

ORDER 2018-120

AN ORDER OF THE INDIANA GAMING COMMISSION CONCERNING GRANTING TRANSFER OF GAMBLING GAME LICENSES

I. BACKGROUND

On January 17, 2018, the Indiana Gaming Commission (“Commission”) received a Gambling Game License Transfer Application from Caesars Resort Collection, LLC (“CRC”). The Application requests ownership in Hoosier Park, LLC (“Hoosier Park”) and Centaur Acquisition, LLC d/b/a Indiana Grand Racing & Casino (“Indiana Grand”) through a transfer of ownership with their parent company Centaur Holdings, LLC (“Centaur”). This would allow CRC to become the sole owner of both Hoosier Park Racing & Casino and Indiana Grand Racing & Casino. The agreement between CRC and Centaur totals \$1.7 billion, including \$1.625 billion at closing and \$75 million in deferred consideration.

CRC is a wholly-owned subsidiary of Caesars Entertainment Corporation (“CEC”). CRC was formed as part of Caesars overall financing plan to repay the existing debt of Caesars Entertainment Resort Properties, LLC (“CERP”) and Caesars Growth Properties Holdings LLC (“CGPH”). On December 22, 2017, after receiving regulatory approvals from Louisiana, Nevada, and New Jersey, CERP merged into CGPH, with the merged entity ultimately being renamed CRC.

CRC is the parent company of Bally’s Las Vegas, Flamingo Las Vegas, Harrah’s Las Vegas, Paris Las Vegas, Planet Hollywood, Rio All-Suites Hotel & Casino, The Cromwell, The LINQ Hotel & Casino, Harrah’s Atlantic City, Harrah’s Laughlin, Harrah’s New Orleans, LINQ Promenade/High Roller, and Octavius Tower. Meanwhile, Caesars Entertainment Operating Company LLC (“CEOC”), another subsidiary of CEC, is the parent company of Indiana casino owner’s licensees Horseshoe Hammond, LLC (“Horseshoe Hammond”) and Caesars Riverboat Casino, LLC (“Horseshoe Southern Indiana”).

Information the Commission has considered includes the foregoing and the following:

1. CRC has submitted a complete transfer of ownership interest application and caused to be submitted complete personal disclosure forms and other appropriate applications for CRC and all key persons, as deemed necessary by Commission staff.
2. On January 4, 2018, the Federal Trade Commission granted CEC early termination to the waiting period under the Hart-Scott-Rodino Act.
3. The Commission has received and reviewed a financial analysis of the proposed financing transaction from the Commission’s outside financial analyst, Dan Roberts, of DR Financial Consulting, LLC.
4. The Commission’s Background and Financial Investigations Divisions have completed a comprehensive investigation of CRC, including key persons. Commission staff has presented the final investigative reports to the Commission for review.
5. Representatives of CRC have addressed the Commission at a public meeting to present information relevant to the proposed transfer of ownership of both gambling game licenses and financing.

6. CRC has presented evidence that it meets or possesses the standards, criteria, and qualifications necessary to be issued a gambling game license pursuant to Ind. Code ch. 4-35-5 and 68 IAC 2-1-5(c).
7. Proceedings before the Commission in connection with the Amended Application of Hoosier Park, LLC, Centaur Holdings, LLC, and New Centaur, LLC filed with the Commission on September 1, 2011, and information presented and represented to the Commission in relation to the Amended Application.
8. CRC submitted to the Commission a written power of attorney identifying a trustee-in-waiting for both Gambling Game licenses which was approved by the Executive Director.

II. COMMISSION ACTION

A. Transfer Fee Under Ind. Code § 4-35-5-7(d)

Based on the information provided by CRC, the Commission's investigation, and the information presented and represented to the Commission in connection with the 2011 Amended Application of Hoosier Park, LLC, Centaur Holdings, LLC, and New Centaur, LLC, the Commission hereby finds the transfer of the Hoosier Park Racing & Casino gambling game license ("Hoosier Park License") from Hoosier Park to CRC triggers the Fifty Million Dollar (\$50,000,000) transfer fee ("Transfer Fee") under Ind. Code § 4-35-5-7(d). Because Hoosier Park assumed "initial licensee" status under Ind. Code § 4-35-5-7(d) in 2011 and maintains that status today, its transfer of the Hoosier Park License to CRC will constitute a "sale" by an "initial licensee" of a "controlling interest" in the Hoosier Park License, and will subject it to the Transfer Fee under Ind. Code § 4-35-5-7(d) because no exception under Ind. Code § 4-35-5-7(e) applies.

Ind. Code § 4-35-5-7(d) states:

(d) Except as provided in subsection (e), a transfer fee is imposed on an initial licensee who sells or otherwise relinquishes a controlling interest, as determined under the rules of the commission, in a gambling game license. The amount of the fee is fifty million dollars (\$50,000,000).

The Commission originally issued the Hoosier Park License to Hoosier Park, L.P. in 2008. At that time, Hoosier Park, L.P. assumed "initial licensee" status under Ind. Code § 4-35-5-7(d). Hoosier Park, L.P. maintained "initial licensee" status under Ind. Code § 4-35-5-7(d) until the Commission approved the transfer of the Hoosier Park License to Hoosier Park in 2011. At that time, Hoosier Park assumed the status of "initial licensee" under Ind. Code § 4-35-5-7(d).

Because the 2011 transfer of the Hoosier Park License to Hoosier Park occurred as a result of bankruptcy, the Transfer Fee did not apply by virtue of the bankruptcy exception in Ind. Code § 4-35-5-7(e)(1). For this reason, the Commission at that time was not required to determine whether that transfer also constituted a "sale" or "relinquishment" of a "controlling interest" in the Hoosier Park License under Ind. Code § 4-35-5-7(d). The Commission at that time also explicitly rejected the applicants' request to declare (1) that Hoosier Park's future transfer of the Hoosier Park License to a subsequent transferee would not be subject to the Transfer Fee; and (2) that Hoosier Park is not an "initial licensee" under Ind. Code § 4-35-5-7(d).

Hoosier Park assumed "initial licensee" status under Ind. Code § 4-35-5-7(d) in place of Hoosier Park, L.P. upon the Commission's approval of the transfer of the Hoosier Park License in 2011. "Initial licensee" status under Ind. Code § 4-35-5-7(d) may only be changed to subsequent licensee status upon the "sale" or "relinquishment" of a "controlling interest" in the license. No sale or relinquishment of a controlling interest in the Hoosier Park License occurred upon the transfer to Hoosier Park in 2011. Hoosier Park, Centaur Holdings, LLC, and New Centaur, LLC represented to the Commission that continuity in the management and control over the Hoosier Park License would be maintained following the transfer to Hoosier Park. From information represented to the Commission, management and control over the Hoosier Park License has been maintained since 2011 as represented in 2011.

In contrast, the Transfer Fee does not apply to Centaur Acquisition, LLC's ("Centaur Acquisition") sale and transfer of the Indiana Grand Racing & Casino gambling games license ("Indiana Grand License") to CRC because Centaur Acquisition is "a person other than the initial licensee" pursuant to Ind. Code § 4-35-5-7(f).

B. Conditional Approval of the Transfer and Change in Substantial Ownership and Financing

1. **APPROVES** the transfer of ownership interest in the gambling game licenses for Hoosier Park and Indiana Grand, which are ultimately owned by Centaur to CRC;
2. **APPROVES** CRC's debt financing package proposed by CRC related to CRC's acquisition of Centaur. The Commission also **WAIVES** the so-called "two meeting requirement of 68 IAC 5-3-2(b)(2) and (3).

The Commission's approval is subject to and contingent upon satisfaction of the following continuing conditions:

1. No adverse rulings or decisions by the Internal Revenue Service, Federal Trade Commission or Indiana Attorney General's Office that would materially impact the transaction;
2. The terms articulated in the final financing documentation shall not materially differ from the terms CRC has presented to date, the terms of the final financing documentation shall not violate Ind. Code § 4-35-5-7(a), (b), or (c), and CRC shall provide the Commission a legal opinion demonstrating compliance with Ind. Code § 4-35-5-7 upon execution of the financing documents.
3. CRC shall obtain from the Indiana Horse Racing Commission ("IHRC") a transfer of the permits for Hoosier Park and Indiana Grand to conduct horse racing operations under Ind. Code art. 4-31;
4. Further, CRC shall meet any and all conditions contained in a Final Order issued by the IHRC relating to conditional approval permitting CRC to conduct horse racing operations under Ind. Code art. 4-31. Failure by CRC to meet any such condition may be the basis for action taken by the Commission pursuant to its powers and authority under Ind. Code art. 4-35;
5. CRC shall ensure that key persons of CRC, and relevant affiliates, person's and/or entities holding an economic, beneficial, or other interest in CRC remain in compliance with laws, regulations, and/or other directives that are applicable to a Gambling Game and IHRC licensee;
6. Hoosier Park or its affiliates, or a third party under obligation to Hoosier Park or its affiliates, shall submit payment, before or at the time of closing, of the fifty million dollar (\$50,000,000) transfer fee assessed upon Hoosier Park under Ind. Code § 4-35-5-7(d) for

the transfer of the Hoosier Park Racing & Casino gambling game license from Hoosier Park to CRC; and

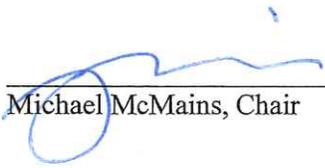
7. This Order must become final and non-appealable before the transaction contemplated by the agreement between CRC and Centaur may close.

III. EFFECTIVE DATE

This Order shall be effective once it becomes a final Order upon the occurrence of the passage of fifteen (15) days following the receipt of the Order from the Indiana Gaming Commission as set forth in Ind. Code § 4-21.5-3-5.

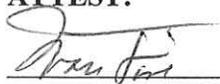
IT IS SO ORDERED THIS THE 28th DAY OF JUNE, 2018

THE INDIANA GAMING COMMISSION:



Michael McMains, Chair

ATTEST:



Marc Fine, Vice Chair