

OHIO CASINO CONTROL COMMISSION

RESOLUTION 2013-06

CONSIDERATION OF ROCK OHIO CAESARS CINCINNATI LLC'S APPLICATION FOR LICENSURE AS A CASINO OPERATOR

WHEREAS, Article XV, Section 6(C)(4) of the Ohio Constitution created the Ohio Casino Control Commission ("Commission") to ensure the integrity of casino gaming by, among other things, licensing and regulating all gaming authorized by Article XV, Section 6(C) of the Ohio Constitution;

WHEREAS, Article XV, Section 6(C)(1) and (C)(6) of the Ohio Constitution and R.C. 3772.08(A) permit casino gaming to be conducted only by licensed casino operators of the 4 constitutionally defined casino facilities or by licensed management companies retained by licensed casino operators;

WHEREAS, R.C. 3772.09(A) prohibits, among others, any casino operator, management company, or holding company from conducting or participating in conducting casino gaming without first being licensed by the Commission;

WHEREAS, R.C. 3772.10(A) mandates that the Commission consider all of the following when determining whether to grant the privileges of a casino operator license:

- (A) The reputation, experience, and financial integrity of the applicant, its holding company, if applicable, and any other person that directly or indirectly controls the applicant;
- (B) The financial ability of the applicant to purchase and maintain adequate liability and casualty insurance and to provide an adequate surety bond;
- (C) The past and present compliance of the applicant and its affiliates or affiliated companies with casino-related licensing requirements in the state of Ohio or any other jurisdiction, including whether the applicant has a history of noncompliance with the casino licensing requirements of any jurisdiction;
- (D) Whether the applicant has been indicted, convicted, pleaded guilty or no contest, or forfeited bail concerning any criminal offense under the laws of any jurisdiction, either felony or misdemeanor, not including traffic violations;
- (E) Whether the applicant has filed, or had filed against it a proceeding for bankruptcy or has ever been involved in any formal process to adjust, defer, suspend, or otherwise work out the payment of any debt;

- (F) Whether the applicant has been served with a complaint or other notice filed with any public body regarding payment of any tax required under federal, state, or local law that has been delinquent for 1 or more years;
- (G) Whether the applicant is or has been a defendant in litigation involving its business practices;
- (H) Whether awarding a license would undermine the public's confidence in the casino gaming industry in the state of Ohio; and
- (I) Whether the applicant meets other standards for the issuance of a license that the Commission adopts by rule, which is not arbitrary, capricious, or contradictory to the expressed provision of R.C. Chapter 3772;

WHEREAS, R.C. 3772.10(B) requires, among others, casino operators seeking licensure under R.C. Chapter 3772 to establish their suitability by clear and convincing evidence;

WHEREAS, R.C. 3772.11(A) requires any casino operator seeking licensure to submit, under oath, an Application for a Casino Operator, Management Company, or Holding Company License;

WHEREAS, R.C. 3772.111 mandates that the Commission also consider the following when determining whether to grant a casino operator license:

- (A) The facilities or proposed facilities for the conduct of casino gaming;
- (B) The prospective total revenue to be collected by the state of Ohio from the conduct of casino gaming; and
- (C) The extent to which the applicant exceeds or meets other standards adopted by the Commission;

WHEREAS, Article XV, Section 6(C)(4) of the Ohio Constitution, R.C. 3772.03, 3772.10, 3772.11, 3772.111, and 3772.17, and Ohio Adm. Code 3772-4 authorize the Commission to issue casino operator licenses to applicants that the Commission determines are eligible for licensure and have paid all applicable fees;

WHEREAS, a casino operator license applicant is eligible for licensure upon meeting, among others, the following criteria:

- (A) Submission of a true and complete Application for a Casino Operator, Management Company, or Holding Company License, as required by R.C. 3772.10(C) and 3772.11(A) and Ohio Adm. Code 3772-4-01 through 3772-4-05;

- (B) Payment of the nonrefundable application fee of \$1,500,000.00, as required by R.C. 3772.17(B) and Ohio Adm. Code 3772-4-06(A), and all fees necessary to cover the costs of the background investigation in excess of the application fee set forth by Ohio Adm. Code 3772-4-06(A), if any, as required by Ohio Adm. Code 3772-4-06(C);
- (C) Reimbursement of the costs for the criminal records checks, as required by R.C. 3772.07;
- (D) Not having been convicted of or pled guilty or no contest to a disqualifying offense, as defined and required by R.C. 3772.07;
- (E) All holding companies and management companies, their directors, executive officers, members, managers, and any shareholder who holds more than 5% ownership of the operator, if any, submitted the same information as the operator, as required by R.C. 3772.11(B);
- (F) Posting, and thereafter maintaining, a surety bond, in the manner required by R.C. 3772.112; and
- (G) Otherwise is suitable for licensure, as required by R.C. 3772.10(B) and (C);

WHEREAS, R.C. 3772.112 requires a casino operator, before being licensed by the Commission, to post, and thereafter maintain, a surety bond in the amount of \$1,000,000.00 payable to the state of Ohio, conditioned on the operator complying with Article XV, Section 6(C) of the Ohio Constitution and R.C. Chapter 3772 and the rules adopted thereunder;

WHEREAS, R.C. 3772.112 further provides that:

- (A) The surety bond be issued by a surety that is licensed to do business in this state;
- (B) The surety bond be approved by the Commission;
- (C) The total aggregate liability of the surety is limited to the amount specified in the surety bond;
- (D) The surety not cancel the surety bond unless the surety has given the Commission, in the event of nonpayment of premium, ten days' notice of the intention to cancel, and in the event of any other cause, thirty days' notice of the intention to cancel; and
- (E) If the surety bond is to be canceled, and if the casino operator fails to post and maintain a new surety bond in the specified amount on or before the day of cancellation, the operator's license is void;

WHEREAS, R.C. 3772.03(D)(5) mandates that the Commission adopt rules prescribing the minimum amount of insurance that must be maintained by, among others, casino operators;

WHEREAS, Ohio Adm. Code 3772-7-01(A) requires, among others, casino operator licensees to obtain and maintain the following types of insurance in minimum amounts determined by the Commission:

- (A) Liability;
- (B) Casualty;
- (C) Fire;
- (D) Theft;
- (E) Worker's compensation; and
- (F) Any other type of insurance the Commission deems necessary to ensure the licensee is adequately insured;

WHEREAS, R.C. 3772.09(B) requires a licensed casino operator, before conducting casino gaming at a casino facility, to engage a third-party engineering or accounting firm, approved by the Commission, to certify expenses of the operator's initial investment, as required by R.C. 3772.27 and provide documentation to the Commission;

WHEREAS, on or about August 1, 2012, Rock Ohio Caesars Cincinnati LLC (d/b/a Horseshoe Casino Cincinnati) submitted an Application for a Casino Operator, Management Company, or Holding Company License to the Commission in accordance with R.C. 3772.11(A) and Ohio Adm. Code 3772-4-01 through 3772-4-05;

WHEREAS, Rock Ohio Caesars Cincinnati LLC reimbursed the Commission for the costs of the criminal records checks, as required by R.C. 3772.07;

WHEREAS, Rock Ohio Caesars Cincinnati LLC submitted to the Commission information and materials necessary to demonstrate that the operator has posted, and thereafter will maintain, a surety bond in the amount of \$1,000,000.00, in accordance with and as required by R.C. 3772.112;

WHEREAS, Rock Ohio Caesars Cincinnati LLC submitted to the Commission information and materials necessary to demonstrate that Rock Ohio Caesars Cincinnati LLC has obtained and maintains all of the requisite types of insurance and the amounts of each type;

WHEREAS, Rock Ohio Caesars Cincinnati LLC engaged Deloitte & Touche LLP, which the Commission approved as Rock Ohio Caesars Cincinnati LLC's third-party accounting firm through adoption of Resolution 2012-15 on March 21, 2012, to

certify expenses of Rock Ohio Caesars Cincinnati LLC's initial investment and provided documentation to the Commission;

WHEREAS, in accordance with Ohio Adm. Code 3772-17-01, Deloitte & Touche LLP issued an Examination Report to Rock Ohio Caesars Cincinnati LLC and the Commission under the Statements on Standards for Attestation Engagements issued by the American Institute of Certified Public Accountants on the assertion that Rock Ohio Caesars Cincinnati LLC has made an initial investment as required under R.C. 3772.27;

WHEREAS, as identified in and found by the Commission through adoption of Resolution 2012-41 on May 2, 2012, with respect to Rock Ohio Caesars Cleveland LLC (d/b/a Horseshoe Casino Cleveland)—a wholly owned subsidiary of Rock Ohio Caesars LLC and an Ohio affiliate of Rock Ohio Caesars Cincinnati LLC—the Holding Companies of Rock Ohio Caesars Cincinnati LLC submitted to the Commission the information and documentation required of holding companies under R.C. 3772.11(B) and requested by the Commission;

WHEREAS, Rock Ohio Caesars Cincinnati LLC paid the non-refundable application fee, as required by R.C. 3772.17(B) and Ohio Adm. Code 3772-4-06(A);

WHEREAS, Spectrum Gaming Group ("Spectrum") has been appointed by the Commission to assist the Commission in the conducting of suitability investigations;

WHEREAS, Spectrum, as an agent of the Commission, reviewed Rock Ohio Caesars Cincinnati LLC Application for a Casino Operator, Management Company, or Holding Company License, the information and documentation provided by the Holding Companies, and additional materials and information requested by Spectrum as well as conducted thorough suitability investigations of those entities;

WHEREAS, Spectrum filed Investigative Reports for the Ohio Casino Control Commission regarding Rock Ohio Caesars Cleveland LLC and its natural person qualifiers, dated April 11, 2012, and Caesars Entertainment Corporation, Apollo Global Management LLC, and TPG Capital LP and their natural person qualifiers, dated April 16, 2012, and for the Ohio Casino Control Commission regarding Rock Ohio Caesars Cincinnati LLC (d/b/a Horseshoe Casino Cincinnati), Horseshoe Cincinnati Management LLC, Caesars Entertainment Corporation, and their natural person qualifiers, dated February 8, 2013, (collectively "Investigative Reports");

WHEREAS, on May 2, 2012, through adoption of Resolution 2012-41, the Commission licensed Rock Ohio Caesars Cleveland LLC;

WHEREAS, Spectrum's Investigative Reports conclude that based upon its investigation, no derogatory information that adversely impacts upon the suitability of Rock Ohio Caesars Cincinnati LLC or its Holding Companies or Ohio affiliate Rock Ohio Caesars Cleveland LLC was uncovered and that Rock Ohio Caesars Cincinnati LLC is suitable for licensure as a casino operator subject to certain conditions;

WHEREAS, the Commission's Division Investigations reviewed the Spectrum Investigative Reports and recommends that the Commission grant a casino operator license to Rock Ohio Caesars Cincinnati LLC subject to the following conditions:

- (A) Rock Ohio Caesars Cincinnati LLC and its Holding Companies shall notify the Commission, in accordance with Ohio Adm. Code 3772-4-09, regarding the status of all pending litigation and any litigation commenced subsequent to the issuance of Rock Ohio Caesars Cincinnati LLC's casino operator license;
- (B) Rock Ohio Caesars Cincinnati LLC and its Holding Companies shall notify the Commission, in accordance with Ohio Adm. Code 3772-4-09, regarding any changes to the owners, officers, directors, and key employees; any new owners, officers, directors, and key employees are required to submit Key Employee License Applications, as required under R.C. 3772.13 and Ohio Adm. Code Chapter 3772-5; and any new owners, officers, directors, and key employees must establish their suitability for licensure by clear and convincing evidence and be found eligible and otherwise suitable by the Commission, as required under R.C. 3772.10 and 3772.13;
- (C) Rock Ohio Caesars Cincinnati LLC and its Holding Companies shall notify the Commission, in accordance with Ohio Adm. Code 3772-4-09, regarding any loans or additional debt incurred by them;
- (D) Rock Ohio Caesars Cincinnati LLC and its Holding Companies shall notify the Commission, in accordance with Ohio Adm. Code 3772-4-09, about any event of default or any failure to meet any payment of interest or principal when due under any of its existing or future debt obligations;
- (E) Rock Ohio Caesars Cincinnati LLC and its Holding Companies shall submit, as applicable, all information required to be provided to the Commission under R.C. 3772.18;
- (F) The Management Board of Rock Ohio Caesars LLC shall continue to keep and retain complete and accurate minutes of all of its formal and/or informal meetings, whether the meetings take place in person, telephonically, or by some other means of communication, as required by and in accordance with Resolution 2012-41;
- (G) Caesars Entertainment Corporation shall demonstrate its financial probity on an annual basis until further notice of the Commission;
- (H) Lakes Entertainment Inc. shall continue to adhere to its updated Compliance Plan, which includes a specific requirement of keeping detailed minutes of all Compliance Review Board Meetings, as required by and in accordance with Resolution 2012-41; and

- (I) Rock Ohio Caesars Cincinnati LLC, as an initial licensed casino operator, shall pay all fees required by the Commission, including a nonrefundable upfront license fee of \$50,000,000.00 as required by Article XV, Section 6(C)(4), R.C. 3772.17(A), and Ohio Adm. Code 3772-4-07(A); and

WHEREAS, the Commission has considered the materials and information submitted by Rock Ohio Caesars Cincinnati LLC and its Holding Companies, Spectrum's Investigative Reports and the Commission's Division of Investigation's addendum thereto, and heard from representatives of the Commission, Spectrum, and Rock Ohio Caesars Cincinnati LLC and its Holding Companies at its public meetings on April 18 and 19 and May 2, 2012, and February 13, 2013.

NOW, THEREFORE, BE IT RESOLVED, by the Commission that Rock Ohio Caesars Cincinnati LLC's surety bond is **APPROVED**.

BE IT FURTHER RESOLVED, that Rock Ohio Caesars Cincinnati LLC's Application for a Casino Operator, Management Company, or Holding Company License is **APPROVED** and Rock Ohio Caesars Cincinnati LLC is hereby **LICENSED** as a casino operator for a period not to exceed 3 years, effective today, subject to continued compliance with R.C. Chapter 3772 and the rules adopted thereunder and the following conditions:

- (A) Rock Ohio Caesars Cincinnati LLC and its Holding Companies shall notify the Commission, in accordance with Ohio Adm. Code 3772-4-09, regarding the status of all pending litigation and any litigation commenced subsequent to the issuance of Rock Ohio Caesars Cincinnati LLC's casino operator license;
- (B) Rock Ohio Caesars Cincinnati LLC and its Holding Companies shall notify the Commission, in accordance with Ohio Adm. Code 3772-4-09, regarding any changes to the owners, officers, directors, and key employees; any new owners, officers, directors, and key employees are required to submit Key Employee License Applications, as required under R.C. 3772.13 and Ohio Adm. Code Chapter 3772-5; and any new owners, officers, directors, and key employees must establish their suitability for licensure by clear and convincing evidence and be found eligible and otherwise suitable by the Commission, as required under R.C. 3772.10 and 3772.13;
- (C) Rock Ohio Caesars Cincinnati LLC and its Holding Companies shall notify the Commission, in accordance with Ohio Adm. Code 3772-4-09, regarding any loans or additional debt incurred by them;
- (D) Rock Ohio Caesars Cincinnati LLC and its Holding Companies shall notify the Commission, in accordance with Ohio Adm. Code 3772-4-09, about any event of default or any failure to meet any payment of interest or principal when due under any of its existing or future debt obligations;

- (E) Rock Ohio Caesars Cincinnati LLC and its Holding Companies shall submit, as applicable, all information required to be provided to the Commission under R.C. 3772.18;
- (F) The Management Board of Rock Ohio Caesars LLC shall continue to keep and retain complete and accurate minutes of all of its formal and/or informal meetings, whether the meetings take place in person, telephonically, or by some other means of communication, as required by and in accordance with Resolution 2012-41;
- (G) Caesars Entertainment Corporation shall continue to demonstrate its financial probity on an annual basis until further notice of the Commission, as required by and in accordance with Resolution 2012-41;
- (H) Lakes Entertainment Inc. shall continue to adhere to its updated Compliance Plan, which includes a specific requirement of keeping detailed minutes of all Compliance Review Board Meetings, as required by and in accordance with Resolution 2012-41; and
- (I) Rock Ohio Caesars Cincinnati LLC, as an initial licensed casino operator, shall pay all fees required by the Commission, including a nonrefundable upfront license fee of \$50,000,000.00 as required by Article XV, Section 6(C)(4), R.C. 3772.17(A), and Ohio Adm. Code 3772-4-07(A).

BE IT FURTHER RESOLVED, that Resolution 2013-06 does not in any way affect, negate, or otherwise absolve Rock Ohio Caesars Cincinnati LLC, its Holding Companies, or key employees from their duties to update information in accordance with Ohio Adm. Code 3772-4-09 and 3772-5-04.

BE IT FURTHER RESOLVED, that Resolution 2013-06 does not restrict or limit the Commission's future exercise of authority and discretion with respect to requesting additional information from or imposing additional conditions or taking further action upon Rock Ohio Caesars Cincinnati LLC, its Holding Companies, affiliated corporate entities, or key employees under R.C. Chapter 3772 and the rules adopted thereunder.

Adopted:

February 13, 2013