



December 6, 2012

Donald E. Westcott III
Regional Compliance Operations Leader
Phone: (314) 459-0785
Email: dwestcott@caesars.com

Mr. Patrick Martin
Director of Regulatory Compliance
Ohio Casino Control Commission
10 W. Broad Street, 6th Floor
Columbus, Ohio 43215

Re: Proposed Passive Investor Rule

Dear Mr. Martin:

Horseshoe Cleveland wants to again express our appreciation to you and the Ohio Casino Control Commission (“OCCC”) for hosting last week’s meeting in Columbus to discuss the pending rule revisions. It was greatly appreciated. At that meeting, OCCC requested examples of concern in the event the pending passive investor rules were promulgated as currently drafted. We respectfully submit the below hypothetical examples that could be construed as non-compliant if the proposed rule is adopted. Please refer to our submission dated November 8, 2012 for our comments and recommended changes to Proposed Rule 3772-3-06 (“Rule 1”).

In the spirit of collaboration OCCC extended on this topic, set forth below are hypotheticals supporting our recommendations for revision to **Rule 1**. The purpose for each of our comments is not to, in any way, alter the concept that a passive investor must remain passive, *i.e.* not involved in controlling the affairs and management of the company’s operations in Ohio, but to provide certainty going forward as to what such an investor may do without violating this Rule. Currently the proposed Subsection (A)(3) provides:

(A) Any investor in a casino operator, management company, holding company, or gaming-related vendor licensee or applicant that falls below the threshold needed to be considered an institutional investor shall not:

(3) Use or authorize the use of authority or influence of its employees, members, or owners to secure anything of value or the promise or offer of anything of value that is of such character as to manifest a substantial and improper influence in relation to casino gaming in this state.

Subsection (A)(3):

Hypothetical #1: Caesars Entertainment Corporation (the “**Company**”) has publicly-traded shares. Consequently it may have a number of shareholders (the identity of whom is not always known to the Company) whose holdings are between 1% and 5%, and be among the group of passive investors covered by the proposed Passive Investor rule. Any special restrictions on securities that are unclear or uncertain tend to discourage trading. That portion of the regulation quoted above has a potential to restrict or inhibit trading in the Company’s stock.

Explanation #1: We presume that it is not the Commission's intent to restrict or preclude trading by passive investors of publicly traded companies, yet such an unintended consequence could occur if this subsection remains as currently written. Limited trading by passive investors has, of course, no bearing on the evident purpose of the rule, which, as the Company understands it, is to prohibit otherwise passive investors of limited holdings (*i.e.* between 1 and 5 percent) from exercising, directly or indirectly, any influence or control over the license holder or applicant.

Hypothetical #2: Passive Investor A owns 4% of a casino in Ohio and decides to purchase the majority ownership interest in a horse racing track.

Explanation #2: Passive Investor A should still be deemed a passive investor in the casino; its operation of a horse racing track, although admittedly impacting gaming in Ohio, has no relevance to the affairs or operations of the casino and should not render it ineligible for passive investor status in that enterprise.

Hypothetical #3: Passive Investor B sponsors and contributes financially to the passage of a ballot issue that would expand casino gaming within the State of Ohio.

Explanation #3: Passage of a ballot proposal in Ohio expanding casino gaming in the State obviously would greatly impact gaming, yet to preclude such conduct would not only likely violate the First Amendment, it would have no relevance whatsoever to whether Passive Investor B remains a passive investor in the casino; the investor still has no control over the management or operations of the casino.

Hypothetical #4: Passive Investor C hires a lobbyist who successfully works to amend legislation impacting gaming throughout the State, thereby substantially impacting gaming in the State.

Explanation #4: Passive Investor C should still be considered a passive investor despite engaging in conduct that impacts gaming in the State; that conduct did not result, even tangentially, in the exercise of control or influence over the operations of the casino to which it has invested.

Hypothetical #5: Passive Investor D buys a casino and is licensed in another jurisdiction that is competitively disadvantageous to the casinos in Ohio.

Explanation #5: That conduct, while impacting gaming in the State, does not have any bearing whatsoever on the nature of the investment in the casino in Ohio and whether it is passive or active.

Subsection (C)(2)-(4):

Hypothetical: Passive Investor E owns 4% of a casino that files for Chapter 11 bankruptcy protection. Because Passive Investor E is a minority stakeholder, it is at a high risk of losing its entire investment. In an effort to preserve its investment, Passive Investor E asks to serve on the creditors' committee in connection with the restructuring for the sole purpose of securing as much of its investment as possible.

Explanation: Each of our proposed additions to Rule 1 as set forth in our November 8th letter is consistent with multiple other jurisdictions and would apply only in the unusual circumstance of a bankruptcy or restructuring, at which time there is a substantial risk to the investor of a total loss of its investment. Under such circumstances, the investor should be permitted to participate in material decisions in connection with the debt restructuring for purposes of preserving its investment, otherwise sophisticated institutional investors will be substantially less willing to take the risk of investing in gaming entities located in this State.

Subsection (C)(5):

Hypothetical: Passive Investor F for informational purposes requests to see the annual financial audits of the casino and inquires as to the status of material litigation or compliance proceedings that have the potential to adversely impact its investment.

Mr. Patrick Martin, Director of Regulatory Compliance
December 6, 2012
Page 3 of 3

Explanation: Simply permitting an investor to ask questions relevant to the viability of its investment could not possibly be considered an attempt to influence the management or affairs of the casino and the failure to permit such conduct would undoubtedly have a chilling effect, with investors being less willing to invest if they are unable to acquire even basic financial information concerning the enterprise.

We appreciate the opportunity to collaborate on this rule making process. Please refer to our initial submission for our specific comments and recommendations concerning the proposed rule changes. Today's submission is supplementary to our original letter and provided in direct response to OCCC's request of examples and corresponding reasons for revision of Rule 1 as currently drafted. Please feel free to contact me if you would like to discuss these examples or any of our submitted recommendations.

Sincerely,



Donald E. Westcott III
Regional Compliance Operations Leader
Caesars Entertainment

Cc: Susan Carletta, Vice President, Compliance and Deputy Regulatory & Compliance Officer, Caesars Entertainment
Tim Lambert, Vice President and Chief Counsel, Regional Operations, Regulatory Compliance, Caesars Entertainment
Dan Reinhard, Vice President of Legal & Government Affairs, Rock Gaming