

STATE OF INDIANA

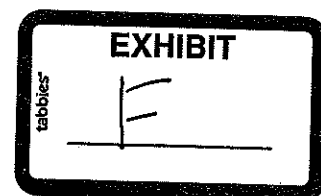
BEFORE THE INDIANA HORSE RACING COMMISSION

IN RE:

THE PETITION OF CAESARS ENTERTAINMENT)
COMPANY, AND CAESARS RESORTS COLLECTION,)
LLC FOR: (1) ALL NECESSARY APPROVALS)
INCLUDING APPROVAL TO ACQUIRE ALL OF THE)
OWNERSHIP OF CENTAUR HOLDINGS, LLC, AND)
ITS DIRECT AND INDIRECT SUBSIDIARIES)
INCLUDING CENTAUR ACQUISITION, LLC AND)
HOOSIER PARK, LLC AS SET FORTH IN THE UNIT)
PURCHASE AGREEMENT; (2) FINDS THE CHANGE)
IN OWNERSHIP IS IN THE BEST INTERESTS OF THE)
STATE OF INDIANA AND HORSE RACING; (3))
APPROVAL OF THE ACQUISITION FINANCING;)
(4) APPROVAL OF PRESERVATION OR TRANSFER)
OF RECOGNIZED MEETING PERMITS AND)
SATELLITE FACILITY LICENSES RELATED TO THE)
OPERATIONS OF INDIANA GRAND AND HOOSIER)
PARK; AND (5) SUCH OTHER APPROVALS AS MAY)
BE NECESSARY OR TO IMPLEMENT THE)
CONTEMPLATED TRANSACTION.)

FINAL ORDER

This matter came before the Indiana Horse Racing Commission (the "Commission") on June 27, 2018 (the "Hearing") pursuant to the Petition ("Transfer Petition") filed by Caesars Entertainment Company ("CEC") and Caesars Resorts Collection, LLC ("CRC" and together with CEC, "Caesars" or "Petitioners"), on June 15, 2018 (and relating back to the Transfer Application filed with the Commission on or about March 14, 2018; the "Transfer Application"), for an Order that: (1) Approves and Authorizes Caesars to acquire all of the ownership of Centaur, and its direct and indirect subsidiaries as identified in the Caesars Transfer Application; (2) Finds, among other things, that the change in ownership of the License and Permit holders is in the best interest of the horse racing industry and the State of Indiana; (3) Approves the acquisition financing; (4) Approves and Authorizes any necessary Transfer of the Licenses and Permits as a result of the change in the



ownership of Centaur all as more particularly set forth in the Transfer Application; (5) Grant such other authorizations as may be necessary to implement the transfer of the Licenses, Permits, ownership interest and all other matters as part of and necessary to the requested approvals. The undersigned members of the Commission having considered the Transfer Petition, the presentation of the Petitioners, the Commission Staff and the public, as well as the other materials admitted into evidence at the public hearing on June 27, 2018 (the "Hearing") which are referenced and/or have been considered by the Commission with respect to the Transfer Petition and being in all respects duly advised renders the following Final Order:

The Record Before the Commission

1. Caesars filed its Transfer Application with the Commission on or about March 14, 2018. The Transfer Application included Caesars' Application and a significant number of exhibits exceeding eighteen hundred pages of detailed information regarding Caesars' proposed acquisition of Centaur Holding, LLC, (and its direct and indirect subsidiaries; "Centaur") to operate Hoosier Park and Indiana Downs and their related satellite facilities and licenses. In addition, the Transfer Application included detailed confidential information and financial projections relating to the proposed transfer.

2. The Transfer Application was filed on behalf of Caesars Resort Collection, LLC ("CRC"). The Transfer Application requested 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 and their related satellite facilities and licenses. The agreement between

CRC and Centaur totals \$1.7 billion, including \$1.625 billion at closing and \$75 million in deferred consideration.

3. CRC is a wholly-owned subsidiary of Caesars Entertainment Corporation (“CEC”). CRC is a Delaware Limited Liability Company formed on February 21, 2014. 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.

4. 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 Inc. (“CEOC”), another subsidiary of CEC, is the ultimate parent company of Indiana casino owner’s licensees Horseshoe Hammond, LLC (“Horseshoe Hammond”) and Caesars Riverboat Casino, LLC (“Horseshoe Southern Indiana”).

5. On January 4, 2018, the Federal Trade Commission granted CEC early termination to the waiting period under the Hart-Scott-Rodino Act.

6. On January 18, 2018, Caesars submitted a complete transfer of ownership interest application of Centaur’s gambling game licenses to the Indiana Gaming Commission (the “IGC”) and caused to be submitted complete personal disclosure forms and other appropriate applications for CRC and all key persons, as deemed necessary by the IGC staff.

7. On April 9, 2018, multiple representatives of Caesars met with representatives of the IGC staff, the Commission Staff and with counsel for the Commission. Those discussions resulted in a confidential document prepared by Caesars containing what Caesars believed to be highlights from the meeting. The Commission received and reviewed this confidential document which was identified as "Commission Exhibit L" and made a part of the record of proceedings ("Record") during the Commission hearing.

8. The Commission issued a Notice of Hearing and Pre-Hearing Order on Caesar's Transfer Petition on or about May 21, 2018 which set a public hearing date, time and place for this matter and established a number of related deadlines leading up to the Hearing. Thereafter, due to a necessary change in the place of Hearing (only), an Amended Notice of Hearing and Amended Pre-Hearing Order on Caesar's Transfer Petition was issued on or about June 7, 2018 (collectively referred to as the "Commission's Pre-Hearing Order").

9. The IGC's Background and Financial Investigations Divisions completed a comprehensive investigation of CRC, including key persons. Those efforts were summarized in a letter dated June 8, 2018 from Sara Gonso Tait, the Executive Director of the IGC, to Mike Smith, the Commission's Executive Director. This letter was identified as "Commission Exhibit I" and made a part of the Record during the Commission hearing.

10. Since the Transfer Application was filed with the Commission, Caesars has worked diligently to do all things necessary to assist the Commission Staff in processing and completing the licensing of Board members, racing participants at the tracks and licensed satellite facilities as well as any other designated representatives who "participate in racing" (regardless of whether they do so at a permitted race track, a licensed satellite facility or elsewhere). Some of these license applications will not be "finalized" until fingerprints are

processed and the results are received by the Commission Staff. To the extent that the Commission Staff exercises its discretion **not** to license a particular individual, Caesars has expressed a willingness to work with the Commission Staff to address and rectify any licensing issues that may arise.

11. The Commission received and reviewed a detailed and confidential financial analysis of the proposed financing transaction from the IGC's outside financial analyst, Dan Roberts, of DR Financial Consulting, LLC. That confidential report was attached to the (unredacted) report of the Commission's Executive Director, was identified as "Commission Exhibit C.3" and was made a part of the Record during the Commission hearing.

12. The Commission received and reviewed a detailed analysis of the current status of racing operations in Indiana and at past and present Caesars' horse racing facilities which contained proposed recommendations from the Commission's outside racing expert/analyst/consultant, F. Douglas Reed ("Reed"), Racing Gaming and Entertainment LLC ("RG & E"). Reed is well known in international racing circles and perhaps best known from 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. Reed's report was attached to the (redacted and unredacted) report of the Commission's Executive Director, was identified as "Commission Exhibit C.2" and was made a part of the Record during the Commission hearing.

13. Pursuant to the Commission's Prehearing Order, the Commission's Executive Director timely submitted and filed his Staff Report (with attached Exhibits) on or about June 13,

2018 (the “Staff Report”). An unredacted copy of the Staff Report and Unredacted Exhibits (containing confidential financial information, investigative materials and trade secrets) was identified as “Commission Exhibit C with attached/referenced Exhibits 1-7” and was made a part of the Record during the Commission hearing. A redacted version of the Staff Report and exhibits was made publicly available. A preliminary (redacted) draft was provided to Caesars on or about June 12, 2018.

14. Letters relating to the proposed transfer were submitted on behalf of three of Indiana registered horsemen’s associations. Jack Kieninger, the President of the Indiana Standardbred Association (“ISA”) sent a letter dated June 11, 2018 summarizing the ISA’s position with respect to the proposed transfer. This letter was identified as “Commission Exhibit G” and made a part of the Record during the Commission hearing. Joe Davis, the President of the Indiana Horsemen’s Benevolent & Protective Association (“IHBPA”) and Paul Martin, the President of the Quarter Horse Racing Association of Indiana (“QHRAI”) sent a joint letter dated June 12, 2018 summarizing the IHBPA and QHRAI’s position with respect to the proposed transfer which attached the 2018 contract of each group with Centaur (the existing owner) and the Initial Distribution Agreement approved by the Commission. This letter (with attachments) was identified as “Commission Exhibit H” and made a part of the Record during the Commission hearing.

15. Pursuant to the Commission’s Pre-Hearing Order and Indiana Code 4-21.5-3-26(f), the Commission’s counsel timely submitted a request for official notice. The Commission granted that request and officially took administrative notice that Caesars, Hoosier Park and Indiana Downs were 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, and I.C. 4-35) and Titles 71 and

68 of the Indiana Administrative Code (Indiana Horse Racing Commission and Indiana Gaming Commission, respectively).

16. Pursuant to the Commission's Prehearing Order, the Commission's Counsel timely submitted and filed the Commission's Exhibit List on or about June 19, 2018. An unredacted copy of the Commission's Exhibit List identified Commission Exhibits A-N, inclusive. Exhibit O was sent by Caesars' counsel on June 22, 2018 and was (by consent and stipulation) added to the Commission's List of Exhibits. All of these exhibits were made a part of the Record during the Commission hearing. A redacted version of the Commission's Exhibit List was made publicly available.

17. Pursuant to the Commission's Prehearing Order, Caesars timely submitted and filed the Pre-Filed Testimony of Daniel L. Nita, Eric Hession, Trent McIntosh and Susan Carletta and Caesar's Exhibits (both Non-Confidential Exhibits 1- 13 and Confidential Exhibits A-E) on or about June 19, 2018. Those exhibits were made a part of the Record during the Commission hearing.

18. The Commission held a (public) Hearing on June 27, 2018. Proper Notice of the Hearing, including the Commission's consideration of the Transfer Petition, was timely provided to the public on June 7, 2018.

19. All of the documents and information referenced above were offered and admitted into evidence at the Hearing. All exhibits were admitted pursuant to Stipulation.

20. Caesars presented the testimony of five individuals, all of whom were employed by Caesars. (Mark Frissora, Eric Hession, Daniel L. Nita, Trent McIntosh and Susan Carletta). These witnesses testified under oath and were available to and did answer questions posed to them at the Hearing by the Commission, the Commission Staff and/or counsel.

21. The Executive Director of the Commission, Mr. Michael D. Smith, testified under oath at the Hearing regarding his Staff Report and analysis that the Transfer Petition met applicable standards and was in the best interests of racing as long as certain conditions specified in the Staff Report were met.

22. As reflected in the Commission's Pre-Hearing Order, the Commission further provided an opportunity for interested individuals or entities to speak on behalf of, or in opposition to, the Transfer Petition. Two individuals testified under oath before the Commission. Overall, this testimony was in support of the Transfer Petition.

23. Subject to the conditions and/or covenants contained in this Final Order, the Commission reviewed reasonable financial projections, reviewed exhibits containing reasonable recommendations and analysis and heard credible evidence enabling it to consider the Transfer Petition and render this decision.

The Governing Criteria

1. The Commission has specifically evaluated and considered this Transfer Application against the Indiana General Assembly's stated criteria, as set forth in Indiana Code 4-31-5-8. In particular, pursuant to Indiana Code 4-31-5-8(c)(3), the Commission considered pre-filed testimony, witness testimony at the Hearing on June 27, 2018, the report of the Commission Staff and the attached reports of the Commission's consultants, the exhibits admitted into evidence, the matters officially noticed, the public comments, and the other information it deemed relevant, then deliberated in an open meeting and determined that granting the Transfer Petition/Transfer Application, subject to the conditions and/or covenants herein, would be in the best interests of the Indiana horse racing industry and the State of Indiana.

2. The Commission also has considered and determined that Caesar's Transfer Petition is consistent with the Commission's permit requirements and factors, as outlined in 71 IAC 11-1-6.

Findings of Fact

1. The State of Indiana has cultivated a horse racing and breeding industry over the last two decades that have generated a significant state-wide economic impact. According to the Indiana Racing and Breeding Industry Survey (which had been admitted into evidence during the Centaur/Indiana Grand public hearing in December of 2012 through the pre-filed testimony of Jim Brown), "the State of Indiana is generating extraordinary and economic activity from its far-sighted design of an on-going investment in the state horse racing and breeding industry." That Survey specifically concluded that the industry generates a direct impact of \$733 million and a total impact of more than \$1 billion on the State's economy. Also according to that Survey, the industry is responsible for the direct and related employment of 9,865 jobs across Indiana and further responsible for approximately \$89 million in state and local tax revenue. (Commission Exhibit D, p.6; See also, Commission Ex. F.).

2. 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. (Staff Report, Commission Exhibit C.) Hoosier Park (in Anderson) opened in 1994 and was the State's only racetrack until December 2002, when Indiana Downs (subsequently renamed Indiana Grand) was opened.

3. The Indiana General Assembly has passed several laws designed to support the racing and breeding industry. 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.

4. During the same session, 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.)*

As a former Commission appropriately recognized in 2013: "Indiana's racino model (allowing electronic gaming at the State's racetracks) was implemented by the General Assembly in 2007 based upon the apparent recognition that racing and gaming have grown inseparable, with the dependence of racing on gaming revenues." (Commission Exhibit D, p.12).

5. 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 potentially 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 (Hoosier Park and Indiana Grand) that continue to operate today and are the subject of the Caesars' Transfer Petition.

6. 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”. IC 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.

7. 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).

8. Since this particular legislation was enacted, pursuant to the Initial Distribution Agreement (the “IDA), Centaur has agreed to pay the maximum statutory percentage to the horsemen **every single calendar year** - without exception. Centaur has done so while making numerous, substantial and important improvements to the racing side of its operations that have benefitted all breeds and horsemen who participate in Indiana racing. Hand-in-hand with the horsemen, Centaur has created a model relationship between ownership and racing participants that should be admired and emulated. It has also created the standard against which Caesars Transfer Petition has been considered, evaluated and will be measured by this Commission moving forward.

9. With respect to the continuation of the maximum statutory payment (12%) to

Horsemen by Caesars, the financial information considered by the Commission makes clear that this would not have a material effect on the balance sheet of Caesars (or its affiliated entities) nor on Caesars ROI to shareholders. As the Commission knows well, however, any reduction of this percentage would have a substantial impact on racing participants as well as the related breeding and support operations/individuals that directly or indirectly participate in the racing industry. (Commission Exhibits C, G and H).

10. During an April 9, 2018 meeting at the IGC's offices attended by representatives of the IHRC Staff, high level representatives of Caesar's indicated that there was no present or foreseeable intention to utilize a REIT structure at the Indiana race track/racinos.

11. The General Assembly has specifically delegated to this Commission the responsibility and authority to determine whether Caesars' proposed single-entity ownership is in the industry's and State's best interests. With overwhelming industry support, Centaur met its burden of establishing showing this in 2012 and has continued to make good on its commitments, covenants and promises right up to the date of this Hearing.

12. The Commission is mindful of the very legitimate industry concerns that stem from change- and a new race track owner formerly unknown to most Indiana racing participants and this Commission. In Indiana, there is only one permitted pari-mutuel track where specific breed racing participants may race. "One-breed/one track racing" under Centaur's single ownership has been a resounding success (See, Commission Exhibit D, pp.10-11). The fear that new ownership may not appropriately value, recognize and protect Indiana racing operations to the same extent that Centaur has repeatedly demonstrated is a legitimate concern- until proven otherwise. The Commission believes that adopting the recommendations contained in the Staff Report and Reed/RG & E Report will bring needed comfort and confidence to racing industry

participants while providing Caesars with the opportunity to fairly and effectively demonstrate its commitment to Indiana racing.

13. The Commission recognizes that 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 Commission agrees with the Executive Director that it cannot envision that it would be agreeable to return to past practice and support a proposal to consolidate racing operations at one of the two existing pari-mutuel racing facilities.

14. 71 IAC 11-1-6(b) (10) and (13) allow the Commission to examine the impact of the racing operations on the state and the local communities where the tracks operate. Once approved, Caesars will become the sole operator of Indiana's two pari-mutuel racetracks. The importance of this position cannot be understated. Following the transfer, the Commission will consider Caesars to occupy a position with the horsemen and local communities that has many of the components of a fiduciary relationship.

15. The Indiana horse racing industry, itself, is critical to the State of Indiana. In particular, it is critical to the State's broader agri-business initiatives. As previously stated, the Indiana Racing and Breeding Industry Survey concluded that the industry generated a direct impact of \$733 million and a total impact of more than \$1 billion on the State's economy. The Survey also recognized that the industry is responsible for the direct and related employment of 9,765 jobs across Indiana and further responsible for approximately \$69 million in state and local tax revenue.

16. The Industry Survey also recognized that "the State of Indiana is generating extraordinary economic activity from its far-sighted design of an on-going investment in the state

horse racing and breeding industry, generating in-state revenues from out-of-state sources.” The Survey further concluded: “this is an industry that is especially important to the two communicates, Anderson and Shelbyville, and the surrounding areas, but the impact is statewide because of the broad statewide involvement of the breeding services, and likely other equine industry activity.”

17. Hoosier Park and Indiana Downs also directly provide significant financial support to the State of Indiana. The state collects over \$100 million per year in wagering taxes from these facilities and both facilities collectively employ approximately 2,500 people. (Commission Exhibit D, p. 12).

18. Centaur has set the “Indiana racing” bar very high--and Caesars must endeavor to exceed the established standards. 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 Commission must require a substantial commitment by Caesars to improve the industry which provides for meaningful accountability. The Commission agrees with its Executive Director that the adoption of the recommendations made in the Reed/RG &E Report will go a long way towards providing the accountability necessary for Caesars to measure and effectively demonstrate its efforts to improve the horse racing industry in Indiana:

One requires the approval on an annual basis of an operations plan before race dates are allocated. This 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.

* * *

1. **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 see 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.

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. (See SWOT analysis for more detail.) 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 Caesars properties, etc. It would be helpful to include any 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.

h. Other items as may be deemed necessary by the commission or its Executive Director. (See the other recommendations for additional suggestions.)

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 Caesars control.

While communications between other racing commissions and Caesars is already a "strength", this recommendation would 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 insure accountability (which is a corporate strength of Caesars) on the racing side of the product. (RG & E Report, Conclusions and Recommendations, pp.20-22).

19. 71 IAC 11-1-6(b)(7) requires an applicant to retain qualified racing management- among other things (i.e. plans for human health and safety, concession plans, personnel plans, etc.). The RG & E Report recognized Caesar's strengths in the racing area- and that Caesars best racing operations had knowledgeable racing management and racing managers that were trusted and familiar. (RG & E Report, SWOT Analysis, p.17)

20. Caesar's has indicated that they will be retaining the racing managers at each track (Rick Moore at Hoosier Park and John Schuster at Indiana Grand) and this is certainly a valued, comforting and appropriate commitment. That being said, it is also important to have knowledgeable racing people in the upper management of at least one (if not both) racinos so that Caesars communicates in a meaningful way that racing has a "seat at the table" and is

valued. To that end, Trent McIntosh (who has a lengthy background in both gaming and racing) was introduced at the Hearing as the new Senior Vice President and General Manager of the consolidated gaming and racing operations at Hoosier Park. Ron Baumann was introduced at the Hearing as the new Senior Vice President and General Manager of the consolidated gaming and racing operations at Indiana Grand.

21. Moreover, the Commission supports the proposition that it is important that racing management be appropriately empowered and adopts the related recommendation in the RG & E Report:

The second recommendation is that Caesars continue its general practices regarding racing management but that it further empower its racing managers so as not to tie their hands any more than necessary.

* * *

The second recommendation is an attempt to create some assurance that the status quo (regarding Caesars 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.

Often times the racing manager is the “face” of Caesars 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 could be identified as part of the operational plan and the approximate dollar level of authority identified. 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 man[a]gers’ 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 Caesars 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. (Perhaps crisis/emergency and anomalies aside.) (RG & E Report, Conclusions and Recommendations, pp.20-22).

22. Upon transfer, Caesars will begin with racing properties (physical improvements)

and equipment that are in “good” to “excellent” condition. Centaur has done an exemplary job of meeting the needs of the horsemen and investing in the facilities, equipment and property- even to this day. A document entitled Hoosier Park and Indiana Grand Equipment Summary, Revised May 18, 2018 was attached to the Staff Report and identified as Exhibit “C.6”. This schedule identifies equipment associated with a specific track (Hoosier Park or Indiana Grand) for track maintenance/racing operations, backside maintenance and operations, snow management, and frontside operations and includes a replacement schedule through and including 2033. The Commission believes that a covenant by Caesars to substantially comply with and not make materials deviations from this equipment replacement schedule is both necessary and appropriate.

23. While Caesars is well known to the IGC, this Commission has no past first-hand experience with Caesar’s commitment to horse racing in Indiana. Instead, this Commission must rely on Caesars representations, commitments and promises, in addition to the opinions and recommendations of industry participants, Commission consultants and the Commission’s Executive Director. The Commission is convinced that it must be deliberate, measured and careful moving forward given some of the materials it reviewed that were admitted into the record at the hearing. (See, Commission Exhibits C.4 and C.5 attached to the Unredacted Staff Report). These materials support the necessary inclusion of conditions and/or covenants in this Final Order which will provide meaningful opportunities for this Commission to track and review Caesar’s efforts and approve a detailed racing operations plan each year at the time that racing dates are submitted and awarded.

24. In testimony and materials provided to the Commission, Caesars indicated that it has previously discussed its plans with the horsemen’s associations that are outlined in detail in the

pre-filed testimony submitted by Caesars' Regional President Dan Nita. Caesars' plans include:

- Caesars intends to retain the racing managers and the racing management teams for both Hoosier Park and Indiana Grand if the petition is approved.
- Caesars will maintain first class racing facilities at Indiana Grand and Hoosier Park while investing in quality promotions and advertising for horse racing.
- Caesars also plans to:
 - Continue the current distribution agreement
 - Continue the current horsemen's contracts
 - Continue to operate the OTBs in Indianapolis, Fort Wayne and Clarksville
 - Maintain simulcast efforts
 - Maintain NTRA certified status at Indiana Grand
 - Host horsemen's events
 - Maintain stalls for horsemen
 - Keep race dates stable
 - Maintain funding for the state-bred program
- Caesars is committed to strong partnerships with the horsemen's associations. Any future changes to these plans will be developed in consultation with the horsemen and with the best interests of horse racing as a primary consideration.

(Commission Exhibit O; See, Pre-Filed Testimony of Daniel L. Nita, Regional President, June 19, 2018)

25. The Commission appreciates Caesars' commitment to maintain the strong relationships that have existed between ownership and the Indiana horsemen's associations under Centaur's stewardship. The champions of the Indiana horse racing industry include too many horsemen to appropriately recognize in a single Order. While vigorously representing the interests of their constituents during this timeframe, the leadership of the Indiana horsemen's associations have been marked by thoughtful people who have respectfully listened to/considered other horse racing interests and have been prepared to make sacrifices in an effort to lead to the greater good. This is a significant factor in the Commission's ability to regulate a vibrant, growing racing industry that Reed recognized was (despite their small differences) uniformly "rowing the boat in the same direction."

26. The Commission believes that the many suggestions contained in the helpful submissions made by the leadership of the Indiana horsemen's associations (Commission Exhibits G and H) have either been picked up in the conditions and/or covenants contained in this Order, or will be able to be addressed by ownership and the leadership of the Indiana horsemen's associations committed to continue to "row the boat in the same direction".

27. Caesars' operation of both Hoosier Park and Indiana Downs will remain under the strict supervision of this Commission and the IGC. For example, the licenses and permits issued by this Commission and the IGC remain subject to annual applications, consideration and renewal. Both the Commission and the IGC share the overall regulation of their respective interests in the operations of the racinos.

28. Subject to Caesars acceptance of the conditions, understandings and covenants contained herein, the Commission finds that Caesars has met its burden of establishing that its proposed single-entity ownership of the only two racetracks (and related satellite facilities) that will be operated in the State of Indiana is in the industry's and the State's best interests.

Conclusions of Law

A. Caesars' Transfer Petition Satisfies the Factors Set Forth in 4-31-5-8

1. Pursuant to I.C. §4-31-5-8(b)(1), the Commission may deny a permit to any applicant if denial is in the public interest. Moreover, pursuant to I.C. § 4-31-5-8(c)(3), the Commission shall deny a permit to any applicant that (either directly or through the applicant's owners) holds the State's other racing permit unless the Commission determines that the applicant's petition is in the best interests of the Indiana horse racing industry and the State of

Indiana.¹

2. The Commission has fully considered the voluminous and detailed record before it and has unanimously determined that subject to the conditions and covenants contained herein, Caesars' Transfer Petition is in the best interests of the Indiana horse racing industry and the State of Indiana pursuant to I.C. § 4-31-5-8(c)(3) and that it is also in the public interest pursuant to I.C. §4-31-5-8(b)(1).

3. Caesars' Transfer Petition is in the best interests of the Indiana horse racing industry based upon all of the facts set forth above, including;

(a) Ownership of the Indiana race tracks will be transferred to a company with enhanced financial strength;

(b) The one-breed/one-track racing platform has been universally applauded by horsemen and the entire industry and Caesars will be continuing this practice;

(c) Caesars has proposed an excellent racing management team that is fully committed to continuing to cultivate a successful, thriving racing industry in Indiana;

(d) Caesars' Transfer Petition could create an enhanced customer experience, all of which are likely to generate increased attendance and handle (wagering revenues) than would otherwise be expected or could reasonably be achieved with other ownership.

Caesars' Transfer Petition will help provide higher quality and more entertaining races for fans, while also increasing the horsemen's and the state revenues and maximizing equine safety.

4. The Commission further finds that Caesars' Transfer Petition is in the best interests of the State based upon all of the facts set forth above, including:

(a) the anticipated effect of continuing significant capital expenditures on racing and increased economic development in the local communities of Anderson and

¹ The remaining elements of I.C. §§ 4-31-5-8(b) and (c) do not apply to Caesars' Transfer Petition since Caesars has not defaulted on any payments described therein.

Shelbyville and throughout the State of Indiana;

(b) increased tax revenues and employment opportunities that Indiana derives from its racing and gaming industries; and

(c) positive impacts upon Indiana's agribusiness economy.

Maintaining the viability of the State's racetracks is critical to preserving the jobs and tax revenues that the State General Assembly has consistently sought to generate and protect. The racing industry faces many challenges that will be mitigated by approving the Transfer Petition. The Commission believes that approving this Transfer Petition is the best way to continue and support the racing and breeding industries in Indiana.

The Commission also is mindful that Hoosier Park and Indiana Downs are part of the State's gaming operations, which provide in excess of 10,000 jobs across the State and generate more than \$600 million in wagering and admission taxes (more than \$100 million of which is paid by Hoosier Park and Indiana Downs). The Commission finds that Caesars' increased volume and, therefore, increased revenues projections are credible and reasonable.

B. Caesars' Transfer Petition Also Satisfies the Factors Set Forth in 71 I.A.C. § 11-1-6

5. 71 I.A.C § 11-1-6 sets forth the regulatory factors this Commission shall apply when considering whether to grant an applicant's petition for a new permit. That same section also applies to transfer petitions such as Caesars', though certain factors set forth therein clearly apply only to new permits (and, thus, not to transfer petitions).

6. Also relevant here, the Commission concludes (among other things), pursuant to 71 I.A.C. § 11-1-6(b)(5), that Caesars is qualified and financially able to operate a race track and that transferring the permit will ensure that racing will continue to be conducted with the highest of standards and the greatest level of integrity, and will further ensure the protection of the public interest. Pursuant to 71 I.A.C. § 11-1-6(b), the Commission also has considered (among other

things) Caesars' integrity, Caesars' commitment to maintain first class racing facilities at Hoosier Park and Indiana Grand while investing in quality promotions and advertising for horse racing, Caesars' management ability, Caesars' commitment to maintaining strong partnerships with the horsemen's associations and local communities, and Caesars' efforts to promote, develop and improve the horse racing industry in Indiana.

7. The Commission, having considered all of the facts set forth above and the entire record presented to the Commission, hereby concludes that Caesars' Transfer Petition establishes by credible and substantial evidence that all of the applicable factors outlined in 71 I.A.C § 11-1-6 have been met subject to the conditions and covenants contained herein.

* * *

WHEREFORE, for the foregoing reasons, the Commission concludes that Caesars' Transfer Petition meets or exceeds all of the applicable statutory and regulatory standards and specifically finds that Caesars' Transfer Petition is in the best interests of the Indiana Horse racing industry and the State of Indiana. The Commission, therefore, **ORDERS AND DECREES** that Caesars' Transfer Petition is **GRANTED**, and specifically that the Permits to conduct racing at Indiana Grand and Hoosier Park, the Licenses to operate satellite wagering facilities in Indianapolis, New Haven and Clarksville, IN and the (currently inactive) Licenses to operate satellite wagering facilities in Evansville and Merrillville, IN shall be transferred to Caesars subject to the following conditions and covenants:

1. Caesars' Permits to conduct racing (and related licenses) are subject to the condition of receiving approval from the Indiana Gaming Commission to transfer the related

gambling game licenses to Caesars and other approvals and/or authorizations as may be required by law;

2. Caesars covenants to honor, perform and comply with the horsemen's association contracts in effect at the time of this Order, to honor, perform and comply with the Initial Distribution Agreement, and to operate the satellite facilities in Indianapolis, New Haven and Clarksville, IN. Further, Caesars agrees that prior approval from the Commission is required in the event that Caesars at some future date should seek to terminate or suspend operations at one (1) or more of the satellite facilities;

3. Caesars covenants to pay the maximum statutory distribution amount to 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. Thereafter, the payment percentage rate will change only if Caesars complies with the appropriate statutory prerequisites/requirements and is able to establish to the satisfaction of the Commission by clear and convincing evidence that some other percentage is in the best interests of the state and the horse racing industry;

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;

5. Caesars covenants to continue to employ racing management that is knowledgeable, trusted and familiar and that is appropriately empowered/authorized to address any concerns or issues raised by the Commission or its Executive Director, subject to appropriate corporate governance policies and procedures;

6. Caesars covenants to maintain the current number of stalls, maintain and improve the current condition of stalls, maintain and 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 and or integrity concerns that may present in the future;

7. Caesars covenants to 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 6 to the Staff Report. Caesars further understands that any material deviations from this schedule are subject to approval by the Commission or the Executive Director, and that such approval shall not be unreasonably withheld;

8. Caesars covenants to cause Indiana Grand to seek and maintain its accreditation with the NTRA Safety and Integrity Alliance;

9. Caesars acknowledges and understands that the issuance of this Final Order will

result in the issuance of two separate racing permits and gambling game licenses and will obligate Caesars to make the integrity fund payments for each permit and license required by IC 4-35-7-12.5, IC 4-35-7-15, IC 4-35-8.7-2 and IC 4-35-8.7-3;

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;

11. Caesars covenants (both preclosing and post-closing) that it will continue to do all things necessary to assist the 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 race track or licensed satellite facility). To the extent that the Commission would exercise its discretion **not** to license a particular individual, Caesars covenants to work with the Commission to rectify any issues that may arise;

12. Caesars commits to continue to support the state of Indiana, and the communities of Anderson and Shelbyville in a manner comparable to the Centaur efforts summarized and reported in the 2017 State and Community Impact Report referenced in the Staff Report;

13. Caesars covenants to continue to conduct the “one-breed/one track racing” initially authorized by the Commission in 2013 unless and until otherwise approved by the Commission; and

14. Caesars operations shall be subject to the continued review and regulation by the Commission and the IGC in that Caesars, Hoosier Park and Indiana Grand 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, and I.C. 4-35) and Titles 71 and 68 of the Indiana Administrative Code (Indiana Horse Racing Commission and Indiana Gaming Commission, respectively).

WHEREFORE, this Final Order of the Commission conditionally approving the transaction will be effective on July 10th, 2018 after being signed by a majority of the Commission **and** after the signature of the Caesars representative(s) authorized to consent to any covenants and/or conditions contained in this Final Order. In the event that a Final Order of the IGC has issued which authorizes closing to proceed and with the understanding that all other conditions precedent to closing have been met by the parties, closing may be conducted as soon thereafter as could be arranged by the parties to the transaction;

IN THE ALTERNATIVE, 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 signed Final Order from the Indiana Horse Racing Commission as set forth in Ind. Code § 4-21.5-3-5.


IT IS SO ORDERED this 10th day of July, 2018 by the Indiana Horse Racing Commission.



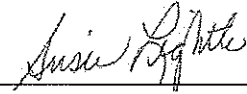
Philip C. Borst, Chair



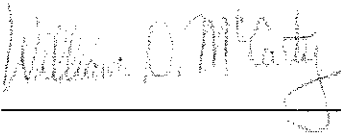
Greg Schenkel, Co-Chair



George Pillow, Member



Susie Lytle, Member

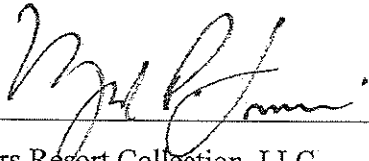


Bill McCarty, Member

CONDITION AND COVENANT JOINDER

Petitioners, Caesars Resort Collection, LLC and Caesars Entertainment Corporation join in this Order to evidence their acceptance of said agreement to the conditions and covenants imposed upon Petition by the foregoing Final Order.

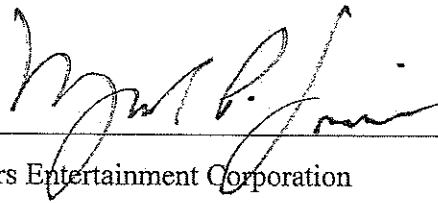
Dated this 10th day of July, 2018.



Caesars Resort Collection, LLC

By: Mark P. Frissora

Title: President and Chief Executive Officer



Caesars Entertainment Corporation

By: Mark P. Frissora

Title: President and Chief Executive Officer