward for the growth/improvement of both properties, and horse racing in Indiana, was to transfer the tracks (real property) to a REIT pursuant to the Eldorado/VICI Agreement?
 - f. Please provide to the IHRC all non-privileged documents and/or supporting materials referenced in response to the preceding question.
 - g. Keeping in mind that it is the burden of the Applicant to persuade the IHRC to approve the Eldorado/VICI Agreement, please provide a detailed explanation of all of the reason(s) that the applicant would have the IHRC determine that transferring the race tracks to a REIT would ensure that racing would be conducted with the highest of standards and the greatest level of integrity, would ensure the protection of the public interest and how it would promote, improve and grow horse racing in the State of Indiana.
 - h. Please provide to the IHRC all non-privileged documents and/or supporting materials referenced in response to the preceding question.



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- i. In the alternative, keeping in mind that it is Eldorado's burden to persuade the IHRC **not** to disapprove the Eldorado/VICI Agreement, please provide a detailed explanation of the reasons that the applicant would have the IHRC determine that transferring the race tracks to a REIT would ensure that racing will be conducted with the highest of standards and the greatest level of integrity, would ensure the protection of the public interest and how it would promote, improve and grow horse racing in the State of Indiana.
- j. Please provide to the IHRC all non-privileged documents and or supporting materials referenced in response to the preceding question.
- k. What projections have been made for any reduced expenses and/or savings to Eldorado and/or CEC in the event that the Eldorado/VICI Agreement were to become operative?
- l. Please provide to the IHRC all non-privileged documents and or materials which support and/or reference any reduced expenses and/or savings referenced in the preceding question.
- m. Please specify in detail how any reduced expenses and/or savings to Eldorado and/or CEC relating to the operation of the Eldorado/VICI Agreement would help to ensure that Indiana racing would be conducted with the highest of standards and the greatest level of integrity, would provide for the protection of the public interest and how much of any savings would be used to promote, improve and/or grow horse racing in the State of Indiana.
- n. Please provide to the IHRC all non-privileged documents and or materials which support and/or reference how any reduced expenses and/or savings referenced in the preceding question will be allocated for the benefit of the Indiana Horse racing industry.
- o. Provide examples from other properties, owned by ERI, under a REIT structure that have shown positive growth and/or improvement since transfer to the REIT. In doing so, please specifically identify the positive growth and/or improvement that has been recognized.
- p. Provide examples from other horse racing properties, owned and/or operated by ERI, under a REIT structure that have shown positive growth and/or improvement since transfer to the REIT. In doing so, please specifically identify the positive growth and/or improvement that has been recognized.
- q. Assuming that the put/call option of the Eldorado/VICI Agreement were to be exercised, please specify in detail all real property, personal property, fixtures and other tangible items that would be transferred to VICI, and the details of any maintenance and/or CAPEX provisions that would be related to the property that was transferred.
- r. Assuming that the put/call option of the Eldorado/VICI Agreement were to be exercised, please specify in detail how this would be expected to impact the relationship between the permit holder and the horsemen's associations on a going forward basis.
- s. Assuming that the put/call option of the Eldorado/VICI Agreement were to be exercised, please specify in detail what action Eldorado would take in the event that VICI and/or Eldorado were to incur expenses required for the operation and/or maintenance of either Indiana Grand or Hoosier Park that were in excess of the amounts contemplated by the REIT agreement.
- t. Assuming that the put/call option of the Eldorado/VICI Agreement were to be exercised and VICI did not adequately perform track maintenance and/or track infrastructure improvements at either Indiana Grand or Hoosier Park, please specify in detail how Eldorado (as the permit holder) would address such a situation. In addition, please indicate what remedies and/or available options Eldorado believes would be available to the IHRC in the event that such a situation were to occur.
- u. What assurances can ERI offer to the IHRC that a transfer of the real property to VICI would not impact the quality of the racing product and/or the desirability of either property for patrons and for horsemen participating in racing?



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- v. What alternatives are in place or would be put in place by Eldorado/CEC if the IHRC were to elect not to approve (or to disapprove) the Eldorado/VICI Agreement?
2. The IHRC believes continued investment in the racetracks and properties is of the utmost importance in ensuring the growth of horse racing in Indiana. Please provide a detailed description of all capital expenditures made over the last five years (or since assuming operational control) at Eldorado owned or operated pari-mutuel race tracks to improve the racing product¹, at Pompano Park, Scioto Downs, and/or Mountaineer Casino.
3. One reason that both Hoosier Park and Indiana Grand were established were as vehicles for the promotion of horse racing in Indiana. Given ERI's public efforts to eliminate harness racing at Pompano Park and replace it with jai alai, please provide answers to the following:
- When did ERI acquire an ownership interest in the race track at Pompano Park? Please generally describe that transaction.
 - What Florida regulatory authority(s) and/or administrative agencies were involved in reviewing that transfer?
 - Did Eldorado file a Petition and any supporting materials in support of its efforts to acquire the Pompano Park pari-mutuel license?
 - Please provide to the IHRC all non-privileged documents and/or supporting materials referenced in response to the preceding question.
 - Was any order or decree issued by any Florida regulatory authority and/or administrative agency approving the transfer of ownership? If so, please provide copies of any and all orders and /or decrees that relate to the transfer of Pompano Park to ERI.
 - At the time of purchase, did ERI make it known to Florida regulators that it intended to undertake efforts to "decouple" the casino from the racetrack, despite existing Florida statute?
 - If ERI had determined that it would be unable to decouple the casino from the racetrack, how might this have affected ERI's interest in the purchase of the property?
 - Did any discussions and/or negotiations with the Florida Standardbred Owners and Breeders Association take place in conjunction with (either before or after) the transfer of Pompano Park to ERI? If so, please provide any documentation relative to those discussions and/or negotiations including any correspondence exchanged between and/or contracts executed by ERI and/or the Florida Standardbred Owners and Breeders Association.
 - Please describe in detail the circumstances underlying ERI's attempted elimination of harness racing, including but not limited to data or analysis that assisted ERI in determining that the elimination of harness racing was the best course of action for the Pompano Park property.
 - Given the IHRC's legislative mandate(s) and in light of the proposed elimination of horse racing by ERI at Pompano Park why should IHRC approve ERI's application to become the exclusive owner of horse racing permits in the State of Indiana?
 - How does ERI ensure that it will maintain a productive, collegial and "partnership" relationship with the horsemen at Indiana Grand and Hoosier Park?

¹ Expenditure descriptions should include those that were intended to directly improve the quality of the racing product, including expenditures on track surfaces and backside facilities, equipment, etc.



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- l. What assurances will ERI offer that it will not seek elimination or downsizing of horse racing at either Indiana race track property in the event that the requested transfer of ownership is authorized?
 - m. What assurances will ERI offer that it will not undertake a similar effort to decouple the Indiana Grand and Hoosier Park gambling operation from the racetracks, as is/was being employed in Florida with respect to the Pompano Park property?
4. On or about September 11, 2019, Carolyn Spoletini of Caesars sent a letter to the IHRC notifying it of the pendency of two lawsuits filed against Caesars and its Board Members relating to the CEC/ERI merger agreement. Given the relief requested by the plaintiffs in those cases (as indicated in the confidential summaries which were provided to the IHRC), please confidentially explain in detail why the IHRC should move forward to investigate, evaluate, and set a hearing on the Eldorado Petition?

Lastly, Caesars also agreed to Condition 4 in the Final Order which states as follows:

4. Caesars covenants to prepare in consultation with the horsemen's associations and present to the Commission for approval, on an annual basis, a racing operations plan for the upcoming calendar year before race dates are allocated. The plan must include and/or address each of the elements referenced at pages 20-22 of the RG & E Report. (Commission Exhibit C.2.) These elements are also set forth in Finding of Fact 18 (pp. 14-16) of this Final Order and are incorporated herein by reference. Caesars understands and agrees that this comprehensive, operational plan will become a commitment of Caesars and that any material changes during the year will be subject to Commission approval. Material deviations from the operational plan without Commission approval will be tied to the license and (depending on the nature of the deviation) within the Commission's discretion as to whether penalties will be imposed, the extent of any penalties that will be imposed or any other appropriate action provided by applicable law and regulations that might be taken. If a change/deviation is deemed an emergency by the Commission's executive director then he/she will be empowered to approve any change/deviation that cannot wait for Commission approval;

The first operational plan (for 2019) was presented to the IHRC in mid-November of last year and was reviewed and approved by the IHRC at its December 2018 meeting. The operational plan for 2020 will be due this November and will be acted upon by the Commission at its December, 2019 meeting. If the appropriate approvals are received, Eldorado has advised the IHRC that the Eldorado/CEC Merger and Acquisition Agreement is expected to close sometime during the first quarter of 2020. In that event, Eldorado would be responsible for implementing approximately 75% of the 2020 operational racing plan for Indiana Grand and Hoosier Park. Accordingly, the IHRC would request that (to the extent possible) Eldorado participate actively with CEC in preparing the 2020 operational plan and be prepared to represent to the IHRC at its December meeting that it supports and endorses the plan and will commit to comply with the plan in 2020 in the event that the Eldorado Petition is approved. If this is not possible (for either legal or practical reasons) then the IHRC will expect Eldorado to prepare and submit a written review and critique of the CEC plan and appear at and be prepared to present this position to the Commission at its December 2019 meeting. Please let me know at your earliest convenience whether this request presents any issues or concerns to ERI.



State of Indiana Indiana Horse Racing Commission

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Thank you for your prompt and complete answers and responses to these questions and requests. Please consider the IHRC's investigation of the ERI permit application to be continuing. The IHRC will contact you if and when more information is required or if it determines that additional application information is necessary. Thanks in advance for your responses and anticipated cooperation.

Sincerely,

Michael D. Smith
Executive Director
Indiana Horse Racing Commission

Cc: Robin Babbitt
Noah Jackson
Matt Norris
Ed Quatmann



State of Indiana

Indiana Horse Racing Commission

Eric Holcomb, Governor

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November 21, 2019

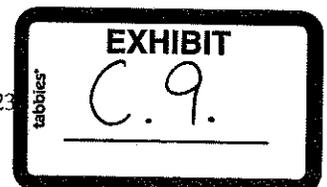
Jeff Hendricks
VP of Compliance
Eldorado Resorts, Inc.

Dear Mr. Hendricks:

The Indiana Horse Racing Commission ("IHRC") has reviewed Eldorado Resorts, Inc.'s ("ERI") letter in response to its original letter dated September 24, 2019 (the "September Letter"). We appreciate the information that ERI provided and will use that, along with the information supplied in the permit application to continue to evaluate ERI's request to be approved as the exclusive horse racing permit holder in Indiana. Upon reviewing your response letter and accompanying exhibits, some additional questions arose. The IHRC would appreciate your prompt response to these questions, with answers as complete as possible and including additional examples/information where appropriate.

IHRC Staff has reviewed ERI's Exhibit 2 titled Racing Cap Ex ("CapEx") and understands the items included on that list to be ERI's complete response to question 2 posed by the September Letter, requesting a detailed description of all capital expenditures made since assuming operational control of each property, specifically intended to improve the racing product. Please provide answers to the following questions regarding the CapEx exhibit:

1. Please describe/explain (including statutory/regulatory citation) the West Virginia Capital Reinvestment Fund ("WV Fund").
 - a. What is the purpose of the fund?
 - b. Is the fund specific to horse racing and/or the Mountaineer race track or do other facilities compete for the funding?
 - c. What types of projects/expenditures can the money in the fund be used for?
 - d. Does ERI contribute money to the fund?
 - e. How does ERI access the fund and/or what authority approves the use of the fund for a specific project/expenditure? Please describe the approval process if applicable.
 - f. What would happen to monies in the fund if they were not requested and/or expended within a specific time frame? In other words, does ERI understand that any monies in the fund available to Mountaineer and/or horse racing were "use it or lose it" monies? Please explain your response in detail.
2. Please identify any capital expenditures contained on Exhibit 2 relating to the Mountaineer race track that were funded using the WV Fund.
3. ERI's response to the September Letter stated that it acquired Isle of Capri Casinos, Inc. (the parent of Pompano Park), in May of 2017. The CapEx exhibit includes expenditures at Pompano Park from Q3 2016. The \$353,312 spent on the Q3 2016 projects makes up approximately 71% of the capital expenditures at Pompano Park listed on the exhibit.
 - a. Was ERI prohibited from participation and/or funding these CapEx projects pursuant to the same and/or related federal anti-trust laws in place that prevent ERI from participating in the preparation of the Caesars 2020 operational plan?



- b. If ERI had any role in these Q3 2016 projects, please describe its role in detail, including whether or not ERI directly funded any of these projects in whole or in part.
 - c. If ERI did not participate in or fund any of these Q3 2016 projects, please explain why ERI considers it appropriate to include these projects on Exhibit 2 in response to the IHRC's September Letter?
 - d. What, if any, plans are in place for horse racing CapEx at the Pompano Park property if ERI is unable to secure a jai alai license and harness racing continues?
4. Are there CapEx improvements that ERI plans to make for 2020 at Pompano Park, Scioto, or Mountaineer?
 - a. If the IHRC were to conduct interviews with the horsemen at any or all of the three race tracks identified above, does ERI believe that they would report that ERI has been an engaged and invested horse racing partner and has made reasonable and necessary improvements to the three race tracks during ERI's ownership?

The IHRC Staff understands and appreciates ERI's position on the appropriateness (or lack thereof) of review/approval of the put/call agreement as part of the initial permit application. That said, additional questions regarding the REIT structure have arisen and the IHRC would appreciate information on the following:

1. Given that (if either or both of the options were exercised), a transfer of the property(s) via the put/call agreement would involve a sale and leaseback of the real property of the Hoosier Park and/or Indiana Grand racino(s) to VICI, is it accurate to say that ERI would no longer have any ownership interest in the real property associated with a particular racino?
2. If the above statement is correct, what would happen to the real property in the event that VICI were to become insolvent and/or bankrupt?
3. How would the racinos be impacted if, during the term of the leaseback agreement, ERI became unable to pay its monthly rent fee?

On October 22, 2019, ERI met with the Indiana Gaming Commission and, among other things, discussed its financial stability and how ERI plans to ensure that the post-merger entity runs efficiently.

1. Please list properties that have experienced an increase in gross gaming revenue (and provide materials confirming the increases) following ERI assuming operational control within the past ten (10) years.

In the current climate, horse racing safety is under closer scrutiny than perhaps any other time in recent history. As such, the IHRC Staff believes that safety must be an absolute priority for any racing permit holder.

1. Does Mountaineer currently hold a National Thoroughbred Racing Association ("NTRA") safety accreditation?
2. If so, how long has Mountaineer been NTRA accredited? Were there any interruptions in the accreditation period?
3. If not, was Mountaineer ever NTRA safety accredited?
4. If Mountaineer was denied and/or lost its safety accreditation, please explain the circumstances behind the NTRA's decision (including any relevant written materials provided by NTRA relating to its decision).
5. If Mountaineer is no longer NTRA accredited by choice of ERI to not renew or pursue accreditation, please explain why ERI has elected not to pursue NTRA accreditation and provide any relevant materials that were used in reaching that decision.
6. Please provide the number of racing-related deaths or injuries to horses at Mountaineer from at least five (5) years before accreditation, through 2019.

Thank you for your prompt and complete answers and responses to these questions. Please consider the IHRC's investigation of the ERI permit application to be continuing. The IHRC Staff will contact you if and when more information is required or if it determines that additional application information is necessary. Thank you in advance for your responses and anticipated cooperation.

Sincerely,



Deena Pitman
Executive Director
Indiana Horse Racing Commission

Cc: Robin Babbitt
Noah Jackson
Matt Norris
Ed Quatmann



Jeffrey Hendricks
Vice President – Regulatory & Compliance
Direct Dial: 775-348-3336
jhendricks@eldoradoresorts.com

February 5, 2020

Confidential

Executive Director Pitman
Indiana Horse Racing Commission
1302 N. Meridian Street, Suite 175
Indianapolis, IN 46202

Executive Director Pitman,

Eldorado Resorts, Inc. (“Eldorado”) received the Report to the Indiana Horse Racing Commission (“IHRC”) prepared by Racing, Gaming & Entertainment LLC and Principal F. Douglas Reed dated January 9, 2020 (hereafter “The Report”). Eldorado is willing to step into the obligations of Caesars and is willing to continue to adhere to the operational plan conditions currently applicable to Indiana Grand and Hoosier Park. However, Eldorado appreciates that as the potential holder of Indiana pari-mutuel permits, Eldorado is not only expected to maintain the status quo, but to improve the status quo. To that end, this letter expresses (1) Eldorado’s commitment to adopt the recommendations discussed in The Report and (2) Eldorado’s additional pledges to promote and improve the Indiana horse racing industry.

References within this document to Eldorado and its commitments also hereby refer to Indiana Grand and Hoosier Park. The commitments described below are intended only to summarize the Report’s recommendations and are not intended to ignore or not give credence to any materials included in the Report but not specifically addressed herein.

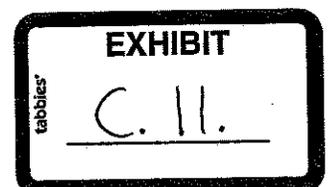
(1) Eldorado’s commitment to adopt the recommendations discussed in the Report

Recommendation: Continue and improve the requirement for Indiana Grand and Hoosier Park to obtain approval of an operational plan on an annual basis.

Commitment: Eldorado agrees to obtain approval of operational plan on an annual basis. Moreover, Eldorado agrees to the Reed Reports’ recommended improvements to the operational plan process designed to (1) ensure stakeholder transparency and input prior to plan submission for approval and (2) adding measurable and quantifiable details to the operational plan that can be monitored, revised, discussed and enhanced going forward.

In response to item (1), Eldorado will communicate the operational plan to key stakeholders in time for feedback prior to initial submission for approval and will communicate the operational plan prior to submitting the plan to the IHRC for approval.

In response to item (2), Eldorado will work with the IHRC to establish a timeline to the modifications to the existing process that will benefit all stakeholders involved. In furtherance of that timeline, Eldorado will provide the detailed, measurable goals and itemized budgets that would benefit the IHRC and other stakeholders.



Recommendation: Eldorado should keep knowledgeable managers and hire other qualified managers. Eldorado should empower its racing managers so as not to tie their hands more than necessary.

Commitment: Eldorado agrees to keep knowledgeable managers and hire other qualified managers. Eldorado agrees to keep the current racing management teams in place at Hoosier Park and Indiana Grand. Sadly, with the recent passing of Jon Schuster, Indiana Grand is in the process of finding a new general manager of racing. Eldorado anticipates that Caesars will name a qualified successor to Mr. Schuster and supports the decision to maintain empowered, experienced horse racing management.

In addition to maintaining the racing management teams in place at the properties, Eldorado is creating the role of SVP Racing in order to strengthen the company's racing management team and is excited to announce that Joe Morris, Jr will join Eldorado in this role. Joe brings over 30 years of racing operations experience to the role and Eldorado is excited add his experience and insight to the Eldorado leadership team and introduce Joe to the IHRC and the Indiana Horsemen. The SVP Racing will report directly to President & COO Anthony Carano and will be responsible for overseeing racing operations across the company, with the primary goal to ensure the continued and future success of racing at Hoosier Park and Indiana Grand. The SVP Racing will work directly with the property management teams and Indiana horsemen to ensure that racing is maintained in the manner expected at Hoosier Park and Indiana Grand. Eldorado is also excited that Mike Pegram will continue to serve on Eldorado's board. Mike is a longtime horsemen with roots in Southern Indiana and is keenly focused on ensuring the future success of Indiana racing.

Recommendation: Eldorado should provide an outline for a yearly operational plan for approval before race date allocation.

Commitment: Eldorado agrees to provide an outline for a yearly operational plan for approval before race date allocation. In addition to elements the Commission may deem necessary given the various considerations included in its review, Eldorado commits to the following elements of a yearly operational plan:

- Providing the operational plan to necessary horsemen groups prior to approval and soliciting feedback from horsemen groups.
- Spending an agreed upon amount for the marketing of during the plan year. The operational plan shall identify specific promotions, marketing, advertising buys, CRM efforts, social media and any other appropriate marketing outlays. The racing marketing plan shall include the amount of spending on racing specific events and initiatives. The plan's budget shall fairly allocate expenditures based upon reasonable metrics.
- Providing specificity to staffing of racing personnel at each track.
- Providing the IHRC with year-end projected results and validation to demonstrate to the satisfaction of the commission that the current year's plan was accomplished in good faith. These year-end projections shall include measurable budgets, goals, etc. and be designed in order to facilitate ease of monitoring and add to the accountability expected of Eldorado.
- Creating specific, measurable, achievable, realistic and timely goals in order to assist the IHRC in monitoring the execution of promised plans.
- Providing transparency to all racing constituents and working with the IHRC to formalize a process that provides for an annual review of the racing side of the business and the discussion of forward-looking issues that would impact racing. Eldorado will also provide updates at commission meetings in order to provide the commission the ability to monitor progress.

- Maintaining the current standard by retaining racing management with racing experience and knowledge, if not improving racing management. Eldorado will also empower racing officials to do what is necessary to produce a quality racing product and manage that product well. Eldorado agrees that Commission approval is required of executive management and changes to such positions. Eldorado intends to appoint a SVP of Racing, which will report directly to Eldorado's President and COO, who will ensure that racing management at Hoosier Park and Indiana Grand are empowered.

Recommendation: Identify the Racing Manager in the Operational Plan and empower that individual to make operational decisions.

Commitment: Eldorado agrees to identify the person(s) designated to attend the meetings in the operational plan along with the authority for that individual. Additionally, the plan will cover most major decisions and the personnel attending the commission meetings throughout the year will be expected and able to handle any other type of decision, especially as it relates to the operational plan. (crisis/emergency anomalies aside) Eldorado also commits that the SVP Racing will maintain active involvement in such quarterly meetings going forward.

Recommendation: Allocate a percentage of revenue to put back into the business for improvements, research, capital expense, etc.

Commitment: Eldorado commits to working with the IHRC to determine an appropriate manner to benchmark racing expenditures over time, including allocating a percentage of revenue if that is the appropriate benchmarking tool.

Recommendation: Maintain accreditation by the NTRA Safety & Integrity Alliance and require reasonable safety and integrity plans.

Commitment: Eldorado will maintain NTRA Safety & Integrity Alliance accreditation at Indiana Grand. Additionally, if upon evaluation by the IHRC it feels that additional safety and integrity plans are required, Eldorado shall work with the IHRC to agree upon updated safety and integrity plans. Eldorado shall consider new initiatives for safety understanding that such measures may bring added costs to all stakeholders. Eldorado also understands that when large projects arise that would benefit from the involvement of racing surface industry experts, Eldorado will appropriate consult with such experts.

Please note that these are not the only element of an operational plan that Eldorado would commit to, but are included herein to note Eldorado's agreement with The Report's new recommendations that were included to allow for monitoring and accountability by the IHRC. Should it benefit the IHRC for Eldorado to speak to any of the other comments or recommendations contained in The Report, Eldorado will be happy to do so.

Eldorado also acknowledges that the strengths and weaknesses discussed in The Report reflect a wide range of concerns and interests that stakeholders should rightly consider. Eldorado believes that by adhering to the commitments made herein and by providing the additional pledges to grow and improve Indiana racing, Eldorado will build on the strengths noted in The Report and mitigate the weaknesses.

(2) Eldorado's Pledges to Grow and Improve Indiana Racing

In order to grow and improve Indiana racing, Eldorado pledges to practices relating to Eldorado's Commitment to Indiana Horse Racing, Commitment to the Product, Commitment to the Community and Commitment to Racing Marketing.

(A) Commitments to Horse Racing

Eldorado understands the importance of horse racing's impact on the state of Indiana and is excited to continue programs that benefit Indiana horse racing and horsemen. To this effect, Eldorado communicated with Indiana horsemen organizations and expressed its desire to extend the 12% statutory distribution at both Hoosier Park and Indiana Grand for a 10-year period after the proposed transfer, subject to the IHRC's approval.

Eldorado also commits to the following matters, in addition to or in conjunction with its commitments previously made or made in regards to The Report's recommendations:

- Maintain first class racing facilities, both frontside and backside, at Hoosier Park and Indiana Grand
- Maintain first class OTB facilities
- Continue current distribution agreement (12%) and horsemen contracts
- Continue to operate same number of race days
- Maintain current racing leadership positions
- Keep the same benefits for our team members
- Maintain NTRA Safety and Integrity accreditation at Indiana Grand and continue with industry leading integrity and regulations
- Continue to keep the same amenities and benefits for horsemen and track personnel including complimentary dormitory and stabling facilities

Importantly, Eldorado wants to further the culture of collaboration and partnership currently in place in the Indiana racing community in order to proactively address issues before such issues could cause a concern to partners in the industry.

(B) Commitment to the Product

Eldorado will continue to invest in the racing product through the agreed upon Racing Capital Plan through 2033. Eldorado will also work alongside horsemen to identify the best use of capital spend around horse racing facilities and new projects.

Eldorado will also add an additional 10% in Racing Capital for 2020 that will be used at the track's discretion to further enhance the experience at the track. Additionally, Eldorado will add any discretionary funds needed as it pertains to track safety. In order to continue to build the partnership between all constituents in the racing industry, Eldorado will work with Indiana horsemen and the IHRC to determine the best use of racing capital.

Eldorado also commits to further expansion of the overall footprint of Hoosier Park and Indiana Grand by 2022 to support additional Table Games and other amenities. Ultimately, driving increased visitation and therefore increase distribution to support Racing.

(C) Commitment to the Community

Eldorado's heritage is as a family owned business and will endeavor to make the Indiana community a part of its family. Eldorado will continue to invest in the Indiana communities above and beyond the current level. Eldorado will also fulfill the commitment to the remaining years to the Centaur Equine Specialty Hospital in Shelbyville.

Eldorado will add an additional \$250,000 in 2020 in Community Spend through Community Donations and partnerships post-merger.

Eldorado commits to providing support to the community in which we operate. Eldorado will work with and help fund efforts by industry partners to fund an updated Indiana Horse Racing Industry Economic Impact Study.

(D) Commitment to Marketing:

Eldorado will market best-in-class racing product. Eldorado will continue advertising and promotional spend and provide tracks with additional funds to support the further growth and showcasing of the Racing product.

Eldorado will add an additional 10% in Advertising and Promotional Spend in 2020 utilized at the tracks' discretion with primary focus on increasing visitation and awareness.

Eldorado commits to utilizing Caesars Rewards, now with ~65M members, to promote and increase visitation from new properties within the expanding network.

In this letter Eldorado commits to numerous recommendations made in the Report and pledges to grow and improve Indiana Racing. Above and beyond those expectations, Eldorado also commits to partnering with the IHRC and Indiana Horsemen to continue to refine and improve the commitments made herein both now and in the future in order to continue to operate Hoosier Park and Indiana Grand in a first-class manner going forward. As needs change and new opportunities develop, Eldorado will partner with the IHRC and Indiana horsemen to provide for those changing needs and to capitalize on new opportunities.

As always, we appreciate the IHRC's time and efforts in reviewing this application. If I can provide any additional information relating to Eldorado's response to The Report or the additional commitments described in this letter, please contact me at your convenience.

Regards,

/s/

Jeff Hendricks

VP – Regulatory & Compliance

Eldorado Resorts, Inc.

CC: Gary Carano
Tom Reeg
Anthony Carano
Bret Yunker
Ed Quatmann
Matt Norris
Mike Messaglia
Adam Kallick
Jim Purucker
Noah Jackson
Robin Babbitt



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March 3, 2020

INDIANA
HORSE RACING COMM.

Executive Director Pitman
Indiana Horse Racing Commission
1302 N. Meridian Street, Suite 175
Indianapolis, IN 46202

Dear Executive Director Pitman:

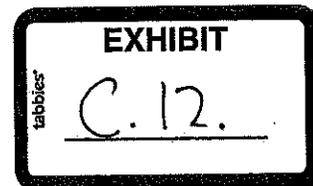
We are committed to grow and improve Indiana Racing in partnership with the IHRC and Indiana horsemen associations. To that end, we have been collaboratively discussing in good faith with the horsemen associations various items and concepts to benefit the horse racing industry in Indiana and continue its growth and future success. Based on these discussions, we offer the following concepts for consideration by the IHRC. In addition to the existing order pertaining to Indiana Grand and Harrah's Hoosier Park, we are willing to commit to the following concepts as part of a final order, ongoing license conditions or other means of regulatory assurance.

Guaranteed Horsemen Distribution of 12%

In the Final Order of the IHRC dated July 10, 2018, Caesars agreed to pay the maximum statutory distribution amount to the horsemen (as provided by IC 4-35-7-16(f)) of 12% through calendar year 2022, regardless of whether table games and/or hotels are added at either facility in the interim. Eldorado commits to continuing to pay the maximum statutory distribution amount to horsemen through calendar year 2022, in furtherance of Caesars' previous commitment.

Eldorado also agrees to pay the maximum statutory distribution amount of 12% to the horsemen for 11 years after expiration of the current order in 2022 (i.e., for 13 years, which is through the 2033 racing season). Additionally, Eldorado is willing to pledge to have its government relations team use its best efforts, in collaboration with the horsemen associations and their respective government relations teams, to seek a change in the state statute regarding racing distribution agreements to change the required distribution to 12% (as opposed to "10-12%"). In the event that a legislative opportunity does not present itself, and after the 2033 racing season, Eldorado's agreement to distribute the maximum statutory distribution amount to the horsemen of 12% would auto-renew an additional 10-years, subject to IHRC approval.

Eldorado acknowledges and commits that the Indiana Horse Racing Industry will participate and receive revenues at the maximum statutory distribution amount of 12% from any new forms of gaming or wagering that takes place at a racino or an off-track betting facility operated by the permit holder. Those new revenues will be distributed on a pro-rata basis that slot and table game revenues are presently calculated if the new form of gaming or wagering takes place in a portion of the facility



that is regulated by the Indiana Gaming Commission. In the event there are new revenues from additional forms of pari-mutuel wagering, those new revenues will be distributed as is presently on a pro-rata basis as currently in which pari-mutuel revenues are presently calculated that is regulated by the Indiana Horse Racing Commission.

Capital Escrow Fund

Eldorado understands and recognizes that both racing facilities have had many large-scale capital enhancement projects (front side and back side) over the past 10 years and intends to continue these types of projects going forward.¹

Accordingly, in addition to Eldorado's continued commitment to comply with the schedule for equipment replacement through 2033 and to obtain the IHRC's approval of racing capital in the property operational plans on an annual basis, Eldorado is willing to agree to fund a *Racing Capital Escrow Fund* of \$20-25 million to be spent over a 10-year period beginning in 2020. The funds could be held in a third party escrow account and will fund major projects and enhancements to the race track facilities to ensure that both race tracks will be industry leading and recognized as top standard (such as a new or renovated race administration building at Indiana Grand, additional dormitories at Indiana Grand, new barns, replacement of track lighting at Hoosier Park, Grandstand improvements, etc.). We believe that this will attract horsemen, equine athletes and personnel to Indiana and fuel the continued growth of the industry.

This fund would be spent over a 10-year period for an average of \$2-2.5 million/year. There would not be a minimum or maximum per year due to different scales of potential projects. All expenditures in excess of \$500,000, would be approved by the IHRC or its designee. This fund is to be spent on projects with the approval of a newly formed 'Racing Capital Fund Advisory Committee' which would consist of: a representative from Eldorado's corporate executive management, a representative from Hoosier Park racing management, a representative from Indiana Grand racing management, and a representative from each of the three horsemen associations contracted with the tracks. These representatives would be defined and included in the annual contracts between the associations and tracks.

The IHRC would have the authority to require recapitalization of capital escrow funds after 10 years if concerns of facilities exist. These funds would not be used in substitute in any way for the schedule for equipment replacement or the capital commitments made in the annual operating plans.

¹ Examples of previous projects at Hoosier Park are: Race Administration building, Gatehouse, Track maintenance building, Dormitory remodel, Track kitchen remodel, HDTV installation and LED tote board. Examples of previous projects at Indiana Grand are: Quarter Horse barn, Track maintenance building, Gatehouse remodel, Paddock resurface, Dormitory additions, HDTV installation and LED tote board.

Executive Director Pitman
Indiana Horse Racing Commission
March 3, 2020
Page 3

Meeting Requirements

Eldorado believes that good lines of communication and transparency among itself, the IHRC and the horsemen associations will help ensure that the best interest of racing is always being upheld and the stewardship of the industry is not diminished.

Eldorado is willing to agree to, at the IHRC's discretion (both in frequency and manner), hold meetings with track management personnel and appropriate corporate racing executive(s) in order to ensure consistent discussions around the performance and updates of the industry, facilities, regulations, safety and integrity of racing. In addition, Eldorado expects that its racing operations management personnel (GMs, Racing Secretary, Track Superintendent, etc.) will hold regular monthly meetings with appropriate horsemen association representatives. This will ensure consistent communications for any and all concerns that need addressed or considered. As industry partners, it is imperative that the horsemen and the management of those facilities have close and consistent communications.

Track Consultants

Eldorado will strive for the highest track safety for its participants and equine athletes. Eldorado is willing to agree that, in the event of significant track maintenance or safety concerns, Eldorado will employ top-tiered industry expert consultants (such as Coon Brothers, Butch Lehr, Mick Peterson, etc.) to help advise and formulate the best recommendations and methods to best remedy the subject matter, as needed. Those recommendations and methods to then be properly communicated to the horsemen.

Signature Races, Indiana Stakes & Breeding Program

Eldorado is willing to agree to use its best efforts to continue to highlight Indiana's racing industry and facilities by hosting and seeking opportunity to host other major racing events, such as Breeder's Crown, AQHA Quarter Horse Challenge and the Indiana Derby. Eldorado is also willing to agree to fund an additional \$1 million for three consecutive years (2020-2022) to increase purses if an agreement of funds disbursement can be reached by the horsemen associations and the IHRC or its designee. These funds are in recognition of the necessary timeframe of future expansion projects needed for full implementation of table games and the impact they have on Indiana horsemen once fully implemented.

Acknowledgement of Future Subject Matters

Eldorado recognizes and acknowledges that there are items that may come up from time to time that may not be addressed in this order. It is the intent and desire to conduct business with a philosophy and manner where decisions will always be made in collaboration with our partners and issues reconciled with the viewpoint of horse racing and its best interest. Decisions will be made to strengthen the success of the industry and our partners.

Off Season Training

Eldorado recognizes and acknowledges the potential benefit to Indiana Horsemen at Indiana Grand and/or Hoosier Park to be utilized for "off season training" purposes. Eldorado will collaboratively work on a mutually agreeable terms and conditions with the contracted associations at each respective track to determine the best methods and rules with the interest and safety of equine athletes and participants. At no time will the safety of the industry or its participants be sacrificed. Stalls and dormitory rooms will be provided free of charge during "live race season" and also "off season training" for active eligible participants. The IHRC, or its designee, may request approval of proposed mutually agreeable terms and conditions.

It is understood that some capital improvements will be necessary in regards to weather environment during the "off season training" period at the facility(s) and it is anticipated those plans will be presented to the newly formed "Racing Capital Fund Committee".

The intent of this "off season training" period is to allow for its use by horsemen who actively participate in the Indiana racing programs. Rules on how this benchmark is measured will be mutually agreed upon by each respective track's management and the respective horsemen's associations who race at the track.

Additionally, this will encourage and foster growth in Indiana's horse racing industry regarding the breeding and racing specifically of Indiana bred and sired horses. It will allow horsemen participants to plant roots in central Indiana which will have a significant positive impact on Indiana's agri-business.

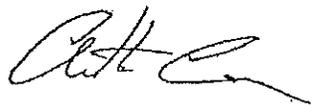
Commission appointed manager (trustee concept)

Finally, with respect to all of Eldorado's commitments, Eldorado is willing to agree to a procedure under which the IHRC may appoint a track manager (at Eldorado's expense) at one or both tracks if Eldorado is found to be in default and has not rectified the default after having been given a reasonable period of time to do so. If the IHRC is interested in something along these lines, Eldorado would welcome the opportunity to flesh out the details of this procedure.

Very truly yours,



Tom Reeg
Chief Executive Officer



Anthony Carano
President and Chief
Operating Officer

/s/ Joe Morris

Joe Morris
SVP of Racing

Indiana Horse Racing Commissioners:

From 1994 to 2006 three individuals including Ernie Gaskin as Chairman, Nat Hill and Henry Blackwell as members, served as the Indiana Horse Racing Commission Standardbred Breed Development Advisory Committee. We are proud of the incredible progress Indiana harness racing has made since 1994, and would like to think we had a little something to do with it.

During that time, the three of us never felt the need to offer advice to the Indiana Horse Racing Commission beyond our prescribed duties as Breed Development Committee members.

We have always respected, and will continue to respect, the decisions of the Indiana Horse Racing Commission; because we value and appreciate their constant desire to do what is best for horse racing in the State of Indiana.

We have only spoken out as a group once since 2006, and that was in support of proposed changes recommended by the then current members of the Breed Development Committee.

But we now feel compelled to speak out on an issue, which is likely the most important decision the Indiana Horse Racing Commission will ever make. That issue is the proposed merger of Eldorado and Caesars.

Horsemen are extremely reluctant to speak out against any proposed changes in ownership, since if approved, the new track owners may seek retaliation against anybody who has spoken publicly against the change of ownership. This is a very real fear in the mind of individual horsemen and horsemen's groups. Do not be surprised if they see wisdom in remaining silent.

We commend the current Commission for their due diligence in investigating Eldorado's performance. Eldorado's abysmal performance as race track owners is well known by anybody remotely familiar with horse racing. Doug Reed's excellent report can best be summarized by a picture in Appendix B, page 32, showing the "Only wash rack in barn area" at Scioto Downs.

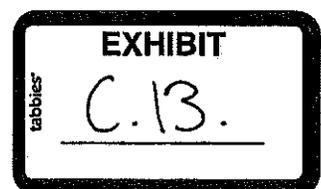
Their love affair with REITs is also something we find very unsettling.

Throw in their legal quest to kill harness racing in Florida, and we can only come to one possible conclusion.

We stand in total opposition to the proposed merger of Eldorado and Caesars.

We cannot find any way possible that this merger can be "in the best interest of the horse racing industry and the State of Indiana"

We (Ernie, Nat, and Hank) wish to stress again that we totally trust the Indiana Horse Racing Commission to make the right decision in this matter, and thank you for taking the time to read this.



To: IHRC Commissioners

From: D.L.Rhule, Chairman Standardbred Advisory Board

I have discussed with my board the following material The Indiana Standardbred program has been a complete success on moving our breed forward and have horses who can compete at all levels of the industry.

I have read the Reed Report entirely and have read the Eldorado proposal.

Eldorado purchased two facilities which had horse racing. Pompano was not in good repair, (see Reed Report) and Scioto with its main grandstand condemned and Pompano the same. Plus Eldorado is pursuing the decoupling of Pompano, which allows them to stop racing, and keep the Casino at Pompano. In brief, they have said the future for Pompano is not good and have not presented to date a plan to improve Scioto in disrepair. The answer I got was they were bad when we purchased them. To me, that's not a positive position statement by the Eldorado of how they view horse racing.

We were here around two years ago when the Ceasars purchase of both tracks was approved by the IHRC. I stated at the approval meeting that all dealings were tied to ROI (return on investment). So it was ROI and will continue to be ROI in the future.. Little on good will. Now because Ceasers was not performing up to the expectations per one of the major stock holders, they were forced into this merger with Eldorado. So as always ROI is the dominate force today and in the future.

An item of concern for horsemen is that Eldorado will start charging stall rent. Presently it is \$175 per horse per month at Pompano. At Scioto, the barns were fair but Eldorado closed them all down and only have ship ins.

Reit is where Eldorado can sell the physical grounds and assets and then they can rent them from whom bought them. With a 17.3 billion price tag, this is a way to raise capital. As you do these sales, it complicates the clean ownership lines, the more complicated the legal entanglement becomes, and probably not in favor of the horsemen. Reit should not be allowed for these reasons.

Of paramount importance does the IHRC have the legal authority and determination to enforce the provisions agreed to in the merger if allowed to go forward?

The financial world is in turmoil how it could effect this merger and racing future must be considered..

I want to thank the IHRC for their continued good work and allowing me to present these concerns.

