INVESTIGATIVE REPORT
FOR THE
MASSACHUSETTS GAMING COMMISSION

APPLICANT:
Sterling Suffolk Racecourse, LLC

PRINCIPALS:
Joseph O’Donnell
Richard Fields

October 18, 2013
Category 1 Gaming License
Executive Summary

On January 15, 2013, Sterling Suffolk Racecourse, LLC (“Applicant” or “SSR”) filed an application for a Category 1 gaming license with the Massachusetts Gaming Commission (“Commission”). The proposed casino would be at the site of the Suffolk Downs racetrack in East Boston. SSR and its affiliated entities submitted the requisite entity disclosure forms. A table of organization for the Applicant and its various affiliates relating to the casino project is attached as an exhibit to this report (Exhibit 1). In addition, numerous individuals submitted Personal History Disclosure Forms as qualifiers of the Applicant and were subject to a thorough background investigation. The reports on their individual qualifications are included herein.

The principal entity members of SSR include the Coastal Development Ownership Group (Coastal Group Ownership) and the O’Donnell Group of Ownership Companies (O’Donnell Group Ownership). Caesars Entertainment Corporation (Caesars or “Company”) holds a minority interest in the Applicant through a subsidiary company, Caesars Massachusetts Investment Company LLC, and is engaged as the prospective manager and operator of the proposed casino project through another subsidiary, Caesars Massachusetts Management Company LLC. Vornado Suffolk LLC, a subsidiary of Vornado Realty Trust (Vornado), holds a membership interest in the Applicant, but following its decision not to submit to regulatory filing requirements, Vornado was required by the Commission’s Investigations and Enforcement Bureau (IEB) to place its entire interest in the Applicant into a divestiture trust. Upon divestiture, Vornado was deemed by the Commission to no longer be a qualifying entity of the Applicant, however the trustee, Steven Kidder was deemed to be a qualifier and required to submit to the background check process.

The entity members of the Applicant are:

- Coastal Group Ownership (Coastal Development SSR LLC, Suffolk CCF LLC, Fisher WWCD Investors LLC, Sterling Racecourse Inc.)
- O’Donnell Group Ownership of [redacted]

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The IEB waived the qualification requirements for the non-voting entity members: SSR Investment Trust I, SSR Investment Trust II, Dreamport Suffolk Corp., Hall Racecourse Properties, and MAR Suffolk, all of which hold \( \leq \frac{1}{3} \) or less interest in the Applicant.

When the Applicant submitted its Business Entity Disclosure Form and table of organization with its application on December 6, 2012, Suffolk CCF LLC, which is a member of the Applicant, was owned \( \leq \frac{1}{3} \) by Coastal Development SSR and \( \leq \frac{1}{3} \) by Fisher WWCD Investors LLC (“Fisher”). As a result of its ownership interest, Fisher was initially designated as a qualifier of the Applicant, as were the individual owners of Fisher. On January 10, 2013, the Applicant advised the IEB that the structure of Suffolk CCF LLC had changed, whereby that entity is now solely owned by Coastal Development SSR. Thus, Fisher is no longer an owner of Suffolk CCF LLC, and therefore, was no longer required to qualify. As a result of the restructuring, Fisher now is a \( \leq \frac{1}{3} \) direct owner of the Applicant. The holdings of Suffolk CCF LLC in the Applicant were correspondingly reduced from \( \leq \frac{1}{3} \) to the current \( \leq \frac{1}{3} \) interest. Significantly, Fisher does not appoint any members of the Board of the Applicant.

In light of this restructuring, and Fisher’s minimal holdings below \( \leq \frac{1}{3} \) of the Applicant, the IEB waived the qualification requirements for Fisher and removed the entity from the list of qualifiers. Fisher is owned by members of the Fisher family and non-family members of Fisher Brothers, a New York-based real estate and financial investment company. The IEB
also waived the owners of Fisher, namely: Arnold Fisher, Kenneth Fisher, Steven Fisher, Winston Fisher, Emily Landau, and 3MB Associates LLC.

The Applicant has a Board of Managers that serves in much the same way as a traditional Board of Directors of a corporation. The individual board members are appointed by the voting member entities that comprise the Applicant. The seven current managers and their respective appointing entities are: William Mulrow, Chair, appointed by Sterling Racecourse Inc. (Coastal); Joseph O’Donnell, appointed by Sixth Street Sterling LLC (O’Donnell); John Payne, appointed by Caesars Massachusetts Investment Company (Caesars); Charles Morneau, appointed by a plurality vote of the Major Members (O’Donnell Group, Coastal Group and Vornado); John L. Hall II, appointed by Coastal Development SSR LLC (Coastal); Robert Vincent, appointed by Cambridge Suffolk LLC (O’Donnell); and Stephen Kidder, the trustee of the Vornado divestiture trust who replaced Clifford Broser, formerly the Vornado appointee to the Board of Managers, on April 26, 2013. The officers of the Applicant are: John L. Hall II, President; Paul M. “Chip” Tuttle, Chief Operating Officer; John Rizzo, Treasurer and Chief Financial Officer; and Charles Baker, Secretary.

The Commission retained Spectrum Gaming Group LLC (“Spectrum”) to conduct a suitability background investigation of the Applicant and its qualifiers. Spectrum acted as an agent of the Commission for purposes of conducting the background investigations. Spectrum conducted this examination in conjunction with the Massachusetts State Police and the Commission’s Investigations and Enforcement Bureau (“IEB”). Hereafter, the term “Investigators” will be used for this collaborative effort.

In the course of this license investigation, the Investigators requested the production of voluminous records and documents from SSR and its affiliates. Such requests for relevant information were necessary in order to conduct the requisite, thorough background review. In all respects, SSR was cooperative and compliant, dutifully providing updated information upon request as the investigation progressed. Notably, the examination of the Applicant’s books and records revealed no irregularities or improprieties. Moreover, all of the natural person qualifiers were cooperative during this investigative process.

The following report is the result of the Investigators’ investigation of the Applicant and its affiliated entities and natural person qualifiers. It includes an evaluation of the parent
companies of Caesars, Apollo Global Management and TPG Capital LP. The review encompassed an evaluation of the statutory licensing criteria, including good character, honesty and integrity of the Applicant and the various qualifiers, as well as an evaluation of their financial stability, integrity and responsibility.

The Investigators’ report expounds on four significant regulatory issues pertaining to Caesars’ suitability:

- A license agreement with Gansevoort Hotel Group
- Engaging Mitchell Garber to head Caesars Interactive Entertainment
- The Watanabe matter involving a high roller
- Caesars’ present financial status

In addition, as detailed in the individual qualifier report section, there is concern relating to Richard Fields’ ability to demonstrate his financial stability as a principal of the Coastal Group. The issue relates to the fact that his net worth valuation is contingent upon the successful awarding of a license to SSR. Apart from Fields, the investigation did not reveal any significant derogatory information relating to any individual qualifiers or other entity qualifiers.

The first significant issue involves a licensing agreement which Caesars entered into, through a subsidiary, Corner Investment Company LLC, with Las Vegas Gansevoort LLC, a subsidiary of Gansevoort Hotel Group (“Gansevoort”). One of the principals of Gansevoort, Arik Kislin, has been the subject of considerable media and law enforcement scrutiny over the past several years for alleged ties to Russian organized crime. Despite these serious allegations, as revealed during Caesars’ due diligence review of the proposed transaction and Kislin’s suitability, Caesars’ Compliance Committee approved the transaction and Caesars ultimately determined to proceed with the license agreement. This issue is addressed in detail in this investigative report.

The second significant issue pertains to the hiring of Garber to be the head of Caesars Interactive Entertainment, Caesars’ subsidiary involved in the expanding world of Internet gambling (or “online gaming”). Garber previously headed two companies, PartyGaming LLC and Optimal Payments LLC, each of which entered into a non-prosecution agreement with the United States Attorney’s Office for the Southern District of New York. The non-prosecution
agreements called for the forfeiture of substantial sums by each company. In turn, the USAO agreed not to prosecute the companies for any crimes related to their internet gambling businesses with U.S. customers.

The third significant issue involves Caesars’ conduct with respect to Terrance Watanabe, a high roller patron at Caesars Las Vegas properties who accrued millions of dollars in unpaid markers in 2006-2007. Watanabe was charged criminally for the unpaid debt, and he sued Caesars civilly, claiming Caesars encouraged him to gamble while intoxicated. The civil suit ultimately settled, and the criminal case was dismissed. The episode touches on numerous concerns, including the lengths to which casino operators will go to cater to high rollers and problem gaming. The episode caused Caesars to review and revise its Compliance Program, as described below.

The fourth significant issue relates to Caesars’ financial stability. As the Company acknowledges, it is an extremely highly leveraged entity, with a current debt burden of $23.7 billion. The interest payments on that debt consume virtually [Redacted] of the Company’s current cash flow. Caesars is currently meeting its debt covenant requirements. However, should the economy fail to recover sufficiently or if another downturn occurs, it could become difficult for Caesars to meet its debt service and covenant requirements. Caesars has stated that if cash flows and capital resources are insufficient to service their indebtedness, it may reduce or delay capital expenditures, sell assets, seek additional capital, restructure, or refinance its indebtedness. In an effort to address its financial situation, Caesars announced plans to transfer certain assets to a new publicly traded company known as Caesars Growth Venture Partners. Financial analysts have expressed concerns about this component of Caesars’ future operations.
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I. Introduction

On January 15, 2013, Sterling Suffolk Racecourse Inc. (“SSR”) submitted its application for a Category 1 gaming license for Region A (the Boston region). On August 27, 2013, SSR announced that it had reached an agreement on the requisite Host Community Agreement with the City of Boston. An election has been scheduled for November 5, 2013, for the host community to vote whether it favors issuance of a Category 1 gaming license to the Applicant.

SSR plans to construct the casino facility at the site of the Suffolk Downs racetrack. Caesars, an experienced casino operator, will assume responsibility for operating the casino and racetrack if SSR is successful with its gaming license application.

SSR’s planned casino project is estimated to cost approximately $1 billion. Financing has not been arranged to date but executives from the member companies that compromise SSR are optimistic that financing will be secured and that any necessary equity capital contributions will be made by the members. The investigation supports this position. Any additional financial sources will need full disclosure, background and suitability investigation and evaluation when identified by the applicant, if the Commission approves the applicant’s advancement to the Phase II processes.

SSR is a Massachusetts manager-managed limited liability company. The managers of SSR are separated into two groups: manager-appointing members and non-appointing members. The manager-appointing members are: Coastal Development SSR LLC, Sterling Racecourse Inc., Suffolk CCF LLC, CS SSR Investor LLC, JJO Sterling Suffolk Inc., Sixth Street Sterling LLC, Vornado Suffolk LLC, and Caesars Massachusetts Investment Company LLC. The non-appointing members are: Dreamport Suffolk Corporation, Hall Racecourse Properties Inc., MAR Suffolk LLC, Fisher WWCD Investors LLC, the SSR Investment Trust I, and the SSR Investment Trust II. The following table depicts the respective membership interests in the Applicant:

- Coastal Development SSR LLC
- CS SSR Investor LLC
- Vornado Suffolk LLC
- JJO Sterling Suffolk Inc.
- Suffolk CCF LLC
- Caesars Massachusetts Investment Company LLC
- The SSR Investment Trust I
- The SSR Investment Trust II
- Dreamport Suffolk Corporation
- Sixth Street Sterling LLC
- Sterling Racecourse Inc.
- MAR Suffolk LLC
- Hall Racecourse Properties Inc.

Coastal Development SSR is owned by Coastal Development Massachusetts LLC, with the remaining held by a group of individuals, none of whom own greater than. Coastal Development Massachusetts is by Coastal Development Suffolk LLC. Coastal Development Suffolk LLC is by CSTL Holdings LLC. CSTL Holdings LLC is owned by Richard T. Fields and by CSTL Management Corp.

Sterling Racecourse Inc. is by Coastal Development Massachusetts LLC.

Suffolk CCF LLC is a manager-managed limited liability company, by Coastal Development SSR. CS SSR Investor LLC is a special-purpose Delaware entity formed to hold a member’s interest in Sterling Suffolk and it owns interest in SSR. CS SSR Investor LLC’s sole member is CS/NED SSR Holdings LLC. CS/NED SSR Holdings LLC is owned by Cambridge Suffolk LLC, and the remaining interest is held by a group of individuals none of whom own more than. Cambridge Suffolk LLC is owned by CS Sixth Street LLC and by Charles Morneau. CS Sixth Street is owned by Joseph O’Donnell, by Sixth Street Trust f/b/o Kate O’Donnell, and by Sixth Street Trust f/b/o Casey O’Donnell.

JJO Sterling Suffolk Inc. is a special-purpose entity formed to own an interest in Sterling Suffolk. It owns a interest in SSR. JJO Sterling Suffolk Inc. has four shareholders. Joseph O’Donnell owns, Steve Wheeler owns, John L. Hall, II owns and Charles Morneau owns.
Sixth Street Sterling LLC owns [redacted] of SSR and is [redacted] by Joseph O’Donnell.

Vornado Suffolk LLC owns [redacted] of SSR. The managers of Vornado Suffolk LLC are Michael D. Fascitelli and Clifford J. Broser. The sole member of Vornado Suffolk LLC is Vornado RTR Inc. Vornado RTR is [redacted] by VLRP whose sole general partner is VRT. Vornado’s interests have been place in a divestiture trust following Vornado’s decision not to file the requisite disclosure forms and undergo a suitability background investigation.

II. Scope and Methodology

Spectrum was retained by the Commission to assist with this suitability background license investigation. This investigation was conducted in conjunction with the Massachusetts State Police and the Commission’s Investigations and Enforcement Bureau (“IEB”). The license applicant, SSR, and its affiliated entities were required to complete application forms, and certain designated individuals of the various entities were required to complete the Multi-Jurisdictional Personal History Disclosure Form (“PHDF”), as well as the Massachusetts Supplement. The Investigators conducted a thorough review of the application forms to determine completeness and verify accuracy of the information provided as of the application date. As part of the application process, both the corporate entities and the individual license applicants were required to sign release authorizations, which authorized the Commission and Investigators access to information not necessarily in the public domain.

The investigators reviewed the documents submitted in connection with the application process and then secured additional and updated information from the Applicant, its affiliated companies, and the individual qualifiers as needed throughout the investigation. The Investigators made a series of document and informational requests of the Applicant based upon issues that surfaced during our review. In all respects, the applicant company, the entity qualifiers and the individual qualifiers cooperated fully with these requests.

The Investigators conducted several site visits to Caesars’ corporate office in Las Vegas, NV, to review certain documents and records. As part of this review, records and documents were examined to ensure compliance with anti-money-laundering procedures at the casinos operated in Las Vegas by Caesars’ subsidiary companies. In addition, interviews were undertaken with various Caesars executives and employees. Members of the Compliance Committee and Compliance Department staff were interviewed relative to their consideration of the Hotel Gansevoort matter. Further, Various due diligence investigative reports prepared by or on behalf of Caesars were examined. The investigation also entailed examination of Caesars’ Asian market initiatives, including the pending sale of the Macau Golf Course. In one instance, a sworn interview was conducted of Mitchell Garber, the CEO of Caesars Interactive Entertainment, the online gaming operating company for Caesars.
The Investigators also conducted site visits for Coastal Development, Apollo Global Management, and TPG Capital and interviewed various executives from those entities. Financial reviews and interviews of qualifiers and other parties with relevant information were conducted as part of this investigation, and information was gathered from a variety of governmental and non-governmental sources. Recent filings made by Caesars and Apollo with the SEC were also reviewed.

Pursuant to a Memorandum of Understanding between the Commission and the Ohio Casino Control Commission (“OCCC”) for the sharing of relevant information concerning casino license applicants, the Investigators were able to access the investigative files of the OCCC pertaining to Caesars. Since the OCCC had recently evaluated the suitability of Caesars in connection with the Company’s 2012 license applications to operate one casino each in Cleveland and Cincinnati, the review of those files proved beneficial in conducting and streamlining the background investigation. The OCCC licensed Caesars and its affiliated entities following its background investigation.

As part of this investigation, various regulatory agencies verified Caesars’ license status in each of the gaming jurisdictions where Caesars is licensed, and information concerning recent regulatory infractions was obtained. (These regulatory agencies are listed in Exhibit 2.) We note that the Applicant does not have any casino gaming regulatory history.

In conducting the license investigation, the Investigators evaluated the applications based upon general gaming standards typically used by gaming regulatory agencies and the specific standards set forth in the Massachusetts gaming statute. The universal standard for suitability includes an evaluation of the following criteria:

1) Good character, honesty and integrity

2) Financial stability, responsibility and integrity

3) Business experience

Notably, it is the affirmative obligation of all applicants to demonstrate their qualifications by clear and convincing evidence. In addition, the Massachusetts gaming statute requires a review of certain other specific matters, including reputation and business practices.
M.G.L. c.23K, 12(a)(1) and (3). Section 12(a)(7)(b) requires a demonstration of “responsible business practices in any jurisdiction.”

A significant aspect of the application and review process for the Applicant entailed a determination of the proper scope of licensing. In this connection, Investigators met with representatives of SSR in Boston on November 6, 2012. Spectrum made certain recommendations to the IEB with respect to the list of natural persons and entities that should be required pursuant to Massachusetts law to submit applications and undergo background investigations to determine their suitability for participating in Massachusetts’s fledgling gaming industry. The analysis and review was based upon the statute’s specific terms pertaining to the individuals and entities required to be included as part of a gaming license application. This factual and legal issue was discussed at length with the Applicant. Thereafter, the IEB instructed the Applicant to ensure that all of the named entities and natural persons included therein complied with their statutory obligations.

As a result of this review process, Paulson and Company, an institutional investor holding an equity interest in Caesars, was granted a waiver of qualification pursuant to section 14(c) of the gaming statute. The non-voting members of the Applicant also were waived from qualification. One voting member entity of the Applicant, Vornado, declined to file the requisite disclosure forms. As a result, the Commission required Vornado to divest its interest in the Applicant by virtue of a trust agreement in order to be removed from the qualification process.

The IEB established, consistent with the statutory terms, the following list of named entities which are required to submit to the qualification process:

- SSR
- Coastal Development SSR LLC
- Coastal Development Massachusetts LLC
- Coastal Development Suffolk LLC
- CSTL Holdings LLC
- Sterling Racecourse Inc.
- Suffolk CCF LLC
- CS SSR Investor LLC
- CS/NED SSR Holdings LLC
• Cambridge Suffolk LLC
• CS Sixth Street LLC
• JJO Sterling Suffolk Inc.
• Sixth Street Sterling LLC
• Caesars Entertainment Corporation
• Caesars Entertainment Operating Company Inc.
• Caesars Massachusetts Acquisitions Company LLC
• Caesars Massachusetts Investment Company LLC
• Caesars Massachusetts Management Company LLC
• Hamlet Holdings LLC
• Apollo Hamlet Holdings LLC
• Apollo Hamlet Holdings B LLC
• TPG Hamlet Holdings LLC
• TPG Hamlet Holdings B LLC
• Co-Invest Hamlet Holdings B LLC
• Co-Invest Hamlet Holdings, Series LLC
• Apollo Global Management LLC
• TPG Capital LP

The 35 natural persons required to qualify are as follows:

**SSR**

• William Mulrow, Chair, SSR
• John L. Hall, II, President SSR
• Charles Morneau, Manager SSR
• Joseph O’Donnell, Manager SSR
• John Payne, Manager SSR
• Robert K. Vincent, Manager SSR
• Paul M. “Chip” Tuttle, COO SSR
• John Rizzo, CFO SSR
• Charles A. Baker, III, Secretary SSR
• Stephen Kidder, trustee for Vornado divestiture trust
Coastal

- Richard T. Fields, owner, CSTL Holdings

Caesars

- Gary W. Loveman, Director and Chairman of the Board
- Jeffrey Housenbold, Director
- Lynn C. Swann, Director
- Christopher J. Williams, Director
- Jeffrey Benjamin, Director
- David Bonderman, Director
- Kelvin Davis, Director
- Karl Peterson, Director
- Eric Press, Director
- Marc Rowan, Director
- David Sambur, Director
- Tim Donovan, Executive Vice President, General Counsel and Chief Regulatory and Compliance Officer
- Jan L. Jones, Executive Vice President Communications and Government Relations
- Tariq Shaukat, Executive Vice President, Chief Marketing Officer
- Donald Colvin, Chief Financial Officer
- Mary Thomas, Executive Vice President Human Resources
- Michael D. Cohen, Senior Vice President, Corporate Secretary, Deputy General Counsel
- Eric Hession, Senior Vice President, Treasurer
- Diane E. Wilfong, Senior Vice President, Chief Accounting Officer, Controller
- Greg Miller, Senior Vice President of Domestic Development
- Cheryl Kondra, Director of Audit
- Leon Black, Apollo Global Management LLC
- Joshua Harris, Apollo Global Management LLC
- James Coulter, TPG Capital LP.

The resultant report represents an accumulation of data and information pertaining to the Applicant.
III. Applicant Sterling Suffolk Racecourse LLC

A. Corporate History

SSR, d/b/a Suffolk Downs, is an applicant for a Category 1 Region A casino gaming license. SSR operates a thoroughbred racetrack located in the cities of Boston and Revere. SSR’s corporate headquarters are at 111 Waldemar Avenue, East Boston, MA. The Applicant’s officers include John Hall II, President; Paul (“Chip”) M. Tuttle, Chief Operating Officer; John Rizzo, Chief Financial Officer and Treasurer; and Charles Baker III, Secretary.

SSR was formed on June 30, 1997, in Massachusetts as a limited liability company. The Applicant was formed for the purpose of acquiring, developing, and operating certain real property containing approximately 163 acres with improvements located in Revere and East Boston known as Suffolk Downs, a thoroughbred horseracing facility. In addition, the Applicant may also develop, construct and operate gaming facilities, hotels, retail, restaurants, entertainment and other commercial activities at this location.

In addition to the racetrack, SSR maintains direct and indirect interests in a subsidiary, SSR Acquisitions LLC. This entity was formed for the purpose of holding an option to acquire, develop and/or operate certain real property located in Revere, MA.

The racetrack origins date back to 1934, when pari-mutuel wagering was legalized in Massachusetts. The racetrack’s original owners, Eastern Racing Association, acquired roughly 200 acres in East Boston and Revere and constructed the state’s first thoroughbred racetrack. On July 10, 1935, the track held its inaugural racing season. The racetrack achieved an average daily attendance of nearly 15,000 in its first season, a figure that peaked at 18,388 in 1945. In the early 1960s, the racetrack underwent its first significant renovation when the open-air grandstand was enclosed and the appearance of the clubhouse entrance was substantially altered. The grandstand and clubhouse were joined and a new paddock and walking ring was constructed between the track and the grandstand. Additional improvements in the box seating area were made in 1969-70.

As a result of the decline in the popularity of horse racing, the racetrack closed at the conclusion of its 1989 racing season. Racing resumed at the racetrack in 1992, when Sterling Suffolk Racecourse Limited Partnership, whose members included the Moseley family and John
Hall II, assumed control of the facility through a lease agreement. Prior to its reopening, a new round of improvements were made, including the restoration of the clubhouse facade back to its original form.

In June of 1997, Boston entrepreneur Joseph O’Donnell, along with a group of investors, paid approximately $37 million to buy Suffolk Downs from Belle Isle Ltd. O’Donnell formed Sterling Suffolk Racecourse LLC, d/b/a Suffolk Downs, as a vehicle to facilitate this acquisition. The Sterling Suffolk Racecourse Limited Partnership was merged into the LLC and existing partners in the LP were granted an ownership interest in the LLC.

On June 30, 1997, a Consulting Agreement was entered into between Belle Isle Limited Partnership (“Consultant”) and Sterling Suffolk Racecourse LLC (“Developer”). Services to be performed by the Consultant may include services related to the non-gaming development of the property, such as planning development uses including market research, advising on land use and other regulatory controls and coordinating with any third-party professionals for non-gaming development of the property.

In April 2007, Coastal Development Massachusetts LLC, controlled by developer Richard Fields of New York, purchased a majority ownership interest in the Applicant with the intention to develop an entertainment complex to include shops, restaurants, live entertainment and family activities, with the opportunity to expand the facility’s site into a casino in the event the Commonwealth legalized casino gaming.

On March 29, 2011, SSR entered into a subscription agreement with Caesars Entertainment Corporation through its subsidiary, Caesars Massachusetts Investment Company LLC (“CMIC”) for a interest in the Applicant in exchange for a contribution of

In June 2012, SSR and Caesars Massachusetts Management Company LLC (“CMMC”) entered into an amended and restated gaming facility management agreement. The agreement provides for CMMC to exclusively manage, operate, promote and market the racetrack. The initial term of this agreement commences at the opening of the casino facility and continues for a
The racetrack currently simulcasts year round, and conducts a live thoroughbred 100-day meet from May to November, primarily on Mondays, Tuesdays, Wednesdays and Saturdays. The track also hosts concerts and events such as Cirque de Soleil, the traveling circus troupe. The facility has parking for more than 5,000 vehicles.

**B. Ownership Structure**

Equity in SSR is held in the form of economic interests and preferred interests. Members of the economic interests, also known as the voting interests, as of July 31, 2013, included the following:

- Coastal Development SSR LLC
- CS SSR Investor LLC
- Vornado Suffolk LLC
- JJO Sterling Suffolk Inc.
- CMIC
- Suffolk CCF LLC
- Fisher WWCD Investors LLC
- The SSR Investment Trust II
- Dreamport Suffolk Corporation
- Sixth Street Sterling LLC
- MAR Suffolk LLC
- The SSR Investment Trust I
- Hall Racecourse Properties Inc.
Individual qualifiers Richard Fields, through the Coastal Ownership Group, and Joseph O’Donnell, through the O’Donnell Ownership Group, control approximately [redacted] and [redacted], respectively, the economic interests of SSR. A detailed analysis of the Coastal Ownership Group and the O’Donnell Ownership Group are noted below.

The business and the affairs of SSR are managed by a seven-member Board of Managers. Coastal Development SSR LLC, Sixth Street Sterling LLC, Vornado Suffolk LLC, Sterling Racecourse Inc., CMIC, and Cambridge Suffolk LLC (collectively “the majority members” each have the right to appoint a member to the Board of Managers. The final member is elected by a majority vote of the majority members. As of December 31, 2012, Suffolk Downs’ Board of Managers consisted of William Mulrow (Chairman), Joseph O’Donnell, Clifford Broser, John Payne, Charles Morneau, John Hall II, and Robert Vincent.

In January 2013, Vornado Suffolk LLC elected not to participate in the investigatory process required by the Commission for SSR to become eligible to apply for a gaming license. The Commission waived the requirement for Vornado Suffolk LLC to undergo such process, provided that it placed its interest in Suffolk Downs into a divestiture trust, and the trustee participate in the suitability process. On April 9, 2013, Vornado Suffolk LLC entered into a Trust Agreement pursuant to which it appointed a Trustee, Stephen Kidder, to act on its behalf. Pursuant to the Trust Agreement, Vornado Suffolk LLC’s appointed Board of Manager’s member, Clifford Broser, was replaced by Kidder on April 26, 2013. Kidder currently serves on the Board of Managers and exercises the voting rights previously exercised by Vornado Suffolk LLC.
The following list depicts the natural person qualifiers affiliated with SSR, either as Members of the Board of Managers or as officers of the Applicant.

**SSR**
- William Mulrow, Chair, Board of Managers
- John L. Hall, II, President and Manager
- Charles Morneau, Manager
- Joseph O’Donnell, Manager
- John Payne, Manager
- Robert K. Vincent, Manager
- Stephen Kidder, Manager and trustee for Vornado divestiture trust
- Paul M. “Chip” Tuttle, COO
- John Rizzo, CFO
- Charles A. Baker, III, Secretary

**C. Regulatory History**

The only gambling business that SSR conducts is pari-mutuel wagering on horse and greyhound races. SSR conducts live thoroughbred horse racing at Suffolk Downs in East Boston and Revere and accepts wagers on those races. SSR also serves as both a host and a guest track with respect to simulcast wagering Massachusetts. The only gaming-related licenses applied for by the Applicant are its Massachusetts racing licenses. Those licenses have been granted annually since the 1992 racing season. SSR also serves as both a host and a guest track in connection with simulcast wagering. All greyhound signals are through Wonderland Park’s greyhound license.

As a host track, the Applicant sends a simulcast signal of its live races to guest tracks in other jurisdictions. The patrons at those tracks can then wager on the Suffolk Downs races. As a guest track, patrons at Suffolk Downs can wager on races run at other tracks. Each racing season, SSR discloses to the MGC Racing Division the tracks to which it sends its signal and the tracks for which it is a guest track. The Investigators have reviewed the most recent disclosure letters as provided by the Applicant.
The Applicant is also a Massachusetts Lottery agent (No. 141830) and its license is in good standing. The license is renewed automatically as long as the agent remains in good standing.

**D. Compliance**

The Applicant provided the Investigators with a copy of its October 5, 2007, Compliance Plan, which includes an Employee Code of Conduct. The SSR Compliance Plan requires that a potential employee or vendor complete a specific application after which it is forwarded to Jeremy Kleiman, Executive Vice President for Regulatory and Business Affairs at Coastal, for a background check. Upon completion, the file is returned to SSR for their consideration.

It is anticipated that Caesars will assume responsibility for the Compliance function for the casino and racetrack in the event a gaming license is issued to SSR.

Currently, Paul Evans is the Executive Vice President of Security & Compliance at the track (SSR) and handles on site compliance matters. Evans, who served as the Boston Police Department Commissioner from 1993-2003, started with SSR in September 2009.

**1. Employee Code of Conduct**

The Code of Conduct for SSR requires that the Applicant’s business be conducted in the most ethical manner and that its employees seek to achieve the highest degree of respect and esteem of the public and with those who conduct business with the Applicant. Disciplinary action, up to and including separation from the company, may occur for failure to comply with the Code. The Code addresses the following areas:

- Illegal Practices
- Conflicts of Interest
- Influences
- Tips and Gratuities
- Confidentially of Non-Public Information
- Accounting & Reporting Procedures
- Protection and Proper Use of Company Assets
- Government Relations and Public Officials
• Responsible Gaming Program

In addition to the Employee Code of Conduct, the Applicant also provides an Employee and Vendor Background Program. This program is in place to insure that employees are found suitable for their position. Further, that a complete background investigation will be conducted of all key employees and vendors that conduct more than $50,000 a year in business with the Applicant. The employees complete a Management Information Form and if the vendors meet certain qualifying criteria, a Business Disclosure Form will be completed as part of the application due diligence process in addition to Release/Affidavit forms as required. The completed forms are then forwarded to Jeremy Kleiman, Coastal Development’s Compliance Officer, for a background check. Upon completion, the file is returned to SSR for their consideration.

E. Litigation

Sterling Suffolk has provided a summary of material litigation involving the company over the past five years. Currently all of the matters have been resolved. Sterling Suffolk reports being involved in the following matters previously.

US v. Sterling Suffolk Racecourse LLC

This matter arose out of a US Environmental Protection Agency (“EPA”) administrative order issued in 2008 pursuant to the Clean Water Act to mitigate any discharges into Sales Creek. This Order was issued as a result of SSR’s alleged discharges of pollutants into Sales Creek. Under the Order, the EPA could fine SSR for any past and future discharges into Sales Creek.

The Order directed SSR (a) to make all practicable efforts to cease the discharge of pollutants from SSR’s animal-feeding operations; (b) conduct daily visual monitoring of all potential sources of pollutant discharges to Sales Creek and its tributaries from SSR’s animal-feeding operations; (c) conduct periodic sampling of discharges from various outfalls on SSR’s property; (d) submit monthly visual-monitoring and sampling reports; (e) submit an application for a permit under the EPA’s National Pollution Discharge Elimination System (“NPDES”) program; and (f) submit an interim pollution-prevention measures plan, to prevent or achieve maximum reduction in the discharge of pollutants from SSR’s animal-feeding operations, prior
to the time that the EPA issues a NPDES permit for those operations. The EPA also reserved the right to seek additional remedies available to it under the Clean Water Act, including injunctive relief and penalties, for the violations cited in the Order. The EPA later referred claims related to this matter to the US Department of Justice for civil enforcement.

In 2012, SSR entered into a settlement agreement with the EPA and was ordered to pay $1,250,350 in fines. The total fine was paid in 2012. In addition, SSR was ordered by the EPA to fund three supplemental environmental improvement projects. Also under the decree, SSR completed construction of various process and storm-water control systems, and will monitor several outfalls on SSR’s property for one year following completion of that construction. SSR remains subject to the consent decree.

**Noonan v. Wonderland Greyhound Park Realty LLC et al.**

This matter arises out of a claim filed by the holder of a junior loan to Wonderland Greyhound Park Realty LLC ("Realty") secured by Realty’s real property disputing the claimant’s right to be repaid and the respective seniority of the junior and senior loans. With respect to SSR, the complaint alleged that in or about October 2008, Realty granted to Costal Development Massachusetts LLC an option to purchase the Wonderland Property ("Option Agreement"), which Costal Massachusetts allegedly assigned to SSR. The complaint sought 1) a declaration that the Option Agreement was invalid; and 2) an order that SSR and Coastal Massachusetts should pay to Noonan all payments due under the Option Agreement. The dispute was settled in 2011 and the case was closed.

**Sterling Suffolk Racecourse LLC v. Massasoit Greyhound Ass’n & Taunton Dog Track Inc.**

This was a collection action brought by SSR against Massasoit Greyhound Association & Taunton Dog Track Inc., which are the Massachusetts greyhound racing licensees that operated at Raynham Dog Track (collectively “Raynham”). Raynham was indebted to SSR on account of its failure to meet its obligations to pay certain amounts due to SSR. The dispute was settled shortly after the lawsuit was filed and the matter is closed.

**Theodore & Access with Success Inc. v. Sterling Suffolk Racecourse LLC**
This action was brought against SSR alleging that the facilities at Suffolk Downs did not provide adequate access for persons with disabilities who use wheelchairs, in violation of Title III of the Americans With Disabilities Act. The parties entered into a consent decree in August 2009 which 1) does not contain any finding or admission of liability by SSR; 2) acknowledges that SSR cooperated in responding to the plaintiffs’ allegations and demonstrated a commitment to providing access to Suffolk Downs to persons with disabilities who use wheelchairs; and 3) required SSR to make certain alterations and improvements to Suffolk Downs to facilitate access by persons with disabilities. SSR completed the alterations and improvements within the time required by the consent decree, as amended. The matter is closed.

F. Wonderland Greyhound Park

In August 2010, Wonderland shut its doors on the heels of a voter ban on live dog racing. When it did, the Revere track owed nearly $2 million in debts to other tracks and vendors. On December 23, 2010, the Massachusetts State Racing Commission issued a decision to allow Wonderland to transfer its simulcasting license for dog racing to nearby Suffolk Downs, which could work to allow the former racetrack to raise revenue and pay debts.

Before Wonderland closed, Plainridge stopped sending its simulcast signal to the track because Wonderland had not paid premiums owed for the right to carry its signal since September 2009. Plainridge and the Harness Horsemen’s Association of New England filed a formal complaint against Wonderland that preceded the decision to transfer the license to Suffolk.

In August 2008, SSR, through its subsidiary SSR Acquisitions LLC, acquired an option to purchase Wonderland Greyhound Park. Wonderland was owned by The Westwood Group. In March 2012, the holder of the first mortgage on the Wonderland property, CBW Lending LLC, took title to it through a deed-in-lieu of foreclosure. CBW Lending LLC and SSR have some owners in common. If SSR opens an expanded gaming establishment at Suffolk Downs, it will pay additional sums to The Westwood Group and, of net profits, as part of the option agreement.
G. Media Coverage

In the past five years, the total amount spent by lobbyists for expanded gambling in Massachusetts exceeded $11.4 million, according to a review of state lobbying records by The Associated Press. In 2007, the total lobbying tab on the casino issue was close to $1.3 million. By 2011, that figure increased to over $3.1 million. Many of the companies that lobbied hardest for the expanded gambling law are now actively pursuing the three casino licenses created by the legislation. The company that spent the most on lobbying was SSR. From 2007 to 2011, the track spent more than $2.8 million on lobbying, according to the AP review.

H. Financial Suitability

1. Financial Operating Results

The Investigators reviewed the audited financial statements of SSR prepared in accordance with accounting principles generally accepted in the United States for periods ended December 31 of 2008 through 2011 and the draft audited financial statements for the year ended December 31, 2012. The following is a summarization of SSR’s operating results for the periods reviewed. (Exhibit 3 presents a more detailed chart of those results.)

a. Revenues and Income

Net revenues have steadily decreased from a high of $15.0 million in 2008 to a low of $10.1 million in 2012. The operating losses have grown from a low of $9.8 million in 2008 to a high of $21.4 in 2012. (See Exhibit 3.)

b. Ratio Analysis

Given that SSR has sustained operating losses over the past several years, the Applicant has become dependent upon raising capital to fund its members’ operations. As a result, the Investigators have determined that most metrics commonly used to measure financial stability such as ratio evaluations are of little to no value in this instance.

c. Cash Flows

SSR reported that cash out-flows from operations amounted to...
(See Exhibit 4.) The cash outflows are primarily a direct correlation to the continued operating losses of the Applicant.

Cash utilized for investing activities was primarily used for additions to property and equipment.

Cash provided by financing activities from member contributions amounted to $ in CMIC’s purchase of its preferred interests in Suffolk Downs in the amount of $ in 2012 accounts for the remainder of the cash provided by financing activities over the periods reviewed.

Cash utilized for financing activities amounted to distribution to members of $ for costs associated with the Company’s equity transactions.

d. Balance Sheet

On November 29, 2007, SSR entered into a mortgage loan payable agreement with the Bank of America. In September 2012, SSR amended certain terms of this loan including extending its maturity date to January 15, 2015. The mortgage loan is collateralized by the land held by the Applicant, and is individually guaranteed by three members of the Applicant, Richard Fields, Joseph O’Donnell and Vornado Suffolk LLC. There are no restrictive financial covenants associated with this loan. (See Exhibit 5 for balance sheets.)

e. Casino Project and the Forecasted Construction Budget

The second amended and restated limited liability company agreement under which SSR operates allows CMIC to for costs associated with the construction budget.
SSR anticipates the budget for the casino project to be approximately $1.1 billion. The project will be funded from the members’ equity in the Applicant and 75 percent from loans by financial institutions. Each member is required to fund its obligations in accordance with its economic interests in the Applicant. In the event an existing member is unable to meet their capital call obligations, the operating agreement provides for other members of the Applicant to fund the uncovered capital call request. The economic interests of the members will be adjusted accordingly, to reflect each member’s revised capital contributions. Joseph O’Donnell and CMIC representatives have stated they would cover any shortfall in the event another member is unable to meet their capital call obligations.

The Applicant has started preliminary negotiations with financial institutions in order to gauge their interest in funding the casino project. Initial feedback from the preliminary negotiations indicates the institutions will loan up to 3 to 3.2 times the projected EBITDA of the operating casino. Under those parameters, SSR would meet its goal of funding 75 percent of the project from financial institutions.

The forecasted project budget is as follows:

<table>
<thead>
<tr>
<th>Project Budget</th>
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<tbody>
<tr>
<td>Pre-Licensing Costs</td>
</tr>
<tr>
<td>Design &amp; Construction Management</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>FF&amp;E</td>
</tr>
<tr>
<td>Regulatory Licenses</td>
</tr>
<tr>
<td>Capitalized Interest</td>
</tr>
<tr>
<td>Pre-Opening Costs</td>
</tr>
<tr>
<td>Owners Contingency</td>
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<tr>
<td>$1,118,000,000</td>
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</table>

2. Conclusion as to Financial Stability

SSR has sustained operating losses during the years under review. As a result of these losses, SSR has become dependent upon raising capital from its members to fund its operating deficits. SSR’s current amended operating agreement permits CMIC to require the Board of Managers to issue mandatory capital calls to fund the development, construction or operation of the proposed casino project, which also includes the operation of the horseracing facility. In addition, the O’Donnell and Coastal ownership groups have committed, in the form of
irrevocable and binding support letters to the Applicant, to fund the operations of SSR through January 1, 2014.

SSR expects that its cash on hand at December 31, 2012, as well as additional capital contributions made in 2013, will be sufficient to fund the operations of the Applicant through January 1, 2014. In addition, SSR anticipates its budget for the proposed casino project will be approximately $1.1 billion and will be funded from members’ equity in the Applicant and 75 percent from loans from financial institutions.

SSR’s financial stability is dependent on the continued funding and support of its members. Joseph O’Donnell and CMIC have stated they would fund capital call obligations in excess of their current economic interests in the event other members are unable to fund their obligation. The success of the Applicant is also reliant on the positive outcome of their negotiations with financial institutions to fund their proposed casino project.

I. Natural Person Qualifiers

The natural person qualifiers affiliated directly with the Applicant are:

- William J. Mulrow/Chair, Board of Managers
- Joseph J. O’Donnell/Member, Board of Managers
- John W. R. Payne/Member, Board of Managers
- Charles Morneau/Member, Board of Managers
- John L. Hall II/Member, Board of Managers and President
- Robert K. Vincent/Member, Board of Managers
- Stephen Kidder/Member, Board of Managers
- Paul M. Tuttle, Chief Operating Officer
- John Rizzo, Chief Financial Officer and Treasurer
- Charles Baker III, Secretary.

The reports on their individual qualifications follow.
1. Charles Aloysius Baker III

The investigation of Charles Baker III, Secretary of Sterling Suffolk Racecourse LLC, revealed no derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records and documents provided by Baker has verified the following information:

Name: Charles Aloysius Baker III

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b. Employment History

Research has confirmed that Baker is currently employed as Secretary of Sterling Suffolk Racecourse LLC, since June 1997

- Baker has concurrent employment as noted below:
  - Dewey Square Group LLC President 1/93 to present
  - DLA Piper LLP Partner/Attorney 1/03 to present
  - Symphonic Stables LLC Managing Member 8/11 to present

Employment was confirmed through public records, documents provided by Baker, financial records, and a telephonic interview on June 3, 2013.

c. Criminal Record

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d. Education

Baker disclosed that he attended Harvard College, where he received a Bachelor of Arts in Government in June 1980. Research has verified this information. Baker also disclosed he attended Boston University School of Law, where he received a Juris Doctor degree in January 1984. Research has verified this information.

e. Professional and Gaming Licenses

Baker disclosed and research has verified that he is a licensed attorney in Massachusetts, B.B.O. No. 545755. A check with the Massachusetts Board of Bar Overseers did not reveal any derogatory information or disciplinary action associated with this license.

Baker also disclosed that he holds three Massachusetts horse owner licenses and 1 Maryland horse owner license. Investigation found that the licenses are current and renew annually.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports and assorted company records revealed the following business affiliations for Baker:

- Sterling Racecourse Inc.
- DLA Piper LLP
- Cambridge Street Consulting Inc.
- Hill & Barlow (Dissolved)
- Creative Development Group Inc. (Dissolved)
- Massachusetts Chapter of National Association of Housing and Development
- Massachusetts Association of Contributory Retirement Systems
- DSG Strategies
- Dewey Square Group LLC

Baker acknowledged in a June 3, 2013, interview his affiliation with the above entities, except for Creative Development Group Inc. Baker stated he has no knowledge of this entity, and added that a Charles D. Baker domiciled near Charles A. Baker III is frequently connected to Charles A. Baker III.
Baker disclosed that he owns a minimum of 5 percent in the following business entity:

- Symphonic Stables LLC

Investigation has verified this information. Baker’s business interests are discussed in greater detail in the Financial Suitability Evaluation section of this report.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed no records personally naming Baker. Baker disclosed on his PHDF various corporate litigation matters involving Sterling Suffolk Racecourse LLC.

**h. Bankruptcy**


**i. Property Ownership**


**j. Financial Suitability Evaluation**

The Investigators conducted an evaluation of Baker’s financial integrity, responsibility and stability by focusing on two areas, namely Baker’s net worth statement as disclosed in his PHDF filed with the Massachusetts Gaming Commission as of January 10, 2013, and through a review of his sources of income as reported in the PHDF and his income tax returns filed for 2007 through 2011.
Income Analysis

Net Worth Analysis

Assets
Cash in Banks
Securities

Real Estate Interests

Life Insurance
| Entity Gaming-License Investigation: Sterling Suffolk Racecourse LLC |

### Pensions

| Liabilities |

| Loans and Other Payables |

| Other Assets |
**Conclusion as to Financial Suitability**

As a result of our request for additional information, we discovered a variance in the cash surrender value of a life insurance policy listed on the schedule in Baker’s PHDF to the actual source document. We also found the existence of four business investments which were not disclosed on Schedule “H” – Other Assets. We have not uncovered any information, however, that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

**k. Political Contributions**

The investigation has also confirmed that Baker has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.
1. Significant Investigative Issues

None.

m. References

The above-named references were contacted and queried regarding the character and integrity of Baker. All three references indicated that Baker is of the highest character and integrity. No derogatory information was developed which would preclude Baker from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources revealed no derogatory or adverse items relative to Baker. He and his company affiliations are mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there are no known facts that would disqualify Baker based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
2. John Loomer Hall II

The investigation of John Loomer Hall II, manager and owner (through intermediary companies) of Sterling Suffolk Racecourse LLC, revealed no derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records and documents provided by Hall has verified the following information:

Name: John Loomer Hall II

b. Employment History

Research and a telephonic interview with Hall on June 13, 2013, confirmed that he has been self-employed the majority of his adult life. His business interests and associations are discussed in greater detail in the Financial Suitability and Directorships and Stockholdings sections of this report.

c. Criminal Record
d. Education
Hall disclosed that he attended Boston University, where he received a Bachelor of Arts degree in 1965. Research has verified this information.

e. Professional and Gaming Licenses
Hall disclosed that he formerly held a real estate broker’s license. Research found that Hall was a licensed real estate broker in Massachusetts under license No. 88692 from January 1, 1974, to September 24, 2003. No derogatory information or sanctions are noted for this license.

Hall disclosed in his PHDF that he was approved in 1991 by the Massachusetts State Racing Commission as general partner for operating horse racing meets. No derogatory information was noted.

f. Directorships and Stockholdings
Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports and assorted company records revealed the following business affiliations for Hall:

- Hall Properties Inc.
- John L. Hall II Corp.
- Charles Square General Holding LLC
- Ames Mills Inc.
- Assisted Living Services Inc.
- Brookline Bancorp Inc.
- The Charles Square Company Inc.
- East Hartford Estates LLC
- F&H GP Corporation
- F.H. Hotels Inc.
- Hall Keen Investments LLC
- Hall Racecourse Properties Inc.
- Hallkeen Management Inc.
- Hallston Corporation
- HGR Corporation
- HK East Hartford Inc.
- Waldemar Properties Inc.
- Watermain Realty Associates LLC
- Rogerson Communities
- HK Lawton Inc.
- HK Management Inc.
- HKA Management Inc.
- HKA Partners Inc.
- Hall-Peabody
- HKM Partners Inc.
- JLH Carpenter Associates LLC
- Hotel Danville Company
- HK Wamsutta III Inc.
- HK Coffin Inc. (Inactive)
The information Hall disclosed in his PHDF and during a telephonic interview on June 13, 2013. During the interview, Hall was queried regarding several companies not shown on his PHDF. Hall stated, and his accountant confirmed through Secretary of State searching, that Hall’s connection with the companies is correct. Hall also stated that due to the large number of businesses he owns and transactions involved, he did not recall all the companies on which he serves as an officer or board member and did not intentionally omit listing any company.

Hall disclosed that he owns a minimum of 5 percent in the following business entities:

- 109 Beacon St. LLC
- 755 Middlesex Rd. LLC
- Amy Lowell House Investors LLC
- CXIV Investors LLC
- Carpenter Tria LLC
- Charles Sq Assoc LLC
- Charles Sq Gen Hld LLC
- Charles sq Ltd Hld LLC
- Chechessee Creek Club LLC
- Chestnuts LLC
- Chimney Hill Farm LLC
- East Hartford Estates LLC
- F&H Special Purpose LLC
- F&H Tradename LLC
- Hall Keen Asst Liv Inv LLC
- Hall Keen Asst Living LLC
- Hall Keen Development LLC
- Hall Keen Investments LLC
- Hall Keen Kingston LLC
- Hall Keen LLC
- Hall Keen REI LLC
- Hall Keen REI LLC
- HK Brayton LP
- HK Cameron LLC
- HK Champlain LLC
- HK Central Block GP LLC
- HK East Bristol Manager LLC
- HK Highland LLC
- HK Neptune LLC
- HK Palmetto LLC
- HK Spring Hill LLC
- HK Spring Hill LP
- HK Sunapee Cove LLC
- HK Ten05 Investor LLC
- HK Ten05 Lending Group LLC
- HK Winooski Investors LLC
- HK Woodland LLC
- HKSB LLC
Research has verified this information. Hall’s business interests are discussed in greater detail in the Financial Suitability Evaluation section of this report.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed the following records personally naming Hall. When questioned about these filings/court cases, Hall provided some limited information from recollection, but indicated that he will research the issues and provide any information obtained. Hall stated it was not his intention to omit these matters from his PHDF, but that once he develops a business (as an entrepreneur) he leaves management responsibility to those he hires to run the businesses, and typically is not aware of any legal actions unless directly subpoenaed regarding any case. In the matters listed below, Hall received no subpoenas.

**MA UCC Filing**
Debtor John L Hall II c/o Carpenter & Company Inc.
Secured Parties: Massachusetts Mutual Life Insurance Company
Filing #: 201294352990
Filing Date: 3/12/2012

In his June 13, 2013, telephonic interview, Hall explained this to be the result of routine financing with the secured party for his investment in the Charles Hotel.

**US District Court, District of Massachusetts**
Case Title: Spalluto et al v. KSA Realty Trust et al
Docket Number: 1:04cv10249
Filed: 2/5/2004
Nature of Suit: Civil Rights
This case involved a claim for declaratory and equitable relief pursuant to Title III of the Americans with Disabilities Act (“ADA”). Plaintiffs Spalluto et al were qualified individuals with disabilities within the meaning of the ADA. Plaintiffs were also members of Access With Success Inc., which was engaged in seeking compliance with ADA, educational efforts to correct violations when found, and when necessary and appropriate, litigation to require persons and entities in violation of the ADA to comply with the Act. This case centered on the plaintiffs’ stay at various times at The Charles Hotel, which was owned or managed by KSA Realty Trust, and the resulting denial of access to the facilities, goods, and services offered at the Charles Hotel to persons with disabilities.

This case was dismissed on November 8, 2004, through the parties’ stipulation of dismissal to all defendants with prejudice, without costs, and waiving all rights of appeal.

In a June 13, 2013, telephonic interview with defendant Hall (and through research by his accountant, Bruce Haverberg), he stated that the lawsuit was settled through payment of the plaintiffs’ attorney fees and a variety of nominal property upgrades that made the property ADA compliant. The settlement agreement was provided in support of Hall’s statement.

**US District Court, District of Massachusetts**
United States of America et al v. Boston Financial
Docket Number: 3:10cv30208
Filed: 10/29/2010
Plaintiff: United States of America; Commonwealth of Massachusetts
Defendant: Boston Financial Investment Management L.P.; Hallkeen LLC; HallkeenManagement Inc., New Spring Senior Communities LLC et al
Terminated 2/24/2012

This *qui tam* action was to recover damages and civil penalties under the False Claims Act, 31 USC §§ 3729-3732, as amended, and the statutes of Massachusetts. Plaintiffs allege that defendants engaged in a practice of defrauding through double billing both Medicaid/MassHealth beneficiaries and the individual programs. On October 12, 2011, the United States of America filed a Notice of Election to Decline Intervention. The civil case was terminated on February 24, 2012, without further prosecution.

**US District Court, District of Maine**
Lacourse v. Hallkeen Management Inc.
Docket Number: 2:10cv00420  
Filed 10/12/2010  
Plaintiff: Keith Lacourse  
Defendant: Hallkeen Management Inc.  
Parties settled on 11/15/2011  
Case terminated on 12/13/2011 with prejudice and without costs.

This case involved the alleged discrimination and employment termination of Lacourse by Hallkeen Management Inc. The case was dismissed with prejudice and without assessment by the Court of costs or fees. Hall provided information concerning this case, which stated the case was settled on December 11, 2005.

US District Court, District of Massachusetts
Azubuko v. Catherine H Gallagher Cooperative Housing et al  
Docket Number: 1:05cv10068  
Filed: 1/5/2005  
Plaintiff: Chukwuma E. Azubuko  
Defendant: Catherine H. Gallagher Cooperative Housing; Hallkeen Management et al  
Case dismissed. Terminated 5/10/2005  
This case arose as a result of a letter, dated June 12, 2003 from Catherine H. Gallagher Cooperative Housing (Hallkeen Management Co.) (defendants) to the plaintiff in which defendant notified plaintiff that he was ineligible for housing based on information plaintiff provided. Ineligibility was based on plaintiff’s income level. On February 17, 2005, the Court dismissed the case with prejudice and ordered the plaintiff to appear to show cause why he should not be held in contempt. Plaintiff appeared at show cause hearing on May 10, 2005. Applicant Hall provided the May 10, 2005, Order from the Court showing the court determined that Azubuko had filed numerous frivolous complaints in this and other jurisdictions, and was previously ordered by two judges to cease filing such claims unless: 1) they are accompanied by a motion for leave to file same, and 2) a Judge in the Court grants leave to file such documents. No monetary award or fees were granted to either party.

US District Court, District of Massachusetts
McGonagle et al v. Clarendon Hill Tower et al  
Docket Number: 1:02cv12434  
Filed: 12/19/2002  
Plaintiff: Derek D. McGonagle, Dwight Stevens, Michele McGonagle
Case dismissed with prejudice on 12/4/2003

This was a fair housing complaint by McGonagle and involved four defendants: the tenant association, McNeil Management Inc. aka HallKeen Management Inc., and two employees of HallKeen Management Inc. who were inherited from the predecessor management company. It was settled by the defendants’ insurance companies.

h. Bankruptcy

i. Property Ownership
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
Assets

Cash in Banks

Loans Receivable

Securities
Real Estate Interests
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.
**k. Political Contributions**

The investigation has also confirmed that Hall has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

**l. Significant Investigative Issues**

None.

**m. References**

The above-named references were contacted regarding the character and integrity of Hall. The responding references indicated that Hall is of the highest character and integrity. No derogatory information was developed which would preclude Hall from being licensed by the Massachusetts Gaming Commission.

**n. Media Coverage**

Research of available online and print media sources revealed no derogatory or adverse items relative to Hall. He is mentioned numerous times on the Internet; however, no adverse information was found regarding this individual.

**o. Conclusion**

Based on the investigation there were no known facts that would disqualify Hall based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
3. William Joseph Mulrow

The investigation of William J. Mulrow, Chairman of the Board of Managers of Sterling Suffolk Racecourse LLC revealed no derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records and documents provided by Mulrow has verified the following information:

Name: William Joseph Mulrow

b. Employment History

Research has confirmed that Mulrow is currently employed (since April 2011) as Senior Managing Director (Investment Banker) with The Blackstone Group, an alternative asset management private equity firm.

Mulrow was previously employed by the following companies:

- Gabelli Asset Management 1999 - 2005
- Rothschild Inc. 1995 – 1999

Employment was confirmed through public records sources, documents provided by Mulrow, financial records and other sources.
c. Criminal Record

Mulrow disclosed that he attended Yale University where he received a Bachelor of Arts degree in American Studies in May 1978. Mulrow disclosed he also received a Master of Public Administration degree from Harvard University in May 1981. Research has verified this information.

d. Education

Mulrow disclosed on his PHDF that he holds Securities Industry Licenses Series 7, 24, 63, and 79. Research with FINRA verified that Mulrow holds Series 7, 24, 63 and 52 as shown in the FINRA Central Registration Depository No. 1083204. In a telephonic interview with Mulrow on March 20, 2013, he stated he believed he had taken the Series 79 test two years ago, but his FINRA record does not show this. No derogatory information or sanctions are noted for this registration.

Mulrow disclosed in his PHDF that the Massachusetts State Racing Commission found him suitable in 2007 for his position as Chairman of the Board of Managers for Sterling Suffolk Racecourse LLC. Investigators confirmed his status in 2007 for SSR however no license is on file for that time period for Mulrow.

e. Professional and Gaming Licenses

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports and assorted company records revealed the following business affiliations for Mulrow:

- Sterling Suffolk Racecourse LLC
- SSR Acquisitions LLC
- Paladin Capital Group
This is consistent with the information disclosed by Mulrow in his PHDF. Mulrow’s PHDF also shows his Chairman position with the following government agencies:

- New York State Housing Finance Authority
- State of New York Mortgage Agency
- New York State Municipal Bond Bank Agency
- New York State Affordable Housing Corporation
- New York State Tobacco Settlement Financing

Mulrow confirmed the above positions during a telephonic interview conducted on March 20, 2013.

Mulrow disclosed that he does not own a minimum of 5 percent in any business entity.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed the following records personally naming Mulrow:

**US District Court, Eastern District of New York**

- **Case Title:** Gebman v. New York State Democratic Party et al
- **Docket Number:** 1:02cv03489
- **Filed:** 6/17/2002
- **Nature of Suit:** 440 Civil Rights: Other
- **Plaintiff:** Clark J. Gebman
- **Defendant:** New York State Democratic Party; Eliot Spitzer; William J. Mulrow a designated candidate of the Democratic Party for the Office of Comptroller of the State of New York et al
- **Disposition:** Defendant’s motion to dismiss was granted. Plaintiff appealed to the US 2nd Circuit Court of Appeals, which was also dismissed.

**Kings County, NY Supreme Court**

- **Case Title:** Clark. J Gebman v. NYS Democratic Party et al
- **Case Number:** 0216522002
- **Filed:** 5/31/2002
- **Case Type:** Other
- **Plaintiff:** Clark J. Gebman
- **Defendant:** NYS Democratic Party; NYS Democratic Committee; Herman D. Farrell; Peter Stein; Carl McCall; Andrew Cuomo; Cjarlei King; Elliott Spitzer; Dennis Mehiel; William J. Mulrow; Allan Hevesi, et al
- **Disposition:** Case Disposed 6/3/2002
Mulrow did not disclose the above cases on his PHDF. In a telephonic interview with Mulrow on March 20, 2013, he recalled the cases and his explanation is consistent with the research information obtained. Mulrow stated that he was never contacted regarding the cases.

The above two cases involve Gebman’s claim that the New York State Democratic political party violated a variety of election laws for failing to allow Gebman to appear on the ballot for the Gubernatorial election in New York in 2002. The case was originally filed with the New York Supreme Court, however, upon motion, it was moved to the US District Court, Eastern District of New York. Mulrow et al, were named in the case because, “They were either designated to the September 10, 2002 ballot by the Democratic Party or have been elected to a rules committee for the selection of candidates in the case of a vacancy. As such they may be affected in a manner that violates their individual rights unless made party to this action.”

**h. Bankruptcy**

**i. Property Ownership**
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
Assets

Cash in Banks

Securities

Real Estate Interests
### Pension/Retirement Funds

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### Other Assets

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### Liabilities

#### Loans and Other Payables

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</table>
Credit

Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Mulrow has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-named references were contacted and queried regarding the character and integrity of Mulrow. All three references indicated that Mulrow is of the highest character and integrity. No derogatory information was developed which would preclude Mulrow from being licensed by the Massachusetts Gaming Commission.
n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Mulrow. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Mulrow based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
4. John Francis Rizzo

The investigation of John Francis Rizzo, Chief Financial Officer and Treasurer of Sterling Suffolk Racecourse LLC, revealed no derogatory information which would impact his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records and documents provided by Rizzo has verified the following information:

<table>
<thead>
<tr>
<th>Name: John Francis Rizzo</th>
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b. Employment History

Research has confirmed that Rizzo is currently a partner in the CPA firm Costantino Richards Rizzo LLP, and concurrently serves a Chief Financial Officer and Treasurer of Sterling Suffolk Racecourse LLC.

Rizzo was previously employed at the following entities:

- Auburn International Inc. 10/1992 – 1/1995

Employment was confirmed through public records sources, documents provided by the qualifier, and financial records.
c. Criminal Record

Rizzo disclosed that he attended Suffolk University where he received a Bachelor of Science degree in Business Administration (Accounting Major) in June 1988. Research has verified this information.

d. Education

Rizzo disclosed that he is a licensed CPA in Massachusetts. Research has verified that Rizzo is a licensed CPA in Massachusetts, license No. 14634. This license is currently active and expires on June 30, 2015. No derogatory information or sanctions are noted for this license. Rizzo disclosed in his PHDF that he holds no gaming licenses in any jurisdiction.

e. Professional and Gaming Licenses

Rizzo disclosed that he owns a minimum of 5 percent in the following business entities:

- Costantino Richards Rizzo LLP
- C&R Financial Services LLC
- CRR Properties LLC
- SSR Acquisitions LLC
- C&R Financial Services LLC
- Friends of Suffolk Downs
- Boston Acoustics Inc.

This is consistent with the information Rizzo disclosed in his PHDF.
• Handle It All Software Inc.

Research has verified this information. Rizzo’s business interests are discussed in greater detail in the Financial Suitability Evaluation section of this report.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC filings in the United States revealed no records personally naming Rizzo. Rizzo disclosed the following lawsuits in which his CPA firm is named:

**Middlesex, MA Superior Court**

Case Title: Scola et al v. Costantino Richards Rizzo LLP et al  
Case Number: MICV2012-01269  
Case Type: Civil  
Description: Misc. Tort  
Date Filed: 4/12/2012  
Plaintiffs: Christine A. Scola; Joseph A. Pingaro, Jr.  
Defendants: Paul E. Costantino; Costantino Richards Rizzo LLP  
Case Status: Needs Discovery  
Disposition: Pending

Research revealed that this lawsuit resulted from plaintiffs’ claim, after their indictment and guilty plea to criminal charges of tax evasion and structuring cash transactions which lead to their guilty pleas, they acted on certain advice they received from the accounting firm of Constantino Richards Rizzo LLP, whom plaintiffs had previously retained for income tax preparation. The lawsuit is currently in the discovery stage and is being handled by the firm’s professional liability insurer. Rizzo confirmed for investigators that it was his partner Constantino that had handled the tax matters in this case and that he had never even met Pingaro or his wife.

**Essex, MA Superior Court**

Case Title: Rich v. Guerrette et al  
Case Number: ESCV2010-00811  
Case Type: Civil  
Description: Misc.  
Date Filed: 4/20/2010  
Plaintiffs: Christopher C. Rich  
Defendants: Beta Leasing LLC; Costantino Richards Rizzo LLP; Thomas H. Curran, et al  
Case Status: Dismissed  
Disposition: 2/1/2013: Judgment Pursuant To MRCP 54(B) for Defendant, Costantino Richards Rizzo LLP as to Plaintiff, Christopher C Rich. The Court Ordered Separate and Final Judgment. Therefore, It Is Ordered and Adjudged That: The Complaint Of The Plaintiff(s),
Christopher C Rich be And Hereby Is Dismissed Against Defendant (S), Costantino Richards Rizzo LLP

Research revealed this lawsuit stems from plaintiffs’ claim that Costantino Richards Rizzo LLP prepared false financial statements between the Georgetown entities and Beta Leasing LLC, and further, that Costantino Richards Rizzo LLP prepared and distributed fraudulent K-1 statements to minority shareholders and filed fraudulent income tax returns on behalf of the Georgetown entities. Rizzo provided documentation that a motion to dismiss the complaint against defendant, Constantino (sic) Richards Rizzo LLP, and final judgment was entered by the court on February 1, 2013.

h. Bankruptcy

i. Property Ownership
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis

Assets

Cash in Banks
Securities

Real Estate Interests

Pension/Retirement Funds
<table>
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<td>Mortgages</td>
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<td>Credit</td>
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</table>
Conclusion as to Financial Suitability

We have not uncovered any information that Rizzo does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Rizzo has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-named references were contacted and queried regarding the character and integrity of Rizzo. All three references indicated that Rizzo is of the highest character and integrity. No derogatory information was developed which would preclude Rizzo from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources revealed no derogatory or adverse items relative to Rizzo. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.
o. Conclusion

Based on the investigation there were no known facts that would disqualify Rizzo based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
5. Paul Michael Tuttle Jr.

The investigation of Paul Tuttle Jr., Chief Operating Officer of Sterling Suffolk Racecourse LLC, revealed no derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records and documents provided by Tuttle has verified the following:

Name: Paul Michael Tuttle, Jr.

b. Employment History

Research has confirmed that Tuttle is currently employed as Chief Operating Officer with Sterling Suffolk Racecourse LLC. Tuttle’s previous and other employment is shown below:

- Conover Tuttle Pace 2/1998 to present
- National Thoroughbred Racing Association 2/1999 to 12/2001

Employment was confirmed through public sources, documents provided by Tuttle and an interview conducted on June 6, 2013.

c. Criminal Record


d. Education

Tuttle disclosed that he attended Fairfield University where he received a Bachelor of Arts degree in 1985. Research has verified this information.

e. Professional and Gaming Licenses

Tuttle disclosed no non-gaming professional licenses in his PHDF and research revealed no such licenses. Tuttle disclosed no gaming licenses in his PHDF and none were found. Tuttle states in his PHDF that in 2007 he filed a background investigation form and fingerprints with the Massachusetts State Racing Commission. In a personal interview, Tuttle explained the information regarding the master technician and electrician licenses pertain to his father.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports and assorted company records revealed the following business affiliations for Tuttle:

- Arrow III Inc. (Massachusetts) –Inactive
- Conover Advertising Company, Incorporated, The (Massachusetts) –Active
- Conover Tuttle Pace
- CT Realty Partners LLC (Massachusetts) – Active
- SSR Acquisitions LLC (Massachusetts) – Active
- Sterling Suffolk Racecourse LLC (Massachusetts) –Active

In a personal interview with Tuttle on June 6, 2013, he stated that Arrow III Inc., was a company that held his father’s interest in an airplane. Further, that CT Realty Partners LLC is an inactive real estate business he holds with his business partner Fred Conover. Tuttle also confirmed that SSR Acquisitions LLC is an affiliated company of Sterling Suffolk Racecourse LLC.

Tuttle disclosed that he owns a minimum of 5 percent in the following business entity:

- The Conover Advertising Company, Incorporated
Research has verified this information. Tuttle’s business interests are discussed in greater detail in the Financial Suitability Evaluation section of this report.

g. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed no records personally naming Tuttle. Tuttle did not disclose any personal civil litigation in his PHDF.

h. Bankruptcy

i. Property Ownership

j. Financial Suitability Evaluation

Income Analysis
Net Worth Analysis

Assets

Cash in Banks

Real Estate
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**Conclusion as to Financial Suitability**

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

**k. Political Contributions**

The investigation has also confirmed that Tuttle has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

**l. Significant Investigative Issues**

None.

**m. References**

The above-named references were contacted and queried regarding the character and integrity of Tuttle. Responding references indicated that Tuttle is of the highest character and integrity. No derogatory information was developed which would preclude Tuttle from being licensed by the Massachusetts Gaming Commission.
n. Media Coverage

Research of available online and print media sources revealed no derogatory or adverse items relative to Tuttle. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Tuttle based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
6. Robert Kenneth Vincent

The investigation of Robert Kenneth Vincent, Senior Vice President, Corporate Affairs of GTECH Corporation, and director of Sterling Suffolk Racecourse LLC, revealed no derogatory information that would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier's Name and Verified Information

Research of available online public records and documents provided by Vincent has verified the following information:

Name: Robert Kenneth Vincent

b. Employment History

Research has confirmed that Vincent is currently employed as Senior Vice President, Corporate Affairs of GTECH Corporation. Vincent also holds, and is routinely appointed to, a variety of director/officer positions with various subsidiaries of GTECH Corporation, but receives only one salary from GTECH Corporation. Vincent started employment with GTECH in January 1996.

Vincent was previously employed at the following companies for the periods noted:

RDW Group  July 1989 – July 1993

Employment was confirmed through public records, documents provided by the qualifier, financial records and telephonic interview.

c. Criminal Records

d. Education

Vincent disclosed that he attended the University of Rhode Island, where he received a Bachelor of Arts degree in Political Science in May 1975. Research verified that Vincent received a Bachelor of Arts Degree in Political Science & Policy Formation from the University of Rhode Island on June 1, 1975.

e. Professional and Gaming Licenses

Vincent disclosed no non-gaming professional licenses in his PHDF and research revealed no such licenses for him.

Vincent disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports and assorted company records revealed the following business affiliations for Vincent:

- Dreamport Suffolk Corporation
- Trinity Repertory Company
• Family Service of RI
• Kent Hospital
• Hasbro Children’s Hospital Advisory Board
• R.K. Vincent Consulting Inc.
• Dreamport Inc.
• New York Gaming Management LLC
• Harbour Ridge Homeowner’s Association Inc.
• RDW Group

This is consistent with information disclosed by Vincent on his PHDF and updated in a telephonic interview on May 10, 2013.

Vincent disclosed that he does not own a minimum of 5 percent in any business entity.

g. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed no records personally naming Vincent. Vincent did not disclose any personal civil litigation in his PHDF.

h. Bankruptcy

i. Property Ownership
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis

Assets
Cash in Banks
Securities

Real Estate Interests

Pension/Retirement Funds

Other Assets

Liabilities

Loans and Other Payables
Mortgages

Other Indebtedness

Credit
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Vincent has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-named references were contacted and queried regarding the character and integrity of Vincent. The references responding indicated that Vincent is of the highest character and integrity. The responding references denied any issues with alcohol, narcotics, gambling, or any other issues that would impinge on Vincent’s suitability to be involved in the casino industry. No derogatory information was developed which would preclude Vincent from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources revealed no derogatory or adverse items relative to Vincent. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Vincent based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
7. Stephen W. Kidder

The investigation of Stephen W. Kidder, Trustee of Vornado Suffolk Trust/Sterling Suffolk Racecourse LLC, did not reveal any derogatory information which would adversely impact his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier's Name and Verified Information

Research conducted by the Investigators and documents submitted by Kidder confirm the following information:

<table>
<thead>
<tr>
<th>Name:</th>
<th>Stephen Wells Kidder</th>
</tr>
</thead>
</table>

b. Employment History

Kidder disclosed and research confirms that he is currently a Managing Partner at his law firm, Hemenway & Barnes LLP Boston, MA, having been employed since 1991 and serving as Managing Partner since 2006. He also disclosed that he is President and Managing Director at Hemenway Trust Company, a private fiduciary company in Salem, NH. This firm is a subsidiary of Hemenway & Barnes having been founded in 2006. Kidder disclosed that as a professional fiduciary he currently serves as trustee for approximately 240 trusts.

Prior employment disclosed by Kidder indicates that he was Commissioner of Revenue and General Counsel for the Secretary of Administration and Finance for the Commonwealth of Massachusetts from 1987 through 1991.
Listed employment confirmed through review of Kidder’s available online documents and various independent online resources.

c. Criminal Record

d. Education

Kidder disclosed and research confirms that he graduated cum laude from Harvard College on June 1, 1974, with a Bachelor of Arts degree in English/American Literature & Language. Kidder also disclosed and research confirms that he graduated magna cum laude from Boston College Law School on May 22, 1978 receiving a Juris Doctor degree.

e. Professional and Gaming Licenses

Kidder disclosed and research confirmed that he is a licensed attorney in Massachusetts, Massachusetts, B.B.O. No. 270780. A check with the Massachusetts Board of Bar Overseers did not reveal any derogatory information or disciplinary action associated with this license.

Kidder also disclosed and research confirmed that he is licensed by the Washington, DC, bar under license No. 271841. This license is currently inactive and expires in July 2014. He disclosed that he was suspended by the DC bar in 1991 for non-payment of required dues. He had relinquished this license upon relocating to Boston and was unaware that a formal letter of resignation was required by the DC bar. In 2012 he applied for and was granted reinstatement without further issue. No derogatory or disciplinary action was developed for this license.

Kidder does not currently hold and has never applied for any gaming-related licenses.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed the following business affiliations for Kidder with 5 percent ownership or greater as indicated:
• Hemenway & Barnes LLP (7.11%)/Managing Partner
• Hemenway Trust Company/President & Managing Director
• Vornado Suffolk Trust (19.9%)
• Isabella Stewart Gardner Museum/President-Trustee
• Wellesley College/Trustee
• Boston Children’s Hospital Trust/Trustee
• Century Funds/Lead Independent Trustee
• Massachusetts Biomedical Research Corp.
• Concord Book Shop
• Belmont Land Management Committee

Those entities listed above were disclosed by Kidder as mandated by this investigation and confirmed through research. He also disclosed two government entities with whom he was formerly associated:

• Boston Pilot Task Force/Chairman
• Massachusetts Commission on Corporate Taxation/Committee member

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC filings in the United States did not reveal any litigation personally naming Kidder. Kidder did not disclose any information indicative of personal civil litigation.

**h. Bankruptcy**

**i. Property Ownership**
j. Financial Suitability Evaluation

Income Analysis
### Net Worth Analysis

#### Assets

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<tr>
<th>Cash in Banks</th>
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<tr>
<td>Loan Receivable</td>
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<tr>
<td>Securities</td>
</tr>
</tbody>
</table>

Entity Gaming-License Investigation: Sterling Suffolk Racecourse LLC
Real Estate

Cash Value – Life Insurance
Pension/Retirement Funds

Liabilities

Loans Against Pensions

Other Indebtedness

Credit
Conclusion as to Financial Suitability

We have not uncovered any information that Kidder does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Kidder has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00. Research of available public information sources was conducted regarding the applicant’s political contributions. All identified contributions were forwarded to the Massachusetts Gaming Commission Investigation and Enforcement Bureau for review to ensure compliance with 205 CMR 108.00. Research of available records revealed the following local Massachusetts contribution made by Kidder which he disclosed in his PHDF.

$500 to the Martha Coakley Committee on October 3, 2012.

l. Significant Investigative Issues

None.

m. References

The above named references were contacted and queried regarding the character and integrity of Kidder. All of the references indicated that Kidder was of the highest character and integrity. No derogatory information was developed which would preclude Kidder from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Kidder.


\hspace{1cm} o. **Conclusion**

Based on the investigation there are no known facts that would disqualify Kidder based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
8. John William Randolph Payne

The investigation of John Payne did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records and documents provided by Payne has verified the following information:

Name:        John William Randolph Payne

b. Employment History

Payne disclosed that he has held senior executive positions with the Harrah’s Organization since at least 2000. He is currently employed by Caesars Entertainment Operating Company as President of Enterprise Shared Services. He is also Senior Vice President, Deputy General Counsel and Corporate Secretary of Caesars Entertainment Corporation. His PHDF also indicates that he currently serves as a Trustee and/or Board Member of a number of non-profit organizations or trade associations in the New Orleans area. Research has verified this information.

c. Criminal Record

Entity Gaming-License Investigation: Sterling Suffolk Racecourse LLC 106
d. Education
Payne disclosed that he attended the J.L. Kellogg School of Management at Northwestern University from September 1993 to June 1995, at which time he graduated with a Master of Business Administration degree. Consultation with the Registrar’s Office of Northwestern University confirmed that Payne graduated with a Master of Management degree, focusing on finance and marketing, on June 17, 1995. Payne also disclosed that he attended Duke University from August 1986 to June 1990, at which time he graduated with a Bachelor of Arts degree majoring in Political Science. Duke University has verified this information.

e. Professional and Gaming Licenses
Payne did not disclose any non-gaming professional licenses in his PHDF, and none were found as a result of this investigation.

Payne disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings
Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports and assorted company records revealed numerous business affiliations for Payne. The vast majority of these business entities are affiliates/subsidiaries of either Caesars Entertainment Operating Company, or a company identified as Blue Boiler Cats I LLC, both of which were disclosed by Payne in his PHDF.
Payne also disclosed his current association as a Board Member or Trustee with the following entities:

- Sterling Suffolk Racecourse
- The Caesars Foundation
- New Orleans Tourism Marketing Corporation
- Audubon Nature Institute
- New Orleans Metropolitan Convention & Visitors Bureau
- The Idea Village

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States did reveal the following records naming Payne:

**Civil District Court for the Parish of Orleans, Louisiana**
- Case Number: 2005-02839
- Case Type: Civil
- Date Filed: March 3, 2005
- Plaintiff: John K. Cooper
- Defendants: Jazz Casino Company LLC, doing business as Harrah’s New Orleans Casino; Dave Tannen; John Payne

**US District Court, Eastern District of Louisiana (New Orleans)**
- Filing Date: June 22, 2005
- Case Number: 2:05-CV-02539-MLCF-ALC
- Nature of Suit: 442 Civil Rights; Jobs
- Plaintiffs: John K. Cooper, Sr.; Cassandra Parker
- Defendants: Jazz Casino Company LLC, doing business as Harrah’s New Orleans Casino; John Payne; Dave Tannen

The above-listed cases involve Harrah’s Entertainment in New Orleans, and dates of these suits correspond with Payne’s employment at the Harrah’s New Orleans Casino. Payne disclosed the first listed suit in his PHDF, and the second suit is a related case. Payne advised that he was named in these suits because he was the General Manager of the property at the time. He noted that Cooper did not report to him. In the first listed case, Payne explained that Cooper, who was a Poker Room Shift Manager, was caught being involved in an illegal poker game that took place at a bar next door to the casino. Cooper was terminated and subsequently filed suit for discrimination. Payne was deposed on this matter several years ago. He advised that this matter is still pending.
Regarding the second listed case, Payne advised that this was a removal of the previous case (05-2839) from state court to federal court precipitated by former Dual Rate Poker Supervisor Cassandra Parker filing a petition in intervention into that case in May 2005. Parker attempted to assert her claims of discrimination and unlawful termination into Cooper’s lawsuit. The US District Court remanded the case back to state court where Parker’s petition in intervention was dismissed on October 13, 2006 (such dismissal was subsequently upheld on appeal in August 2008). It should be noted that Parker did not assert any claims against Payne in her Petition.

Payne disclosed in his PHDF that due to his position as an Officer of Caesars Entertainment Corporation and Caesars Entertainment Operating Company Inc. (and its subsidiaries) he may have been named as a party to various civil proceedings and may have been questioned, subpoenaed and/or testified in such proceedings. He stated that he does not believe he was ever named personally in a civil suit. Payne also disclosed that although he has never personally filed for bankruptcy, subsidiaries of the Caesars Entertainment Corporation have been involved in bankruptcy proceedings.

**h. Bankruptcy**

**i. Property Ownership**
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
### Assets

#### Cash in Banks

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<thead>
<tr>
<th>Description</th>
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#### Securities

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### Real Estate Interests

### Pension/Retirement Funds

### Other Assets
Conclusion as to Financial Suitability

As a result of our request for additional information, Payne resubmitted his net worth statement to correct Caesars Entertainment Corporation’s licensing department error in providing us with the first page of another applicant’s net worth statement. We also uncovered inconsistencies in cash balances listed on Schedule “A” – Cash in Banks. We have not uncovered any information, however, that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.
**k. Political Contributions**

The investigation has also confirmed that Payne has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

**l. Significant Investigative Issues**

None.

**m. References**

The above-listed references were contacted and queried regarding the character and integrity of Payne. All of the references indicated that Payne is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Payne from being licensed by the Massachusetts Gaming Commission.

**n. Media Coverage**

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Payne. He is mentioned several times on the Internet, however no adverse information was found regarding this individual.

**o. Conclusion**

Based on the investigation there were no known facts that would disqualify Payne based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
9. Charles Edward Morneau

The investigation of Charles Morneau did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records and documents submitted by Morneau has verified the following information:

<table>
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<th>Name:</th>
<th>Charles Edward Morneau</th>
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b. Employment History

Morneau disclosed that he has been a self-employed consultant since the 1980s. He is currently employed by Belmont Capital LLC, having held this position since January 2010. Prior employment provided by the applicant indicates Morneau was employed by the following entities:

- Boston Culinary Group Inc. 12/1996 - 12/2009
Employment was confirmed through public records sources, documents provided by Morneau, as well as tax returns.

c. Criminal Record

d. Education

Morneau disclosed that he attended Babson College, where he received a Bachelor of Science degree in December 1971. He also attended Suffolk University, where he received a Juris Doctor degree in June 1976. Research has verified this information.

e. Professional and Gaming Licenses

Morneau disclosed that he is a licensed Certified Public Accountant in Massachusetts. Research has verified that Morneau is a licensed CPA in Massachusetts, license No. 4271. This license is active and due to expire on June 30, 2014. No derogatory information or sanctions are noted for this license.

Morneau disclosed that, with the exception of this application, he has not applied for qualification for any gaming license in any jurisdiction.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business fillings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports and assorted company records revealed the following business affiliations for Morneau with [redacted] or greater ownership as indicated:

- Bromley Mountain Ski Resort Inc. ([redacted])
- Little Rock Credit Extension Inc.
- Morneau & Blanchette P.C. ([redacted])
- New Bromley Equity Inc. ([redacted])
- New Roulet Inc.
- Settlers’ Holding Company Inc. ([redacted])
• Sunapee Associates LLC
• The Rock Development LLC
• 153 Turnpike Road Inc.
• 153 Turnpike Road LP
• Boston Roasting & Import Trade Team

Ownership was verified through documents provided by the applicant. Morneau did not disclose his affiliation with the Boston Roasting & Import Trade Team LLC. During an interview on June 27, 2013, Morneau stated that his only affiliation with this entity was as a consultant while employed by Boston Culinary Group Inc. He denied having any ownership interest in this entity.

Morneau also did not disclose his affiliation with the following entities, but stated that with the exception of Great Neck Theatre LLC and Peppaz Inc., all are related through current or former subsidiaries of Bromley Mountain Ski Resort Inc. and Settlers’ Holding Corporation. Morneau did not recognize Great Neck Theatre LLC or Peppaz Inc.

• Boston Roasting & Import Trade Team LLC
• Ski New Magic Mountain Inc.
• New Bromley Operating
• Ski Bromley Now LLC
• Settlers’ Lot 12 Inc.
• Settlers’ R1 Inc.
• Settlers’ R2 Inc.
• Settlers’ Tennis Inc.
• Great Neck Theatre LLC
• Peppaz Inc.

The below-listed business affiliations were disclosed by Morneau with 5 percent or greater ownership as indicated:

• Barnes Development LLC
• Bayside Mortgage Acquisition Trust
• Belmont Navy Investments LLC
• Birch Ridge Land Partners LLC
- Bromley Mountain Equity LP
- Cambridge Suffolk LLC
- Coos Realty
- E. Computer Technology LLC
- E&M Realty
- GL Lodge NH LLC
- Go Down Realty II
- Gunner Hill Cambridge LP
- K.C. Investments Northborough LLC
- MDEG Realty - terminated
- ME Realty
- MMR LLC
- MRM Real Estate Development LLC
- One Hundred Forty Realty LP – terminated, interest held through Sunapee Associates LP
- PLR Real Estate Development LLC
- Route 126 Bellingham Realty – terminated
- SC Lookout LLC
- Settler’s Holding Corporation
- Settlers J LLC
- Settlers I LLC
- Ski Bromley LLC
- South Harbor Mortgage Acquisition Trust
- Sterling Suffolk Racecourse LLC
- Sunset Realty
- The Residences at Saco River LLC
- The Rock Development LLC
- Triple I LLC – terminated
- Biddeford Textile Corporation
- 31 Conant Road Nominee Trust
Ownership interest was verified through documents provided by Morneau. Morneau’s business interests are discussed in greater detail in the Financial Suitability Evaluation section of this report.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed the following records personally naming Morneau:

**MA UCC Filing**
Debtors: 153 Turnpike Road Nominee Trust; Charles E. Morneau; Stuart M. Rose
Secured Parties: Eastern Bank
Filing # 200324356720
Filing Date: 10/6/2003
Terminated: 1/18/2013

**MA UCC Filing**
Debtors: 153 Turnpike Road Nominee Trust; Charles E. Morneau; Stuart M. Rose
Secured Parties: Eastern Bank
Filing # 200324356810
Filing Date: 10/6/2003
Terminated: 1/18/2013

**MA UCC Filing**
Debtors: 153 Turnpike Road Nominee Trust; Charles E. Morneau; Stuart M. Rose
Secured Parties: Eastern Bank
Filing # 200324356900
Filing Date: 10/6/2003
Terminated: 1/18/2013

During an interview on June 27, 2013, Morneau stated that the above-listed filings involved loans for business transactions involving the 153 Turnpike Road Nominee Trust.

**Middlesex, MA Superior Court**
Case Number: MICV2001-01067
Case: Morneau et al v. Lyons
Plaintiff: Charles Morneau
Defendant: Vincent C. Lyons
Date Filed: 3/12/2001
Case Type: Civil
Status: Disposed - judgment after finding

Research revealed that this complaint involves a dispute between Morneau and Lyons regarding nonpayment of a promissory note. Morneau filed this suit against Lyons to recover monies owed to him. During an interview on June 27, 2013, Morneau stated that Lyons sold the
building for which he held a promissory note and Lyons defaulted on the note. The court granted Morneau an equitable remedy by awarding him a lien of $31,989.55 on another property owned by Lyons.

**US Bankruptcy Court Maine (Portland)**
Bankruptcy Petition Number: 01-20267
Date Filed: 03/07/2001
Dated Terminated: 04/01/2005
Debtor: Biddeford Textile Corporation
Type: Chapter 11
A review of the above-listed case revealed it to be a business-related bankruptcy filing pertaining to Morneau’s position as a board member for Biddeford Textile Corporation and not of a personal nature, which is in accordance with Morneau’s disclosure in his PHDF. During an interview on June 27, 2013, Morneau explained that he considers being named personally as a party to a civil proceeding indicative of his business dealings.

Morneau disclosed in his PHDF that he was deposed by the Securities Exchange Commission in Boston regarding allegations of securities fraud. The following civil litigation was revealed involving Biddeford Textile Corporation and Boston Roasting International Trade Team:

**United States District Court, Eastern District of Pennsylvania, Philadelphia**
Case Name: Securities Exchange Commission v. Liberty et al.
Case Number: 2:06-cv-01030-JD
Plaintiff: Securities Exchange Commission
Defendant: Michael Liberty; Kieran Dale; Michael Liberty; Keystone Venture Management Holdings Inc.; Keystone V Partners LP.; Keystone V Management Co., INC.; John Regan; Peter Ligeti
Date Filed: March 8, 2006
Case Type: Securities Fraud
Disposition: Judgment – 06/09/2010

**First Judicial District of Pennsylvania, Philadelphia**
Case Name: Keystone Venture V LP vs. Liberty et al
Case Number: 020200679
Plaintiff: Keystone Venture V LP
Defendants: Michael A. Liberty; Cambridge Key Investments LLC; Cambridge Holdings Corp.; Boston Roasting International Trade Team LLC; c/o Charles Morneau, et al.
Date Filed: 2/6/2002
Case Type: Fraud
Date of Disposition: 2/2003
Disposition: Discontinuance Ordered
Research revealed that these complaints involved a fraudulent scheme to misappropriate more than $9 million from Keystone Venture VLP, a private venture capital fund and its investors. The complaints further alleged that one of the fund’s three advisers diverted monies to Michael Liberty and his associates, and then concealed the misappropriation through the creation of fake financial statements for existing and prospective limited partners of the fund.

The dates of the suits correspond with Morneau’s position as a consultant for the Boston Culinary Group Inc. Morneau explained that his responsibility was the financial oversight of several O’Donnell entities and therefore he was deposed by the Securities Exchange Commission in the first case and the second case is related. According to Morneau, O’Donnell invested in Keystone Ventures VLP and Keystone bought membership interest in two or three existing O’Donnell entities. Morneau was asked to produce documents pertaining to investments in Biddeford Textile Corporation and other entities. Keystone Venture VLP and Liberty were later reprimanded.

\textit{h. Bankruptcy}

\textit{i. Property Ownership}
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
### Assets

#### Cash in Banks

- [Redacted]

#### Loans Receivable

- [Redacted]

#### Securities

- [Redacted]
## Real Estate

## Pension/Retirement Funds

## Other Assets
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Morneau has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.
m. References

The above-listed references were contacted and queried regarding the character and integrity of Morneau. All of the references indicated that Morneau is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Morneau from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Morneau.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Morneau based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
IV. Coastal Group

A. Coastal Development LLC

1. Introduction

Coastal Development LLC ("Coastal"), the operating company of the Coastal Group, is not in the Coastal Group ownership chain for SSR, and therefore was not designated as a qualifier. Nevertheless, once it became evident during the course of the investigation that Coastal Development was the only entity in the Coastal Group that had an operating history, the Investigators requested, and Coastal Development provided, relevant information impacting on the suitability of the Coastal Group entities. Richard Fields owns and controls the Coastal Group and, therefore, the financial resources of these entities are dependent entirely upon his financial wherewithal.

2. Corporate History and Organization

Coastal Chairman Richard Fields formed the company in 2005 to finance and develop resort properties, entertainment venues and casino gaming facilities. In early 2000, Fields co-developed the Seminole Hard Rock Casino with the Cordish Companies in both Tampa and Hollywood, FL. His interest has since been bought out by the Seminole Tribe of Florida and he no longer holds any interest in that project. Through the Coastal Group, he is currently the majority shareholder of SSR. Fields intends to continue to grow Coastal through the acquisition, development and repositioning of new and existing properties.

Coastal has eight employees: Fields as Chairman, Executive Vice President for Regulatory and Business Affairs Jeremy Kleiman, COO Martin Klein, CFO Mike Puleio, a Controller, and a staff of accountants. Coastal engages independent contractors (consultants) as warranted by the size of the project at hand. As Executive Vice President for Regulatory and Business Affairs, Kleiman is responsible for the company’s legal, compliance and regulatory activities, and oversees general business affairs in connection with Coastal’s project development team.

The Coastal Group Ownership Companies ("CGOC"), which are the non-operating entities identified below, unlike Coastal, have filed applications for suitability with the
Commission as a result of their collective ownership interest in SSR. The CGOC are owned and controlled, directly and indirectly, by Richard Fields. Shortly after Fields formed Coastal Development in 2005, he was looking for additional business opportunities consistent with Coastal’s business objectives. Massachusetts provided him with an opportunity in horse racing and a potential opportunity to develop a destination resort, both of which are priorities of Coastal.

Initially, when Fields acquired the majority interest in SSR, he was more involved with the daily operations, but he has since hired operational, compliance and security staff. A management agreement with Caesars is in place for Caesars to manage the casino and racetrack at SSR, should the Applicant receive a Category 1 license. Fields would have little to do with the daily operations of the track once the management agreement is enacted.

3. Recent Developments

Fields was asked during the course of this investigation whether he had any concerns regarding Vornado’s decision not to go forward in the SSR casino project. Fields expressed no concern that Vornado’s decision would impact negatively on SSR’s project. He said that he is not interested in buying any of Vornado’s interest of SSR and that Vornado was a good partner. In his view, Vornado simply decided to get back to its core business of real estate.

Fields said that there are no recent significant developments to report and that he has been spending the majority of his time focusing on developing Sterling Suffolk Racecourse and the potential casino project. He did advise, however, that he recently invested approximately $1 million at the request of a friend and business associate for the development of a casino in Biloxi, MS (Margaritaville). The equity investment was converted to debt about a year ago. Fields said he believes that the Margaritaville project was an ill-conceived idea and under undercapitalized.

4. Compliance

Jeremy Kleiman oversees the compliance and regulatory activities of Coastal and its affiliated entities. Kleiman explained that Coastal does not have a formal compliance department but does have a Code of Ethical Business Conduct. Kleiman functions as Coastal’s Compliance Officer. Kleiman provided, for the Investigators’ review, randomly selected due diligence investigations of various potential joint venture partners, lobbyists, and employees that were
conducted for Coastal by third-party contractors. No irregularities were noted. Kleiman advised that third-party vendors such as Kroll and Choice Point are used to conduct the due diligence investigations for employees, consultants, vendors, etc. The Investigators also reviewed Coastal’s Code of Ethical Business Conduct.

According to Kleiman, the track will continue to be run by its current operational staff until Caesars takes control, in the event the Applicant receives a Category 1 license. Caesars has verified that it has not been established at this time how Caesars and SSR would manage Compliance at the track and casino. As a condition of finding suitability, the Commission may seek to require SSR, before the Phase II hearing, to provide sufficient information regarding how compliance will work at the track and casino.

B. Coastal Development SSR LLC

Coastal Development SSR LLC ("CDSSR") is a Delaware limited liability corporation formed on March 27, 2007. The entity was formed for the sole purpose of acquiring and holding a direct interest, currently at [redacted], in SSR. Coastal Development Massachusetts LLC maintains [redacted] ownership interest in CDSSR. The remaining [redacted] ownership interests of CDSSR are held by nine individuals whose ownership interests range from [redacted]. The individual owners were waived from qualification due to their nominal holdings, except for John L. Hall II, who is a qualifier as a member of the Board of Managers and President of the Applicant. The owners of CDSSR are:

- Coastal Development Massachusetts LLC
- John Collins
- Patrick Corcoran
- Walter Downey
- David Geller
- Denison Hall c/o Hall Investment Holdings LLC
- John L. Hall II
- Steven E. Wheeler
- Sally Ann Wekstein
CDSSR does not currently conduct any other business activities or operations. CDSSR was at 1 E. 57th Street, New York, NY, from March 2007 to February 2010. Its current location is 745 5th Ave., New York, NY.

CDSSR also holds an interest in Suffolk CCF LLC. The amount of ownership interest held by CDSSR in Suffolk CCF LLC as of December 2012, was [redacted]. The remaining ownership interest in Suffolk CCF LLC was held by Fisher WWCD Investors LLC (“Fisher”). This ownership interest resulted in Fisher being initially designated as a qualifier of the Applicant. However, on January 7, 2013, Fisher relinquished its interest in Suffolk CCF LLC and was removed from the list of qualifiers. CDSSR now owns [redacted] interest in Suffolk CCF LLC. As of result of the restructuring, Fisher is now a direct owner of the Applicant. Suffolk CCF LLC, which before the restructuring owned a [redacted] interest in CDM’s direct membership interest in the Applicant, now owns [redacted] of the Applicant. CDSSR’s direct membership interest in the Applicant did not change as a result of the restructuring.

C. Coastal Development Massachusetts LLC

Coastal Development Massachusetts LLC (“CDM”) is a Delaware limited liability corporation formed on November 6, 2006. The entity was formed for the sole purpose of acquiring and holding an indirect interest in SSR. Coastal Development Suffolk LLC maintains ownership interest in CDM. CDM does not currently conduct any other business activities or operations.

CDM was at 1 E. 57th Street, New York, NY, from March 2006, to February 2010. Its current location is 745 5th Ave., New York, NY. CDM’s November 6, 2006, Operating Agreement identifies as its Manager and sole initial member CSTL Holdings LLC. The purpose of the business is to engage in the acquisition, investment in and development of a thoroughbred horse racing and pari-mutuel betting facility in Massachusetts and to invest in the development of associated recreational and commercial operations to the accomplishment of such purpose and any other business activities. On January 12, 2007, CDM executed an amended and restated operating agreement to amend and restate its November 6, 2006, operating agreement, transferring the entire membership interest of its initial sole member (CSTL Holdings LLC) to Coastal Development Suffolk LLC, its new sole member and Manager. On December 15, 2010,
CDM amended and restated its January 12, 2007, operating agreement and appointed, through its member, Richard Fields as President.

CDM, together with other members of SSR (O’Donnell Group), also holds an interest in Coastal Belmont LLC. CDM’s ownership interest in Coastal Belmont LLC is [REDACTED]. Coastal Belmont LLC is utilized solely as a vehicle to provide short term financing to SSR on an as-needed basis.

D. Coastal Development Suffolk LLC

Coastal Development Suffolk LLC (“Coastal Suffolk”) is a Delaware limited liability corporation formed on January 12, 2007. The entity was formed by its parent company, CSTL Holdings LLC, for the sole purpose of operating as a holding company. CSTL Holdings LLC currently maintains [REDACTED] ownership interest in Coastal Suffolk. Coastal Suffolk does not currently conduct any other business activities. Coastal Suffolk is at 745 5th Ave., New York, NY. The company’s assets are immaterial.

E. CSTL Holdings LLC

CSTL Holdings LLC (“CSTL”) is a Delaware limited liability corporation formed on February 21, 2003. The entity’s equity interests are directly and indirectly held entirely by Richard Fields. The company was primarily established to hold Fields’ interest in his operating entities. CSTL was at 590 Madison Avenue, New York, NY, from 2003 to July 2005 and at 1 East 57th Street, New York, NY, from July 2005 to February 2010. It is currently at 745 5th Avenue, New York, NY.

CSTL is currently owned [REDACTED] by Fields [REDACTED] and [REDACTED] by CSTL Management Corporation [REDACTED]. CSTL is a financial holding company with no direct operating activities and functions as the sole member of a number of single-member limited liability companies. The company was formed for the purpose of acting as a holding company to hold and oversee various businesses, companies and business interest in which the Members wish to share economic interests and benefits. CSTL is managed by CSTL Management Corporation, its Managing Member. Fields is the sole voting shareholder of CSTL Management Corporation.
1. Regulatory History

CSTL filed a gaming application as a holding company with the New Jersey Casino Control Commission in 2008 in connection with the filing of one of its affiliates for a gaming license. The company withdrew its application when the transaction to acquire an existing casino failed to proceed.

In 2007, the Massachusetts State Racing Commission found CSTL suitable for transfer of ownership in connection with the acquisition of a membership interest in SSR.

F. Sterling Racecourse Inc.

Sterling Racecourse Inc. is a Massachusetts corporation formed on January 2, 1991. The entity was formed for the sole purpose of acquiring and holding a direct interest, currently at [redacted] in SSR. CDM maintains [redacted] ownership interest in Sterling Racecourse Inc.
Sterling Racecourse Inc. does not currently conduct any other business activities or operations. Sterling Racecourse Inc.’s sole officer is Richard T. Fields. He is the President, Director, Secretary and Treasurer. The company has no employees, activities or operations.

**G. Suffolk CCF LLC**

Suffolk CCF LLC is a Massachusetts limited liability corporation formed on January 24, 2012. The entity was formed for the sole purpose of acquiring and holding a direct interest, currently at [redacted] in SSR. CDSSR holds a [redacted] ownership interest in Suffolk CCF LLC. Suffolk CCF LLC does not currently conduct any other business activities or operations. The company is currently at 111 Waldemar Avenue, East Boston, MA.

**H. Natural Person Qualifier**

1. **Richard T. Fields**

The investigation of Richard Todd Fields did not reveal any derogatory information relating to integrity which would adversely impact his suitability for licensure with the Massachusetts Gaming Commission. However, as detailed in the Financial Suitability section, there are concerns regarding his personal net worth as it is dependent upon the successful awarding of the gaming license to SSR. We note that, in the event that SSR receives a license, Fields will be able to demonstrate his financial stability.

   **a. Qualifier’s Name and Verified Information**

Research conducted by the Investigators and documents submitted by Fields verified the following information:

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<tr>
<th>Name:</th>
<th>Richard Todd Fields</th>
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b. Employment History
Fields disclosed that he is currently Chairman and Chief Executive Officer of Coastal Development LLC, having held this position since October 1999. He has also been a managing member of the following companies:

- Wyoming Land and Cattle LLC1/2005 - present
- CSTL Holdings LLC2/2003 – present
- Seven Arrows Investment and Development Corporation7/1994 – 10/1999

Research has confirmed this information.

c. Criminal Record


d. Education
Fields disclosed that he attended Boston University from 1963 to 1965, but did not graduate from this institution. Research verified his enrollment at Boston University from September 1, 1963 to May 1, 1966, with no degree earned.

e. Professional and Gaming Licenses
Fields disclosed in his PHDF that he held New York State Racing and Wagering Board license No.1366218 for thoroughbred ownership which expired on August 29, 2008. During an interview on June 4, 2013, Fields disclosed that he held a 50 percent interest in a thoroughbred,
Gallant Fields, but sold that interest in May or June 2012. When questioned about this inconsistency, Fields thought the ownership license was valid and up to date. He later provided a copy of New York State Racing and Wagering license No.1419433, which will expire on August 29, 2014. Thoroughbred licensing and ownership records are not available online.

Research of available documents provided by the applicant confirmed this information. Handgun licensing and registration records are not available online. During an interview on June 4, 2013, Fields stated he had no further plans to obtain additional concealed weapon permits. Fields disclosed that, in addition to this application, he applied for casino licensing qualification in New Jersey in 2008. That application was subsequently withdrawn.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports and assorted company records revealed the following business affiliations for Fields:

- Catch a Rising Star Inc. (Massachusetts)
- Coastal Development LLC
Coastal Development Massachusetts LLC (Massachusetts)
Deerfield Farms LLC (New York)
Farm Aid Inc. (Wyoming, Texas, Rhode Island, New Hampshire, Montana, Massachusetts, Kentucky, Iowa, Indiana, Hawaii, Arizona)
Jackson Land and Cattle LLC (Texas)
National Center for Missing and Exploited Children (Wyoming, Vermont, New Mexico, Nevada, Louisiana, Kentucky, Iowa, Indiana, Hawaii, Florida, Arkansas)
Spring Gulch Partners LLC (Wyoming)
Sterling Racecourse Inc. (Massachusetts)
Suffolk CCF LLC (Massachusetts)

Fields did not disclose his affiliation with Deerfield Farms LLC. When questioned regarding this inconsistency during an interview on June 4, 2013, he indicated he was not familiar with this entity.

Research of the online EDGARpro SEC filings located records naming Richard T. Fields in connection with the following entities:

Majestic Star Casino
Mohegan Tribal Gaming Authority
Trump Atlantic City Associates
Trump Atlantic City Funding Inc.
Trump Atlantic City Funding II Inc.
Trump Atlantic City Funding III Inc.
Trump Casino Funding Inc.
Trump Casino Holdings LLC

Trump Entertainment Resorts Inc.
Trump Entertainment Resorts Funding Inc.
Trump Entertainment Resorts Holdings LP
Trump Hotels & Casino Resorts Development Company LLC
Trump Indiana Inc.
Trump Indiana Realty LLC
Trump Marina Associates LP
Trump Plaza Associates
Trump Taj Mahal Associates

The below-listed business affiliations were disclosed by the applicant with 5 percent ownership or greater, as indicated:
• CBW Lending LLC
• Coastal A.C. Holdings LLC
• Coastal Aviation Development LLC
• Coastal Aviation Express LLC
• Coastal Belmont LLC
• Coastal Development LLC
• Coastal Development Massachusetts LLC
• Coastal Development New York LLC
• Coastal Development Oklahoma LLC
• Coastal Development Racing Associates LLC
• Coastal Development SSR LLC
• Coastal Development Suffolk LLC
• Coastal Florida Holdings LLC
• Coastal Gaming Holdings LLC
• Coastal Gaming Management Corp.
• Coastal Lone Star LLC
• Coastal Management Services LLC
• Coastal Marina LLC
• Coastal Marina Properties LLC
• Coastal Mississippi Holdings LLC
• Coastal Native LLC
• Coastal NJ Holdings LLC
• Coastal PA Holdings LLC
• Coastal Protective Services LLC
• Coastal Racing Stables LLC
• Coastal Renewable Resources LLC
• Coastal Texas Holdings LLC
• Coastal to Go LLC
• Coastal Triangle Associates LLC
• CSTL Holdings LLC
• CWN Holdings LLC
• CSTL Management Corp.
• ES Aviation LLC
• ES Land Holdings LLC
• ES Management LLC
• Excelsior Jockey Club LLC
• Excelsior Racing Associates LLC
• Excelsior Racing and Entertainment Group LLC
• Excelsior Racing Club LLC
• Execair LLC
• Excess Property Investments LLC
• Fields Family Foundation
• GHP Development LLC
• Instate Entertainment LLC
• J&A Baseball LLC
• Jackson Land and Cattle of Texas LLC
• JLC Development LLC
- JLC Performance Horses LLC
- JLC Ranch LLC
- JLC Ranch Development LLC
- JLC Ranch Holdings LLC
- JLC Ranch Properties LLC
- Management Alliance LLC
- Morgan Lewis Githens and Ahn (nka Morgan Joseph)
- MSD Funding LLC
- New Gaming Ventures
- New York Speedway LLC
- North Broad Street Partners LLC
- North Bay LLC
- Power Plant Entertainment LLC
- Power Plant Entertainment NY LLC

Ownership interest was verified through documents provided by Fields.
Fields’ business interests are discussed in greater detail in the Financial Suitability Evaluation section of this report.

g. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States for the past 15 years revealed the following records naming Fields:

**Westchester County Clerk Court, NY**

Debtor 1: Dawson, Meeka  
Address: 35 Siscowit Rd, Pound Ridge, NY 10576  
Debtor 2: Fields, Richard  
Address: 35 Siscowit Rd, Pound Ridge, NY 10576  
Creditor: Internal Revenue Service  
Filed: 05/26/2000  
Case Number: 401470541  
Filing Type: Federal Tax Lien Release  
Amount: $183,207.00  
Release Date: 12/02/2003

The above-listed tax lien was disclosed by Fields in his PHDF. Fields explained his current accountant did not handle this case, and therefore did not have specific details except that it involved a dispute over a calculation on a 1040 filing for the 1997 tax year which was later resolved.

**County Clerk Civil Index, Westchester County, NY**

Case Name: Architects Guild v. Richard Fields  
Case Number: 2040-01  
Plaintiff: Architects Guild  
Defendant: Richard Fields
The above-listed case was disclosed by Fields in his PHDF. When questioned during an interview, on June 14, 2013, Fields advised this was a dispute over architectural fees for work done in a home. The dispute was subsequently settled.

A review of the following cases revealed them to be business-related suits pertaining to Fields’ position as Chairman and Chief Executive Officer of Coastal Development LLC and not of a personal nature, which is in accordance with Fields’ disclosure in his PHDF. During an interview on June 4, 2013, Fields explained that he considers being named personally as a party to numerous civil proceedings indicative of his business dealings.

**County Clerk Civil Index, New York County, NY**
Case Name: Tag Aviation v. Fields, Richard T.
Case Number: 601761/2002
Plaintiff: TAG Aviation USA Inc.; Wayfarer Aviation Inc.
Defendant: Richard T. Fields
Date Filed: 05/10/2002
Nature: Civil-Contract
Case Status: Settled – Civil Judgment $55,356.63

**Superior Court, Bergen County, NJ**
Case Name: Jet Aviation v. ABC Corp 1-25 et. al
Case Number: L-009948-04
Plaintiff: Jet Aviation Business Jets
Defendant: ABC Corp 1-25; Does 1-25 John; Richard Fields; Coastal Development; Coastal Aviation Express LLC
Nature: Civil-Contract
Filed: 06/22/2004
Case Status: Settled – 09/09/2005

Fields explained that these cases involved breach of contract issues both of which were settled.

**Broward County 17th Judicial Circuit of Florida**
Case Name: Trump Hotels & Casino Resorts V. Coastal Development, Richard T. Fields
Case Number: CACE04020291
Plaintiff: Trump Hotels & Casino Resorts
Defendant: Coastal Development LLC; Cordish Company; Native American Development; Power Plant Entertainment LLC; Richard T Fields Joseph S. Weinberg; Dan Wisher
Date Filed: 10/30/2004
Nature: Civil-Other
Case Status: Settled - 10/29/2010

The above-listed case involves Coastal Development LLC, and the date of the suit corresponds with Fields’ position as Chairman and Chief Executive Officer at Coastal Development LLC. Fields explained that while working as a consultant for Trump Hotels & Casino Resorts Development Company LLC, he was to spearhead Trump’s efforts to negotiate casino and hotel ventures with the Seminole Tribe of Florida. Fields stated that Trump declined to pursue the opportunity after the Governor of Florida failed to support the project. Fields advised that he, with his development partner the Cordish Company, later pursued the opportunity directly with the Seminole Tribe of Florida. The project resulted in a huge success after which Trump filed suit alleging fraud and other causes of action. Fields advised that five of the six allegations were dropped. The surviving allegation, common law fraud, was settled with no admission of wrongdoing and the terms were sealed subject to court order. This is consistent with Fields’ disclosure in his PHDF.

The following cases do not personally name Fields. They do however, name Sterling Suffolk Racecourse LLC and Coastal Development Massachusetts LLC:

**US District Court, District of Massachusetts (Boston)**
Case Name: Mark E. Noonan v. Wonderland Greyhound Park Inc. et. al
Case Number: 1:09cv10723-MBB
Plaintiff: Mark E. Noonan
Defendant: Wonderland Greyhound Park Inc.; Anglo Irish Bank Corporation Limited; The Westwood Group Inc., Sterling Suffolk Racecourse LLC; Coastal Development Massachusetts LLC; Richard P. Dalton; Charles F. Sarkis
Date Filed: 05/05/2009
Nature: Civil
Case Status: Dismissed-Settled 05/23/2011

**Superior Court, Suffolk County MA**
Case Name: Kevin M. Considine P.C. et al v. Wonderland Greyhound Park Inc. et al
Case Number: SUCV2012—2342
Plaintiff: Kevin M. Considine P.C. et al
Defendant: CFS Restaurant Group Inc.; Charles F. Sarkis; Joeline Sarkis; WestwoodGroup Inc.; Wonderland Greyhound Park Inc.; Coastal Development
Massachusetts LLC
Date Filed: 06/21/2012
Nature: Civil-Complex
Case Status: Pending
The above-listed cases were disclosed by Fields in his PHDF, and the dates of the suits correspond with Fields’ position as a managing member of Sterling Suffolk Racecourse LLC and Coastal Development Massachusetts LLC. Fields explained both cases were a result of disputes over financial agreements between the other named parties prior to his involvement with Suffolk Downs. In the first case, Fields stated that Noonan personally loaned money to Wonderland Park Realty. The loan was secured by a mortgage on 35 acres of land surrounding the track. Once Coastal Development Massachusetts LLC acquired Suffolk Downs and the surrounding property, Noonan filed suit alleging breach of contract and other causes of action. Noonan sought to have a receiver appointed to protect his financial interests. The case was settled.

Regarding the second case, Fields explained that Considine sought to recover unpaid fees for legal and lobbying services rendered to the Westwood Group prior to the involvement of Coastal Development Massachusetts LLC. The case is pending.

**US District Court, District of Massachusetts (Boston)**
Case Number: CWA2008-015
Plaintiff: United States, Department of Environmental Protection
Defendant: Sterling Suffolk Racecourse LLC
Disposition: Entered into Consent Decree – August, 2012

The above-listed case involves the Sterling Suffolk Racecourse LLC and the date of the suit corresponds with Fields’ position as a managing member. The complaint alleges that Suffolk Downs race course allowed polluted waste water to discharge into a tributary of Belle Isle Inlet and Boston Harbor. Furthermore, the complaint alleges that Suffolk Downs operated its concentrated animal feeding operations without a permit in violation of the Clean Water Act.

In August, 2012, Sterling Suffolk Racecourse LLC entered into a Consent Decree in which it agreed to pay a civil penalty of $1.25 million and made no admission of liability. In addition, Sterling Suffolk Racecourse LLC agreed to engage in several environmental projects to prevent water pollution, monitor water quality, and protect the watershed. Fields indicated his failure to disclose this suit in his PHDF was simply an oversight. Furthermore, he is not involved in the daily operations of the racetrack and therefore, not familiar with the specifics of the DEP’s findings except that traces of horse manure were detected in the water, and as a result a drainage system was built.
Fields has also disclosed that he appeared before the New York Temporary State Commission on Lobbying to answer allegations of violating the New York State Lobbying Act during the following events:

February 2006 - Allegations involved travel by State Senator David Patterson aboard a plane owned by Coastal Aviation Development LLC. Paterson allegedly paid the equivalent of a commercial fare, which was significantly less expensive than the cost of private air travel. Fields entered into a settlement agreement with no admission of wrongdoing, liability, or violation of the law. The settlement included a $9,000 payment to the commission for investigative costs, a remittance of $4,500 to the Commission on Lobbying, which was the amount Fields received from Patterson’s campaign for reimbursement of the full cost of the flight.

June 2006 and January 2007 - Allegations involved travel by candidate Elliott Spitzer aboard a plane owned by ES Aviation LLC. Spitzer allegedly paid the equivalent of a commercial fare, which was significantly less expensive than the cost of private air travel. The Commission however, found there had been an agreement at the time that Spitzer would reimburse Fields, and in both cases payment was made. The matter was closed.

Research of available New York State Joint Commission on Public Ethics filings did not verify the aforementioned events, nor did it confirm the applicant’s status as a registered or non-registered lobbyist. Research did, however locate one record naming Power Plant Entertainment NY LLC (FKA Shields, Elizabeth) as a designated non-procurement lobbyist for 2005-2006. The applicant and the Oneida Tribe of Indians of Wisconsin are listed as additional parties only. According to the record, Power Plant Entertainment was seeking legislation authorizing a land claim settlement. Research also found one record naming Excelsior Racing Associates LLC, as a designated lobbyist for 2005-2006 and 2007-2008. According to the record, Excelsior Racing Associates LLC, was seeking procurement of a state racing franchise. When questioned during an interview on June 4, 2013, about his status as a lobbyist, Fields was unclear if he personally was registered but stated that Power Plant Entertainment LLC, and Excelsior Racing Associates LLC, were both registered lobbyists. Fields confirmed he was seeking legislation to build casinos in New York with the Oneida Tribe of Indians and stated he was also seeking approval to bid for the franchise contract to operate the three racetracks in New York. With regard to the allegations of violating the State Lobbying Act, Fields stated that he did not act without first getting the approval of his attorney, and therefore did nothing wrong. Fields indicated that it was cost
effective to agree to a settlement with the Commission and he admitted that he wanted to move past the incident.

Fields disclosed in his PHDF that he was voluntarily interviewed by the US Attorney for the Southern District of Florida and the Florida Department of Law Enforcement in October 2006 regarding a Federal Grand Jury Investigation of then Broward County Sheriff Ken Jenne. Fields advised that the Grand Jury was looking into the sheriff’s private business dealings with the private security firm that did work for the Seminole Tribe. Power Plant was the recipient of a subpoena for documents.

Fields was also interviewed in 2001 by the US Attorney for the Southern District of Florida, the Federal Bureau of Investigations, and the US Bureau of Indian Affairs regarding the misuse of tribal funds by several Tribal Council members. Fields again voluntarily spoke to investigators as a witness.

**h. Bankruptcy**

**i. Property Ownership**
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
Assets

Cash in Banks

Securities

Real Estate Interests
### Other Assets

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### Liabilities

#### Loans and Other Payables

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Mortgages

Other Debt

Contingent Liabilities
Conclusion as to Financial Suitability

The Investigators’ evaluation of Fields’ financial stability predominantly focused on the reasonableness of Fields’ estimated net worth and his ability to contribute to any future capital call requests from the Board of Managers of Suffolk Downs.

The majority of Fields’ net worth of [redacted] consisted of the value of his ownership interest in CSTHL Holdings, LLC valued at [redacted]. The valuation method utilized by Fields to compute his estimated market value of his interest is an acceptable methodology based on the Massachusetts Gaming Commission awarding the casino license to Suffolk Downs. In the event the Commission awards the casino license to another entity, it is
clear that his net worth may decline, an eventuality that would be lacking in consequence from the Commission’s perspective. Investigators have not independently valued Fields’ net worth.

Review of Fields’ personal income tax returns revealed continuous reporting of significant losses. The absence of any positive income has resulted in the Investigators being unable to determine Fields’ ability to contribute to future capital funding requests from the Board of Managers of Suffolk Downs. During a personal interview with Joseph O’Donnell, the Investigators were advised that Fields’ possible inability to satisfy future funding requests would not be a detriment to the casino project.

O’Donnell stated that initial feedback from Suffolk Downs’ preliminary negotiations with financial institutions indicated there was a possibility the entire project could be financed without any additional funding from any members of Suffolk Downs. Should the Board of Managers of Suffolk Downs deem it necessary to request additional funding from its members, however, and Fields, or any other member, is unable to fund their capital call, O’Donnell stated there are provisions in Suffolk Downs’ second amended and restated limited liability agreement which permit a member(s) to make capital contributions to cover any unfunded capitals calls in exchange for an increase in his ownership interest. O’Donnell informed us he would cover any unfunded capital calls which may occur in the future.

In the event Suffolk Downs is awarded the casino license, Fields may have the ability to borrow the funds necessary to meet any capital calls. In the alternative, any concerns regarding Fields’ ability to fund future capital calls are mitigated by O’Donnell’s assurance that he will fund any member’s inability to fund future capital calls. In the absence of the Investigators independently valuing the market value of Fields’ interest in CSTHL Holdings LLC by alternative methods, the Investigators conclude the applicant would possess the requisite financial stability upon the award of the casino license to Suffolk Downs.

It is recommended that the financial integrity and responsibility of the Applicant be the subject of an adjudicatory hearing.

**k. Political Contributions**

The investigation has also confirmed that Fields has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.
1. Significant Investigative Issues

None.

m. References

The above-named references were contacted and queried regarding the character and integrity of Fields. All of the references indicated that Fields was of the highest character and integrity. No derogatory information was developed which would preclude Fields from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources have revealed the following items pertaining to Fields:

Derogatory media was found regarding civil action involving Fields which is addressed in the Civil Litigation section of this report.

Derogatory media was found regarding an investigation conducted by the New York State Lobbying Commission into alleged violations of lobbying laws which are addressed in the Professional License and Civil Litigation sections of this report.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Fields based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
V. O’Donnell Ownership Group

A. Introduction

The six O’Donnell Group Ownership Companies (“OGOC”) that filed applications with the Commission as qualifiers as a result of their ownership interest in SSR are non-operating entities and do not conduct any gaming business. Similar to Coastal and Fields, these entities are all owned and controlled by Joseph O’Donnell. Accordingly, their suitability is tied to a finding of suitability for O’Donnell. These companies are identified below.

The companies started acquiring an ownership interest in SSR in 1997 and acquired their current ownership interest prior to the legalization of casino gaming in Massachusetts in November 2011. The OGOC purchased their ownership interest in SSR because O’Donnell thought it was a good long-term real estate investment. The OGOC owns an interest of in SSR.

B. CS SSR Investor LLC

CS SSR Investor LLC is a Delaware limited liability corporation formed on July 26, 2012, for the purpose of holding an ownership interest in SSR. CS SSR Investor LLC maintains a direct ownership interest in SSR. CS SSR Investor LLC does not currently conduct any other business activities or operations. Its sole member is CS/NED SSR Holdings LLC.

C. CS/NED SSR Holdings LLC

CS/NED SSR Holdings LLC is a Massachusetts limited liability corporation formed on July 26, 2012, for the purpose of operating as a holding company. CS/NED SSR Holdings LLC is the sole member of CS SSR Investor LLC and is an indirect owner of SSR. CS/NED SSR Holdings LLC’s only other asset is cash and it does not currently conduct any other business activities or operations. Joseph O’Donnell is the Manager. CS/NED SSR was an original member of the Applicant, but later contributed to CS SSR Investor LLC its percentage interest in the Applicant.
On November 14, 2012, CS/NED SSR, an original member and holder of [redacted] of the membership interest in the Applicant, withdrew. Simultaneously, the members of CS/NED SSR, together with Karp Family Investments LLC, were admitted to the Applicant as Minority Members. The following individuals constitute the Minority Members:

- Karp Family Investments LLC
- Karp NED Holdings LLC
- SRK Children’s Trust f/b/o/ Doug Karp
- SRK Children’s Trust f/b/o/ Jana Karp
- Steven S. Fishman
- SRK 1999 Trust f/b/o/ Doug Karp
- SRK 1999 Trust f/b/o/ Jana Karp
- Benjamin D. Fishman
- SSF 1999 Trust f/b/o Ben Fishman
- SSF 1999 Trust f/b/o/ Laura Fishman

D. Cambridge Suffolk LLC

Cambridge Suffolk LLC (“Cambridge Suffolk”) is a Massachusetts limited liability corporation formed on November 25, 1998, for the purpose of operating as a holding company. Cambridge Suffolk LLC maintains [redacted] ownership interest in CS/NED SSR Holdings LLC and is an indirect owner of SSR. The remaining [redacted] ownership interests of Cambridge Suffolk are held by 10 members whose ownership interests range from [redacted] [redacted]. Cambridge Suffolk does not currently conduct any other business activities or operations. C.S. Sixth Street LLC is its parent company. Prior to 2012, Cambridge Suffolk was a member of the Applicant rather than an indirect owner; however, the nature of its business as an investment company has not changed as a result of that transaction.

There was an operating agreement for Cambridge Suffolk dated November 25, 1998, by and between JJO Sterling (Manager) and Joseph O’Donnell and Charles Morneau, (each individually as a member). The agreement was made to associate the members together in a limited liability company named Cambridge Suffolk LLC. On July 13, 2010, Joseph O’Donnell, who controls JJO Sterling, amended his Massachusetts Certificate of Organization for Cambridge Suffolk to appoint himself as Manager replacing JJO Sterling Inc.
Schedule A of the November 1998 Operating Agreement of Cambridge Suffolk LLC identifies the members and initial capital as follows:

- JJO Sterling Suffolk Inc.
- Joseph J. O’Donnell
- Charles Morneau

In December 2009, Joseph O’Donnell transferred all of his interest in Cambridge Suffolk to C.S. Sixth Street LLC. A September 23, 2011, Amended Schedule A of ownership interest in Cambridge was provided by O’Donnell reflecting the following ownership:

- C.S. Sixth Street LLC
- Charles E. Morneau

**E. CS Sixth Street LLC**

CS Sixth Street LLC is a Massachusetts limited liability corporation formed on August 6, 2009. The entity was formed to hold a direct membership interest in Cambridge Suffolk, which is currently at [redacted], and as an indirect owner of SSR. The members of CS Sixth Street LLC include Joseph O’Donnell, Sixth Street Trust f/b/o Kate O’Donnell and Sixth Street Trust f/b/o Casey O’Donnell. Their ownership interests are at [redacted], [redacted] and [redacted], respectively. CS Sixth Street LLC does not currently conduct any other business activities or operations. The manager is Joseph O’Donnell.

**F. JJO Sterling Suffolk Inc.**

JJO Sterling Suffolk Inc. is a Massachusetts corporation formed on June 25, 1997, for the purpose of investing in racing ventures and other activities as may be necessary, convenient or incidental to carry out such investment and holding of real estate and the borrowing of money and the granting of mortgages and other security interests in its property. In addition, the company may also carry out any activities which may benefit JJO Sterling Suffolk Inc. JJO Sterling Suffolk Inc. maintains [redacted] ownership interest in SSR. The shareholders of JJO Sterling Suffolk Inc. include Joseph O’Donnell at [redacted] and three other individuals, Charles Morneau, John L. Hall II, and Steven E. Wheeler, whose ownership interests range from [redacted] to [redacted]. In addition to its ownership of SSR, JJO Sterling Suffolk Inc.
maintains a membership interest in Coastal Belmont LLC, which primarily operates movie theaters, restaurants and other eating places. JJO Sterling Suffolk Inc. does not currently conduct any other business activities or operations. O’Donnell serves as the company’s sole officer.

**Voting Owners**
- Joseph O’Donnell - of outstanding voting stock held

**Non-Voting Owners**
- Charles Morneau – of outstanding non-voting ownership interest held
- John L. Hall II – of outstanding non-voting ownership interest held
- Steven E. Wheeler - of outstanding non-voting ownership interest held

In April 30, 2010, Steven Wheeler sold half of his non-voting shares to John L. Hall II. Prior to that sale, Wheeler owed of the non-voting shares.

JJO Sterling did not purchase its shares in the Applicant but received them in exchange for guaranteeing a bank loan. At the time of this transaction, JJO Sterling valued the shares at for the purpose of recording income and establishing basis. JJO Sterling also owns approximately of Coastal Belmont LLC, sharing ownership interest with Vornado at and Richard Fields at.

**G. Sixth Street Sterling LLC**

Sixth Street Sterling LLC is a Delaware limited liability corporation formed on December 29, 2010, for the purpose of operating as a holding company. Sixth Street Sterling LLC maintains a direct ownership interest in SSR. The sole member and manager of Sixth Street Sterling LLC is Joseph O’Donnell. Sixth Street Sterling LLC does not currently conduct any other business activities or operations. The ownership interest in the Applicant was not purchased but was contributed to Sixth Street Sterling LLC by its member Joseph O’Donnell.
H. Natural Person Qualifier

1. Joseph James O’Donnell

The investigation of Joseph O’Donnell did not reveal any derogatory information which would adversely impact his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research conducted by the Investigators and documents submitted by O’Donnell verified the following information:

Name: Joseph James O’Donnell

b. Employment History

O’Donnell disclosed that he held the position of Chief Executive Officer with the Boston Culinary Group from 1976 until the company was sold in 2009. He is currently the CEO with Belmont Capital LLC, having held this position since January 2010. His PHDF also indicates that he currently serves as a Trustee/Board Member of a number of non-profit organizations or trade associations in the Boston area. Research has verified this information.

c. Criminal Record
d. Education

O’Donnell disclosed that he attended Harvard Business School and graduated with a Master of Business Administration degree in May 1971. He also attended Harvard College where he earned a Bachelor of Arts degree in May 1967. Consultation with the Registrar’s Office of Harvard University verified that O’Donnell received a Master of Business Administration degree on June 17, 1971, and a Bachelor of Arts degree in Government on June 1, 1967.

e. Professional and Gaming Licenses

O’Donnell did not disclose any non-gaming professional licenses in his PHDF and no information was located to the contrary during this investigation. O’Donnell disclosed that, with the exception of this application, he has not applied for qualification for any gaming-related license in any jurisdiction.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports and assorted company records revealed the following business affiliations for O’Donnell with 5 percent ownership or greater as indicated:

- Boston Culinary Group (sold 2009)
- Boston Concessions Group Inc. ( )
- Sixth Street Sterling LLC ( )
- O’Donnell Investments LLC ( )
- Route 20 Associates Limited Partnership
- Cambridge Suffolk LLC ( )
- BRS Acquisition Limited Partnership
- Cystic Fibrosis Foundation
- CS/NED SSR Holdings LLC
- Sweet Basil Inc.
- O’Donnell Development Corp.
- Cambridge-New Hampshire Waves Inc.
- Allied Advertising Public Relations of Canada Inc.
- One Intercontinental Inc.
- Watertown Restaurant Corp.
- CVP Stock Holdings LLC
- Tia’s At Long Warf Inc.
- Mt. Tom Companies Inc.
This is consistent with the information disclosed by O’Donnell in his PHDF.

The below-listed entities were disclosed by O’Donnell but were not confirmed through research of available public records or the standard online media sites. Current ownership interest was verified through documents provided by O’Donnell.

- Cambridge Associates Holdings Corporation ( )
- LLC Management Company Inc. ( )
- Canada Steel Management Inc.
- Harwich Bay LP ( )
- Sixth Street LP ( )
- Belmont Valuerealty Partners ( )
- Belmont Funding Company ( )
- Palm Tree Leasing LLC ( )
• KC Investments Northborough LLC ( )
• Everett Managers LLC ( )
• Zenzero LLC ( )
• BCG of Constitution Plaza Inc. ( ) (Operating new owner)
• Commerce Center I LLC
• Redford Corner LP ( ) (Operating new owner)
• New Clifton Theatre, Corp.
• Cinemas 4 Pompano Inc. ( )
• Great Waves Inc. ( )
• KPLT Holdings Inc.
• Perkins School for the Blind

O’Donnell failed to disclose the below-listed entities that were linked to him through research of public records. During an interview on July 11, 2013, O’Donnell stated that all the entities with the exception of Island Cinemas are inactive. He stated that Island Cinemas was located in Newport, RI, and is no relation to his business dealings.

• Island Cinemas 10 LLC
• JJ O’Donnell Culinary LLC
• O’Donnell Quinn Real Estate Limited Partnership
• H.T. Franchising Limited Partnership
• Hull Seascape Limited Partnership

O’Donnell’s business interests are discussed in greater detail in the Financial Suitability Evaluation section of this report.

g. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed the following record personally naming O’Donnell:

**Middlesex, MA District Court**
Case Number: 0052cv002173
Case Type: Civil-Money Action
Date Filed: 8/11/2000
Defendants: O’Donnell, Joseph; O’Donnell, Katherine; et al
Plaintiff: B&E Applications
O’Donnell failed to disclose the above-listed case in his PHDF. When questioned during an interview on July 11, 2013, he advised this was a dispute over architectural fees for work done in a home. The dispute was subsequently settled. O’Donnell indicated that his failure to disclose this case was simply an oversight.

A review of the following cases revealed them to be business-related suits pertaining to O’Donnell’s position as Director of Boston Culinary Group and not of a personal nature.

**Michigan Judgment & Lien Filings**
Debtor: O’Donnell, Joseph  
Creditor: State of Michigan  
Filing Date: 1/29/2008  
Filing Court: Ingham County Register of Deeds  
Amount: $27,395.00  
Release Date: 6/10/2008  
The above-listed lien was disclosed by O’Donnell in his PHDF and involves a business transaction in Michigan. The case was settled.

**First Judicial District Court of Philadelphia, PA**
Case ID: 020200679  
Keystone Venture V LP vs. Liberty et al  
Filed: 2/6/2002  
Case Type: Fraud  
Status: Discontinuance Ordered  
Plaintiff: Keystone Venture V LP  
Defendants: Michael A. Liberty; Cambridge Key Investments LLC; Cambridge Holdings Corp; Boston Roasting International Trade Team LLC, et al

**US District Court, Eastern District of Philadelphia, PA**
Case Number: C2:06-cv-01030-JD  
Case Type: Securities Fraud  
Date Filed: 03/08/2006  
Defendants: Michael Liberty  
Plaintiff: Securities and Exchange Commission  
Disposition: Settled  
Research revealed that the listed complaints involve the misappropriation of $9 million from Keystone Venture V LP, a private venture capital fund. The misappropriation of funds was concealed by creating false and misleading financial statements that reflected the diverted assets as legitimate investments. The financial statements were then disseminated to existing and prospective limited partners of the Fund.
The dates of the suits correspond with O’Donnell’s position as Chief Executive Officer of Cambridge Holdings Corp. O’Donnell stated that he invested in Keystone Ventures V LP and Keystone bought membership interest in two or three existing O’Donnell entities, and he therefore was deposed by the Securities Exchange Commission. O’Donnell did not disclose the first case in his PHDF but he did disclose the deposition by the Securities Exchange Commission.

**US District Court for District of Delaware**
Case Number: CV91-712  
Case Type: Civil – Class Action suit under SEC Act of 1933 and 1934  
Date Filed: 12/20/1991  
Plaintiff: Richard Burstein and David Bamel  
Disposition: Settled

**US District Court for Massachusetts**
Case Number: CV 92-12166  
Case Type: Civil – Class Action suit under SEC Act of 1933 and 1934  
Date Filed: 12/20/1991  
Plaintiff: Richard Burstein  
Disposition: Settled

**US District Court for Massachusetts**
Case Number: CV 92-12692  
Case Type: Civil – Class Action suit under SEC Act of 1933 and 1934  
Date Filed: 11/9/1992  
Plaintiff: David Bamel  
Disposition: Settled

Research revealed that the above-listed cases were consolidated into one class action suit brought against Applied Extrusion Technologies, and certain of its officers and directors alleging violations of the federal securities laws, the Massachusetts consumer protection statute, and negligent misrepresentation. The complaint charged that Applied Extrusion Technologies’ IPO Prospectus was materially false and misleading, failed to disclose certain pending litigation against Applied Extrusion Technologies, and failed to disclose payments made to Applied Extrusion Technologies’ Chairman and CEO for a company acquisition. Both parties agreed to a settlement in the amount of [REDACTED]. O’Donnell disclosed all three lawsuits in his PHDF, but did not disclose his affiliation with Applied Extrusion Technologies Inc. as a Director.
h. Bankruptcy

i. Property Ownership

j. Financial Suitability Evaluation

Income Analysis
Net Worth Analysis

Assets

Cash in Banks
Loans Receivable
Securities

Real Estate Interests

Pension/Retirement Funds
Other Assets
Liabilities

Taxes Payable

Credit

Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that O’Donnell has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00. Research of available records revealed the following local Massachusetts contribution made by O’Donnell which was not disclosed in his PHDF.

- $125 to Sal N. DiDomenico on June 18, 2012

l. Significant Investigative Issues

None.

m. References
The above-listed references were contacted and queried regarding the character and integrity of O’Donnell. All of the references indicated that O’Donnell is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude O’Donnell from being licensed by the Massachusetts Gaming Commission.

**n. Media Coverage**

Research of available online and print media sources did not reveal any derogatory or adverse items relative to O’Donnell. He is mentioned several times on the Internet, however no adverse information was found regarding this individual.

**o. Conclusion**

Based on the investigation there were no known facts that would disqualify O’Donnell based on any of the criteria listed in the gaming laws or regulations in Massachusetts.

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**VI. Vornado Suffolk LLC**

Vornado Suffolk LLC owns of SSR. The company acquired its interest in SSR on April 11, 2005. The managers of Vornado Suffolk LLC are Michael D. Fascitelli and Clifford J. Broser. The sole member of Vornado Suffolk LLC is Vornado RTR Inc. Vornado RTR Inc. is by VLRP, whose sole general partner is Vornado Realty Trust.

During the scope of license meetings that were conducted by the IEB shortly before SSR filed its application for a gaming license, the IEB determined that Vornado and certain individuals and affiliated entities were qualifiers. The IEB denied Vornado’s request for a waiver of qualification for members of the company’s Board of Trustees, namely: Candace Beinecke, Robert Kogod, Michael Lynne, David Mandelbaum, Ronald Targan, Daniel Tisch, and Richard West.

The IEB denied the waiver request for the following reason: Pursuant to section 14(h) of Massachusetts’ gaming statute, individuals that can exercise control or provide direction to a gaming licensee or applicant for a gaming license or a holding, intermediary or subsidiary company of a gaming licensee or applicant for a gaming license are required to be qualified for
licensure. This requirement pertains to members of the Board of Trustees of Vornado, who function in the same fashion as a Board of Directors of a publicly traded corporation. As acknowledged by Vornado, the Board of Trustees is responsible for setting overall policy for the company. While the Board has delegated certain responsibilities to its Executive and Transactions Committees, the significance of the Board of Trustees and the fiduciary responsibilities of the individual members of the Board remain intact.

It soon became evident after the IEB’s decision to deny the waiver request that the members of the Board of Trustees would not comply with the filing requirements. Eventually, Vornado notified the IEB and SSR that it would not be filing the requisite disclosure forms in connection with SSR’s application. Thus, unless Vornado was effectively removed from the list of qualifiers, the IEB would have been constrained to rule that SSR’s license application was incomplete.

On February 4, 2013, at a special meeting of the Board of Managers of SSR, the Applicant declared a “licensing event” under its Limited Liability Agreement as a result of Vornado’s decision not to file the requisite documents with the IEB. On February 5, 2013, The IEB directed the Applicant to take immediate and decisive action to remove the Vornado manager from the Board of Managers, suspend Vornado’s right to appoint a manager, and suspend Vornado’s right to vote on any matter submitted to the Members of the Applicant. That same day, the Board of Managers complied with the IEB’s request and formally removed the Vornado Manager, Clifford Broser, from the Board of Managers pursuant to the terms of the Limited Liability Agreement of the Applicant.

Thereafter, Vornado placed its entire interest in SSR into a divestiture trust. Stephen Kidder, a local Boston attorney, was appointed to be the trustee of the divestiture trust. He replaced Broser as a member of the Board of Managers.

The Investigators conducted a limited background investigation of the Vornado qualifiers. The investigation revealed no significant derogatory information.
VII. Caesars Massachusetts Investment Company LLC

Caesars Massachusetts Investment Company LLC (“CMIC”) is a limited liability company, formed on March 18, 2011, in Delaware. The sole member of the Company is Caesars Massachusetts Acquisition Company LLC. This entity was created to hold the interest in the Applicant on behalf of Caesars. CMIC owns a [REDACTED] interest in the Applicant. The assets of the company are immaterial.

CMIC has two options to purchase an additional percentage interest in SSR as follows:

VIII. Caesars Massachusetts Acquisition Company LLC

Caesars Massachusetts Acquisition Company LLC (“CMAC”) is a limited liability company, formed on March 18, 2011, in Delaware. The sole member of the Company is Caesars Entertainment Operating Company Inc. The assets of the company are immaterial. This entity was created in connection with Caesars’ ownership interest in the Applicant. CMAC is the sole member of CMIC, Caesars Massachusetts Management Company LLC, and Caesars Massachusetts Development Company LLC, with [REDACTED] ownership and control.
IX. Caesars Massachusetts Management Company LLC

Caesars Massachusetts Management Company LLC (“CMMC”) was formed in Delaware on March 18, 2011, as a limited liability company. CMAC is the sole member of CMMC and has ownership and control. CMMC is a party to the March 21, 2011, management agreement governing the development and operation of a gaming facility at Suffolk Downs Racecourse.

X. Caesars Entertainment Operating Company

Caesars Entertainment Operating Company Inc. (“CEOC”) is a corporation formed in Delaware on August 8, 1983. The business address for CEOC is One Caesars Palace Drive, Las Vegas, NV. CEOC is a subsidiary of Caesars. In turn, it is the direct parent company of Caesar Massachusetts Acquisition LLC. The current principals of CEOC are the same as for Caesars. Although CEOC is primarily a holding company, it does operate one business: Harrah’s Reno Hotel and Casino. This facility, in downtown Reno, has a 60,000-square-foot casino and 930 hotel rooms and suites.
XI. Caesars Entertainment Corporation

A. Corporate History

Caesars Entertainment Corp. (“Caesars” or “Company”) has more properties under its control than any other casino entertainment company in the world. Its origins date back over 70 years. Caesars has grown through the development of new resorts, expansions and acquisitions and conducts business primarily through its subsidiary, CEOC. The entertainment facilities include land-based casinos and casino hotels, dockside casinos, a combination greyhound racetrack and casino, a combination thoroughbred racetrack and casino, a combination harness racetrack and casino, casino clubs and managed casinos. In addition to casino gaming, Caesars’ facilities may include hotel and convention space, restaurants and non-gaming entertainment facilities. As of December 31, 2012, CEOC and Caesars and their subsidiaries owned, operated or managed 52 casinos in 12 US states and seven countries. As of December 31, 2012, their facilities have an aggregate of approximately three million square feet of gaming space and approximately 43,000 hotel rooms. The Company also owns and operates the World Series of Poker tournament and brand.

The signature marketing tool for the Company is its customer loyalty program, Total Rewards, whereby customers at one property are able secure benefits at other Caesars’ properties. Total Rewards, has more than 40 million members. Total Rewards customers are able to earn Reward Credits at essentially all of Caesars’ casinos in the US and Canada for on-property entertainment expenses including gaming, hotel, dining, and retail shopping. Total Rewards members can also redeem Reward Credits for on-property amenities or other off-property items such as merchandise, gift cards, and travel.

On November 2, 1989, Caesars, previously known as Harrah’s Entertainment Inc. (“Harrah’s”), together with its consolidated subsidiaries, formed a corporation in Delaware. Prior to that date, it operated under predecessor companies. From 1989 to 1995, it operated as The Promus Companies Inc., located in Memphis, TN. In 1995, The Promus Companies spun off its hotel operations as Promus Hotel Corporation and changed the name of its casino business to Harrah’s Entertainment Inc. (“HEI”). HEI operated from 1995 to 2010 in Las Vegas, NV, where its principal executive offices are today. HEI changed its name to Caesars Entertainment
Corporation in November 2010. The Harrah’s name continues to be one of the Company’s primary brands, along with Caesars, Horseshoe, Total Rewards and World Series of Poker.

The company then known as Harrah’s was founded on October 30, 1937, as a small bingo parlor in Reno, NV, operated by William F. Harrah. Thereafter, Harrah entered the hotel and casino business through the purchase of contiguous properties in downtown Reno. From 1937 until 1971, Harrah was the sole owner of Harrah’s and its subsidiary companies. The company went public in 1971 with 450,000 shares. In 1972 it was listed on the American Stock Exchange and in 1973 Harrah’s became the first casino company to be listed on the New York Stock Exchange. Until his death in 1978, Harrah maintained majority control over the company.

In 1980, Holiday Inns Inc. ("Holiday") acquired Harrah’s casino hotel company and Harrah’s was delisted from the NYSE. At the time, Harrah’s operated two hotel casinos in Reno and Lake Tahoe. Holiday at the time had 1,600 hotels and interests in two casinos, a casino under construction in Atlantic City and a 40 percent ownership interest in a casino on the Las Vegas Strip.

In February 1990, Holiday reorganized. The hotels were sold to Bass PLC of London and the other assets, including gaming operations and three hotel segments, were spun off into a newly formed corporation, The Promus Companies Inc. ("Promus"), headquartered in Memphis, TN. Subsequently, in 1995, Promus spun off its hotel operations as Promus Hotel Corporation and changed the name of its casino business to Harrah’s Entertainment Inc. Harrah’s operated from 1995 to 2010 and then changed its name to Caesars Entertainment Corporation in November 2010. Caesars’ principal executive offices are now at One Caesars Palace Drive, Las Vegas, NV 89109.

After its spinoff from Promus, the Company underwent a transformation, as it rapidly expanded through ambitious acquisitions. In June 1998, Harrah’s completed its acquisition of Showboat Inc. The following year Harrah’s purchased Rio Hotel & Casino Inc. In 2000, Harrah’s completed the purchase of Players International. In June 2004, with the acquisition of Horseshoe Gaming Holding Corp, Harrah’s became the largest gaming company in the world in terms of the number of properties under its control.

In December 1998, Hilton Hotels Corp. spun off its gaming businesses into Park Place Entertainment, the parent company that later became Caesars Entertainment Inc. in 2004. In
2005, Harrah’s purchased Caesars Entertainment for $9.4 billion in cash, stock and debt. At the time, it was the largest merger in the history of the gaming industry. The acquired company Caesars Entertainment was the product of mergers including Bally’s Entertainment, Hilton Hotel Corporation’s casinos, and Caesars Entertainment. In 2010, Harrah’s acquired Planet Hollywood Resort and Casino in Las Vegas.

On January 28, 2008, Caesars was acquired by affiliates of Apollo and TPG in an all-cash transaction valued at approximately $30.7 billion, including the assumption of $12.4 billion of debt, and the incurrence of approximately $1.0 billion of acquisition costs. Subsequent to the acquisition, Caesars’ stock was no longer publicly traded. The issued and outstanding shares of voting common stock of Caesars are controlled by Hamlet Holdings LLC (“Hamlet”). Hamlet is owned by individuals affiliated with Apollo and TPG. Effective February 8, 2012, as the result of a limited public offering, detailed later in this report, Caesars’ common stock now trades on the NASDAQ Global Select Market under the symbol “CZR.”

Caesars believes that it is well positioned to become a leading participant in Internet casino gambling in the United States. The Company has already entered that segment of the industry abroad. Caesars Interactive Entertainment Inc., (“CIE”) an affiliate of the Applicant, engages in lawful online Internet gambling activity in the United Kingdom through two outside, third-party operators. This Internet gambling is offered to residents of the United Kingdom by the third-party operators pursuant to licenses issued to these operators by the Gibraltar Regulatory Authority. Gibraltar is a United Kingdom “white listed” jurisdiction, which allows operators to legally advertise Internet gambling services in the United Kingdom. To date, key regulatory authorities regulating Internet gambling are the Gibraltar Regulatory Authority, the Alderney Gambling Control Commission, and the Isle of Mann Gambling Supervision Commission. Recently, Italy and France legalized Internet gambling by private companies and, in June 2010, Denmark passed legislation legalizing Internet gambling. CIE recently entered into agreements with third parties for the use of the World Series of Poker brand on Internet gambling websites in Italy and France. CIE is a license applicant in New Jersey. A discussion of a significant issue relating to Mitchell Garber, the CEO of CIE, is found in the Significant Issues section of the report.
Currently, Caesars is pursuing new opportunities in the United States, including projects in Maryland and Massachusetts, as well as seeking new ventures in the global marketplace. This ongoing business strategy is consistent with the following statement issued in a press release by Caesars Chairman and CEO Gary Loveman on February 22, 2006:

“Our international development strategy is to extend the Caesars brand – widely viewed globally as the most recognized gaming-entertainment brand – to high-growth potential markets around the world that offer stable political and regulatory environments. Our international plans are an extension of our domestic development strategy, which also focuses on expansion and stable jurisdictions.”

In an interview conducted on March 28, 2012, in connection with the license investigation for the OCCC, Loveman stated that Caesars would continue to be aggressive, and was actively seeking profitable endeavors in the Asian market. Caesars has made efforts to have a casino venture in Macau, but to date, has not been successful at obtaining new gaming opportunities in that country. Nonetheless, although its global expansion desires have not come to fruition yet in Asia, Loveman said he still remains cautiously optimistic that the Company will be able to enter the Asian market in the near future. In this regard, the Company has been monitoring the situation in Vietnam and South Korea for possible development opportunities. In addition, the Company is considering licensing its name for non-casino hotels in China and India.

B. Current Ownership

Caesars was acquired on January 28, 2008, by affiliates of Apollo and TPG in an all-cash transaction valued at approximately $30.7 billion. Following this transaction, Caesars ceased being a publicly traded corporation. Its voting stock was controlled by Hamlet Holdings LLC (“Hamlet”), which at the time of the acquisition was owned equally by six individuals affiliated with Apollo and TPG: Leon Black, Joshua Harris, and Marc Rowan for Apollo; and David Bonderman, James Coulter, and Jonathan Coslet for TPG. The current members of Hamlet are: David Bonderman, Marc Rowan, Joshua Harris, Leon Black, and James G. Coulter. Coslet divested his interest in January 2013, through an equal distribution to the other two TPG representatives: Bonderman and Coulter. As a result, Coulter and Bonderman now each hold 25 percent of Hamlet. The remaining 50 percent is still held in equal 16.67 percent ownership shares by the three Apollo members: Black, Rowan and Harris.
On February 8, 2012, Caesars had an initial public offering and its common stock now trades on the NASDAQ Global Select Market under the symbol “CZR.” As of December 31, 2012, Hamlet holds voting and dispositive control of approximately 69.9 percent of Caesars’ outstanding common stock. Paulson and Co. owns approximately 9.9 percent of the common stock. The remaining shares are freely distributed in the public market. According to its 2012 Annual report Form 10-K filed with the Securities and Exchange Commission (“SEC”) as of March 1, 2013, Caesars had 125,362,197 shares of Common Stock outstanding, $0.01 par value.

As of July 31, 2013, the 12 directors of Caesars are:

- Gary W. Loveman – Chairman of the Board, President and CEO
- Jeffrey Benjamin
- David Bonderman
- Kelvin Davis
- Jeffrey T. Housenbold
- Karl Peterson
- Eric Press
- Marc Rowan
- David Sambur
- Lynn Swann
- Christopher J. Williams
- Fred J. Kleisner

Jinlong Wang resigned from the Board on December 31, 2012.

On July 23, 2013, the Board of Directors of Caesars elected Fred J. Kleisner to serve as a member of the Board. He was also appointed to serve on the Company’s Audit Committee, replacing Lynn Swann. Kleisner’s qualifications are currently being investigated and will be the subject of a separate report. Swann continues to serve as a member of the Board of Directors.

Caesars also has an Audit Committee, Compliance Committee, Executive Committee and Capital Committee which ensure proper corporate governance and provide valuable assistance to the Board of Directors. The members of the Audit Committee are: Christopher J. Williams, Chairman; Jeffrey T. Housenbold; and Fred J. Kleisner.
The members of the Executive Committee are: Gary W. Loveman, Chairman; Kelvin Davis; and Marc Rowan. The Executive Committee has all the powers of Caesars’ Board in the management of its business and affairs and may act on behalf of the Board to the fullest extent permitted under Delaware law and Caesars’ organizational documents. The Executive Committee serves at the pleasure of the Board and may act by a majority of its members, provided that at least one member affiliated with TPG and Apollo must approve any action of the executive committee.

The members of the Compliance Committee, all of whom are independent members, are:

- Ronald Terry, Chairman
- Mark Clayton
- James Darcy
- Gary Michael
- Dennis Neilander
- The members of the Capital Committee are:
  - Donald Colvin, Chairman
  - Timothy Donovan
  - John Payne
  - Eileen Moore
  - Tom Jenkin

The Capital Committee manages Caesars’ businesses and also has the authority to review results of operations, review and determine strategies for long term capital allocations; set return on capital requirements and financial policy; and review proposals for recommendations to the Board of Directors or Executive Committee regarding any project or transaction.

The corporate officers of Caesars who require a finding of qualification in Massachusetts include:

- Timothy Donovan – General Counsel and Chief Regulatory and Compliance Officer, Executive Vice President
- Jan L. Jones – Executive VP of Communications and Government Relations
- Tariq Shaukat – Chief Marketing Officer, Executive Vice President
- Mary H. Thomas – Executive Vice President, Human Resources
- Michael D. Cohen – Senior VP, Corporate Secretary and Deputy General Counsel
• Eric Hession – Treasurer, Senior Vice President
• Diane E. Wilfong – Senior V P, Controller and Chief Accounting Officer
• Thomas M. Jenkin – President of Operations
• John W.R. Payne – President of Enterprise Shared Services
• Donald A. Colvin – Executive Vice President and CFO
• Greg Miller – Senior VP of Domestic Development
• Cheryl Kondra, Director of Audit

The following Caesars’ executives resigned in 2012:
• Jonathan K. Halkyard – Senior VP and CFO; effective date May 31, 2012
• Jinlong Wang – Director, effective date December 31, 2012
• Katrina Lane – Senior VP and CTO; effective date April 30, 2012

Donald Colvin replaced Halkyard as Executive Vice President and CFO on November 15, 2012. Charly Paelinck is VP Enterprise Support and Development and Acting VP in place of Lane.

We note that almost six months passed from the date of Halkyard’s resignation as CFO to the appointment of his successor. During the course of this investigation, Caesars was asked if there were any significant changes to the Finance Department following Halkyard’s resignation. Caesars provided a copy of a May 30, 2012, memorandum from Caesars President Gary Loveman regarding how the Finance Department was to be realigned in the interim until Halkyard’s replacement was appointed. In essence, the reporting lines to Halkyard were divided among several senior executives including Loveman, while Halkyard’s responsibilities were re-assigned primarily to Eric Hession and Diane Wilfong.

C. Gaming Facilities

Caesars has 10 casino facilities in Las Vegas, as follows:
• Harrah’s Las Vegas
• Rio All-Suite Hotel & Casino
• Caesars Palace
• Bally’s Las Vegas
• Flamingo Las Vegas
- Paris Las Vegas
- Planet Hollywood Resort and Casino
- Imperial Palace Hotel & Casino
- Bill’s Gamblin’ Hall & Saloon
- Hot Spot Oasis

These establishments draw customers from throughout the United States. Another southern Nevada facility is Harrah’s Laughlin, which is located near both the Arizona and California borders and draws customers primarily from the southern California and Phoenix metropolitan areas and, to a lesser extent, from throughout the US via charter aircraft. Bill’s Gamblin’ Hall & Saloon temporarily closed in early February 2013 for renovations. The renovated hotel, casino, and restaurant are expected to open in December 2013 and the day club/nightclub is expected to open in April 2014.

In northern Nevada, Harrah’s Lake Tahoe and Harveys Resort & Casino are located near Lake Tahoe and Harrah’s Reno is in downtown Reno. These facilities draw customers primarily from northern California, the Pacific Northwest and Canada.

The Company owns and operates four casino hotel facilities in Atlantic City:

- Harrah’s Resort Atlantic City
- Showboat Atlantic City
- Caesars Atlantic City
- Bally’s Atlantic City

These casinos draw customers primarily from the Philadelphia metropolitan area, New York and New Jersey.

Harrah’s Philadelphia (formerly Harrah’s Chester) is a combination harness racetrack and casino located approximately six miles south of Philadelphia International Airport and draws customers primarily from the Philadelphia metropolitan area and Delaware.

The Chicagoland dockside casinos – Harrah’s Joliet in Joliet, IL, and Horseshoe Hammond in Hammond, IN – draw customers primarily from the greater Chicago metropolitan area. In southern Indiana, the Company owns Horseshoe Southern Indiana, a dockside casino complex located in Elizabeth, Indiana, which draws customers primarily from northern
Kentucky, including the Louisville metropolitan area, and southern Indiana, including Indianapolis.

In Louisiana, Harrah’s New Orleans, is a land-based casino located in downtown New Orleans, which attracts customers primarily from the New Orleans metropolitan area. In northwest Louisiana, Horseshoe Bossier City, a dockside casino, and Harrah’s Louisiana Downs, a thoroughbred racetrack with slot machines, both located in Bossier City, cater to customers in northwestern Louisiana and east Texas, including the Dallas/Fort Worth metropolitan area.

On the Mississippi Gulf Coast, the Company owns the Grand Casino Biloxi in Biloxi, MS, which caters to customers in southern Mississippi, southern Alabama, and northern Florida.

Harrah’s North Kansas City dockside casino draws customers from the Kansas City metropolitan area. Harrah’s Metropolis is a dockside casino located in Metropolis, IL, on the Ohio River, drawing customers from southern Illinois, western Kentucky, and central Tennessee.

Horseshoe Tunica, Harrah’s Tunica, and Tunica Roadhouse Hotel & Casino, dockside casino complexes located in Tunica, Mississippi, are approximately 30 miles from Memphis, TN, and draw customers primarily from the Memphis area and, to a lesser extent, from throughout the US via charter aircraft.

Horseshoe Casino and Bluffs Run Greyhound Park, a land-based casino and pari-mutuel facility, and Harrah’s Council Bluffs Casino & Hotel, a dockside casino facility, are located in Council Bluffs, IA, across the Missouri River from Omaha, NE. At Horseshoe Casino and Bluffs Run Greyhound Park, the Company owns the assets other than gaming equipment, and leases these assets to the Iowa West Racing Association (“IWRA”), a nonprofit corporation, and it manages the facility for the IWRA under a management agreement expiring in October 2024. Iowa law requires that a qualified nonprofit corporation hold Bluffs Run’s gaming and pari-mutuel licenses and own its gaming equipment. The license to operate Harrah’s Council Bluffs Casino & Hotel is held jointly with IWRA, the qualified sponsoring organization. The Sponsorship and Operations Agreement between IWRA and Caesars’ terminates on December 31, 2015, subject to Caesars’ option to extend the term of the agreement for five succeeding three-year terms, provided they are not in default.
The Conrad Resort & Casino located in Punta Del Este, Uruguay (the “Conrad”), draws customers primarily from Argentina and Uruguay. In November 2012, the Company announced that it had entered into a definitive agreement with Enjoy S.A. (“Enjoy”) to form a strategic relationship in Latin America. Under the terms of the agreement, Enjoy acquired 45 percent of Baluma S.A., the Company’s subsidiary which owns and operates the Conrad, and Caesars became a 10 percent shareholder in Enjoy upon consummation of the agreement. Enjoy has primary responsibility for management of the Conrad. Enjoy will have the option to acquire the remaining stake in Baluma S.A. between years three and five following closing.

Caesars also owns four casinos in London: the Sportsman, the Golden Nugget, The Playboy Club London, and The Casino at the Empire. The casinos in London draw customers primarily from the London metropolitan area as well as international visitors. They also own Alea Nottingham, Alea Glasgow, Alea Leeds, Manchester 235, Rendezvous Brighton, and Rendezvous Southend-on-Sea in the provinces of the United Kingdom, which primarily draw customers from their local areas. Pursuant to a concession agreement, the Company also operates two casinos in Cairo, Egypt: The London Club Cairo (which is at the Ramses Hilton) and Caesars Cairo (which is at the Four Seasons Cairo), which draw customers primarily from other countries in the Middle East. Emerald Safari, located in the province of Gauteng in South Africa, draws customers primarily from South Africa. Caesars’ closed the Alea Leeds casino on March 4, 2013.

The Company also owns and operates Bluegrass Downs, a harness racetrack located in Paducah, KY.

The Company earns fees through management of three casinos for Indian tribes:

1. Harrah’s Phoenix Ak-Chin, located in Phoenix, AZ, which it manages under a management agreement that expires in December, 2014. Harrah’s Phoenix Ak-Chin draws customers from the Phoenix metropolitan area.

2. Harrah’s Cherokee Casino & Hotel, which is managed for the Eastern Band of Cherokee Indians on their reservation in Cherokee, NC, under a management contract that expires in November, 2018. Harrah’s Cherokee draws customers from eastern Tennessee, western North Carolina, northern Georgia and South Carolina.

3. Harrah’s Rincon Casino and Resort located in San Diego, California which is managed for the Rincon San Luiseno Band of Mission Indians under a management
agreement that expires in November 2013. Harrah’s Rincon draws customers for the San Diego metropolitan area and Orange County, CA.

The Company also earns fees through management of the following casinos:

1. The management of Caesars’ Windsor, located in Windsor, Ontario, which draws customers primarily from the Detroit metropolitan area.

2. Horseshoe Cleveland casino in Ohio, which is managed for Rock Ohio Caesars LLC, a venture with Rock Ohio Ventures LLC (“Rock Gaming”) in which the Company has a 20 percent equity interest. The property is managed in accordance with a fee agreement that expires in May, 2032.

3. Subsequent to its opening on March 4, 2013, Caesars manages the Horseshoe casino for Rock Ohio Caesars LLC for a fee under a management agreement that will expire in March, 2033. The company also has a 20 percent equity interest in the property.

D. Compliance

1. Compliance Plan and Corporate Governance

   a. Compliance Committee

   Caesars has established a Compliance Program (“Program”) in an effort to reinforce its commitment to maintaining the highest ethical standards while conducting business in the highly regulated gaming entertainment industry. The Program was adopted on October 10, 2005, and is directed by the Corporate Compliance Committee (“Committee”). Under the Program as first adopted, the members of the Committee were appointed by, and served at the discretion of Caesars Chief Executive Officer Gary Loveman. As detailed below, the selection process has materially changed since the inception of the Program and the members of the Committee are now appointed by the Board of Directors. Pursuant to the Program, the Committee reports its actions and membership to the Audit Committee and the Board of Directors at regularly scheduled meetings. The implementation and administration of the Program is centrally controlled by the Committee. The day-to-day responsibility for implementation and administration is provided by the Compliance Officer. The Senior Executive at each property, division or subsidiary is responsible for maintaining compliance even though the compliance effort is directed from Las Vegas, NV.

   The Committee is comprised of at least three members, one or more of which shall be independent of Caesars possessing experience in the gaming regulatory process or other highly
regulated industry. The term “independent” signifies that the member cannot be employed by Caesars or its affiliates and must be free from any material relationship that would interfere with the exercise of independent judgment as a member of the Committee. The Compliance Committee meets at least quarterly. The current members of the Committee are: Ron Terry, Chairman; Mark Clayton; James Darcy; Gary Michael; and Dennis Neilander.

Terry served as Chief Executive Officer from 1973-93 and as the Chairman of the Board from 1973-95 at First Tennessee Bank. In addition to serving on several major corporate boards, including Holiday Inns and its successor Promus Hotels Inc., BellSouth and AutoZone, he has served on the board of directors of various charitable organizations.

Clayton served as the Deputy Chief of the Nevada Gaming Control Board (“NGCB”), Corporate Securities Division, from 1993-95. He also served as Vice President, General Counsel and Assistant Secretary of Showboat Inc. from 1995 to 1998, then Vice President and General Counsel of Aladdin Gaming Holdings LLC and Aladdin Gaming LLC from 1999-2001. From 2001-05, Clayton served as Vice President-Corporate Law for Caesars. He served as a member of the NGCB from 2005-08 and currently is a Shareholder in the Las Vegas-based law firm Lionel, Sawyer & Collins.

Darcy served as the Chief Compliance and Regulatory Officer for Caesars from 2000-05. From 1998-2000, Darcy was the Managing Director of the Compliance Department for Park Place Entertainment Inc., the predecessor company to Caesars. In 2005, he represented the American Gaming Association at the US Department of Treasury’s Bank Secrecy Act Task Force reviewing anti-money-laundering statutes and policy. In December 2010, Darcy was appointed as an independent director and Chairman of the Internal Audit Committee for Resorts International Casino Hotel in Atlantic City. Previously, Darcy served as a Supervisory Special Agent of the FBI, where he was recognized for his work on public corruption, organized crime, and money-laundering investigations.

From 1991-2001, Michael was Chairman of the Board and Chief Executive Officer of Albertson’s Inc., a food-drug retailer, and has since been on the boards of numerous corporations including The Clorox Company, Questar Gas and Office Max. He was a Director at Harrah’s Entertainment Inc., from 2001-08.
Dennis Neilander is the most recently appointed Independent Committee Member. He was appointed to the Committee by Caesars’ Board of Directors on February 9, 2012. Neilander is a former member of the NGCB and served on the Board from 1998 through 2010, where he sat as Chairman during his last 10 years. He was Chief of the Gaming Control Board Corporate Securities Division, which regulates the publicly traded gaming companies that operate in Nevada, prior to being a NGCB member. Prior to that, he was the research staff attorney for the Judicial Committees of the Nevada State Legislature.

The Committee reviews and evaluates information developed and reported by the Compliance Officer and makes recommendations to senior management. Its responsibility includes providing its minutes to the Board of Directors and appropriate Executives regarding the following activities by Caesars and/or its affiliates: Employee Suitability, Review of Material Shareholders, Conflicts of Interest, Gifts and Prohibited Receipts and Payments, Public Officers and Employees, Community and Political Activity and Contributions, Associations with Unsuitable Persons, Transactions Requiring Review, Currency Transaction and Suspicious Activity reporting, Government Investigations, Company Books and Records, Antitrust, Relationships with Labor Organizations, Insider Trading, Environmental and Waste Disposal, Prohibited Foreign Trade Practices, Preserving Confidential Company Information, Customer Privacy and Hotline Program. The above-mentioned responsibilities of the Committee are not intended to displace the decision-making authority of the Board of Directors or Executives.

The Investigators reviewed the minutes of the Board of Directors from 2010 to 2012. The above-referenced matters of the Committee were reported to the Board and addressed. Due diligence investigations were undertaken, the results of which were reported in due fashion to the Board. The minutes of the Committee from 2010-2012 were thorough and informative, pointing out certain matters that needed further examination by the Board of Directors and/or the initiation of due diligence reviews or internal investigations. Information on employee suitability and the suitability of third party relationships were provided to the Board on an ongoing basis. Caesars has taken significant efforts to ensure strict adherence to its internal compliance procedures, which meet or exceed industry standards.

The Investigators reviewed a sampling of due diligence reports, including those prepared with respect to prospective business partners in casino projects in the United States and
internationally. When pursuing interests outside the United States, Caesars usually contracts with third party investigative firms to conduct the due diligence investigations. During the course of this investigation, due diligence reports were reviewed in connection with Caesars’ potential interest to conduct business in South Korea, Macau, and Vietnam and for the acquisition of an interactive game company. Additional due diligence reviews were conducted in connection with the remodeling/rebranding of Bill’s Gamblin’ Hall (the Gansevoort project), the hiring of Mitchell Garber as CEO of Caesars Interactive Entertainment, and the acquisition of Buffalo Studios. The results and status of those due diligence investigations and potential ventures with the applicant are addressed in the Significant Investigative Issues and Recent Developments sections of this report.

Timothy Donovan was appointed Chief Regulatory and Compliance Officer (“CRCO”) in January 2011. He has been in the position of Caesars’ Senior Vice President and General Counsel since he started with the Company in April 2009. Prior to joining Caesars, he was the Executive Vice President, General Counsel and Corporate Secretary of Republic Services Inc. from December 2008 to March 2009. As CRCO, he is responsible and reports to the Committee on material findings in all reports received, investigations conducted and recommendations for action. Donovan manages the Program and ensures that all reports and documents relating to the Program are prepared and maintained. Additionally, he provides assistance and support to the Compliance Committees and Officers at each of Caesars’ subsidiary properties engaged in gaming activities.

On February 24, 2011, the Board of Directors approved recommended changes to the existing Program based on an examination of the Program and reports prepared by external consultants. The outside consultants were retained in response to certain activity by a high-roller casino patron (Terrance Watanabe, discussed below) in Caesars’ various properties in Las Vegas. The Committee implemented recommended changes to the Program and the overall compliance function as identified below. Some of the recommendations are revisions while others are additions to the Program. It should be noted that some of these changes came about as a result of the regulatory sanctions and litigation that resulted from the Watanabe incident.
b. Revisions to Compliance Program Following the Watanabe Matter

As indicated above, Caesars has implemented certain changes to its compliance procedures in the aftermath of the Watanabe matter. One of the fundamental changes to the Program is that the Committee no longer reports to the CEO. The Committee now reports to the Board of Directors. Timothy Donovan, as Chief Compliance Officer, makes recommendations of prospective members of the Committee to the Board. Donovan may consult with CEO Loveman prior to making his recommendations. Donovan’s recommendations are reviewed by the Board, which has the responsibility for appointing the members to the Committee. As a result of the implementation of this revision to the Program, the CEO’s role in the selection process of Committee members has been significantly diminished, and he no longer has any role in the reporting process for Committee members.

The consultant recommended that the Committee members should be comprised of no less than three independent members, with one member knowledgeable in Nevada gaming laws and regulations. Currently, there are five independent committee members, consistent with this recommendation. Additionally, there was a recommendation that three independent employee-advisors, without voting rights, should attend the Committee meetings. The employee-advisors should be: a senior operational employee, the Chief Audit Executive, and the Vice President of Responsibility Gaming Policies and Compliance. According to Caesars’ Compliance Department, Cheryl Kondra, VP of Internal Audit, is only the Employee Advisor appointed so far. Under the revised Program, the Committee is responsible for recommending an annual budget for the Compliance Department which the Board will review for approval.

Another recommendation that has been implemented was for the CRCO to establish reporting guidelines that are distributed, at a minimum, on an annual basis to all management employees regarding the responsibility to report to the CRCO, in a timely manner, compliance and ethics matters. The CRCO is to ensure that the Committee is advised of matters raised and the CRCO should immediately report to the Committee, in advance of regular Committee meetings, any allegations of criminal conduct and violations or incidents that materially involve management employees at both a property and corporate level. The guidelines are currently being drafted and will be implemented in connection with the Project Renewal (see “Recent Events and Developments,” below) work stream.
In addition, there was a recommendation to further centralize the Compliance Department at the corporate level to include a more formalized reporting structure whereby compliance functions at the property level report to corporate compliance. That reporting structure has been completed. All open property compliance lead positions have been filled and now have a direct reporting relationship to Corporate Compliance.

Further, the Compliance Department, on an annual basis, is to conduct a detailed analysis of the compliance budget, headcount, and programs to determine the resources necessary to provide a more robust and effective program, and report this analysis to the Committee. This process was implemented in 2011.

Another recommendation was to establish formal written guidelines for investigating allegations of wrongdoing, which should be distributed companywide, along with the Compliance Program at least annually. This procedure is currently in progress. Additionally, the Compliance Department should review the roles and responsibilities of employees to ensure that conflicts of interest are minimized. This process is ongoing.

Another recommendation is that the Program should be reviewed, revised and expanded, and go beyond gaming regulatory compliance and recast as a companywide compliance and ethics program. Additionally, it should be revised in a style that is more “plain English.” The “plain English” aspect of the program has been completed. However, the program is currently being rewritten and discussions regarding the changes are continuing with the NGCB. The New Jersey Casino Control Commission has approved the Plan and it is pending approval in Mississippi.

Other recommendations include the following: the CRCO should provide a report to the Board of Directors, at least annually, regarding the overall state of compliance at Caesars, to be submitted in conjunction with the current annual Compliance Summary report that is currently provided to the NGCB, and the Program should be revised to include consequences for non-compliance taking into consideration consequences set forth in existing policies such as Employee Handbooks and the Code of Commitment. This latter procedure has been implemented.

The Compliance and Ethics training course has been revised to include an emphasis on conducting business with integrity. Employee job descriptions at Director-level and above now
incorporate compliance objectives and ethics. Additionally, all applicable job descriptions created in connection with Project Renewal have been revised to include these objectives.

Another recommendation is for a member of the Corporate Compliance Staff or the CRCO, at least annually, should conduct in-person compliance training to the members of the Board of Directors, senior management and the senior management of each property. This process was completed for Board members in 2011 and is currently in process for senior management.

The Program’s training materials now include more emphasis on Caesars’ position of no retaliation for reporting wrongdoing. Compliance is also working with Communications regarding this messaging. Items were included in the yearly training and have been reiterated through memos from Senior Management.

A recommendation was made that there should be a senior management “tone from the top” regarding compliance and ethics; a program of routine and direct communications from the CEO, senior management and property leadership on the subject of doing business with integrity to all employees. To that end, in 2012, the Applicant included an increase in the content and number of memos distributed from senior management, higher visibility of senior management on compliance matters through video messaging. That effort has continued in 2013.

Caesars is currently working to institute a “clawback provision” in its bonus plans to allow for them to recoup paid bonuses from employees if violations of company policies are later discovered.

Other recommendations that are in progress require that Compliance and Ethic questions be included in employee attitude focus groups and surveys. Questions were included in the 2011 and 2012 employee survey. The results will be used by Compliance as a benchmark to determine specific areas of focus within the company.

c. Other Committees of Board of Directors

In addition to the Committee, Caesars has an Audit Committee, Executive Committee and Capital Committee that seek to ensure proper corporate governance and provide valuable assistance to the Board of Directors. The Audit Committee consists of three independent directors: Christopher J. Williams (chairperson), Jeffrey T. Housenbold and Fred Kleisner.
Williams was appointed to the Audit Committee in April 2008. Housenbold replaced Karl Peterson on November 29, 2011, and Kleisner replaced Lynn Swann in July 2013.

The primary function of the Audit Committee is to serve as an independent and objective party to monitor the integrity of the company’s financial reporting process and internal control system. The Audit Committee is also responsible for reviewing and appraising the audit efforts of Caesars’ internal auditors. The audit committee did not report any irregularities for 2010-2012.

The Executive Committee has all the powers of Caesars’ Board in the management of its business and affairs and may act on behalf of the Board to the fullest extent permitted under Delaware law and Caesars’ organizational documents. The Executive Committee serves at the pleasure of the Board and may act by a majority of its members, provided that at least one member affiliated with TPG and Apollo must approve any action of the Executive Committee. Caesars’ Executive Committee consists of Gary Loveman (Chair), Kelvin Davis and Marc Rowan, the latter two as representatives of TPG and Apollo, respectively.

Established by the Board of Directors to assist in the performance of critical Company functions and operations, the Capital Committee manages Caesars’ businesses and also has the authority to review results of operations, review and determine strategies for long term capital allocations, set return on capital requirements and financial policy and review proposals for recommendations to the Board of Directors or Executive Committee regarding any project or transaction. Its members are Donald Colvin (Chair); Timothy Donovan; John Payne; Eileen Moore; and Tom Jenkin.

**d. Other Compliance Procedures**

Since 2003, Caesars has had a Code of Business Conduct and Ethics (“Code”), that applies to the highest level executives: Chairman, Chief Executive Officer and President, Chief Operating Officer, Chief Financial Officer and Chief Accounting Officer, and is intended to qualify as a “code of ethics” as defined by rules of the Securities and Exchange Commission.

- This Code is designed to deter wrongdoing and to promote:
- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
• Full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us;
• Compliance with applicable governmental laws, rules and regulations;
• Prompt internal reporting to an appropriate person or persons identified in the Code of violations of the Code; and
• Accountability for adherence to the Code.

In January 2012, the Board adopted a Statement of Business Principles and Policies (“Statement of Business Principles”) that applies to all of the directors, officers and employees and is intended to comply with the NASDAQ listing requirement for a code of conduct. The statement contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. Waivers of the policies set forth in the statement will be granted on a case-by-case basis and only in extraordinary circumstances. Any waivers of the policies for directors or executive officers may be made only by the Board and will be promptly disclosed to the public.

2. Operations Review

In light of Caesars’ international operations, the Company is potentially susceptible to violations of the Foreign Corrupt Practices Act (“FCPA”), as well as violation of money-laundering rules and regulations. In order to deter possible violations of the FCPA, the Company has implemented internal control procedures and policies, employee training, and compliance programs.

The Investigators reviewed Caesars’ Anti-Money Laundering Program, which was written in 2012. According to Caesars, it is the policy of the Company and its subsidiaries to comply fully with all aspects of the Bank Secrecy Act and the related cash transaction reporting and recordkeeping requirements of 31CFR Chapter X which apply to casinos. It is expected that each employee will comply with these Currency Transaction Reporting (“CTR”) and Suspicious Activity Reporting (“SAR”) regulations. Failure to do so could result in disciplinary sanctions up to and including termination of employment and may subject the employee to civil and criminal fines or imprisonment. It is also expected that each applicable casino will comply with all jurisdictional anti-money-laundering regulations. A CTR/SAR Manual, which details all regulations and procedures, is maintained in each applicable department.
The Company represents that it is dedicated to maintaining the highest standards of compliance with requirements imposed by the Office of Foreign Assets Control (“OFAC”). Caesars expects that each employee who is trained to handle certain cash transactions will comply with the OFAC requirements set forth. Failure to do so could result in disciplinary actions, which may include termination of employment.

Furthermore, properties operating under the management of the Company within foreign countries shall implement anti-money-laundering programs to comply with their respective regulations. Said programs shall be on file with the Vice President and Deputy Chief Regulatory and Compliance Officer. For international branch offices conducting transactions with implications at a United States property the requirements of 31CFR Chapter X will apply.

An integral element of our investigation is to assess whether Caesars has implemented and demonstrated to have sound internal controls for the:

- Prevention of and detection of money-laundering;
- Flow of funds between foreign branch offices and Caesars’ casinos operating in Las Vegas; and
- Authorization and issuance of gaming credit.

The Investigators visited Caesars Palace and the Paris casinos during the week beginning May 20, 2013 and conducted interviews with the Western Division Compliance Director, Sheila Eyler; Vice President Chief Regulatory & Compliance Officer, Susan Carletta; Paris and Bally’s Casinos Regulatory Compliance Officer Shane Galster; Caesars Palace Regulatory Compliance Officer, Shannon Hart; and Title 31 Controller, Barbara Rose who is at a site separate from the casinos locations. We did not visit Bally’s Casino because the Regulatory Compliance Officer for Paris also performed that function for Bally’s.

To accomplish these objectives, the Investigators conducted interviews and reviewed selected documentation regarding the procedures in place at the subject casinos: Caesars Palace, Paris and Bally’s. We conducted a limited operational review.

The Investigators requested and received relevant documents to assess whether the represented procedures were in place. Documents reviewed included internal audit reports pertaining to anti-money-laundering (“AML”), gaming credit issued and deposit of funds at foreign branch offices. Where internal audit reports noted that corrective action was needed,
follow-up investigation showed that the corrective action had been completed. Sheila Eyler, Western Division Compliance Director stated that AML internal controls, internal controls for the deposit of funds at foreign branch offices and internal controls for credit are standardized and applicable to the three casinos subject to our review. Other documents examined were branch office transmittal advices, reports of branch offices cash and non-cash payments received, gaming credit outstanding reports, and Suspicious Activity Reports Casino (“SARC”) required to be filed with the US Financial Crimes Enforcement Network (“FinCEN”).

Based upon our observations, and examination of documents in conjunction with verbal disclosures, the systems of internal controls which were the focus of this review appear to be satisfactorily in place. Presented below is a summary of findings.

**a. Prevention and Detection of Money Laundering**

The Currency and Foreign Transactions Reporting Act of 1970 (commonly referred to as the “Bank Secrecy Act” or “BSA”) requires US financial institutions to assist US government agencies to detect and prevent money-laundering. The act requires financial institutions to keep records of cash purchases of negotiable instruments, file reports of cash transactions exceeding $10,000 (daily aggregate amount), and to report suspicious activity that might signify money-laundering, tax evasion, or other criminal activities. The BSA is sometimes referred to as an “anti-money-laundering” law (“AML”) or jointly as “BSA/AML.”¹ The law includes casinos in its definition of financial institutions. Casinos which are licensed or authorized to do business by the state wherein licensed and have annual gaming revenues in excess of one million dollars are subject to the requirements of the BSA for AML purposes.

The BSA requires casinos meeting the revenue threshold to develop a policy statement which indicates that it is the policy of the casino to comply fully with all aspects of the BSA. The Caesars policy statement states that the company will fully comply with all aspects of the BSA. The Caesars policy statement also states that Caesars will comply with the requirements of the Office of Foreign Assets Control which pertains to transactions among Caesars and foreign individuals, companies and countries. Of significance is the inclusion of a statement that for all international branch offices conducting Caesars transactions, the BSA’s requirements shall apply.

¹ See [http://www.fincen.gov/statutes_regs/bsa/](http://www.fincen.gov/statutes_regs/bsa/)
The BSA requires that Casino AML programs be based on an assessment of risk. Risks to be taken into consideration include, but are not limited to, the geographical location of the facility, size, kinds of services offered, volume of services, characteristic of patrons (large dollar bettors), the effectiveness of controls and whether automated data systems are in place. Discussions with the Western Division Compliance Director confirmed that annual risk assessments are conducted before developing the Caesars AML program. In that regard, Investigators confirmed independently with the Regulatory Compliance Officer for Caesars Palace, Shannon Hart, and Bally’s and Paris Compliance Officer, Shane Galster that the risk assessments were completed.

The BSA requires that each AML program appoint a compliance officer or persons to maintain the AML program to ensure that training is conducted, to receive and respond to AML questions from operating personnel and to ensure daily compliance to the AML program. Interviews were conducted of compliance officers Shannon Hart (for Caesars Palace) and Shane Galster (for Paris/Bally’s) to determine that they performed the duties noted in the BSA. Training materials and tests given to employees were also reviewed and corroborate that those functions were being performed by the compliance officers.

**Elements of Compliance programs as required by the BSA**

Under the BSA, Each casino is to develop and implement a written compliance program reasonably designed to assure and monitor compliance with the BSA. That program must include a system of internal controls to assure continual compliance with all the requirements of the BSA. The Investigators requested and received copies of the AML internal controls developed by Caesars. We reviewed them for the required elements of the BSA by comparing each section of the internal controls to the BSA Chapter X. We are confident that Caesars’ internal controls included the requirements of the BSA 31 CFR Chapter X section 1021.210.

**Periodic Testing**

The BSA requires periodic testing of the AML program to assure management that the program is in compliance with the BSA. Caesars’ internal controls state that an internal audit shall be conducted at least annually to ensure Caesars is in compliance with the BSA. Internal audit reports for the period 2010 through 2012 pertaining to AML procedures of Caesars Palace, Paris and Bally’s were inspected. For this three year period, the only comment of significance is
that for the year 2012, the casino marketing departments of Paris and Bally’s did not receive their annual BSA training. This was corrected when the casino marketing departments were trained in the first quarter of 2013.

**Training**

The internal controls are required to include training of casino personnel, including training in the identification of unusual or suspicious transactions which are required to be reported to the FinCEN. The materials for training in the recognition of suspicious or unusual transactions were reviewed, and they employed the following training examples: a patron attempts to structure transactions to avoid a filing of a Currency Transaction Report Casino (“CTRC”); a patron asks a cashier how to avoid CTRC reporting requirements; and a patron asks a cashier not to report a reportable transaction or series of transactions. Training also focused on recognizing cash transactions that required a CTRC to be prepared. The training materials appear sufficiently designed to educate casino personnel on the critical elements of the BSA.

**Appointment of Compliance Officer**

As noted previously above, Caesars appointed compliance officers to manage the day to day issues that may arise from casino floor operations or questions from any other source in the casinos.

**Procedures to Use All Available Information**

The BSA requires casinos to use all sources of information developed in the casino to identify transactions that are reportable under the BSA. Sources to be used in capturing reportable transactions are to include manually prepared documents, systems information (if a data processing system is employed) and knowledge from employee observations. Where the BSA requires the verification of a patron’s identity, it is incumbent upon the casino to use all sources in the casino to gather that information. With respect to the subject casinos, the information obtained from the Total Rewards System, a patron tracking system, may be referred to when there may be need for identifying patron information in filing a CTRC or SARC. Other sources of information used by the subject casinos in establishing whether a patron’s transactions may result in the filing of a CTRC or SARC report required by the BSA include, but are not limited to, the following:
• Multiple Transaction Logs of patrons’ cash transactions prepared for each gaming day;
• Minimal Gaming Reports prepared when patrons gaming cash-in is not commensurate with his/her gaming play.
• Slot Machine Bills-in Reports (Bill Stuffing Report) prepared to track cash inserted into slot machines. This report is most effective when the patron inserts his/her Total Rewards card in the slot machine thereby enabling the casino to track players’ cash activity at the slot machine.
• Resort Advantage System entries for patrons redeeming chips for cash when there is no patron information on file in the casino or cannot be established when considering all sources maintained in the casino. In such instances the cage cashier shall require the patron to provide identifying information: name, address and social security number to be entered before the transaction is consummated.
• Player Rating information captured within the Table Touch system, patron cash buy-in and patron win/loss.

Discussions with Regulatory Compliance Officers and Barbara Rose, Title 31 (BSA) Controller, provided us with sufficient evidence that the necessary sources were pursued to ascertain whether patrons’ transactions required reporting to FinCEN.

Compliance Committee

Caesars’ AML program has a provision for the establishment of a compliance committee that is to meet quarterly. According to Caesars’ AML program, the committee consists of senior management and is chaired by the property Regulatory Compliance Officer (“RCO”). The Caesars Palace compliance committee consists of the RCO, Assistant General Manager and the Title 31 (BSA) Controller. The Paris and Bally’s compliance committee consists of the RCO, Director of Finance and the Assistant General Managers of Paris and Bally’s. While Caesars Palace describes its reviews of transactions that appear to require the filing of a SARC, the three committee members do not meet as a group, but are forwarded a Suspicious Activity Incident Report (“SAIR”), which is prepared at the point of the transaction. Each Caesars Palace SARC committee member is forwarded the SAIR for evaluation and to render an opinion as to whether an SARC should be filed. The SAIR is signed after their review and decision to file or not file an SARC. Paris and Bally’s casino handle the SAIR review process differently in that they meet as a group and decide whether to file a SARC.
**Other Records to be Maintained**

**Multiple Transaction Log (MTL):** The BSA for casinos requires that multiple transactions in currency shall be treated as a single transaction if the casino has knowledge that they are by or on behalf of any person and result in either cash in or cash out totaling more than $10,000 during any gaming day (the 24 hour period the casino has elected to keep its books or records for accounting purposes). The Caesars AML program examined by Investigators requires the completion of a Multiple Transaction Log (MTL) for single or aggregate currency transactions flowing in the same direction (cash-in or cash-out) in the same gaming day. The purpose of the MTL is to capture aggregated cash transactions over $10,000 that require preparation of a CTRC. It should be noted that the Caesars properties employ an automated and Manual MTL to capture cash transactions for aggregation in determining whether a CTRC filing is required. Patron initial cash transactions are captured in the MTL at the $5,000 threshold for aggregation with other cash transactions captured throughout the casino.

**Negotiable Instruments Log (NIL):** The BSA requires casinos “to maintain a separate record containing a list of each transaction between the casino and its customers involving the following types of instruments having a face value of $3,000 or more:

- Personal checks (excluding instruments which evidence credit granted by a casino strictly for gaming, such as markers)
- Business checks (including casino checks)
- Official bank checks
- Cashier’s checks
- Third-party checks
- Promissory notes
- Traveler’s checks
- Money orders

The list will contain the time, date, and amount of the transaction; the name and permanent address of the customer; the type of instrument; the name of the drawee or issuer of the instrument; all reference numbers (e.g. Casino account number, personal check number, etc.); and the name or casino license No. of the casino employee who conducted the transaction. Applicable transactions will be placed on the list in the chronological order in which they occur.”

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2 31 CFR Chapter X § 1021.410 Additional records to be made and retained by casinos
To ascertain that Caesars complied with the instant BSA requirement, we obtained copies of NIL logs for the period beginning with May 5 - May 13 of 2013 and confirmed that the logs contained the required information. The NIL logs we examined are a standard form employed by Paris and Bally’s.

**Patron Accounts, Deposit of Funds or Lines of Credit**

The BSA requires that, with respect to each deposit of funds, account opened or line of credit extended, a casino shall, at the time the funds are deposited, the account is opened or credit is extended, secures and maintains a record of the name, permanent address, and social security number of the person involved. The Investigators established this information was obtained on sample basis via review of several patrons who maintained either or both a credit line or front money account. Accounts maintained in the computer patron system were reviewed in the casino cage with Kimberly Koss, Cage Manager when following up on a question associated with patron credit limits and amounts outstanding.

**Reports Required To Be Made By Casinos**

**Currency Transaction Reports Casino:** The BSA requires that each casino shall file a report of each transaction in currency, involving either cash in or cash out of more than $10,000. At the time of our visit, CTRCs were prepared by the Consolidated Financial Operations Group. Barbara Rose, Title 31 (BSA) controller, employs a staff of 13 segregated into pods by property which audits daily the previous day’s currency transactions from the aforementioned sources (MTL, Table Touch Games Buy-In, Slot Bill Stuffing Report, Resort Advantage System which captures chip purchases and redemptions at the cage, etc.) in order to determine whether a CTRC must be filed with FinCEN. Investigators did a brief walk through of the work area of the Title 31 clerks. While we did not test to determine whether CTRC reports were filed within the required 15 days from the date of occurrence of the reportable currency transaction, interviews conducted with the Title 31 Controller and the RCOs explained that systems are in place to capture reportable currency transactions and that reports are prepared on a timely basis.

**Reports by Casinos of Suspicious Transactions (SARC):** “Every casino shall file with FinCEN, to the extent and in the manner required by this section, a report of any suspicious transaction relevant to a possible violation of law or regulation.”

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3 31 CFR Chapter X § 1021.311 Filing obligations
4 31 CFR Chapter X § 1021.320 Reports by casinos of suspicious transactions
Transactions that must be filed are those that aggregate to at least $5,000 in funds at or through the casino where the casino suspects or has knowledge that a patron transaction:

- involves funds from an illegal activity or is intended to hide or disguise such funds;
- is designed to evade AML filing requirements through structuring or any other means;
- has no business or apparent lawful purposes or is not the sort of transaction the patron is normally expected to engage and the casino knows of no reasonable explanation; or
- involves use of the casino to facilitate criminal activity.

To establish whether Caesars had procedures in place to identify such transactions, interviews were conducted with the RCOs of Caesars Palace, Paris and Bally’s; the Title 31 Controller; and the Western Division Compliance director, all of whom stated that Suspicious Activity Incident Reports (SAIRs) are generated from the casino floor areas such as cage and table games departments when a transaction seems to be suspicious. The SAIRs, we were told, are forwarded daily to their respective property RCOs for evaluation by the SARC Committee.

Each SARC Committee consists of 3 persons. There is one committee for each property who review the SAIRs to decide whether the incident is worthy for a SARC filing with FinCEN. As noted previously, the Caesars Palace compliance committee consists of the RCO, Assistant General Manager and the Title 31 (BSA) Controller. The Paris and Bally’s compliance committee consists of the RCO, Director of Finance and the Assistant General Managers of Paris and Bally’s.

Each member of the respective SARC Committees signs the SAIR or an attached summary document entering their decision as to file or not file a SARC. The SARC Committees review all available patron information, some of which may not have been available to the front line personnel who prepared the SAIR. In addition, the Consolidated Financial Operations Group (“CFOPG”) conducts a five-day audit review of $5,000 player activity to determine whether any other transactions should be forwarded to the SARC Committees. The CFOPG is looking to detect, but is not limited to, structuring, minimal gaming play or slot machine bill stuffing with no play. The CFOPG was formed in August 2012 to assist in the AML compliance functions.
The Investigators reviewed a sample of SAIRs prepared. Some SAIRs resulted in filing of a SARC and others did not. The Investigators noted that the SAIR’s contained signatures of the reviewer and notations of their recommendation of whether to file or not file a SARC.

The Investigators obtained a listing of SARS filed by Caesars Palace for the period beginning December 31, 2012, and ending April 29, 2013. The Investigators summarized explanations appearing on the list of the 262 SARCs prepared. There were 137 instances for unusual use of wire transfers, 65 instances of unusual use of negotiable instruments, 28 instances of minimal gaming relative to large buy-in, 20 instances of structuring, 5 of money-laundering and the remaining 7 for various other reasons.

Of the 262 SARS on the list, the Investigators selected 10 percent, or 26 in number, for inspection and further explanation for the filing. The RCO’s explained that for outstanding casino accounts receivable paid by other than the patron who incurred the gaming debt a SARC is prepared in that the casino could not determine a connection between the party paying the casino accounts receivable and the patron who caused the casino accounts receivable to be recorded.

SAIRs and SARC's prepared by Paris/Bally also were reviewed with similar results, but of a smaller scale in numbers than Caesars Palace. SAIR’s summaries and related SARC’s were reviewed and no differences in filing criteria noted.

b. Foreign Branch Offices

“The term ‘branch office’ includes physical offices that can take possession of currency and/or monetary equivalents from a patron for account deposits and/or payment on credit instruments. The branch office is responsible for the funds received and is required to record the transactions on a branch office accountability form. A branch office can be within another business, a residence, or any other physical space. A branch office can be operated by a licensee’s employee, marketing representative or an independent agent. A single branch office may be used by multiple licensees.”

5 State of Nevada Gaming Control Board Minimum Internal Control Standards, page 17
“Annually, the ‘Branch Office Report’ and the ‘Independent Agent Report’ are submitted to the Board’s Audit Division no later than 30 days after the calendar year end using criteria established by the Board.”6

The Investigators found that Caesars Palace and to a lesser extent Paris/Bally’s conduct gaming transactions with foreign players. Caesars Palace has established branch offices in Tokyo, Singapore, Hong Kong and Taiwan to facilitate patron transactions at those locations for casino receivable payments, deposit of funds for front money and in the case of Tokyo only, withdrawal of unused funds. According to Sheila Eyler, Western Division Compliance Director, Tokyo has restrictions on currency movement from the country that requires unused funds on deposit at the Tokyo branch office to be refunded in Tokyo. The other foreign branch offices do not refund unused patron deposit amounts. Unused funds deposited at Singapore, Hong Kong and Taiwan branch offices were told are refunded to the patron at the casino cage.

Eyler said that each branch office established a bank account with a local bank. Funds received from patrons at foreign branches are deposited into the branch office account. Deposits may be in the form of currency, chips, negotiable instruments or wire transfers. Receipts are documented on a form which includes the patron or remitter name if different from the patron who is the beneficiary of the deposit. The nature of deposit (cash, chips, wire transfer or negotiable instrument) and other relevant data: date, time, etc. is recorded.

Daily, funds accepted at the branch offices are placed on a transmittal form which is faxed to the casino cage for inclusion in the cage accountability. Funds from the foreign branch offices accepted by the cage for patron deposit are placed on a patron front money card which contains identifying data: name, amount nature of deposit and balance. The activity is also recorded in the patron computer account file. Foreign branch office funds transmitted for payment of casino gaming receivables are applied to outstanding balances to reduce the amounts owed. The reduction in amounts owed are recorded in the respective patrons computer account file showing the remaining casino receivable outstanding.

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6 Ibid., page 19
Monthly, the branch office bank accounts are reconciled to receipts and disbursements by a member of the accounting department who is independent of the branch office and cage functions.

Annually, a Branch Office Report is prepared and submitted to the Nevada Gaming Board’s Audit Division. The Investigators requested and received the Branch Office Report for Caesars Palace for year ending December 31, 2012. We reviewed the report and noted it contained the following information:

- Date
- Location
- Total cash deposits
- Total non-cash deposits
- Total cash withdrawals
- Total non-cash withdrawals
- Total cash credit payments (payment of gaming receivables)
- Total non-cash payments (payment of gaming receivables)

The transactions recorded for Taiwan, Singapore, Hong Kong and Tokyo were as follows:

Paris and Bally’s casino transactions with foreign branch offices were not material when compared with Caesars Palace. The Investigators were informed that most of the foreign branch office activity takes place with Caesars Palace. If a patron wishes to frequent Paris or Bally’s, an intercompany transfer transaction is used to document the transfer of funds from the Caesars Palace casino cage to the receiving casino cage. A form used for such a purpose was examined and contained patron name, amount to be transferred, identifying the Caesars recipient casino and whether the funds are for patron deposit or payment on credit instruments.

Based on the investigation, the framework for the acceptance of funds by branch offices and transfer to Caesars Palace appear to be adequately documented.
c. Gaming Credit

Investigators interviewed Sheila Eyler, Western Division Compliance Director regarding controls against patrons receiving credit issued above their approved credit limits. In furtherance of determining whether patrons had exceeded their approved credit limits we examined the Counter Check Aged Trial Balance Report for Caesars Palace Marker Bank 01, which lists patron names in alphabetical order. The aged trial balance report contained headings for approved credit limit, available credit limit and the age of credit amounts outstanding.

Our examination indicated that several patrons’ credit amounts outstanding appeared to exceed their approved credit limit. This was brought to the attention of Eyler, who provided the Investigators access to the casino cage to interview Kimberly Koss, Caesars Palace Cage Manager. Koss and the Investigators reviewed the subject patrons’ computer credit files and determined that there was an acceptable explanation for each apparent credit limit overextension. In one instance the patron had placed funds on deposit. When taking into consideration the patron’s approved credit limit and front money funds deposited to his account, the patron did not exceed his credit approved credit limit. In the second instance, the credit file showed that the patron had requested and had been approved to receive a temporary, this-trip only credit limit increase. The aged trial balance lists only permanent approved credit limits. Therefore, the Investigators were satisfied with the explanations that the selected patrons did not exceed their approved credit limits. Additionally, confirmation with an executive credit manager disclosed that the computer credit system does not permit issuance of counter checks beyond approved credit limits.

Associated credit controls examined include a Credit Authorization Listing (“CAL”), which lists the names of credit executives and dollar limits of credit they are permitted to approve. The CAL lists the name of the credit executive and the maximum amount of credit they may approve.

The Investigators only confirmed that the process was in place but did no significant testing. However, based on the investigation, a framework for controlling the issuance of credit appears to be in place and functioning.

The Company also represents that it is dedicated to maintaining the highest standards of compliance with requirements imposed by the Office of Foreign Assets Control (“OFAC”).
Caesars expects that each employee who is trained to handle certain cash transactions will comply with the OFAC requirements set forth. Failure to do so could result in disciplinary actions, which may include termination of employment.

Furthermore, properties operating under the management of the Company within foreign countries shall implement anti-money-laundering programs to comply with their respective regulations. Said programs shall be on file with the Vice President and Deputy Chief Regulatory and Compliance Officer. For international branch offices conducting transactions with implications at a United States property, the requirements of 31CFR Chapter X will apply.

3. 

   **a. Introduction**

   In November 2011, the Compliance Department recommended, with conditions, that the Compliance Committee approve a hosting alliance relationship with [redacted] to operate the [redacted] at the Galaxy Casino in Macau. [redacted] holds a Gaming Promoter’s License issued by the Macau Gaming Inspection Bureau. The Hosting Alliance Program formed between Caesars and the [redacted] in Macau for purposes of referring players to each other’s casinos (i.e., Asian players to Caesars and American players to [redacted]) and allow for sharing of player loyalty points between Caesars and [redacted].

   The Investigators examined Caesars’ junket operation whereby Asian players are brought to Las Vegas for gambling purposes, and examined Caesars’ financial structure/agreement with the [redacted] in Macau whereby US players are brought there to gamble. The Investigators examined this relationship as part of our review of the Company’s anti-money-laundering procedures and policies, with the recognition that junket operators who bring foreign patrons to Las Vegas may be facilitating money-laundering schemes. We also reviewed a third-party due diligence report concerning this proposed alliance.

   As a result of our investigation, we did not detect any irregularities or improprieties relating to the Alliance Program or other junket operations.
b. Alliance Program

On April 24, 2013, the Investigators interviewed Gary Selesner, President of Caesars Palace, regarding the Alliance Program. Selesner provided us with the following information:

Caesars missed out on the opportunities in Macau as well as in Singapore and thus it has been looking to enter into other Asian venues. Caesars is in a highly leveraged situation and therefore may be impeded from having the ability to finance new developments. The idea of an alliance program came from Caesars’ development department.

, a Caesars Entertainment development executive, was involved in seeking an alliance for and on behalf of Caesars. He suggested that Caesars should consider the , which operates in the Macau Galaxy Casino. According to Selesner, believed that has a notable market share in Macau and has developed a good reputation. Along with the fact that it competes directly with other junket operators at the Wynn Macau and the Sands Macao, believed that would be a good fit for Caesars because both Wynn and Sands are also competitors of Caesars in Las Vegas.

According to Selesner, the negotiations for the Alliance Program went on for some time, but the program never materialized. Selesner stated that Caesars does not have a plan currently to form such an alliance program with any other VIP clubs in Macau.

Soon after the Hosting Alliance Program idea was scrapped, left Caesars Entertainment in early 2012 and is now employed by the Crown Casino in Macau.

A review of a due diligence report authored by a third-party investigative firm as well as several sensitive communications between Caesars and its outside counsel revealed concerns that it could be problematic for Caesars to be associated with the due to the long-term personal and working relationship between , one of two controlling shareholders of the, and a senior Chinese organized-crime figure – General of the 14-K Triad known as . The report stated that it would be highly unlikely that could withstand the scrutiny of US regulators. is believed to be the contact person of , the former Caesars Entertainment development department executive.
c. Inspection of Operation

The Investigators conducted two site visits of Caesars Palace’s corporate offices and gaming operation in Las Vegas. We reviewed Caesars’ methodology relative to the recruitment/due diligence/appointment of prospective independent agents; the calculation of independent agent compensation; termination of independent agents; credit issuance and collection; player cash (front money) transactions between the US and Asia; and player discounts and expense reimbursement calculation. We interviewed Boris Petkov, Director of Finance; Brent Cox, Director of Finance & Administration and International Marketing; Kimberly Koss, Director of Cage Operations; Sheila Eyler, Western Division Compliance Director; Lisa Rankin, Corporate Compliance Manager; and Susan Carletta, VP of Compliance.

- The recruitment/due diligence/appointment of prospective independent agents

Per Cox, player trips are driven by the international marketing department and thus Caesars depends heavily on independent agents to bring overseas players to the US. Although some in-house casino hosts do invite guests over from Asia from time to time, the vast majority of Asian players (i.e., those from Brunei, Hong Kong, Indonesia, Malaysia, Philippines, Singapore, Thailand and Japan) are those brought over by independent agents (“IAs”). We were informed that anyone can be an IA as long as he or she has the ability to bring players to the property, has a good reputation, and is credible. Each IA must execute an agreement with Caesars that contains terms and conditions, including duties of the IA, commission fee, effective date, and expense reimbursements, etc. Additionally, each IA must file an application and be registered with the Nevada Gaming Control Board (“NGCB”) and must receive approval before beginning work. We were informed that IAs do not work exclusively for Caesars and are allowed to take players to competing casino properties. With regard to a background examination of a prospective IA, the Compliance Department is responsible for the initial review of the gaming application and IA agreement and conducts a criminal record search on the individual. The Compliance Department will determine whether or not the individual is qualified (i.e., no felony conviction, has not been terminated by another casino for cause, etc.) and once the background investigation is complete, the Compliance Department will forward a report along with a positive or negative recommendation to the Compliance Committee. The Compliance Committee will review the report and either accepts or rejects the recommendation; the final decision to hire the prospective IA rests on the Senior Vice President of International Marketing, Jon Jaggers.
With respect to the number of IA applicants the Compliance Department recommended to the Compliance Committee, Rankin informed us that in the past two to three years, there was only one potential IA who was rejected due to derogatory information received in connection with the due diligence.

We requested and were provided with a sample of current Asian IA accounts (with names and personal information redacted) and we were able to trace the IA fees based on theoretical win to the general ledger.

- Independent agent commission calculation
  All IA commissions are paid based on theoretical win percentage. Theoretical win percentage is calculated based on the player’s average bet, time/duration of play, decisions per hour and type of game play (house advantage).

- Termination of independent agents
  Per Rankin and Carletta and a review of the IA agreement, either party can terminate the agreement at any time. However, if a registered IA was called forward for licensing by the NGCB, the IA must go through the licensing process or be terminated immediately. We were informed that almost all IAs, when called forward by the NGCB, have decided to not go forward for licensing for various reasons, including the cost of the investigation. If an IA withdraws from the finding of suitability process, Caesars immediately terminates the agreement with the IA.

  Upon request, Rankin provided a terminated IA file that shows that the IA, who lives in Canada, was called forward by the NGCB on May 29, 2012, with a cc to Caesars Entertainment. The IA was asked by the NGCB to file certain forms and to submit an initial $500 application fee within 30 days of May 29, 2012. The IA decided to not go through with the licensing investigation and Caesars thereafter sent a notice to the IA on November 30, 2012, effectively terminating the “Controlling Agreement” with the IA.

- Credit issuance and collection
  Per Cox and a review of the IA agreement, an IA is not an employee of Caesars and is therefore not authorized to grant credit to or collect outstanding credit from his/her players. Cox stated that credit may be granted only by authorized Caesars employees – as outlined in a detailed Caesars Palace Credit Authorization Listing, which includes a nine-member Credit Committee (which establishes the credit threshold for each level of management), Senior Vice
President and Vice Presidents of Domestic Player Development; Executive Casino Hosts; Senior Vice President, Vice Presidents and Directors of International Casino Marketing; Casino Managers, Assistant Casino Managers; Director of Cage Operations and Cage Supervisors; Vice President of Credit and Credit Managers and Credit Supervisors. The credit is granted to a player individually. Also, Caesars does not require any IA to guarantee credit repayment. All credit transactions are made between Caesars and its players. With regard to collections, Caesars does not authorize IA to collect any outstanding debts for and on behalf of Caesars. Caesars follows all credit collection policies and procedures in accordance with its internal controls.

- Player cash (front money) transactions between the US and Asia

4. Compliance History

Inquiries were conducted with gaming regulators from jurisdictions where Caesars or its affiliated entities hold gaming and pari-mutuel wagering licenses. In all respects, the responses revealed that Caesars’ gaming licenses are in good standing, with no significant regulatory issues having surfaced that may impact adversely on the Company’s suitability for licensure.

The following compliance matters occurred in 2010-13.

*d. Conclusion*

Based on the investigation, Caesars’s procedures for dealing with junket operators appear to be in conformity with accepted practices to detect and prevent money-laundering.
**a. Illinois**

In January 2011, the Illinois Gaming Board (“IGB”) fined Harrah’s Metropolis $50,000 for implementing a change to internal control procedures within the Security Department without prior approval by the IGB Administrator by allowing the Security Department to report to the Director of HR instead of the General Manager.

In March 2011, the IGB fined Caesars $100,000 for failing to adequately review duplicate patron accounts created when Caesars acquired Planet Hollywood causing Illinois Self-Excluded Patrons to receive promotional material from Harrah’s Joliet and Harrah’s Metropolis.

**b. Indiana**

In May 2012, the Indiana Gaming Commission fined Caesars (Horseshoe Southern Indiana Casino) $16,500 for three regulatory infractions:

- Count I: An underage patron entered the property through the “31 and over” line at the turnstiles.
- Count II: The property used an unlicensed supplier for repairs to gaming hardware.
- Count III: Bills and ticket vouchers were not removed from six cash boxes and were on the casino floor for a scheduled drop for approximately two hours before being discovered.
- Payment of $16,500 was made on August 16, 2012, and the matter is now closed.
- In November 2012, the Indiana Gaming Commission fined Caesars (Horseshoe Hammond) $28,000, for five regulatory infractions:
  - Count I: On three separate occasions, an underage person was allowed to enter the casino.
  - Count II: A promotion submission did not fully describe the point system which resulted in the description for how winners were to be determined was incomplete.
  - Count III: Three slot machines were in play prior to being sealed or coin-tested by the Commission.
  - Count IV: A patron was allowed to walk through a “drop zone”\(^7\) while “hot”\(^8\) bill validator boxes were being removed.

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\(^7\) Drop zone is the area usually cordoned off by security when the slot cash storage boxes (bill validators) are being removed during the slot drop removal for transportation to the count room.

\(^8\) “Hot” bill validators means the removal of boxes containing currency that is to transported to the count room to be counted.
• Count V: A deck of cards was in play for five games without being counted.
• Count VI: An underage patron attempted to obtain a cash advance on her credit card. The transaction was denied, but the patron left the casino before security arrived. Gaming agents were not informed until two hours later.

The amount assessed to each infraction totaled $28,000, which Caesars paid in full on December 13, 2012. This matter is now closed.

In November 2012, the Indiana Gaming Commission fined the Horseshoe Southern Indiana $10,500 for two regulatory infractions:

• Count I: On two separate occasions, an underage person was allowed to enter the casino.
• Count II: A Voluntary Excluded Person was permitted to play and obtain a Total Rewards card.

On November 29, 2012, Caesars paid the $10,500 fine and the matter is now closed.

c. Louisiana

In January 2012, the Louisiana Gaming Control Board fined Horseshoe Bossier City $62,500 for allowing an underage patron to enter the gaming area, failure to properly investigate, contact the surveillance department, or to notify the Division of the entry, and failing to have the incident documented in Security and Surveillance logs/incident reports.

d. Mississippi

In May, 2012, the Mississippi Gaming Commission fined Harrah’s Tunica $15,000 for numerous gaming and internal control violations that occurred in connection with an emergency drop conducted on March 19, 2012. (Funds in a number of the drop boxes were collected and left unaccounted for in a soft count room.) Property representative explained the cause for the incident and corrective actions taken to prevent a future occurrence. The $15,000 fine was paid on August 13, 2012.

e. Missouri

In May 2010, the Missouri Gaming Commission (“MGC”) fined Harrah’s North Kansas City $67,500 when employees failed to exercise discretion and good judgment in reporting the presence of an intoxicated patron on, and exiting, the gaming floor, and for failing to prevent the intoxicated patron from operating a motor vehicle.
In February 2011 the MGC fined Harrah’s North Kansas City $30,000. During the MGC’s 2010 audit of the property it was discovered that issues raised during its 2009 audit had not been corrected.

In November 2011 the MGC fined Harrah’s North Kansas City $30,000. During the MGC’s 2011 audit of the property it was observed during the opening of three poker table games that the dealer did not inspect the entire backs of the poker cards to ensure they were not flawed. This violation was noted in past audits and follow-ups.

In April 2010, the MGC fined Harrah’s St. Louis $22,500 for allowing an underage patron to enter the casino floor and wager.

In May 2010, the MGC fined Harrah’s St. Louis $22,500 for failing to have the required video surveillance coverage of the cage for approximately four hours on five separate days and for not having an audible alarm and failover system.

In June 2010, the MGC fined Harrah’s St. Louis, $22,500 for allowing an underage patron to enter and remain on the casino floor, and allow him to consume alcoholic beverages.

In December 2011, the Missouri Gaming Commission fined Harrah’s St. Louis $10,000 for the property’s failure to conduct a promotional event with integrity due to misleading statements and involving consideration in determining a patron’s participation. Caesars paid the $10,000 fine on April 16, 2012, and the matter is now closed.

In March 2012, the Missouri Gaming Commission proposed a $10,000 fine against Harrah’s North Kansas City property because the property failed to comply with the laws, regulations, and controls governing adequate staffing in the security department and admission procedures which led to the admittance of an underage patron on the gaming floor. On April 13, 2012, Caesars paid the reduced $5,000 fine and the matter is now closed.

In November 2011, the Missouri Gaming Commission fined Harrah’s St. Louis $10,000 because the property failed to count the patrons for gaming day of May 4, 2011, and failed to notify MGC’s tax section of the resulting discrepancy in calculating the admission taxes. The property also failed to preserve surveillance tapes for same gaming day. Caesars paid the $10,000 fine on February 2, 2012, and the matter is now closed.
In May 2012, the Missouri Gaming Commission proposed a $30,000 fine against Harrah’s North Kansas City property because the property allowed an underage patron to gain access to the gaming floor on four days in February 2012. The underage patron gambled at table games, exchanged chips at the cage, and interacted with approximately 35 employees without being asked for identification. Caesars paid the $30,000 fine on July 12, 2012, and the matter is now closed.

In June 2012, the Missouri Gaming Commission fined Harrah’s St. Louis $25,000 because the property failed to provide all information requested by the Commission’s MBE/WBE Compliance Manager, and failed to provide access to copies of the information as directed. Caesars paid the $25,000 fine on September 10, 2012, and the matter is now closed.

In May 2012, the Missouri Gaming Commission proposed a $10,000 fine against Harrah’s North Kansas City property because the property failed to identify and verify the age of a person entering the casino; allowed this person (a minor) to enter the casino, consume alcohol and make wagers. Caesars paid the $10,000 fine on May 7, 2012, and the matter is now closed.

In June 2012, the Missouri Gaming Commission proposed a $10,000 fine against Harrah’s North Kansas City property because the property, through a Groupon Offer, failed to adhere to the prohibition of advertising intoxicating liquor at a discount. Caesars paid the $10,000 fine on June 19, 2012, and the matter is now closed.

In May, 2012, the Missouri Gaming Commission fined Harrah’s St. Louis $10,000 because employees of the property failed to identify and verify the age of a person entering the Casino and Lounge area. Caesars paid the $10,000 fine on September 6, 2012, and the matter is now closed.

In July, 2012, the Missouri Gaming Commission fined Harrah’s St. Louis $10,000 because during an MGC audit, two exceptions that had been exceptions in a previous audit were noted: 1) Total Rewards representatives did not conduct the required searches prior to issuing players’ cards to determine if the patrons were on the DAP or Excluded Persons List. 2) 5 of 29 Phase II testing tickets forwarded to Income Control had not been redeemed in the system. Caesars paid the $10,000 fine on October 26, 2012, and the matter is now closed.
f. Nevada

In December 2011, the Nevada Gaming Control Board ("NGCB") fined Caesars (Harrah’s Las Vegas) $100,000 for allowing an underage patron to gamble and served the patron alcoholic beverages on August 3, 2011. Employees who served the beverages to the patron did not ask for identification, and the gaming employees who were in contact with the patron did not ask for identification. (The matter was self-reported to the NGCB.) Caesars provided the NGCB with a written response on September 24, 2012, providing an update on all corrective actions taken to ensure compliance with all applicable laws and regulations. Caesars paid the $100,000 fine on July 27, 2012, and the matter is closed.

Regarding the Watanabe incident described in further detail later in this report, in September 2010, the Nevada Gaming Commission fined Caesars Palace $250,000 for failing to recognize a potential compromise to game protection and patron safety and to take immediate remedial action; failure to take action to prevent its patrons from engaging in behavior that may jeopardize patron safety and failure to comply with specific Nevada Gaming Commission regulations resulting in an unsuitable method of operation. A patron playing at a high-limit baccarat game was allowed to climb up onto the baccarat table and place a wager while atop the table. This occurrence took place on three separate occasions within one hour.

g. New Jersey

In April 2010, the New Jersey Casino Control Commission ("CCC") fined Caesars Atlantic City $10,000 for failing to implement procedures sufficient to identify a self-excluded patron in violation of the state’s Casino Control Act.

In January, 2011, the CCC fined Caesars Atlantic City $10,000 for failing to have a functioning manually triggered silent alarm system for its cage during a robbery event on July 20, 2009.

In February 2010, the CCC fined Harrah’s Atlantic City $15,000. The Casino Cage Supervisor overrode the safeguard system causing the delay of a deposit date for a patron’s personal check beyond the required 45 days in violation of the statute.

In March 2011, the CCC fined Harrah’s Atlantic City $15,000 for failing to immediately place three slot machine storage boxes in an enclosed trolley and failing to properly guard the boxes pursuant to approved internal controls.
Also in March 2011, the CCC fined Harrah’s Atlantic City $40,000 in connection with a four-count complaint alleging multiple violations. Four front-line cashiers were allowed to have access to and share a single imprest\(^9\) inventory of currency, failing to segregate incompatible functions and an employee was able to perpetrate and conceal fraudulent activity (theft). The property’s surveillance failed to detect the theft. That same month, the CCC also fined Harrah’s Atlantic City $15,000 for an underage gaming violation.

In August 2010, the CCC fined Atlantic City Showboat, $25,000 for allowing a craps table to receive an inaccurate fill request by three casino employees. The employees either signed the fill slip erroneously attesting to its accuracy and/or attempted to take corrective action but without following the proper procedures and regulations. In October, 2010, the CCC fined Atlantic City Showboat $20,000 for an underage gaming violation.

In November 2012, the New Jersey Division of Gaming Enforcement fined Harrah’s Atlantic City, $50,000 in connection with a two count compliant. Count I: The property caused gaming chips to be removed from the game table inventory in a manner not authorized or permitted by regulations and allowed a complimentary in the form of gaming chips to be issued to a patron other than at the casino cage. Count II: The property exchanged “direct bet coupons” for non-value gaming chips, utilizing the coupons in a manner not authorized or permitted by regulations and the property issued non-value gaming chips to a patron who did not purchase the chips.

In March 2013, the New Jersey Division of Gaming Enforcement (“NJDGE”) accepted the offer by Caesars to pay a civil monetary penalty of $225,000 payable under N.J.S.A 5:12 - 145 as a result of the Watanabe matter. This action was brought by the NJDGE in lieu of a complaint against Caesars on the grounds that disciplinary action can be taken against a casino licensee for any activity which tends to reflect discredit upon the State of New Jersey or the gaming industry.

\(^9\) Imprest funds: A cash fund of a fixed amount established through an advance of funds, usually from the main bank cashier's bank to a front line window cashier. Transactions conducted by the front line window cashier's disbursement of currency is replaced by documents having an equal value of currency disbursed so that the total of the currency remaining and documents placed in the fund, equal the fixed amount of the fund initially issued to a cashier. At shift end, the documents in the fund are replaced by currency to bring the fund back to its original amount of currency issued.
**h. North Carolina**

The Cherokee Tribal Commission fined Harrah’s Cherokee $10,000 in August 2012, for allowing a minor to participate in gaming activity.

The Cherokee Tribal Commission fined Harrah’s Cherokee $20,000 in November 2012, for allowing a minor to participate in gaming activity on November 4 and November 5, 2012.

The Cherokee Tribal Commission fined Harrah’s Cherokee $30,000 in November 2012, for allowing a minor to participate in gaming activity.

**i. Ohio**

In November, 2012, the Ohio Casino Control Commission fined Caesars (Horseshoe Cleveland) $15,000 for two regulatory infractions:

- **Count I:** The property installed, maintained, used, and/or operated unapproved Casino Management System software in violation of state regulations.
- **Count II:** By installing, maintaining, using, and/or operating unapproved Casino Management System software, the property violated its internal controls.

Caesars paid the $15,000 on December 4, 2012, and the matter is now closed.

In February 2013, the Ohio Casino Control Commission fined Caesars (Horseshoe Cleveland) $180,000 in connection with the following Gaming Operations Violations and General Operations Violations:

**General Operations Violations**

- **Count I:** The property’s systematic failure to ensure sensitive key security.
- **Count II:** By failing to ensure the security of sensitive keys and relocating key boxes without the approval of the Commission, Horseshoe violated its own internal control procedures.
- **Count III:** Horseshoe failed to submit complete and accurate advertisements to the Commission and to alert the public of the problem gambling hotline in such advertisements.

**Gaming Operations Violations**

- **Count I:** Since its opening, the property has used unapproved dice in its Fortune Pai Gow Poker game.
- **Count II:** Horseshoe encouraged unlicensed cocktail servers and beverage ambassadors, who are non-gaming employees, to enter the table game pit areas which are designates as restricted “sensitive areas.”
• Count III: Horseshoe unilaterally replaced its Commission approved $2.50 chips with quarters.

• Count IV: By granting unlicensed cocktail servers and beverage ambassadors access to restricted and sensitive table game pit areas without Commission approval and unilaterally replacing the Commission-approved primary $2.50 ship with quarters, Horseshoe violated its own internal control procedures.

• Count V: Horseshoe removed, stored and then shipped three slot machines together with the accompanying software

**j. Pennsylvania**

In October 2010, the Pennsylvania Gaming Commission fined Harrah’s Chester $70,000 for allowing an underage patron to enter the gaming floor, operate, use, play and place wagers on slot machines on seven different days between October 1, 2009, and March 21, 2010.

In July 2011, the Pennsylvania Gaming Commission fined Harrah’s Chester $26,000 for allowing an underage patron to enter the gaming floor, and place wagers on black jack table games.

**k. Egypt**

In January 2011, the Ministry of Tourism-Arab Republic of Egypt fined Caesars $50,000 for failure to report an incident of collusion between property employees and players resulting in a loss and a shortage of control procedures.

The Investigators have reviewed the complaints and dispositions of the above-referenced matters. Apart from the Watanabe incident, these complaints involve fairly routine enforcement proceedings relative to gaming operations.

**5. Litigation**

In its 2013 Annual report filed in March 2013, Caesars stated that the Company is party to ordinary and routine litigation incidental to its business. Caesars does not expect the outcome of any pending litigation to have a material effect on its consolidated financial position, results of operations or cash flows. The Investigators confirmed that there are no pending matters in litigation that impact upon Caesars’ suitability.

**a. Bahamas Development**

On November 7, 2005, Harrah’s announced a joint venture with Baha Mar resorts Ltd. And Starwood Hotels and Resorts Worldwide Inc. to create the Caribbean’s largest single-phase
destination resort, to be located in Nassau, Bahamas. Under the proposal, Harrah’s was to operate a new 1,000-room resort hotel and a 95,000-square-foot casino. Altogether, the resort being contemplated would offer a total of 3,550 guest rooms, making it the largest in the Caribbean. However, Harrah’s ultimately decided not to proceed with this ambitious project. Caesars has characterized this decision as having been made for business reasons.

On March 6, 2008, Caesars Bahamas Corporation (“CBIC”), an indirect subsidiary of Caesars, terminated its previously announced agreement to enter into a joint venture in the Bahamas with Baha Mar Joint Venture Holdings Ltd. and Baha Mar JV Holding Ltd. (collectively, “Baha Mar”). To enforce its rights, on March 13, 2008, CBIC filed a complaint against Baha Mar, and the Baha Mar Development Company Ltd., in the Supreme Court of the State of New York, seeking a declaratory judgment with respect to CBIC’s rights under the Subscription and Contribution Agreement (the “Subscription Agreement”), between CBIC and Baha Mar dated January 12, 2007. Pursuant to the Subscription Agreement, CBIC agreed, subject to certain conditions, to subscribe for shares in Baha Mar Joint Venture Holdings Ltd., which was formed to develop and construct a casino, golf course and resort project in the Bahamas. The complaint alleged that (i) the Subscription Agreement grants CBIC the right to terminate the agreement at any prior time to the closing of the transactions contemplated therein, if the closing does not occur on time; (ii) the closing did not occur on time; and, (iii) CBIC exercised its right to terminate the subscription Agreement, and to abandon the transactions contemplated therein. The complaint sought a declaratory judgment that the Subscription Agreement had been terminated in accordance with its terms and the transactions contemplated therein had been abandoned.

estoppel, equitable estoppel and negligent misrepresentation. Baha Mar and Baha Mar Development sought (i) declaratory relief; (ii) specific performance; (iii) the recovery of alleged monetary damages; (iv) the recovery of attorneys’ fees, costs, and expenses and (v) the dismissal with prejudice of CBIC’s Complaint.

Both sides filed motions for summary judgment. At the conclusion of oral argument on October 6, 2009, the Court stated that it was going to grant summary judgment to CBIC and Caesars and dismiss Baha Mar Development’s claims. The Court entered its written decision on February 1, 2010.

b. Nevada Tax Dispute

First Judicial District Court of the State Of Nevada, in and for Carson City


STATE OF NEVADA ex rel. Nevada Tax Commission, Nevada Department of Taxation, Administrative Law Judge Smith, Executive Director, Department of Taxation; Agencies of the State of Nevada, Douglas County and City of Henderson; Political Sub-Divisions of the State of Nevada.

As reported to the SEC in its Annual Report, Caesars provided the following litigation summary. The Supreme Court of Nevada decided in early 2008 that food purchased for subsequent use in the provision of complimentary and/or employee meals are exempt from use tax. Previously, such purchases were subject to use tax and the Company has claimed, but not recognized into earnings, a use tax refund totaling $32.2 million, plus interest, as a result of the 2008 decision. In early 2009, the Nevada Department of Taxation (“Department”) audited Caesars’ refund claim, but has taken the position that those same purchases are now subject to sales tax; therefore, the Department subsequently issued a sales tax assessment totaling $27.4 million plus interest after application of Caesars’ refund on use tax.

On October 21, 2010, the administrative law judge (“ALJ”) issued a decision in favor of Caesars on a number of key issues. Although both the Company and the Department filed an appeal of the decision with the Nevada Tax Commission (“Commission”), the case was returned to the ALJ for further factual development. The ALJ issued a second decision on March 8, 2012,
reversing her previous, partially favorable ruling relating to the taxability of complimentary employee meals and affirmed the taxability of complimentary meals but limited the entire sales tax assessment to the amount of the Company’s use tax refund claims resulting in no use tax refund awarded but no sales tax amounts due.

The ALJ decision was affirmed in the Commission hearing on June 25, 2012, and the Commission’s final decision was issued on July 31, 2012. Caesars filed a petition for judicial review with the District Court on August 7, 2012. Subsequent to the written Commission decision issued in February for another gaming company, the Department has issued draft regulations requiring the collection of sales tax on the retail value of complimentary meals and the cost of employee meals. Although the Commission approved the regulation on June 25, 2012, there are several additional approvals required, including by the Legislative Commission, before the regulation is finalized.

On June 6, 2012, the Department issued additional guidance regarding the payment of sales tax on complimentary and employee meals, maintaining that meals are taxable as of February 15, 2012, but that the payment of the tax is due, without penalty or interest, at the earlier of (a) one month after approval of the regulation by the Legislative Commission, (b) one month after a Nevada Supreme Court decision, (c) the effective date of any legislation or (d) June 30, 2013. The Department stated that it provided this additional guidance regarding the deferral of payment requirements because the Legislative Commission has not had the opportunity to approve the regulation and because there are several ongoing appeals that have not been heard by the Tax Commission and the Nevada Supreme Court.

Due to uncertainty regarding the ultimate outcome of the Company’s pending litigation and/or the final approval and form of the pending regulation, Caesars continues to record certain reserves against loss on this matter.

c. Gaming-Equipment Patent Dispute

MGT Gaming Inc. v. WMS Gaming Inc. et al

This matter was filed on November 2, 2012, in the Southern District of Mississippi (Jackson). MGT Gaming Inc. alleges that Caesars Entertainment, MGM Resorts International Inc., WMS Gaming Inc., Penn National Gaming Inc., and Aruze Gaming America Inc. either manufacture, sell or lease gaming systems in violation of MGT Gaming’s patent rights, or
operate casinos that offer gaming systems in violation of MGT Gaming’s patent rights. The case is pending.

\textit{d. Ohio Gaming Legalization}

\textit{Walgate v. Kasich}

In 2011 the American Policy Roundtable and a number of individual taxpayers (“Plaintiffs”) initiated this constitutional challenge, seeking to invalidate certain recently enacted provisions of the Ohio Revised Code related to the authorization of gambling in Ohio and the right of casino entities to conduct their businesses and generate revenue. The lawsuit named more than 20 public officials as defendants, including Ohio Governor John Kasich, the Ohio Tax Commissioner, and members of the Ohio Casino Control Commission and the Ohio Lottery Commission (the “State Defendants”). On May 30, 2012, the case was dismissed by the Franklin County Court of Common Pleas. The matter is currently on appeal.

\textbf{6. Responsible Gaming Program}

Caesars has been an advocate for promoting responsible gaming. The Company has implemented two responsible gaming programs, Operation Bet Smart and Project 21, as well as an Unattended Children Policy.

\textbf{E. Significant Investigative Issues}

\textbf{1. Gansevoort License Agreement}

\textit{a. Caesars Enters Into a Licensing Agreement With Gansevoort Hotel Group}

On March 28, 2013, Caesars publicly announced that it was collaborating with New York-based hotel brand Gansevoort Hotel Group LLC (“Gansevoort”) and nightclub operator Victor Drai to create a resort at the current location of Bill’s Gamblin’ Hall and Saloon in Las Vegas. The project, known as “Gansevoort Las Vegas,” involves a complete remodeling of the existing guest rooms, casino floor, and common areas. The project also involves the addition of a second floor restaurant, the construction of a rooftop pool and the addition of a dayclub/nightclub. The project is designed to transform Bill’s Gamblin’ Hall & Saloon into a
boutique lifestyle hotel. Caesars will own the property and manage the casino, hotel, and food and beverage operations. The dayclub/nightclub will be leased to a third party. The project is set to be completed in early 2014. To fund the project, Caesars entered into a $185 million, seven-year senior secured credit facility in November 2012.

Caesars’ agreement with Gansevoort is structured as follows. A subsidiary company of Caesars, Corner Investment Company LLC, entered into the licensing Agreement with Las Vegas Gansevoort LLC, a wholly owned subsidiary of Gansevoort Hotel Group. Under the terms of the agreement, Gansevoort granted Caesars the right to use the name “Gansevoort” in connection with hotel and other non-gaming operations of the property. The property is to be branded externally and internally with the “Ganesvoort” brand name. The agreement has a duration period of 20 years. In consideration for the use of the Gansevoort name, Caesars will pay Gansevoort a license fee based on hotel room revenue. Gaming revenue is not included in the calculation of the fee arrangement with Gansevoort.

Caesars entered into the licensing agreement with Gansevoort as a way to partner in Las Vegas with a known boutique hotel brand that would appeal to a younger market, thereby competing with what MGM Resorts International is doing in Las Vegas. Tariq Shaukat (Caesars’ Chief Marketing Officer) and David Sambur (Apollo’s representative on Caesar’s Board of Directors) were the primary negotiators on behalf of Caesars. Michael Achenbaum (one of Gansevoort’s three principals) negotiated for Gansevoort. Arik Kislin (another principal of Gansevoort, discussed more fully below and referred to herein as “Kislin”) did not participate directly in the negotiations. Before deciding to partner with Gansevoort, Caesars had discussions with several hotel companies over the period of several months in 2012. Caesars (through Shaukat) explained that the decisive factor in selecting Gansevoort over other companies was that Gansevoort agreed that its involvement would be limited to the use of its name in a non-gaming license agreement. According to Shaukat, other hotel companies seemed to be interested in having some role in the business operations, an idea that Caesars flatly rejected.

b. Caesars’ Preliminary Investigation Raises Concerns about Arik Kislin, One Of Gansevoort’s Principals

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10 Gansevoort’s flagship property is the Hotel Gansevoort in the Meatpacking District neighborhood of Manhattan. Gansevoort also owns and operates a second New York City hotel on Park Avenue. The company also manages a Caribbean resort property called Gansevoort Turks + Caicos.
The three principals of Gansevoort are William and Michael Achenbaum (father and son, respectively) and Kislin. In September 2012, these three principals completed Caesars’ standard Business Information Form, which Caesars utilizes to initiate due diligence for all pending business transactions with third parties. Susan Carletta, Vice President and Deputy Chief Regulatory and Compliance Officer, related that Caesars conducted a due diligence review of Gansevoort and its three principals at the behest of Scott Wiegand, an attorney in the Business Department. The due diligence process took approximately two months to complete. Most requests of this nature originate from the Business Department. Ms. Carletta stated that there was no special request for expediting or prioritizing this due diligence investigation.

i. **Caesars Obtains the Executive Summary of the Goldstock Report**

In October 2012, Michael Achenbaum sent to Caesars a copy of the three-page Executive Summary of a report prepared by Ronald Goldstock. This report, also dated October 2012, is referred to herein as the “Goldstock Report.” The Goldstock Report is attached hereto as **Exhibit 6**; the Executive Summary appears on pages 1-3 of the Goldstock Report. Kislin himself had hired Goldstock and Goldstock’s team of investigators back in 2007 following a series of negative stories about Kislin’s alleged affiliations that were adversely impacting Kislin’s business. Kislin hired Goldstock as an Independent Private Sector Inspector General (“IPSIG”). The Executive Summary explains that, according to the International Association of IPSIGs, an IPSIG is an independent, private sector firm with legal, auditing, investigative, research, analytic, management, and loss prevention skills, employed by an organization (voluntarily or by compulsory process) to ensure compliance with relevant law and regulations and to deter, prevent, uncover, and report unethical and illegal conduct by, within, and against the organization. Goldstock conducted three reviews of Kislin over the five year period that Kislin retained him. The Executive Summary which Achenbaum provided to Caesars concluded, among other things, that “internet-based rumors” concerning Kislin existed, but that the Goldstock investigators found no credible evidence to support them, and that Kislin is committed to conducting his business and personal affairs in compliance with all applicable laws and regulations.

ii. **Scott Hoffman Researches Media Sources About Kislin**
Scott Hoffman, a corporate investigator working in the Caesars Compliance Department, commenced a preliminary inquiry into Kislin’s background. Hoffman used multiple Internet research engines, newsgroups, and various media resources. Hoffman uncovered the following media reports, which he summarized in an undated memorandum reviewed by Lisa Rankin, Caesars’ Corporate Compliance Manager.

- An article by Knut Royce published by the Center for Public Integrity on December 14, 2000. This article made reference to allegations about Kislin’s uncle, Sam/Seymour Kislin, referred to herein as “Sam Kislin.” The article reported allegations that Sam Kislin is a member of a Russian organized crime organization and that he owns a company called Trans Commodities. Trans Commodities allegedly shared office space with Blonde Management, a company owned by Kislin. According to the article, Trans Commodities was being used by one Michael Chernoy for fraud and embezzlement of money from Russian banks. The article also stated that, according to a 1996 Interpol report, Blonde Management was a money-laundering company target of U.S. law enforcement, and that according to another law enforcement, report Blonde Management co-sponsored a U.S. visa for Anton Malevsky, an alleged hit man.

- An investigative report by CNN into Russian organized crime. This report discussed, among other things, Chernoy’s alleged involvement in stolen money amounting to $100 million funneled through Trans Commodities, a company described in the report as being owned by Chernoy and Sam Kislin. This report also stated that Kislin worked for Chernoy at Trans Commodities. Hoffman confirmed through a LexisNexis search that Kislin was the owner and CEO of Blonde Management from 1992 through 2011, and that Chernoy is listed as an “associate and processing agent” for Blonde Management. In connection with this report, Hoffman cited an Interpol website indicating that Chernoy has a worldwide arrest warrant out of Spain for money-laundering and organized crime charges.

- An article in the New York Post dated April 15, 2007. This article described Kislin’s involvement with Malevsky and repeated details from the Center for Public Integrity article about Malevsky, including Blonde Management’s co-sponsorship of him for U.S. visa purposes.

- An article from the New York Post dated March 26, 2012. This article described Kislin’s alleged “mob involvement” in another business known as Trenton Business

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11 Knut Royce was a major contributor to three Pulitzer Prize winning stories.
Corporation and reported that Kislin ordered bank transfers of Swiss francs to Trenton Business Corporation.

Based on Hoffman’s review, it became apparent to Caesars that media sources had, on numerous occasions, connected Kislin to Russian organized crime activity, including through the alleged illicit activities of his uncle Sam Kislin and though Mikhail Chernoy.

Scott Hoffman later submitted a six-page memorandum dated November 28, 2012, with respect to his investigative efforts on Gansevoort. Hoffman could not explain why this memo was dated November 28, only two days before the meeting was held. He insisted that he had completed his due diligence review weeks earlier and that he advised Rankin and Carletta of the results of his review immediately thereafter. Hoffman’s memorandum dealt mostly with company background of Gansevoort and a recitation of information pertaining to the father-son team William and Michael Achenbaum. He mentions the negative media reports involving Kislin’s alleged involvement in Russian organized crime activity. In this memorandum, Hoffman quotes the following from the March 26, 2012, New York Post story: “Hamptons-hopping businessman Arik Kislin was one of three people authorized to give [financial] instructions to a company in Liechtenstein now identified as a front for the Ismailovskaya organized-crime group, according to law enforcement officials and court documents from three countries obtained by the Post.” In this memorandum, Hoffman relates that the newspaper story indicated that Kislin, Malevsky, then “the reputed godfather of the mob group” and Malevsky’s brother Andrei exercised control over the front operation, called the Trenton Business Corp. In addition, in the nineties, Kislin was the president of a commodities trading firm that helped Malevsky obtain a US visa, according to an FBI report.

iii. Lisa Rankin Prepares “Key Points” of the Preliminary Investigation

On October 8, 2012, Lisa Rankin sent an email to Shaukat, attaching a document that reflects “key points” from the preliminary background inquiry conducted by Hoffman. The “key points” document sets forth the ownership interests in Gansevoort as three owners, each with one-third interest: William Achenbaum, Michael Achenbaum, and Arik Kislin. It states that Kislin currently resides in New York City, that he is a well-known businessman who immigrated to the United States from the Ukraine, and that he and his family have donated considerable amounts of money to the political campaigns of Rudy Giuliani, Hillary Clinton, and Chuck
Schumer. The key points document notes that Hillary Clinton returned the money after reports surfaced linking Kislin to organized crime activity.

The key points document repeats information discovered from Hoffman’s investigation, including that Kislin is the nephew of Sam Kislin, who is alleged to be a “powerful Russian Mafia member”; the mafia organization is allegedly headed by Vyacheslav Ivankov, described in media reports as “the godfather of Russian organized crime in the United States;” and a 1994 FBI Intelligence Report lists Sam Kislin as an associate of Ivankov’s gang.

The key points document also notes that Kislin was the owner and CEO of Blonde Management from 1992-2011, that Blonde management shared office space with Trans Commodities, and that Trans Commodities was owned by Sam Kislin and Chernoy and allegedly was being used by Chernoy for fraud and embezzlement of money from Russian banks. A LexisNexis report listed Chernoy as an “associate and processing agent” for Blonde Management. The key points document mentions that CNN/Fortune in 2004 featured an article detailing the involvement of Chernoy with the Russian mob and his acquisition of stolen Russian money worth $100 million, with a portion of this money being funneled through Trans Commodities. The CNN article reported that Kislin worked for Chernoy at Trans Commodities. The key points document also mentions a Moscow Times newspaper story dated December 23, 1999, reporting that Chernoy was the owner of Blonde Management and that Kislin was an “employee.” The key points document also states that Chernoy is currently living in Israel, and that a worldwide arrest warrant out of Spain exists for Chernoy for money-laundering and organized crime-related charges.

The key points document further states that the New York Post had reported in 2007 that Kislin once operated Blonde Management, which co-sponsored a U.S. visa for Malevsky, believed by the FBI by law enforcement sources to be “a professional assassin and head of one of Moscow’s leading criminal gangs.” The article went on to say that the Gansevoort publicist initially denied that Kislin had an ownership interest in the hotel despite being told a state agency document indicated he was involved. When pressed for more information, the publicist “clammed up,” according to the newspaper article.

In light of the derogatory matters that surfaced during the initial review linking Kislin to alleged criminal affiliations, a more extensive due diligence review ensued. In addition to
Caesars’ own internal investigation, Caesars retained Cachet International (“Cachet”) to conduct a third-party background investigation of Kislin.

It should be emphasized that this section of the instant Report is intended to focus on setting forth facts that shed light on the suitability of the Applicant for a Category 1 license, especially as concerns the decision reached by Caesars that its licensing agreement with Gansevoort passed muster from a compliance point of view, and the process employed by Caesars to reach its decision on this point. The instant Report determinedly does not endeavor to confirm or refute allegations of Kislin’s criminal affiliations.

a. Caesars Obtains the October 2012 Goldstock Report In Its Entirety

As part of its due diligence, Caesars reviewed the Goldstock Report in its entirety. The Goldstock Report is attached hereto as Exhibit 6.

According to the Goldstock Report:

- Kislin was born in the Soviet Union in 1968 and came to the U.S. with his parents as a child. He became a U.S. citizen in 1980.

- Kislin founded Hudson International Inc., dba Linx Industries, a privately held management and real estate investment firm focused on lodging and leisure assets. The company’s four basic businesses are real estate development, aviation management, yacht management, and accounts receivables. Its highest profile asset includes Gansevoort Hotels and related restaurant interests. Kislin is a partner with William and Michael Achenbaum in the Gansevoort Hotel Group. The hotel and related real estate development businesses are directed by William Achenbaum. William’s son, Michael Achenbaum, manages hotel operations, although individual properties are managed by local property managers and hotel operations are directed locally by an onsite general manager. Linx has also engaged in a limited number of venture capital transactions outside of its core businesses.

- Linx Industries has had banking relationships with a number of financial institutions. Bank accounts at the following four institutions were closed without explanation, often in conjunction with international wire transfers.
  - Chase Bank: On December 20, 2007, Chase sent letters notifying Kislin and nine of his companies that it was summarily closing 19 accounts. The letters gave no reason for the accounts being terminated.
- **Merrill Lynch**: On April 23, 2008, Merrill Lynch sent a letter notifying Kislin that it was summarily closing 60 accounts held in his name, his wife’s name, and by various entities with which he is associated. The letter gave no reason for the accounts being terminated. A Merrill Lynch representative told Goldstock investigators that in closing the accounts, Merrill Lynch was acting in accordance with its responsibilities under the Patriot Act and anti-money laundering statutes. Banking experts explained to Goldstock that the accounts were closed due to the number of international wire transfers that occurred and the reputation of the countries to which and from which they were sent.

- **Sovereign Bank**: In February 2012, Sovereign Bank sent a letter notifying Linx that its accounts were being closed. No reason was given. A money-laundering specialist retained by Linx identified two international transactions that may have caused the bank to close the accounts. The specialist suggested that the two transactions were innocent and known to the commercial side of Sovereign Bank, but that the bank’s independent compliance group may have been unaware of the context in which the transactions were attempted.

- **First Republic Bank**: In August 2012, First Republic Bank sent a letter notifying Linx that it would be terminating their existing banking relationship. Goldstock determined that First Republic decided to terminate the relationship because of the mere existence of derogatory information the bank discovered on the internet during a routine review, regardless of its veracity.

- Kislin’s father introduced him to Mikhail Chernoy in 1991. Kislin and Chernoy developed a close personal and business relationship. Kislin described that he served as Chernoy’s “personal aide” at the beginning of their relationship. Chernoy was the main source of funds for Kislin’s ventures from 1992 to 2006, at which point they had a falling out and then separated. Kislin told Goldstock investigators that he has had nothing to do with Chernoy since 2007.

- Chernoy is alleged to have been involved in Russian organized crime since the mid-1980s. The businesses he allegedly formed with illicitly obtained seed money were reportedly used to launder money from racketeering, prostitution, illegal arms sales, and the drug trade.

- In around 2006, Kislin arranged for Iskander Makhmoudov to buy out Chernoy’s interest. The Goldstock investigators reviewed documents to corroborate that
Chernoy and Kislin parted ways from a business perspective after Makhmoudov became involved. From 2006 through 2008, Makhmoudov was the primary source of funds for Kislin’s ventures. Kislin told the Goldstock investigators that Makhmoudov had been Chernoy’s “right hand man.” According to Russian sources, Makhmoudov was involved in Russia’s privatization efforts. He has been accused of using unlawful means to gain control over a number of entities, however all such investigations and criminal cases were closed without any convictions. The Goldstock Report relates that the Kislin-Makhmoudov business ventures received overseas loans whose sources were structured in such a way that conceals the identity of the source of the loans. Kislin has since bought out Makhmoudov’s interests in all of his U.S. operational businesses.

- Kislin’s uncle is Sam Kislin. Sam Kislin has been reported to be a “member/associate” of a Brooklyn-based Russian organized crime group. In the early 1990s, Sam Kislin was the owner of a commodities trading firm called Trans Commodities, Inc. At one time, Sam Kislin had a close business relationship with Chernoy. According to media and other sources, Trans Commodities was used by Sam Kislin and Chernoy to launder money and, allegedly, to create fraudulent bank documents for embezzlement and money laundering purposes.

- Chernoy and Sam Kislin were reportedly involved in a company called Trans World Group. Trans World is alleged to have engaged in large-scale fraud, racketeering and murder in connection with the aluminum market.

- In 1992, Kislin formed a company called Blonde Management. Kislin stated that the company was created for Chernoy’s convenience and that it held a lease for the property where Kislin had an office. Blonde Management periodically sponsored individuals for U.S. temporary work visas at Chernoy’s direction. There have been media reports that Blonde Management and Trans Commodities sponsored Anton Malevsky for a visa to enter the U.S. Malevsky was reputed to be a member of a Russian organized crime group and a contract killer. Kislin acknowledged that, at Chernoy’s direction, Blonde Management submitted a work visa on Malevsky’s behalf.

- According to media reports, Trans World Commodities shared New York City office space with Blonde Management in the early 1990s. Kislin headed Blonde Management. Kislin has denied that he ever shared office space with his uncle or any of his uncle’s entities, and public records research conducted by Goldstock investigators has not been able to confirm the sharing of that space.
• A number of media articles have either linked Kislin to his uncle, Sam Kislin, or confused the two of them. Kislin steadfastly denied to Goldstock investigators ever having a business connection with his uncle, Sam Kislin.

• Since 2009, Linx has pursued a real estate venture into a gaming district in Vladivostock, Russia.

• In early 2012, Kislin made a loan to the majority owner of a casino in Cripple Creek, Colorado, which was used to expand and renovate the existing facility. Kislin is seeking to convert the loan into an equity investment, which would require him to obtain a gaming license.

• Media reports have stated that Kislin, among others, exercised control over an entity called the Trenton Business Corp, which was found by a German court to be a “war chest” for the Russian mob. A petition to obtain documents from Kislin was filed in federal court in New York in connection with litigation in England. The exhibits attached to the petition suggest that Kislin had administrative authority over Trenton Business Corporation in 1994 when he was working with Chernoy. An article in the September 28, 2012 edition of the Wall Street Journal reported that the litigation settled.

• Kislin explained an entry in the criminal records of the Dade County, Florida court thus. On or about January 28, 2000, he went to pick his wife and child up from the airport in Florida. As his wife was exiting from a security controlled area of the airport, he noticed that she was having trouble with her bags and their small child. He walked reflexively into the security area to help her. An alarm sounded alerting security personnel. As he was explaining to security personnel why he entered the secured area, he realized that he had a concealed pistol in an ankle holster. In his rush to help his wife, he had forgotten about it. When he realized his error and told security personnel about it, they confiscated the firearm. At the time, he had a valid permit to carry a concealed firearm. The permit did not, however, allow him to carry in an airport. According to Kislin, the security guards had no choice but to arrest him. All charges were subsequently dismissed, and the arrest record was expunged. Kislin told the Goldstock investigators that he continues to have a valid Florida concealed firearms permit, which he showed to Goldstock investigators.

• Sam Kislin has never been charged with or convicted of any criminal conduct.
• Goldstock found no evidence that Chernoy has ever been charged or convicted of any criminal offense, and Chernoy has denied all such allegations.

• In the Goldstock Report, Mr. Goldstock concluded that the Goldstock investigators found no credible evidence that Kislin was partners with, controlled by, or a conspirator with members of organized crime groups or that he is engaged in illegal activity or has been subject to investigations. Goldstock also concluded that he believed Kislin and the Linx organization are committed to conducting business in compliance with all applicable laws and regulations.

c. Caesars Hires Cachet International To Conduct a Third-Party Background Investigation of Kislin

Following the preliminary inquiry that revealed serious allegations, Caesars’ Compliance Department concluded that additional due diligence should be undertaken regarding Kislin, so Caesars retained Cachet International, Ltd. Caesars had used Cachet previously on several occasions, was familiar with its work and trusted its work product. According to Timothy Donovan, Chief Regulatory and Compliance Officer and General Counsel for Caesars, Cachet was “best known for its ability and experience in conducting global investigations with specific expertise in Russia and former Soviet Republics.” Cachet began its investigation on or about October 8, 2012, and provided three separate reports in early November 2012 on Kislin’s activities in Russian, the Ukraine, and the United States. The Cachet Reports appear in their entirety as Exhibits 18, 19, and 20. As Donovan aptly observed, the Cachet Reports were “comprehensive providing numerous pages of information gathered from public and confidential sources.” The Compliance Department did not, however, provide the Cachet Reports themselves to the Compliance Committee.

d. Lisa Rankin Prepares a Summary Memo of the Investigation And Shares It With Caesars’ Outside Counsel and Carletta

After receiving the Cachet Reports on November 9, 2012, Rankin prepared a five-page summary of the investigation’s findings to that point. Ultimately, Rankin submitted this Summary Memo to Caesars’ outside counsel Frank Schreck and Paul O’Gara, copied to Susan Carletta. The Summary Memo recited the findings made by Cachet and also referenced the findings from the Executive Summary of the Goldstock Report. The Summary Memo also included a discussion of Trenton Business Corporation taken from the Cachet Report. The Summary Memo mentioned a March 2012 New York Post article, which reported that Kislin was
recently identified as a principal of a Liechtenstein company, Trenton Business Corp., an alleged front for a Russian organized crime group. The other two principals of Trenton Business Corp. are Anton Malevsky and his brother Andrei. Rankin’s Summary Memo further reported that a German court declared that Trenton Business Group was the “war chest” of the crime group. The German court stated: “Today, the gang is engaged in robberies, extortion shakedowns, drug and weapons dealing, as well as illegal prostitution and money-laundering.” Although the Compliance Committee had a copy of the Goldstock Report in its entirety, the Compliance committee did not have either the Cachet Reports themselves or Rankin’s Summary Memo.

In her Summary Memo, Rankin also recited the following information. The Cachet Report regarding Kislin’s activities in Russia, dated November 1, 2012, states that “he was heavily involved in the business activities of his uncle Semyon (Sam) Kislin and his brothers.” This information from the Cachet report contradicts representations in the Goldstock Report that Kislin had no business relationship with his uncle. This material from Rankin’s Summary Memo and from Cachet was not included in the material provided to the Compliance Committee. Had the Compliance Committee been aware of the contradiction, the Committee members may have had some doubt concerning the findings and conclusions contained in the Goldstock Report, which were favorable to Kislin.

The Summary Memo discussed the concept of reverse due diligence, which occurs when an investigator is retained by a person or company to investigate that person or entity. Rankin explained that such a due diligence investigation is a “controversial area in the investigations industry as an individual or entity is paying for a company to investigate with the intent of showing a clear record or history. It is speculated that a conflict of interest exists in that the company is being paid by a client to find favorable results.” In contrast to this view that the objectivity of Goldstock’s conclusions should be questioned in light Goldstock’s ongoing (five-year) relationship with Kislin, Donovan stated, in a May 31, 2013 letter to Spectrum, that the Goldstock Report was “particularly informative because Goldstock and his team had direct access to Kislin and information that would not ordinarily be available to a private due diligence investigator.” Caesars also took comfort in learning from Compliance Committee member James Darcy that Goldstock enjoyed a reputation for thorough and reliable investigative work.
After the Summary Memo was submitted to outside counsel, Schreck and O’Gara were solicited for their input. Both counsel advised that they did not believe that gaming regulators in New Jersey or Nevada would have a problem were Caesars to enter into the proposed affiliation with Kislin. However, Investigators contacted New Jersey regulatory authorities and learned that they had not been contacted by O’Gara or Schreck regarding this matter. Schreck advised Caesars that he was familiar with Kislin and the Goldstock Report, as his firm was currently assisting Kislin with a possible gaming application in Colorado in connection with Kislin’s 2012 loan to WFI (the majority owner of a casino in Cripple Creek, CO), which was used to expand and renovate the existing facility. Kislin was considering converting the debt into an equity interest in WFI that would require obtaining a gaming license. The Investigators confirmed that there has not been any such conversion. Committee member Mark Clayton said that he “hung his hat” on Schreck’s opinion.

It is notable that neither Caesars nor Cachet ever approached Kislin to interview him in connection with the due diligence investigation, even though Kislin’s cooperation with an interview could have been made an essential element to finalizing the deal with Gansevoort. Such an interview may have provided an opportunity to gauge his credibility, candor and forthrightness in answering questions about some of the derogatory information gleaned from the due diligence investigation. However, Caesars determined that, based on the thoroughness of the Goldstock Report, additional interviews of Kislin “would not reveal any new information beyond that contained in the Goldstock Report.”

e. Susan Carletta Prepares a “Summary of Item” for the Compliance Committee

Adhering to its customary practice, the Compliance Department gathered the information and summarized the results of the due diligence investigations for the Compliance Committee in a written presentation called a “Summary of Item.” (Exhibit 7). Susan Carletta, working from Rankin’s Summary Memo, prepared the Summary of Item to be submitted to the Compliance Committee in the ordinary course. In preparing a Summary of Item, Carletta generally makes a determination as to what information is relevant for inclusion and attaches any significant documents as supporting material. In this instance, she delivered the Summary of Item to the Compliance Committee members on November 29, 2012, the day before the Special Meeting of the Compliance Committee. The Summary of Item was intended to provide a complete
overview of the results of the background investigation, and to provide a sufficient record for the Committee to make its decision.

The Summary of Item contains a brief description of the proposed transaction. Thus, the Compliance Committee was informed that, under the terms of the license agreement, Gansevoort would grant to Caesars the right to use the Gansevoort name in connection with hotel and other non-gaming operations of the property currently known as Bill’s Gamblin’ Hall and Saloon in Las Vegas. Gansevoort is described in the Summary of Item as a developer and operator of “full-service urban and lifestyle resorts.” The company developed and operates its flagship property, Gansevoort Meatpacking NYC in New York, as well as an upscale property on Park Avenue in New York, a property called Gansevoort South in Miami, and the Caribbean resort property Gansevoort Turks + Caicos. Gansevoort was formed in Delaware on June 20, 2005. The principals of the company are William Achenbaum, Michael Achenbaum and Arik Kislin.

The Summary of Item addresses the results of Kislin’s background investigation as follows. He is a successful and wealthy businessman residing in New York, having immigrated to the United States from the USSR in the 1980s. He is also known by his given name of Arnold Kislin. The Summary of Item notes that a background investigation was conducted for Kislin in Russia, the Ukraine and the United States. No record of criminal convictions in the USSR was found for Kislin.

The Summary of Item states that, in addition to the background investigation conducted by Caesars, Gansevoort provided a copy of the Goldstock Report, written by Ronald Goldstock, an Independent Private Sector Inspector General, retained by Kislin following a “series of Internet-based rumors concerning Kislin that may have been negatively affecting his business.” Caesars provided the Goldstock Report to the Compliance Committee together with the Summary of Item.

As detailed in the Summary of Item, Kislin has one arrest in Florida for possession of a firearm. He was granted pretrial diversion on May 1, 2000, and the charges were dismissed and his arrest record was subsequently expunged. According to the Goldstock Report, Kislin stated that this charge arose from an incident at a Florida airport where he was meeting his wife and child. He entered a security-controlled portion of the area to assist his wife, and was carrying a
concealed firearm at the time. Kislin further advised Goldstock that he possesses a valid permit
to carry the firearm, but he said the permit did not allow him to carry it in an airport.

The Summary of Item addresses various alleged associations as reported in media
channels. Semyon/Sam Kislin is the uncle of Arik Kislin and, according to media reports, is
suspected of being an organized crime member. Indeed, as noted in the Summary of item, Sam
Kislin was named in a 1994 FBI Intelligence report as a “member or associate” of a Brighton
Beach crime operation headed by Vyacheslav Ivankov. The latter individual “received 10 years
in prison in 1997 for extortion and for a marriage deemed fraudulent and aimed only at
preventing his deportation.” The Summary of Item notes from the Goldstock Report that Kislin
denies ever having a business relationship with his uncle and insisted that “the two have been
estranged and have had an intense dislike for each other since (Arik) was a teenager.” The
Summary of Item states that the Goldstock investigation found no evidence or reason to believe
that Sam Kislin and Arik Kislin have ever been involved in business together.

The Summary of Item briefly addresses Chernoy, setting forth that he is alleged to be
criminally involved and to have ties to Russian organized crime and is currently wanted by
Interpol and Spanish authorities on money-laundering charges. The Summary of Item notes that
Kislin is alleged to have worked for Chernoy at Trans Commodities. Deriving from the
Goldstock Report, the Summary of Item further notes that Blonde Management was created for
“Chernoy’s convenience,” according to what Kislin told Goldstock. Moreover, “in 1993 Kislin
began investing money in the United States for Chernoy, and Chernoy continued to be a main
source of funds for Kislin’s business ventures.” Kislin told Goldstock that disagreements
between the two ended their relationship in 2007, and that Chernoy’s interests were bought out
by Makhmoudov. According to the Goldstock Report, Kislin said he has not spoken to Chernoy
since then.

The Summary of Item also briefly addresses Blonde Management. Kislin was the owner
and CEO of that entity from 1992-2011. A 1994 FBI intelligence report asserted that Blonde
Management, together with Trans Commodities, co-sponsored a visa for Malevsky, a man
alleged to be a Russian assassin for a Moscow crime gang. The Summary of Item relates that the
Goldstock Report stated that Kislin advised that Blonde Management sponsored individuals from
time to time for U.S. temporary work visas at Chernoy’s direction, and that the visa application
for Malevsky was one such visa submitted by Blonde Management. Kislin advised Goldstock that he did not know Malevsky or anything about his background.

The Summary of Item addresses Trans Commodities, referencing a 1996 Interpol report that claimed Trans Commodities was used by Lev and Michael Chernoy for fraud and embezzlement. The Interpol report says that the “Chernoy brothers have been accused by some Russian media of involvement in organized crime.” The Summary of Item also indicates that Sam Kislin has acknowledged to the Center for Public Integrity that he hired Chernoy to manage Trans Commodities from 1988 to 1992.

The Summary of Item discusses various litigation matters involving Kislin. It is noted that “litigation has been launched in several jurisdictions in the United States, England, and Belgium claiming, in general, that in the 1990s, Kislin, under the name Arnold Kislin, was involved, along with others, in violations of RICO and theft.” The Compliance Department informed the Committee that these allegations could not be substantiated.

The Summary of Item did not include the following:

- Information about Kislin’s involvement with Trenton Business Corp, reputed to be a money-laundering vehicle;

- The 1994 FBI report reference to Kislin’s involvement with organized crime;

- The Interpol 1996 report that said Blonde Management is a money-laundering target of US law enforcement;

- Kislin’s reputed business association with Sam Kislin;

- Kislin’s business relationship with Makhmoudov;

- That Chernoy provided the initial investment money for CK Hudson Holdings LLC, the co-manager of Gansevoort; or

- The numerous bank account closures.

Some of the omitted items set forth above, such as the bank account closures and the information concerning CK Hudson Holdings LLC, were set forth in the Goldstock Report, so
these matters were available to the Committee through the Goldstock Report. However, some derogatory information known to the Compliance Department was not presented at all to the Compliance Committee, such as the reference to Trenton Business Corp. and the business relationship that Cachet reported Kislin had with his uncle Sam Kislin.

Further, in connection with the instant investigation, Investigators checked the watchlist database, WorldCompliance. WorldCompliance is an open source intelligence company that provides a searchable database of individuals and institutions known or suspected to be affiliated with fraud, money laundering, corruption, drug trafficking, terrorist funding, collateral crimes, arms trafficking, beneficial owners, human trafficking and politically exposed persons. Investigators discovered additional information regarding Kislin on the WorldCompliance database, which they brought to Donovan’s attention. Specifically, Investigators learned that Kislin had been identified as a money-launderer on WorldCompliance. Investigators also learned that a 1994 FBI intelligence report linked Kislin to Russian organized crime. In addition, a notation in the WorldCompliance database showed that the Division of Police of the Swiss Federal Department of Justice and Police asked for assistance in connection with a criminal investigation in Switzerland into alleged bribery and money-laundering by Semyon Donskoy, Arik Kislin, and Semyon Kislin. The request, make pursuant to a treaty between the U.S. and the Swiss Confederation on Mutual Assistance in Criminal Matters, sought assistance in obtaining information in, among other things, relationships involving Donsky with Kislin and Chernoy. The Investigators also brought this item to the attention of the Caesars.

Despite these omissions, the Compliance Department did in fact provide the Compliance Committee with an abundance of derogatory material on Kislin concerning his reputation, illicit associations and evidence of money-laundering activities.

\textit{f. The Compliance Committee Meeting and Decision}

Ordinarily, after the submission of the Summary of Item, there usually will be an approximate one-week review period for the Compliance Committee members before the matter is presented formally to the Committee at a meeting. Susan Carletta told the Investigators that timeframe may be reduced to two days with respect to Special Meetings. In the Gansevoort matter, the meeting was held one day after submission of the Summary of Item, which included

\footnotesize{Caesars does not subscribe to the paid subscription portion of the WorldCompliance database.}
as an attachment the Goldstock Report. The meeting was conducted as a Special Meeting, rather than a regularly scheduled meeting. Neither Compliance Department personnel nor the Committee members could recall the reason for scheduling a Special Meeting. However, they all made clear that there was no pressure brought by the Business Department to move the transaction through the process expeditiously. Despite the brief interval between receipt of the due diligence written materials and the meeting itself, the Compliance Committee members all believed that they had adequate time to prepare for the Special Meeting.

The minutes of the Compliance Committee reflect that results of the due diligence investigation on Gansevoort was provided to the Committee and discussion ensued. Additionally, the Committee was advised that the suitability provisions of the license agreement will contain language that will allow for the requirement of any principal to be removed if a suitability issue arises.

The Compliance Committee was not provided with certain derogatory information relating to Kislin and his alleged ties to Russian organized crime and nefarious activities. This is so even though the Compliance Department earnestly compiled the information gleaned from its investigation and attempted to provide the Compliance Committee with enough detail to be able to make an informed decision on the matter before them. It may have been preferable for the Committee to have had, in addition to the Summary of Item, the backup materials, including Rankin’s detailed Summary Memo, together with the Cachet Reports. In hindsight, some members of the Compliance Committee acknowledged that they would have preferred receiving the Cachet Reports for review. The Compliance Committee members were effusive in their praise generally with respect to their interactions with the Compliance Department. They believed that the Compliance Department makes concerted efforts to bring forth all relevant material and are diligent in answering any questions and providing additional material upon request. They steadfastly asserted that they had ample opportunity to review matters presented to them, and if necessary, would request additional materials which were always provided by the Compliance Department staff. In this situation, it is clear that the Compliance Committee had abundant information to make an informed decision relative to Kislin’s suitability.

After reviewing the due diligence materials provided by the Compliance Department, the Compliance Committee voted unanimously 4-0 (Commissioner Michael absent) to approve the
license agreement from a suitability standpoint, subject to certain conditions. In reaching its conclusion, the members of the Compliance Committee relied upon the Goldstock Report, the opinion of Caesars’ outside counsel, the representations of the Compliance Department that the allegations against Kislin could not be substantiated, and the fact that the licensing agreement involved only non-gaming services. The conditions to be attached to the licensing agreement were to be formulated by the Compliance Department based on the discussions that occurred during the Special Meeting. The conditions that were eventually agreed upon are specified later in this Report.

After speaking with the Compliance Committee members it became apparent that some members were influenced by the fact that the license agreement involved non-gaming operations and that casino gaming revenues were not part of the fee arrangement. Indeed, Committee Chairman Ron Terry expressly told the Investigators that his decision certainly would have been to disapprove the deal if it involved gaming revenue. Dennis Neilander, a former Chairman of the Nevada Gaming Control Board, expressly stated that the non-gaming aspect of the agreement was a contributing factor in his decision-making. As he observed, if it had been gaming-related there would have been license implications. He acknowledged that his decision may have been different if it were gaming-related. Mark Clayton said the relevant factor for him was that “at the end of the day, the operations were run by Caesars and that the compensation paid to Gansevoort was not from gaming.” Darcy was not persuaded by the non-gaming distinction. Michael, who was not present at the meeting, indicated to the Investigators that it made no difference to him that this was a non-gaming matter.

Carletta opined that the fact this was a non-gaming operation was a deciding factor for approval. For his part, Donovan told the Investigators that he felt comfortable with approving the transaction since it was limited to the non-gaming arena. The non-gaming distinction was so critical that it was inserted as a specific condition for approval. Moreover, Carletta said that the Committee members may have asked for a further analysis if gaming revenues were implicated.

Darcy said he gave great weight to the Goldstock Report. He stated that it was “not an easy call” and that the money-laundering allegations surrounding Kislin were serious. He noted there had been no arrests or convictions. Terry did not give much credence to the Goldstock Report because it was conducted on behalf of a client. Clayton and Terry recalled that the
Committee was told by Donovan and Carletta that the allegations made against Kislin could not be substantiated.

**g. Conditions Attached to the License Agreement Approval**

The Committee members expressed concerns while evaluating the proposed transaction that led to the imposition of several conditions, following the formal vote. Carletta prepared the conditions and submitted them for approval. The approved conditions are:

- The scope of the relationship is to be limited to the use of the Gansevoort name and hotel theme, with no management or operational involvement by Gansevoort;

- The scope of the relationship is to be limited to sharing non-gaming revenue only, with no aspect of the gaming operation to be involved;

- Despite considerable media surrounding one of the principals of Gansevoort, the allegations were not able to be substantiated;

- The Company’s New Jersey and Nevada counsel have advised the company that the individuals would be found suitable if called forward for licensing by regulators;

- The relationship will continued to be monitored by Caesars, and if any unsuitability issues arise, the suitability provision of the agreement will contain provisions to cure the unsuitability issue or terminate the relationship if the matter is not cured;

- Company management is to be advised of potential negative media that may occur if the transaction is consummated; and

- Any change in the scope or nature of the relationship is to be reviewed by the Compliance function and the Committee.

**h. Rankin memo of December 5, 2012**
On December 5, 2012, subsequent to the Special Meeting, Rankin submitted a memo to Carletta summarizing the media reports concerning Kislin. She noted that Kislin is reported in a number of media articles as an owner of the Gansevoort Hotel Group and “in some instances, these articles comment on his possible connections to organized crime.” Rankin related the following media reports in her memo:

- Recent articles in 2012 carried headlines such as “Owner of Gansevoort Hotel Allegedly Tied to Russian Mob,” and reported details of Kislin’s alleged involvement in organized crime in the 1990s;

- An article dated June 11, 2012, in *The Real Deal*, titled “Gansevoort Park Hotel gets refinanced” mentions that Kislin “allegedly helped lead a financial organization with close ties to the Russian mob;” and

- On the website guestofaguest.com, an article titled Nightlife News Round Up, March 26, 2012, features the following paragraph: “Hotel Gansevoort mob ties? Arik Kislin, the owner of Hotel Gansevoort has been linked to the Russian mob. Kislin is not charged with any crimes, but allegations about his activities are emerging in a massive civil suit taking place in London.” Rankin concluded her memo by stating that, ‘in light of the voluminous media attention given to Mr. Kislin, and his alleged ties, there is a good chance press articles related to the rebranding of Bill’s will contain similar information.”

**i. Concluding Comments Regarding Gansevoort Licensing Agreement**

The Investigators conclude that the Compliance Department conducted appropriate due diligence in this matter and attempted to present the results of its investigation in the ordinary course to the Compliance Committee. There is no evidence to suggest that the motivations of the Compliance Department were not in accord with regulatory requirements, or that the Compliance Department purposely set out to deceive the Compliance Committee by withholding pertinent information. While certain errors of omission may have been made in the presentation to the Compliance Committee, errors upon which Caesars will undoubtedly reflect when ascertaining its compliance process for the future, there still was ample information bearing on Kislin’s unsuitability for the Committee to reach an informed decision.
It is worth repeating that the Investigators notified Donovan about the additional derogatory information that had not been discovered by the Compliance Department. Specifically, the money-laundering notation on the WorldCompliance watchlist database and the 1994 FBI Intelligence Report for Kislin as being linked to organized crime are matters that may conceivably have altered the outcome, had the Compliance Committee known of them when the matter was voted on. Instead of expressing a desire and willingness to consider this new information that Investigators brought to Caesars’ attention, Donovan’s May 31, 2013, letter does not include any reference to the new information at all, never mind any expression that the matter might be reconsidered in light of the new information.

Caesars has had ample opportunity to reconsider its decision in this instance and take voluntary action. In 2012, in the context of its license application in Ohio, Caesars took such prompt remedial action in terminating its contract with G&L Limited when the Investigators made it aware of additional derogatory information not revealed during Caesars’ due diligence examination of that company and its principals. This matter is addressed (above) in this report. As contrasted with the remedial action taken regarding G&L, Caesars has held to the notion that its decision was entirely proper and defensible concerning the licensing agreement. Whether Caesars rationalized that there was no criminal arrest or conviction, or whether it believed that it made a difference that this was strictly a non-gaming business transaction with no material impact upon casino revenues and operations, may not be the points.

During this investigation, investigators have consulted with various law enforcement entities, including the Federal Bureau of Investigation, regarding Arik Kislin and the information detailed within this investigative report. In response to our request for information, we received information from the FBI that Arik Kislin is in fact known to them and has been linked to various members of Eurasian Organized Crime (EOC). The FBI indicated that historical law enforcement information indicates that Kislin handles large-scale investments within the United States for wealthy members of EOC and that Kislin’s activities focus on laundering EOC profits from overseas.

2. Mitchell Garber

   a. Introduction
This section of the Report addresses an issue pertaining to Mitchell A. Garber, the CEO of Caesars Interactive Entertainment ("CIE"), a subsidiary company of Caesars. The findings contained in this section are based upon a review of two non-prosecution Agreements executed by the U.S. Department of Justice with PartyGaming Plc ("PartyGaming") and Optimal Group Inc. ("Optimal"), respectively; a sworn interview of Garber conducted by the Investigators (Exhibit 10); and the due diligence materials provided by Caesars relating to his hiring. The subject of the non-prosecution Agreements (Exhibits 8 and 9) concerns the Internet gambling activity that was being conducted at PartyGaming and Optimal when Garber was the CEO at each of those companies, prior to his employment with Caesars. The non-prosecution Agreements resulted in the forfeiture of significant sums - $105 million for PartyGaming, $19 million for Optimal. Although the IEB has not designated Garber as an individual qualifier of Caesars, the Commission may still wish to consider these matters when determining Caesars’ suitability.

It is apparent that Caesars had knowledge of the PartyGaming non-prosecution Agreement prior to hiring Garber on April 27, 2009. The non-prosecution Agreement involving Optimal was not executed until October 29, 2009, several months after Garber began his employment at Caesars.

b. Garber’s Background

After serving briefly as a consultant to Caesars, Garber began his employment with CIE in May 2009, when that entity was incorporated. In April 2013, he became the CEO of Caesars Acquisition Company, a Caesars spin-off entity that will control CIE and other Caesars’ assets once Caesars receives all necessary regulatory approvals. The terms of that spin-off and its ramifications are addressed in the Recent Developments and Caesars’ Financial Suitability sections of this report.

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13 Garber voluntarily complied with the request for the interview. He was accompanied by his counsel, Charles S. Sklarsky, who was retained by Caesars to represent him at the interview, as well as by Michael Cohen, Senior Vice President, Deputy General Counsel and Corporate Secretary for Caesars.

14 Caesars’ background materials included a summary account of an interview of Garber conducted by outside counsel David O. Stewart and Ryan M. Malone of Ropes and Gray, on April 20, 2009, two weeks after the PartyGaming non-prosecution Agreement was executed. Caesars background materials also included a memorandum, dated September 22, 2008, prepared by James Benjamin, Jr. of the law firm Akin Gump, concerning phone calls Benjamin made regarding Garber’s status in the criminal investigation of PartyGaming,
Garber is a licensed attorney in Canada, where he was born and educated. He holds a Bachelor’s Degree in Industrial Relations from McGill University (1986) and a Law Degree from the University of Ottawa (1989). He was a practicing attorney from 1990-1999 specializing in gaming law. His practice originally consisted of collecting gambling debts in Canada for US companies. From 1993 to 1995, he represented IGT in Canada. He also represented Circus Circus and Hilton in connection with the development of Casino Windsor.

c. Optimal

In 1999, Garber was recruited to become Senior Vice President of Business Development for a payment processing group that was part of Bell Canada. There were both gaming and non-gaming components to the business. The payment processing operation was acquired by Optimal Group and Garber became the CEO of an Optimal Group subsidiary, Optimal Payments. The company annually handled about [redacted] in processing, of which, according to Garber, [redacted] was gaming-related. The margins on the gaming-related side of the business were far better than for the non-gaming side. Optimal handled the processing of Internet gaming payments on behalf of licensed gaming merchants. Optimal dealt with processing for both sports and non-sports gaming payments.

Shortly after he arrived at Optimal, Garber engaged the services of counsel of the law firm Paul Hastings to secure legal advice on the legality of Optimal’s Internet gaming payment business under US law. Garber also met with executives and legal counsel at Visa. Garber was advised by both counsel and Visa that the business of processing payments for Internet gambling by US residents was legal. He took a certain level of comfort from the fact that Visa was participating in the business. Garber was fearful, however, that the Internet gambling portion of the business would eventually become illegal so he pursued non-gaming payments in an effort to diversify the operations. In Garber’s estimation, the law was unsettled as to the legality of accepting bets from U.S. customers if the server was located outside of the U.S.

In 2001, Visa and MasterCard directed that Internet gaming transactions should be processed with the specific merchant code “7995” for tracking purposes. Many banks were reluctant to handle transactions with that code and over time stopped accepting 7995-coded transactions. In 2002, the US General Accounting Office (“GAO”) submitted a report on Internet
With respect to the reasoning employed for instituting the 7995-coded transactions, The GAO observed that:

The major participants in the credit card industry have tried to restrict the use of their cards for Internet gambling by prohibiting cardholders from using the cards to gamble online and developing transaction codes that banks can use to block payments at their discretion. Many large US credit card issuers also use codes to deny authorization for Internet gambling transactions, and US-based banks do not accept gambling Web sites as merchants. (Exhibit 11 at 1.)

Also according to the GAO Report, Visa and MasterCard’s use of coded transactions affording the issuing banks the ability to exercise discretion as to whether to approve or decline the underlying transaction. Garber said that the refusal of many banks to accept the 7995 coded transactions did not alter his opinion that the transactions were legal.

Processors who sought to deceive banks developed a procedure whereby they would intentionally miscode the Internet gambling transactions, making it appear that the payment was for non-gaming purposes. Transactions such as those used by Optimal, which used the services of an Automated Clearing House (ACH), are all un-coded anyway, so there was no need for any deception by Optimal. The non-prosecution agreement for PartyGaming notes that the primary reason for Internet gaming companies to utilize the services of ACH processors was to avoid the coding of the Internet gaming transaction.

The U.S. Supreme Court has not ruled on the meaning of the Wire Act, 18 U.S.C. § 1084, as it pertains to online gambling. Prior to the enactment of the Unlawful Internet Gambling Enforcement Act (“UIGEA”) in 2006, law enforcement authorities were of the view that the Wire Act criminalized the knowing sending or receiving by gambling businesses of certain types of bets, or information that assists in placing bets, over interstate and international wires. Garber was aware that law enforcement groups, including the DOJ, were of the view that Internet gaming was unlawful under the Wire Act. Garber’s legal advisors reassured him that what Optimal was doing was legal. He himself did not agree with the opinions of law enforcement that the transactions were illegal and therefore did not stop this practice indicating. He stated in

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15 In December 2002, the GAO submitted a report entitled Internet Gambling, An Overview of the Issues, to the US House of Representatives’ Committee on Financial Services and Subcommittees on Financial Institutions and Consumer Credit, and Oversight and Investigations.
his sworn interview that “certain law enforcement groups thought that internet gambling was unlawful. We were also aware and advised that the law in regard to online gaming was quite unsettled.” Garber further stated that their position was that it “would not be unlawful according to US law.” He still considered Visa to be the “litmus test” and was comfortable as long as Visa allowed the transactions. He also said that he did not consider Optimal to be in the “gambling business.” In Garber’s view, there was a difference between being a sports book operator and being a reputable payment processor.

On September 20, 2011, the DOJ issued a Memorandum Opinion which reversed its earlier view. (Exhibit 21.) The 2011 DOJ Memorandum Opinion explained that the Wire Act’s proscriptions now were viewed by the DOJ to extend only to sports betting operations and did not include within their purview other non-sports online betting operations.

d. PartyGaming

In 2006, Garber left Optimal to become the CEO of PartyGaming, which is based in Gibraltar and is listed on the London Stock Exchange. PartyGaming engaged in online gaming operations (non-sports betting only), and approximately PartyGaming neither applied for nor received a gaming license from any jurisdiction in the U.S. Upon joining the company, Garber instituted at the outset a comprehensive audit and compliance review of PartyGaming’s business operations. He stated in his sworn interview that when he learned through the audit that some of PartyGaming’s third-party processors were miscoding transactions, he terminated those processors immediately and directed that no miscoding was to take place.

Garber’s view was that it was not illegal for PartyGaming to offer Internet gambling to American consumers, provided the server used by PartyGaming was located outside of the U.S. (it was), but he recognized the significant risk that the conduct could become illegal relatively soon. He was aware of the arrest of at least one person (David Carruthers, the CEO of BetonSports), but he distinguished that matter as involving sports betting, and PartyGaming did not handle sports betting. He also was aware that at least five states prohibited Internet gaming and that PartyGaming did not use blocking software to prevent taking bets from residents of
those states.\textsuperscript{16} Garber monitored the enactment of UIGEA, which expressly banned Internet gaming in the United States. He viewed UIGEA as changing prior law. Immediately upon its effective date, he directed that PartyGaming withdraw entirely from the U.S. market.

e. \textit{PartyGaming Non-Prosecution Agreement}

Garber stated that it was at his initiative that PartyGaming voluntarily began having discussions with the DOJ shortly after the enactment of the UIGEA to resolve any lingering issues pertaining to prior Internet gambling operations. Despite his stated view that UIGEA represented a change in the law, the Commission may choose to view his action in initiating contact with the DOJ as recognition on his part that pre-UIGEA Internet gambling activity would not be forgiven altogether. Ultimately, after his departure from PartyGaming, the company executed the non-prosecution agreement on April 6, 2009.

According to the Statement of Facts in the PartyGaming non-prosecution Agreement, from 1997 to October 13, 2006, the day of the enactment of the UIGEA, PartyGaming offered Internet gaming to players in the United States and actively marketed its poker and casino games to U.S. customers, including television advertisements and billboards. As noted in the Statement of Facts, although PartyGaming had no physical presence in the United States, the company contracted through its subsidiaries with various financial services companies that either operated in the U.S. themselves or had relationships with other companies to enable U.S. customers to fund accounts at PartyGaming. Once these accounts were funded, customers of PartyGaming could use funds in the accounts to gamble in the poker and casino games offered by PartyGaming. Beginning in 2001, when banks began refusing the 7995-coded transactions, PartyGaming began using various methods to process U.S. generated Internet gambling transactions without coding them as 7995 Internet gambling transactions. One method involved the use of third-party payment services providers, who misrepresented the nature of the Internet gambling transactions to the bank.\textsuperscript{17} Another method involved U.S. customers’ using their credit cards to purchase “virtual” credit card accounts and “phone cards.” Once funded, the customers

\begin{footnotesize}
\begin{itemize}
    \item \textsuperscript{16} The GAO Report identifies those states as Illinois, Louisiana, Oregon, South Dakota, and Nevada.
    \item \textsuperscript{17} Garber stated that right after he joined PartyGaming in 2006, he learned of this miscoding by third-party payment providers, and terminated PartyGaming’s relationship with them.
\end{itemize}
\end{footnotesize}
would use these cards to transfer money to their PartyGaming accounts without the transaction involving the 7995 code at all.

The Statement of Facts also states that PartyGaming worked through an intermediary entity established to service the company’s processing needs to develop relationships with U.S.-based ACHs, whereby U.S. customers could transfer money through electronic checks from their own U.S.-based bank accounts to PartyGaming. PartyGaming also concealed payments to U.S. customers who sought to withdraw winnings from their PartyGaming accounts by engaging an intermediary to open bank accounts in the U.S. that were funded by PartyGaming under the name “Advanced Marketing Solutions.” The intermediary mailed checks to American customers from within the U.S. under the name “Advanced Marketing Solutions.”

The Statement of Facts further provides that PartyGaming had incorporated in its 2005 IPO prospectus that “[t]here is uncertainty as to the legality of online gaming in most countries and in many countries, including the United States, the Group’s [PartyGaming’s] activities are considered to be illegal by relevant authorities.”

The Statement of Facts concludes with a recitation that the conduct described in the Agreement violated certain U.S. criminal laws, including 18 U.S.C. § 1955 (Illegal Gambling Businesses) and 18 U.S.C. §§ 1343 (Wire Fraud) and 1344 (Bank Fraud). PartyGaming agreed to forfeit a total of $105 million to be paid pursuant to a payment schedule extending to September 30, 2012.

f. **Optimal Non-Prosecution Agreement**

On October 29, 2009, Optimal executed a Non-Prosecution Agreement and agreed to pay a total of $19,182,418.18. According to the Agreement’s Statement of Facts, Optimal, a Canadian company, provided payment processing services to a variety of merchants, including Internet gambling merchant websites. In May 2005, the assets relating to the processing of transactions involving Internet gambling merchant websites were transferred to a newly-established, Ireland-based affiliate. As noted in the non-prosecution agreement, the Internet gambling sites were located outside of the U.S., and a substantial majority of the Internet gambling transactions originated from customers located in the U.S. Optimal continued to process Internet gambling transactions from American consumers until October 13, 2006, the day that UIGEA was signed into law. On that date, Optimal stopped all transfers of US customer
funds to Internet gambling merchant websites. Shortly thereafter, Optimal voluntarily agreed to cooperate with the United States Attorney’s office for the Southern District of New York in its investigation of unlawful Internet gambling.

The non-prosecution agreement’s Statement of Facts provides that Optimal recognized that the services it provided for the Internet gambling merchant websites violated 18 U.S.C. § 1084 (Wire Act) and 18 U.S.C. § 1955 (Illegal Gambling Businesses).

g. Concluding Comments

Garber was the CEO of two companies that came under scrutiny by the DOJ for illegal Internet gaming operations while he was their CEO. Both companies entered into non-prosecution Agreements which included statements that the companies’ activities violated prohibitions against Internet gambling in the United States, prior to the implementation of the UIGEA. Both companies relinquished significant sums of money as part of the non-prosecution Agreements ($105 million for PartyGaming, $19 million for Optimal).

3. Watanabe Incident

The Terrance Watanabe incident is a classic example of how casino operators cater to their high rollers and are sometimes tempted to overlook unacceptable behavior by high rollers so that they can maintain their patronage and high level of play. In the aftermath of the Watanabe episode, Caesars took remedial action with respect to its Compliance Program, as discussed above. The Nevada Gaming Control Board conducted an investigation of the Watanabe matter, but Nevada did not levy any fines. New Jersey regulators took an action which resulted in the payment of a penalty by Caesars in the amount of $225,000.

Watanabe started gambling in Caesars’ Las Vegas properties in 2006. His play escalated in 2007. Watanabe accumulated unpaid gambling markers in the amount of $14.7 million during the period between September and December 2007. A December 5, 2009 article in the Wall Street Journal reported that Caesars derived about 5.6% of its Las Vegas gambling revenues from Watanabe in 2007. By mid-December of 2007, Watanabe stopped gambling at Caesars.

Nevada treats unpaid gambling debt as a crime, and the Clark County District Attorney charged Watanabe with four felony counts of intent to defraud and steal from Caesars, stemming from the $14.7 million the casino extended to him as credit and that he lost. Although he re-paid a significant sum to Caesars, he refused to pay the rest, insisting that Caesars reneged on
promises to give him cash back when he lost and that the casino encouraged him to gamble while intoxicated. Watanabe’s attorney offered testimony that some casino employees witnessed Watanabe gambling in an intoxicated state and would testify that he was incapable of forming the criminal intent for the crimes charged, that he lacked the capacity to enter into the financial transactions at issue, and that Caesars Palace was instrumental in keeping him in his incapacitated state. In November 2009, Watanabe filed a civil suit against Caesars alleging that casino staff kept him plied with liquor and prescription pain medication as part of a plan to keep him gambling. Caesars filed a counterclaim. The civil matter resolved in December of 2011 in a confidential settlement, with Watanabe paying an undisclosed sum to Caesars. The criminal case was dismissed.

Meanwhile, in October and December 2010, written reports from a law firm hired by Caesars to investigate Watanabe’s allegations were provided to Caesars. Those reports noted that Caesars had extended many accommodations and benefits to Watanabe, indulgences even, to insure his happiness and comfort, based on his high level of play. These benefits included an elegant suite at Caesars; free food, drink and travel; around-the-clock security; limousine service; the assignment of several bellmen to run his errands and tend to his needs; security officers to accompany him wherever he went in the Las Vegas area; and two casino hosts to attend to his needs around the clock. Caesars also allowed Watanabe to select which employees would be assigned to him. The reports acknowledged that Watanabe drank alcohol on the casino premises, and that he used cocaine and marijuana during his stay at Caesars.

The law firm reported that Watanabe was the largest, most eccentric and most demanding player Caesars ever had, and that he presented unique and unprecedented challenges for senior management. The reports noted that Nevada regulations prohibit a licensee from allowing a visibly intoxicated person to gamble. On this point, the law firm’s investigative reports concluded that Watanabe was largely in control of his faculties when executing gambling markers at Caesars’ casinos in 2006 and 2007.

Caesars’ employees were well aware that Watanabe was an extremely important customer. Caesars had even posted a photograph of Watanabe in employee meeting rooms with the caption, “You should know this person.” Watanabe also was a good tipper. For example, a

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18 The security officers assigned to Watanabe received almost twice their usual hourly pay for the assignment.
security guard assigned to him reported to the law firm that Watanabe had given him tips in the amounts of “$300 here, $400 there” and occasionally as much as $1,500. The law firm’s reports considered whether employees were burdened by a conflict of interest in contravention of Caesars’ policies, given the financial incentives involved. The reports also considered the dynamic whereby employees servicing Watanabe may fear reprisals by Caesars if they did not do as Watanabe requested, even when his requests were patently unreasonable, or if they reported Watanabe to management for his unacceptable conduct. The reports also set forth that senior management had in fact been informed that Watanabe exhibited unwanted conduct of a sexual nature and made unwanted sexual advances towards employees. A senior executive consulted with Caesars’ labor/employment attorney, who told the executive to do two things at a minimum: tell Watanabe to cease and desist from such conduct, and tell the employees that they did not have to work with Watanabe if they were uncomfortable. Unfortunately, the executive followed only half of the advice; he told employees they did not have to work with Watanabe, but he never confronted Watanabe. The law firm found that this response clearly violated Caesars’ sexual harassment policy.

After reviewing the law firm’s reports, the Compliance Committee concluded that senior management accommodated Watanabe in necessary and appropriate ways. Nonetheless, the Compliance Committee was troubled that senior management did not clearly or forcefully tell Watanabe or its employees that no matter how important a player Watanabe might be, neither he nor the employees are allowed to violate the law, gaming regulations or Caesars’ policies.

Caesars also hired a consultant to review its compliance function in connection with the Watanabe incident in particular, and to review its overall compliance function in general. The consultant prepared a report, which included recommended changes to Caesars’ Compliance Program. The consultant concluded that there were compliance failures in the Watanabe matter, and recommended changes to the Compliance Program to minimize the severity and frequency of compliance failures in the future. Caesars reviewed the recommendations and made modifications to its Compliance Program, as set forth above.

Media reports have described the following about Watanabe’s background. He is a native of Omaha, Nebraska who had a personal fortune acquired from his family’s party favor business. For years, he was single mindedly devoted to the business. He never married. He sold the company in 2000. It was only after he sold the company that he started gambling, first at
Harrah’s in Iowa, where he became one of that casino’s top customers. He began traveling to Las Vegas in 2005 and started gambling at Caesars Las Vegas properties in 2006. He made foolish bets and focused on games that favored the house. Reportedly, Watanabe lost nearly $127 million, much of his fortune.

**F. Recent Events and Developments**

**1. Ohio**

In December 2010, the Company formed a joint venture, Rock Ohio Caesars LLC, with Rock Gaming to pursue casino developments in Cincinnati and Cleveland. Pursuant to the agreements forming the venture, the Company committed to invest up to $200 million for up to a 30 percent interest in the venture. As part of its investment, the Company contributed Thistledown Racetrack to the venture. On August 17, 2011, Rock Gaming exercised a contractual right to buy down a portion of the interest in the venture. Pursuant to this right, Rock Gaming contributed capital disproportionate with its existing ownership, thereby lowering Caesars’ ownership interest to [blank].

The Ohio Casino Control Commission issued gaming licenses to Rock Ohio Caesars and affiliated entities for the Cincinnati and Cleveland casinos. In May 2012, Rock Ohio Caesars LLC (“ROC”) opened the 96,000 square foot Horseshoe Cleveland casino, located in downtown Cleveland.

In March 2013, ROC opened the 100,000 square foot Horseshoe Cincinnati casino in Cincinnati. The Company manages the operations of both casino facilities pursuant to a management agreement.

CEOC entered into an agreement to purchase the assets of Thistledown Racetrack, a thoroughbred racing facility in Cleveland on May 25, 2010. The first agreement for the sale of the racetrack was approved by the US Bankruptcy Court for the District of Delaware, however, the conditions imposed for the May 17, 2010, closing of the sale were never satisfied and that specific agreement was never consummated. Subsequently, in July 2010, the acquisition was completed at a cost of approximately [blank].
In August 2012, the Company sold a [redacted] interest in Thistledown Racetrack, LLC (“Thistledown”), a thoroughbred racing facility in Cleveland, Ohio, to Rock Gaming and contributed the remaining [redacted] interest in Thistledown to Rock Ohio Caesars LLC (“ROC”) in exchange for additional equity interests in ROC. ROC wholly owns the operation and once it commences video lottery terminal (“VLT”) operations Caesars will manage the property for a fee under a management agreement that will expire on the 20th anniversary of commencing such VLT operations. In May 2012, the Company also contributed its [redacted] interest in Turfway Park LLC, which is the owner of the Turfway Park thoroughbred racetrack in Boone County, KY, to ROC in exchange for additional equity interests in ROC. Immediately subsequent to these transactions, Rock Gaming purchased a portion of equity interests in ROC from Caesars in order to retain their [redacted] ownership interest in ROC. Turfway Park LLC, also owns a minority interest in Kentucky Downs LLC, which is the owner of the Kentucky Downs racetrack in Simpson County, KY.

2. Maryland

On September 23, 2011, the Company filed an application for a license to operate a video lottery terminal (“VLT”) facility in Baltimore. The application was filed on behalf of a joint venture that includes Caesars as the lead investor and facility manager, Rock Gaming, CVPR Gaming Holdings LLC, and the Stronach Group. PRT Two later joined in the venture and filed an application. In July 2012, the joint venture obtained a license to build a 3,750-slot-machine facility to be located just south of the football stadium where the Baltimore Ravens play. Construction has begun on the VLT facility with an anticipated opening in the middle of 2014. Caesars has an approximate [redacted] indirect ownership interest in the joint venture. The Company will manage the facility for the joint venture.

3. Nevada

Caesars Entertainment Operating Company Inc. acquired all of the equity interest of PHW Las Vegas LLC. (“PHW”), in February 2010. PHW owns the Planet Hollywood Resort and Casino in Las Vegas. Planet Hollywood is adjacent to Paris Las Vegas and provides Caesars seven contiguous resorts on the east side of the Las Vegas Strip.
In June 2010, the Company announced plans to build a retail and entertainment development between the Flamingo and Imperial Palace casinos, on the east side of the Las Vegas Strip, which the Company refers to as Project Linq. The estimated $500 million project anticipates the construction of bars, restaurants, shops and entertainment along a 1,200-foot pedestrian walkway. Over 20 bars and restaurants opening to the street will be anchored by a giant observation wheel that will reach heights of over 550 feet. Caesars intends to rely on foot traffic in this area to capture an increased share of existing visitors’ entertainment budget. The project is expected to be completed in 2014.

In January 2012, Caesars opened 662 additional rooms in the Octavius Tower at Caesars Palace Las Vegas. In November 2012, it opened three high-end villas in the Octavius Tower.

In April 2011, the Company, together with certain indirect subsidiaries of CEOC entered into a credit agreement (the “Credit Agreement”) pursuant to which the Borrowers incurred financing to complete the development of the Octavius Tower at Caesars Palace Las Vegas and Project Linq. The Credit Agreement provides for a [redacted], which is secured by all material assets of the Borrowers.

In the fourth quarter of 2010, Caesars began a reorganization referred to as Project Renewal. Under Project Renewal, the management team was challenged to review all of the Company’s key decision-making procedures and lines of business and to identify the optimum way of structuring them. As a result of the process, in the third quarter of 2011, Caesars designed what the Company believes is a unique shared services organization that will enable more efficient decision-making and sharing of best practices. This organization includes business analytics, meetings and conventions, retail, database marketing, VIP marketing, flight program, and other key areas of the business operations. Caesars anticipates that it will have a permanently lower cost structure and will benefit from greater concentration of specified talent and quicker decision making.

4. Caesars Growth Venture Partners

On February 4, 2013, in conjunction with a new debt offering which is addressed later in the Financial Suitability section, Caesars publicly announced the formation of a new entity
named Caesars Growth Venture Partners (“CGVP”), which will be controlled by the parent companies of Caesars. According to the SEC documents, Caesars will be transferring certain assets to CGVP, including: 1) Planet Hollywood Resort & Casino in Las Vegas; 2) investment in a casino project under development in Baltimore, MD; 3) interest in a portion of the management fee revenues of the management companies for Planet Hollywood and the Baltimore project; 4) shares of Caesars Interactive Entertainment Inc.’s outstanding common stock held by HIE Holdings Inc., a subsidiary of Caesars; and 5) approximately $1.1 billion face value of senior notes issued by Caesars held by Harrah’s BC Inc.

Caesars said the sale may bolster its cash and improve its credit rating. The company announced that it was “pursuing this transaction because we believe it will improve our liquidity and credit profile, enhance our distribution network and provide additional support for potential new ventures.”

The transfer of these assets will require regulatory approval in Nevada and Maryland where the casino facilities are located.

5. Caesars Interactive Entertainment

Caesars Interactive Entertainment Inc. (“CIE”), which is a majority-owned subsidiary of Caesars Entertainment, owns the World Series of Poker (“WSOP”) tournaments, and they license trademarks for a variety of products and businesses related to this brand. The Company also offers real-money online gaming in the United Kingdom under the WSOP and Caesars brands, as well as alliances with online poker providers in France and Italy. In addition, they offer online “play for fun” casino genre games to residents globally online, through Facebook and other social networks, and on iOS and Android mobile devices. In December 2012, CIE received an interactive operator's license for online poker in Nevada. Going forward, they intend to offer real money gaming in jurisdictions where it is legal. CIE is currently an applicant for a license in New Jersey in connection with that state’s recent legalization of Internet gaming operations.

6. Acquisition of Playtika Ltd.

On May 16, 2011, Caesars Interactive Entertainment Israel Ltd., a majority-owned subsidiary of Caesars Entertainment, entered into an agreement to acquire [Redacted] of the
voting equity interests of Playtika Ltd., a social games developer based in Israel. In December 2011, Caesars purchased the remaining outstanding shares of Playtika.

7. Buffalo Studios, LLC

In December 2012, Caesars purchased substantially all of the net assets of Buffalo Studios LLC, a social and mobile games developer and owner of Bingo Blitz, for ☐☐☐☐.

8. Chester Downs

In January 2012, Caesars acquired an additional ☐☐☐☐ in Chester Downs and Marina, LLC, for ☐☐☐☐, bringing its ownership interest in Chester Downs to ☐☐☐☐.

In February 2012, Chester Downs issued ☐☐☐☐. The remaining proceeds were used to make a distribution to Chester Downs’ managing member, Harrah’s Chester Downs Investment Company LLC, a ☐☐☐☐ subsidiary of CEOC, and for other general corporate purposes.

9. Windsor Casino Limited

In June 2012, the Company increased its ownership interest in Windsor Casino Limited located in Windsor, Ontario, from ☐☐☐☐ to ☐☐☐☐.

10. Sale of Harrah's St. Louis Casino

In November 2012, Caesars sold its Harrah's St. Louis casino to Penn National Gaming, Inc. for ☐☐☐☐.

11. Conrad Punta Del Este Resort and Casino

In November 2012, Caesars entered into a definitive agreement with Enjoy SA to form a strategic relationship in Latin America. Pursuant to the agreement, Enjoy will acquire ☐☐☐☐ of Baluma SA, a Caesars subsidiary which owns and operates the Conrad Punta del Este Resort and Casino, for approximately ☐☐☐☐. Enjoy will have the option to acquire the remaining stake in Baluma SA in the future. The closing of the transaction was
subject to a number of conditions, including regulatory and governmental approvals in both Uruguay and Chile.

On May 31, 2013, after receiving the requisite regulatory approvals, the Operator License for the Conrad Punta del Este was voluntarily transferred to Enjoy. Enjoy now has a equity stake in Baluma SA (owner of the property), and operational control of the property. Caesars now has a equity stake in Enjoy. This ownership percentage did not require Caesars to be licensed in Chile as a shareholder.

12. South Korea-Lippo

Caesars entered into a joint venture agreement in January 2013, with Lippo Worldwide Investment Limited (“Lippo”), which is part of the Lippo Group, an Indonesian conglomerate. The agreement was for an integrated casino resort in Inchon, South Korea. According to the announcement, a Caesars subsidiary, Caesars Korea Holding Company, LLC, would own of the venture, Lippo would own, and another partner would hold the remaining . Approval of the government was a prerequisite for the deal to proceed.

Caesars conducted a due diligence review of Lippo. That review uncovered that one of the principals of the Lippo Group was involved in a federal investigation in the United States related to campaign financing abuses in the 1996 election cycle and subsequently pled guilty. This individual is a principal of the ultimate parent company, Lippo Limited. According to the due diligence report, it was represented to Caesars that this person would have no involvement in Lippo’s business activities in South Korea.

Ultimately, the South Korean government rejected the proposed transaction. As a result, this project has been terminated. By letter dated June 28, 2013, Caesars notified the Commission that its project had been rejected by the South Korean government. During interviews, company executives noted that Caesars was pursuing other possible opportunities in Asia, including Vietnam.


G&L Group Ltd. (“G&L”) was retained to operate and manage the restaurant at the Macau golf course. As a result of a license investigation conducted on behalf of the Ohio Casino
Control Commission, certain derogatory information pertaining to G&L was developed by Spectrum that caused Caesars to terminate its involvement with G&L. On April 2, 2012, only a few days after Caesars was notified by Spectrum about the significant issues concerning the G&L contract, Caesars’ subsidiary, Orient Golf, notified G&L and its principal that the contract was being terminated, providing the requisite 90-day notice specified in the agreement. Accordingly, the deal terminated effective July 1, 2012.

14. Acquisition by Apollo and TPG

On January 28, 2008, Caesars was acquired by affiliates of Apollo and TPG (“Sponsors”) in an all-cash transaction (“the Acquisition”). As a result of the Acquisition and through December 31, 2011, Caesars’ stock was not publicly traded.

Prior to the Acquisition, Apollo and TPG had invested in a number of leisure-oriented businesses, including hotels, ski resorts, movie theaters, and restaurants. In addition, each company had a senior partner with gaming experience, having served on the Board of Directors of a major casino company: Mandalay Bay and Harvey’s. Both companies had taken an interest in the gaming sector. Following up on this interest, each company engaged in separate discussions with Loveman during 2006 about the future of Caesars.

Following separate discussions with Caesars Chairman, President and CEO Gary Loveman, at the suggestion of Loveman, the two companies began discussions with each other concerning the possibility of making an offer to the Board of Directors of Caesars to acquire the Company. Such an offer was then made on September 25, 2006. Caesars’ Board formed a special committee consisting of all non-management directors and retained a team of lawyers and investment bankers to assess the best long-range plan for the Company and specifically, whether, and at what price, the Company might be sold. The special committee attempted to ascertain whether other parties might be willing to pay more for the Company than the Sponsors. At the same time, there were extended negotiations with the Sponsors, who increased the price they were willing to pay. The negotiations proved fruitful as the parties executed an agreement for the sale of the Company on December 19, 2006.

As part of the Acquisition, the parties also entered into a Services Agreement, whereby Caesars agreed to pay an upfront Transaction Fee of [redacted] to be divided equally between
Apollo and TPG. In addition, Apollo and TPG receive from Caesars a minimum payment of $40,000,000, as a Monitoring Fee for consulting and advisory services.

In the Acquisition, Caesars’ shareholders were paid $90 per share in cash. Caesars was a surviving corporation in the transaction and continued to be the parent company of all of Caesars’ operations. After the closing of the transaction, Caesars’ Board of Directors was replaced by nominees of the Sponsors, who began serving on the Board together with Loveman, Caesars’ then and current Chairman and Chief Executive Officer. Loveman and his management team remained in place after the Acquisition to operate the business in the various jurisdictions in which the Company is licensed.

As indicated in the 2013 Annual Report, following completion of the IPO, Hamlet Holdings, the members of which are comprised of an equal number of individuals affiliated with Apollo and TPG, beneficially owns approximately 15% of Caesars’ common stock pursuant to an irrevocable proxy providing Hamlet Holdings with sole voting and sole dispositive power over those shares. As a result, the Sponsors have the power to elect all of Caesars’ directors. Therefore, the Sponsors have the ability to vote on any transaction that requires the approval of Caesars’ Board or its stockholders, including the approval of significant corporate transactions such as mergers and the sale of substantially all of the Company’s assets.

In addition, Caesars has an executive committee that serves at the discretion of the Board and is authorized to take such actions as it reasonably determines appropriate. Currently, the executive committee may act by a majority of its members, provided that at least one member affiliated with TPG and Apollo must approve any action of the executive committee.

15. Initial Public Offering

In October 2010, the Company (as Harrah’s Entertainment) filed with the SEC to raise up to $575 million in an initial public offering. However, in November 2010, the plans for an IPO were canceled. Caesars canceled the IPO due to unfavorable market conditions and weak demand. While analysts widely discussed the reasons behind the cancellation, most agreed that investors were kept away by the Company’s considerable debt level.
Subsequently, in the first quarter of 2012, Caesars had a successful initial public offering of 1.8 million of its common shares (approximately 1.4 percent of the company) at $9.00 per share. The shares are traded on the NASDAQ exchange under the symbol CZR. The stock offering provides a vehicle for the shares of Apollo, TPG and Paulson and other institutional investors to be freely traded on the open market.

In connection with the Company’s public offering, Caesars and the Sponsors agreed to release the contractual transfer restrictions on the shares of our common stock (the “Released Shares”) beneficially owned by certain indirect stockholders (the “Participating Co-Investors”). The Released Shares comprised 24.2 million shares of the common stock. As explained in Caesars’ 2013 Annual Report 10k filed with the SEC, in consideration for such release, the Participating Co-Investors agreed to direct the contribution to Caesars of a portion of the Released Shares beneficially owned by each Participating Co-Investor, which were sold by Caesars in its public offering in February 2012. Caesars agreed to cause the registration for resale under the Securities Act of 1933, as amended, of the remaining Released Shares not constituting Delivered Shares (the “Registered Shares”) and the listing of the Registered Shares on the NASDAQ Global Select Market. A total of 50 percent of the Registered Shares were eligible for resale at the time of the equity offering in February 2012, and the Participating Co-Investors agreed not to offer or sell, dispose of or hedge, directly or indirectly, the remaining 50 percent of the Registered Shares without the permission of the underwriters in the Company’s equity offering until 180 days from the pricing of its public offering, subject to certain exceptions and automatic extension in certain circumstances.

**16. Sale of Caesars Common Stock**

In March 2012, the Company filed a prospectus with the SEC, as part of a registration statement, to sell shares of common stock, up to a maximum aggregate offering price of $500 million. In April 2012, the Company entered into an equity distribution agreement with Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC, whereby the Company may issue and sell up to 10.0 million shares of the Company’s common stock from time to time. As of September 30, 2012, the Company has sold 15,000 shares with an aggregate offering price of approximately $216,000.
17. CEOC Bond Offering

In February 2012, Caesars Operating Escrow LLC and Caesars Escrow Corporation, wholly owned subsidiaries of CEOC, completed the offering of $1,250 million aggregate principal amount of 8.5 percent senior secured notes due 2020, the proceeds of which were placed into escrow. On March 1, 2012, the escrow conditions were satisfied and CEOC assumed the notes. CEOC used $1,095.6 million of the net proceeds from this transaction to repay a portion of its credit facilities in connection with the amendment discussed below.

In February 2012, Caesars proposed providing existing lenders of approximately $4.0 billion in term loans an extension of the payment date from 2015 to 2018. In return for the extension the consenting lenders will receive fees and higher loan pricing approximating 2.50 percent.

18. Project Renewal

In the fourth quarter of 2010, Caesars began a reorganization referred to as Project Renewal. Under Project Renewal, the management team was challenged to review all of the Company’s key decision-making procedures and lines of business and to identify the optimum way of structuring them. As a result of the process, in the third quarter of 2011, Caesars designed what the Company believes is a unique shared services organization that will enable more efficient decision making and sharing of best practices. This organization includes business analytics, meetings and conventions, retail, database marketing, VIP marketing, flight program, and other key areas of the business operations. Caesars anticipates that it will have a permanently lower cost structure and will benefit from greater concentration of specified talent and quicker decision making.

19. Transactions with Rock Gaming

In 2012, Rock Gaming made an investment in CIE whereby it purchased 6,155 shares of CIE common stock for $30.4 million. In addition, during 2012 CIE issued non-interest-bearing convertible promissory notes with principal totaling $47.7 million to Rock Gaming that are convertible into approximately 8,913 shares of CIE common stock.
20. Macau Golf Course

In September 2007, the company then known as Harrah’s acquired Macau Orient Golf, later renamed Caesars Golf Macau, located on 175 acres on Cotai, Macau, and rights to a land concession contract for a total consideration of approximately $577.7 million. At the time, the Company considered it essential to gain access to the Macau gaming market. The government of Macau owns most of the land in Macau, and private interests are obtained through long-term leases and other grants of rights to use land from the government. The term of the land concession is 25 years from its inception in 2001, with rights to renew for additional periods until 2049. Annual rental payments are approximately $90,000 and are adjustable at five-year intervals. Macau Orient Golf is one of only two golf courses in Macau and is the only course that is semi-private. Subsequently, Harrah’s renovated the golf course and appointed a local Macau company called G&L Group Ltd. (“G&L”) to manage the food and beverage outlets.

At the time of purchase, the Company was hopeful it would be able to transform that investment into a casino gaming enterprise. However, those plans never came to fruition. Caesars does not own a license to operate casinos in Macau.

Although the Macau government made it clear that there would be no new licenses any time soon, the Company nevertheless believed there might be partnership opportunities, possibly with Melco PBL (now Melco Crown) or with Galaxy. According to Caesars’ counsel Scott Wiegand, the Company’s strategy was to win the “hearts and minds” of the Macau government for the rezoning of the golf course. Loveman recognized that this was the single largest piece of available land in Macau and that it occupied a prime location, and he believed that its acquisition might facilitate potential market entry.

In December 2008, the Company announced plans for Caesars Macau Golf, a five-star golf lifestyle destination, the centerpieces of which were a redesigned par-72 golf course and the establishment of Asia’s first Butch Harmon School of Golf, the first of Harmon’s flagship teaching facilities outside of the United States. The redevelopment included expansion of the existing clubhouse into a golf lifestyle boutique, meeting facilities, VIP entertainment suites and a restaurant.
During the second quarter of 2012, the Company determined that it was no longer viable to retain its economic interest in Macau and embarked aggressively on a course of action designed to divest its investment in the golf course land concession in Macau. As a result, the Company performed an impairment assessment on this investment and recorded an impairment charge of $101 million. To this end, Caesars retained the services of brokers to facilitate a possible disposition. Caesars conducted due diligence regarding these brokers.

On August 9, 2013, Caesars publicly announced that it had agreed to sell the golf course to Pearl Dynasty Investment Ltd (“Pearl Dynasty”), a British Virgin Islands (“BVI”) registered company, for $438 million. The transaction is pending.

Pearl Dynasty was incorporated in the BVI on May 27, 2013. Pearl Dynasty is owned and operated by [redacted], the owner of a Macau registered company called [redacted].

The matter was presented to the Compliance Committee for its consideration at a Special Meeting on May 3, 2013. The Investigators reviewed a copy of the minutes of the Compliance Committee. The minutes revealed that the Compliance Department described the transaction and how the parties became involved in negotiating the transaction. The initial discussions had been with a company called [redacted], which had a capital partner called [redacted]. Subsequently, it was determined that the purchaser of the golf course would be [redacted], or an affiliated entity, and [redacted] would receive a finder’s fee from Caesars. As noted, ultimately the purchaser became Pearl Dynasty, which is affiliated with [redacted]. Results of the due diligence investigation performed by a third-party investigative firm were provided to the Compliance Committee. No serious issues had been discovered as part of the due diligence investigation.

The Compliance Committee voted to approve the transaction, subject to satisfaction of certain conditions:

1. Any new individuals or entities that will become party to the transaction would be subject to a due diligence investigation;
2. The final report of the investigative firm, curing some administrative errors in the initial report, would be provided to the Compliance Committee; and
3. Completed business information forms would be provided by both the buyer and finder.

On September 3, 2013, Susan Carletta advised that the conditions had been satisfied, finalizing approval of the transaction by the Compliance Committee.

Caesars provided a copy of the BVI company search undertaken on Pearl Dynasty and a copy of an independent due diligence report dated May 3, 2013, prepared by Hill & Co., on [redacted].

In addition to reviewing the due diligence reports provided by Caesars, the Investigators began a limited due diligence investigation of the proposed purchaser. Due to time constraints the Investigators were not able to verify the accuracy and reliability of the information obtained.

21. Proposed Debt Refinancing and Sale of Stock

Proposed $4.85 billion Debt Refinancing

On September 17, 2013, Caesars Entertainment Corp announced it is raising $4.85 billion in bonds and loans to refinance some of its existing debt. Citigroup Inc. is arranging a $3 billion term loan under a Senior Secured Credit Facility with a $269.5 million revolving credit facility portion of the Senior Secured Credit Facility. Additionally, Caesars plans to issue $1.35 billion of second lien notes and $500 million of first lien debentures.

The proceeds of the refinancing will be used to repurchase commercial mortgage backed securities ("CMBS") amounting to approximately $4.4 billion and an existing $450 million senior secured facility. The closing of the transaction will enable Caesars to refinance approximately $4.4 billion of CMBS that are coming due in February 2015 and extend those debt maturities.

The refinancing will also enable Caesars to shift security interests in the Octavius Tower at Caesars Palace and Project Linq to holders of the new debt, resulting in existing debt holders no longer having a security interest in the two properties, or a claim on the assets in the event of a possible default or Chapter 11 filing by the company.

Upon completion of the refinancing, the debt and refinanced assets will shift from Caesars Entertainment Operating Company ("CEOC"), also referred to as Opco (operating
company) which owes most of Caesars current $23 billion debt to Caesars Entertainment Resort Properties Holdco, LLC, the PropCo (Property company). These transferred assets will no longer be subject to the restrictions imposed by covenants governing CEOC’s debt facilities. This has been viewed by many financial analysts as a signal of a possible plan to shift assets away from lenders at the OpCo in the event of a possible default by the operating company.

Octavius Tower, which opened in January, 2012, is the newest of Caesars Palace Las Vegas’s six hotel towers. The 23 story high end luxury hotel complex features 662 guest rooms, 60 suites and 6 luxury villas. The property offers unique luxury amenities to its guests, and caters to VIP customers and ultra high-end Asian guests.

Project Linq is an open air dining, entertainment and retail development located in the heart of the Las Vegas strip and is scheduled to open in phases beginning late in 2013. The project features a 550 foot High Roller observation wheel scheduled to open in the second quarter of 2014. According to Caesars, Project Linq has been designed to be a destination attraction with more than 250,000 square feet of gross leasable retail and dining space. The property is meant to be the first central “Party District” in Las Vegas and is meant to appeal to the region’s growing Generation X and Generation Y clientele (ages 21-46) whose market share is expected to grow in the future.

**Sale of an additional 10 million shares of stock**

In late September 2013, Caesars announced it began offering 10 million share of common stock in a sale being run by Credit Suisse Securities. As part of the sale, the underwriter has the option to purchase an additional 1.5 million shares of Caesars stock.

While this transaction may be slightly positive to holders of the current bank loans and notes outstanding of the company, the relatively small size of the offering is viewed as having little impact on improving the company’s leverage situation. While there may be other reasons for this relatively small offering, it seems likely that the company may have to raise cash in order to meet covenant ratios with its lenders in the upcoming quarter. At a current market of approximately $20 per share, the company would raise approximately $200 million less costs associated with the issuance of these shares.
G. Media Coverage

Searches of all available media – local and national, in addition to Internet searches – did not reveal any derogatory information pertaining to casino operations or about any activities in any of Caesars’ facilities that would adversely impact upon a finding of suitability. There have been numerous articles written by financial analysts pertaining to Caesars’ recent announcement of the formation of Caesars’ Growth Partners, as well as several articles addressing Caesars’ perilous financial situation and debt burden.

H. Financial Suitability Evaluation

In this section, the Investigators set forth our findings relating to the financial suitability of Caesars and its subsidiary companies designated as qualifiers of the Applicant. As part of our analysis, we will address the financial ramifications of Caesars’ proposed spin-off of a newly formed public company, Caesars Growth Partners.

1. Caesars Massachusetts Investment Company LLC

Caesars Massachusetts Investment Company LLC is limited liability company, formed on March 18, 2011, in Delaware. The sole member of the Company is Caesars Massachusetts Acquisition Company LLC. The LLC is a party to the management agreement governing the development and operation of a gaming facility at Suffolk Downs. The assets of the company are immaterial. This entity was created to hold the interest in the Applicant on behalf of Caesars.

2. Caesars Massachusetts Acquisition Company LLC

Caesars Massachusetts Acquisition Company LLC is limited liability company, formed on March 18, 2011, in Delaware. The sole member of the Company is Caesars Entertainment Operating Company Inc. The assets of the company are immaterial. This entity was created in connection with Caesars’ ownership interest in the Applicant.
3. Caesars Entertainment Corporation

a. Financial Background

Caesars has a minority interest in Sterling Suffolk Racecourse LLC (“Suffolk Downs”), which owns a horse-racing track in Boston, and the right to manage a potential future gaming facility. During 2012, the Company acquired a $28.1 million preferred equity interest in Suffolk Downs.

Caesars, formerly known as Harrah’s Entertainment Inc., is a Delaware corporation. In November 2010, it changed its name to Caesars Entertainment Corporation. The Harrah’s name continues to be one of the Company’s primary brands, along with Caesars, Horseshoe, Total Rewards and World Series of Poker.

The business is primarily conducted through a wholly owned subsidiary, Caesars Entertainment Operating Company Inc. (“CEOC”) (formerly known as Harrah’s Operating Company Inc.) although certain material properties are not owned by CEOC. As of December 31, 2012, Caesars owned, operated or managed, through various subsidiaries, 52 casinos in 13 US states and in seven countries. The majority of the casinos are operated in the United States and England, primarily under the Harrah’s, Caesars and Horseshoe brand names in the United States. The casino entertainment facilities include 33 land-based casinos, 11 riverboat or dockside casinos, three managed casinos on Indian lands in the United States, two managed casinos in Ohio, one operated casino in Canada, one greyhound racetrack and casino, one thoroughbred racetrack and casino, and one harness racetrack and casino. The Company’s 33 land-based casinos include one in Uruguay, nine in England, one in Scotland, two in Egypt and one in South Africa. As of December 31, 2012, its facilities have an aggregate of approximately 3 million square feet of gaming space and approximately 43,000 hotel rooms.

The Company was incorporated on November 2, 1989 in Delaware, and prior to such date operated under predecessor companies. Until January 28, 2008, its common stock was traded on the New York Stock Exchange under the symbol “HET.”

On January 28, 2008, Caesars Entertainment was acquired by affiliates of Apollo Global Management LLC (“Apollo”) and TPG Capital LP (“TPG”) in an all-cash transaction, valued at approximately $30.7 billion, including the assumption of $12.4 billion of debt and the incurrence
of approximately $1.0 billion of acquisition costs. As a result of the acquisition, their stock ceased being publically traded. In February 2012, Caesars made a limited public offering of its common stock and the stock resumed trading publicly on NASDAQ under the symbol “CZR.”

**b. Financing Transactions**

**Chester Downs Notes**

In February 2012, Chester Downs issued $330.0 million aggregate principal amount of 9.25 percent senior secured notes due 2020 and used $232.4 million of the proceeds of the notes to repay its existing term loan, and distributed the remaining proceeds to Chester Downs’ managing member, a subsidiary of Caesars.

**Caesars Public Offering**

In February 2012, Caesars offered 1.8 million shares of its common stock in a public offering (the “Public Offering”), at $9.00 per share. As the result of the Public Offering, the common stock trades on NASDAQ under the symbol “CZR.” In connection with the Public Offering, the Company affected a 1.742-for-one split of its common stock.

**Bill’s Credit Facility**

In November 2012, Caesars entered into a $185 million, seven-year senior secured credit facility to fund the renovation of Bill’s Gamblin’ Hall & Saloon into a boutique lifestyle hotel that includes a dayclub/nightclub. Bill’s Gamblin’ Hall & Saloon temporarily closed in early February 2013 to accommodate these renovations. The renovated hotel, casino, and restaurant are expected to open in December 2013 and the dayclub/nightclub is expected to open in April 2014.

**CEO Bond Offerings**

During 2012, CEOC completed offerings of $1,250 million aggregate principal amount of 8.5 percent senior secured notes and $1,500 million aggregate principal amount of 9 percent senior secured notes due 2020, $750 million of which was held in escrow at December 31, 2012, and released in 2013 upon the satisfaction of certain conditions.
**CEOC Credit Facilities**

During 2012, Caesars (i) extended the maturity of $3,812.3 million B-1, B-2 and B-3 term loans held by consenting lenders from January 28, 2015, to January 28, 2018, and increased the interest rate with respect to such extended term loans (the “Term B-6 Loans”), (ii) converted $457.8 million original maturity revolver commitments held by consenting lenders to Term B-6 Loans and promptly following such conversion, repaid $1,574.3 million of term loans held by any consenting lender, (iii) extended the maturity of $37.2 million original maturity revolver commitments held by consenting lenders who elected not to convert their commitments to term loans from January 28, 2014, to January 28, 2017, and increased the interest rate and the undrawn commitment fee with respect to such extended revolver commitments, and upon the effectiveness of such extension, terminated $798.5 million of revolver commitments and increased the amount of outstanding Term B-6 Loans by $2,853.8 million, and (iv) modified certain other provisions of the senior secured credit facilities (the “Credit Facilities”). The Term B-6 Loans have a springing maturity to April 14, 2017, if more than $250.0 million of CEOC’s 11.25 percent senior secured notes due 2017 remain outstanding on April 14, 2017.

**CMBS Loans**

During 2012, Caesars purchased $367.3 million of face value of commercial mortgage-backed securities (“CMBS”) Loans for $229.3 million, recognizing a gain of $135.0 million, net of deferred financing costs.

**Transactions with Rock Gaming**

In 2012, Rock Gaming made an investment in Caesars Interactive Entertainment (“CIE”) whereby it purchased 6,155 shares of CIE common stock for $30.4 million. In addition, during 2012 CIE issued non-interest-bearing convertible promissory notes with principal totaling $47.7 million to Rock Gaming that are convertible into approximately 8,913 shares of CIE common stock.

**CEOC Financing Transactions**

In January and February 2013, CEOC converted $267.8 million aggregate principal amount of original maturity revolver commitments held by consenting lenders to Term B-6 Loans, repaid $133.9 million principal amount of term loans of extending lenders, terminated
$267.8 million principal amount of revolving commitments of extending lenders, and increased the amount of outstanding Term B-6 Loans by $133.9 million.

In February 2013, CEOC completed the offering of $1,500 million aggregate principal amount of 9 percent senior secured notes due 2020, the proceeds of which they plan to repay a portion of CEOC’s existing term loans at par. The proceeds of this offering are held in escrow pending the satisfaction of certain conditions, including receipt of all regulatory approvals.

**Caesars Growth Partners LLC**

On April 23, 2013, Caesars’ Board of Directors approved the material terms of a proposed strategic transaction, pursuant to which Caesars will form a new growth-oriented entity, Caesars Growth Partners LLC (“Growth Partners”), to be owned by the Company and participating Caesars stockholders, including Caesars itself. Participating Caesars stockholders will own their interests in Growth Partners through Caesars Acquisition Company (“CAC”), a new public company created to facilitate the transaction. On July 10, 2013, CAC filed a Registration Statement on Form S-1 with the SEC. The transaction is expected to materialize in the fall 2013, upon approval from casino gaming regulatory authorities. When announcing the restructuring, Caesars’ CEO Gary Loveman proclaimed that “The transaction is an important step in our ongoing efforts to improve the company’s balance sheet and position ourselves to make strategic investments.”

The Investigators note that the Commission is not being asked to approve this transaction at this juncture as part of the suitability determination. The matter is relevant, however, in evaluating Caesars’ financial suitability. A determination as to whether to approve the transaction would be a component of a Phase II licensing determination, if the Applicant proceeds to that hearing.

CAC will hold all of the voting units of Growth Partners. Caesars may not sell or transfer any units of Growth Partners without the consent of CAC prior to the fifth anniversary of the issuance. From and after the fifth anniversary of the issuance, Caesars may transfer units of Growth Partners to a non-competitor of Caesars. In addition, after the fifth anniversary of the issuance, the non-voting units of Growth Partners will be exchangeable into non-voting shares of
CAC with terms equivalent to the non-voting units and with rights to have such shares registered under the Securities Act of 1933.\textsuperscript{19}

Caesars intends to distribute non-transferrable subscription rights at no charge to Caesars stockholders on a pro rata basis. The subscription rights will afford each Caesars stockholder the right to acquire for cash at least the same pro rata ownership interest in CAC as such stockholder holds in Caesars. CAC will use the proceeds from its sale of shares to acquire all of the voting interests in Growth Partners. The Company and its subsidiaries will contribute their shares of Caesars Interactive Entertainment (“CIE”) and approximately $1.1 billion face value of senior notes previously issued by Caesars Entertainment Operating Company Inc. (“CEOC Notes”) that are owned by another subsidiary of the Company, which together have been preliminarily valued at $1.275 billion, to Growth Partners in exchange for non-voting units. This valuation may be increased by up to $225 million if earnings from CIE’s social and mobile games business exceed a specified amount in 2015, in which case the Company or its subsidiaries will receive additional non-voting units of Growth Partners.

As a result of these asset contributions, the Caesars’ economic interest in Growth Partners at the closing of the transaction will be at least 57 percent, and may be as much as 77 percent, depending on the amount of proceeds raised by CAC through its sale of shares, prior to any potential valuation increase and certain other potential adjustments. Additionally, Growth Partners intends to use $360 million of proceeds received from CAC to purchase from a subsidiary of Caesars the Planet Hollywood Resort & Casino in Las Vegas, the Company’s joint venture interests in a casino under development in Baltimore (“Horseshoe Baltimore”) and a financial stake in the management fee stream for both of those properties, equal to 50 percent of the management fee.

A subsidiary of Growth Partners will assume $513.2 million in face-value debt outstanding related to Planet Hollywood. The purchase of Planet Hollywood and the assumption of the current debt outstanding related to Planet Hollywood by Growth Partners are subject to the receipt of approval of lenders of such outstanding debt and any requirements the lenders may impose. In the event Caesars does not receive the required lenders’ approval with respect to the

\textsuperscript{19} The details of the transaction, addressed herein, are set forth in Caesars’ 2013 second-quarter 10Q filing with the SEC.
purchase of Planet Hollywood by Growth Partners and the related assumption of the current debt outstanding related to Planet Hollywood, the Growth Partners transactions may not close. Alternatively, the Growth Partners transactions may be altered to not include Planet Hollywood.

Caesars and Growth Partners will have the opportunity to work together to develop future projects. Caesars will have the option to (1) pursue any potential project itself or (2) decline the project for itself, after which Growth Partners may elect or decline to pursue the project. Caesars will have the first right to make an offer if Growth Partners plans to sell any assets acquired from Caesars.

After the third anniversary of the closing of the transaction, Caesars and/or its subsidiaries will have the right to acquire the voting units of Growth Partners, or at the election of CAC, the shares of CAC, subject to certain conditions, including shareholder and Board approval. Following the fifth anniversary of the closing of the transaction and until the eight years and six months anniversary of the closing of the transaction, the board of directors of CAC will have the right to cause a liquidation of Growth Partners, which means the sale or winding up of Growth Partners, or other monetization of all of its assets and the distribution of the proceeds remaining after satisfaction of all liabilities of Growth Partners to the holders of Growth Partners’ units. Unless otherwise agreed by the holders of the non-voting units, on the eight years and six months anniversary of the closing of the transaction, if CAC has not previously exercised its liquidation right, Growth Partners shall liquidate as described above.

As indicated above, the new company, worth approximately $2.3 billion, will include Caesars Interactive along with Planet Hollywood casino in Las Vegas and the Horseshoe Baltimore casino, a 40-percent-owned construction project which Caesars is building in partnership with Rock Gaming. Caesars’ representatives advised the Investigators that the principal potential of the company is rooted on the belief that the proliferation of Internet gaming would open new, heretofore untapped markets.

It has been indicated that $500 million for the new company will be provided from the current sponsors, Apollo and TPG, which will pay about $250 million each for their portion of the assets, while existing stockholders can contribute up to an additional $700 million. Between
23 percent and 43 percent of the new corporate entity will be available and sold to Caesars’ current owners.

**Analysis**

There is some skepticism within the casino industry as to whether Internet gaming will drive growth within the casino industry without impacting existing operating casino properties as well as how rapidly Internet gaming will take to proliferate and capture market. For example, Peter Carlino, the CEO and Chairman of Penn National Gaming Inc., is on record opining that Internet gaming operations will not be anywhere near the panacea some executives such as Gary Loveman apparently visualize for the industry. Sheldon Adelson, the CEO of Las Vegas Sands, a staunch opponent of the legalization of Internet gaming, recently referred to Internet gaming as “fool’s gold.”

Many financial analysts believe that the Growth Partners transaction could reduce the potential willingness and or ability of Caesars and the sponsors, Apollo and TPG, to provide support to CEOC, if executed as contemplated. Additionally, the transaction may weaken the long-term standalone credit profile of CEOC, thereby increasing CEOC’s reliance on such support to maintain solvency.

Fitch, a securities rating firm, believes that this transaction merits caution and further scrutiny, as it could effectively insulate 23 percent to 43 percent of the value of Growth Partners against a potential default at CEOC. Caesars guarantees CEOC debt and if the guarantee were called on by CEOC creditors, Fitch believes that Caesars would be required to use all of its available assets to perform under the guarantee. With the transaction finalized, Caesars and the sponsors may have less incentive to support CEOC if they view CEOC as insolvent knowing that they will retain at least a 23 percent economic stake in Growth Partner assets. Fitch analyst Michael Paladino said, “They’ve tried to maneuver assets away from the [operating company], so the overall [operating company’s] value is weaker,” adding that this transaction reduces the prospect of recovery for the operating company’s creditors.

Growth Partners’ capital allocation and dividend policies may not represent the best interest of CEOC’s creditors. This could impact Caesars’ capacity to support CEOC via the $1

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billion intercompany credit facility and complicates the ability or willingness to potentially extend or forgive the $1.1 billion of unsecured CEOC notes that will be contributed to Gaming Properties.

CAC will be controlled by sponsors and Caesars’ stockholders, who will own 23 percent to 43 percent of economic interest in Growth Partners and 100 percent of the voting rights (Caesars’ units in Growth partners will be non-voting). Therefore, Caesars’ share of any potential upstream dividends will be diluted by 23 percent to 43 percent. There will be $840 million cash in Growth Partners following consummation of the planned transaction. However, CAC may be more likely to retain the cash for future investment in higher return opportunities such as Baltimore Horseshoe development, on-line gaming expansion or purchasing debt or injecting equity into their properties.

For some time, Caesars has been exploring different options for dealing with its highly leveraged financial status, as it sits perilously close to violating debt covenants. While it is certainly premature at this point to suggest that Caesars may undergo a restructuring or seek bankruptcy protection as a means of coping with this precarious situation, the possibility does exist. In our judgment, the proposed transaction does not ease Caesars’ debt burden, nor materially improve its bottom line. It bears noting that, pursuant to this proposed Growth Partners transaction, the perceived valued assets of Caesars Interactive would be shielded from any bankruptcy filing made by Caesars.

c. Financial Operating Results

With the above financial history as background, the Investigators reviewed the consolidated financial statements of Caesars Entertainment Corp as contained in their 10K filing for 2010, 2011, and 2012. The following summarized Caesars’ operating results for the periods reviewed. (Exhibits 12-14 attached to this report presents a more detailed chart of those results.)

Revenues and Income

Year ended December 31, 2012, compared to year ended December 31, 2011

Net revenues for 2012 increased $13.4 million, or 0.2 percent, from 2011 due mainly to higher revenues from the company’s online businesses and from Caesars’ management companies due in part to the opening of Horseshoe Cleveland in May 2012. These higher
revenues were mostly offset by revenue declines in the Atlantic City Region resulting from hurricane-related property closures as well as continued competitive pressures in that region. All five properties in the Atlantic City Region had closures during the fourth quarter 2012 due to Hurricane Sandy, which made landfall on October 29, 2012. Harrah’s Philadelphia reopened two days later and the Atlantic City properties reopened five days later. However, the region’s economy has been slow to recover due to the devastation caused by the hurricane. The company estimates that the negative impact of Hurricane Sandy on net revenues was approximately $40 million to $45 million.

For 2012, loss from operations was $313.4 million compared with income from operations of $816.3 million in 2011. This change was due largely to non-cash impairment charges that totaled $1,067.7 million, comprised of intangible asset impairment charges of $195.2 million related to goodwill, $209.0 million related to trademarks, and $33.0 million related to gaming rights, as well as tangible asset impairment charges of $450.0 million related to the tangible assets of one of the properties in the Atlantic City Region and $180.5 million related to a previously halted development project in Biloxi, MS. By comparison, non-cash intangible and tangible asset impairment charges were $32.8 million in 2011. Also contributing to the loss from operations in 2012 was an increase in depreciation expense associated with the opening of the Octavius Tower at Caesars Palace Las Vegas in January 2012, and increased corporate expenses and write-downs, reserves, and project opening costs, net of recoveries.

Net loss attributable to Caesars for 2012 increased $809.9 million, or 117.8 percent, from 2011, due mainly to the increase in loss from operations and a net loss from our discontinued operations of $109.5 million, partially offset by increases in gains on early extinguishments of debt and the tax rate benefit.

Year ended December 31, 2011, compared to year ended December 31, 2010

Despite a decline in casino revenues, net revenues for 2011 increased $20.1 million, or 0.2 percent, from 2010, as positive results in Las Vegas and from the company’s international and online businesses, including revenues related to Playtika, which was acquired during the year, were somewhat offset by revenue declines at properties in the Midwest and Atlantic City.
For 2011, income from operations increased $333.2 million, or 69.0 percent, from 2010. This increase was due mainly to a $151.2 million decrease from 2010 of intangible and tangible non-cash impairment charges, the effects of cost-reduction efforts under cost savings programs, including Project Renewal, and a $75.9 million reduction in write-downs, reserves, recoveries, and project opening costs.

Net loss attributable to Caesars for 2011 decreased $143.5 million, or 17.3 percent, compared with 2010, due primarily to higher income from operations and an increase in the benefit for income taxes, partially offset by higher interest expense in 2011, due mainly to certain interest rate swaps no longer qualifying for hedge accounting.

**Interest Expense, Net of Interest Capitalized**

Interest expense, net of interest capitalized, decreased $21.0 million from 2011. During 2011, the company recorded a $183.2 million charge to interest expense as a result of the Company’s determination that the interest rate swap agreements no longer qualified as hedging instruments for accounting purposes. Excluding the impact of this 2011 charge, interest expense increased in 2012 by $162.2 million as a result of higher interest rates and debt balances in 2012 compared with 2011. Interest expense for 2012 included (i) $29.6 million of gains due to changes in fair value for derivatives not designated as hedging instruments and (ii) $28.4 million of expense due to amortization and reclassification of deferred losses on derivative instruments frozen in Accumulated Other Comprehensive Loss (“AOCL”). Interest expense is reported net of interest capitalized of $38.2 million and $22.8 million for 2012 and 2011, respectively. Interest capitalized in 2012 is primarily related to Project Linq.

Interest expense, net of interest capitalized increased by $140.7 million for 2011, compared to the same period in 2010. Interest expense is reported net of interest capitalized of $22.8 million and $1.4 million for 2011 and 2010, respectively. The majority of the interest capitalized in 2011 relates to the completion of the Octavius Tower at Caesars Palace Las Vegas. Prior to the consideration of interest capitalized, interest expense increased by $162.1 million for 2011, compared to 2010. During the fourth quarter 2011, the Company amended certain of its interest rate swap agreements and modified the interest rate election on a portion of our portfolio of underlying term loans. As a result, management determined that all of the company’s interest rate swap agreements no longer qualified as hedging instruments for accounting purposes, and
therefore they reclassified $183.2 million of accumulated other comprehensive losses into interest expense. Prior to consideration of this non-cash charge, interest expense decreased by $21.1 million for 2011 from the same period in 2010. Incremental interest expense associated with debt issued in April 2011 to complete our Linq and Octavius projects was more than offset by reduced interest associated with debt retired in connection with the fourth quarter 2010 exchange of debt for equity. Interest expense was favorably impacted by lower interest rates obtained through the amendments to the company’s interest rate swap agreements completed in the second quarter of 2011. Interest expense for 2011, as a result of interest rate swap agreements and interest rate cap agreements, included (i) $53.4 million of gains due to measured ineffectiveness for derivatives designated as hedging instruments; (ii) $16.9 million of gains due to changes in fair value for derivatives not designated as hedging instruments; and (iii) $265.7 million of expense due to amortization and reclassification of deferred losses frozen in AOCL.

**Gains on Early Extinguishments of Debt**

During 2012, the company purchased $367.3 million of aggregate face value of CMBS Loans for $229.3 million, recognizing total pre-tax gains on early extinguishments of debt of $135.0 million, net of deferred finance charges. During 2011, the company recognized a $47.9 million gain on early extinguishments of debt as the result of March and April 2011 CMBS Loan repurchases. During 2010, the company recognized $115.6 million of gains on early extinguishments of debt as a result of repurchases of CMBS Loans and completion of an offering that retired outstanding senior and senior subordinated notes.

**Loss/(income) from discontinued operations, net of income taxes**

Loss from discontinued operations, net of income taxes for 2012 was $109.5 million compared with income from discontinued operations, net of income taxes of $31.4 million in 2011. This change was due mainly to a $101.0 million non-cash impairment charge recorded in 2012 related to the Company’s land concession in Macau and $63.9 million of income taxes related to the sale of the Harrah’s St. Louis casino.

For 2011, income from discontinued operations, net of income taxes increased $5.3 million from 2010 due mainly to an increase in net income related to the operations of the Harrah’s St. Louis casino.
d. Capital Resources

The majority of the Company’s debt is due in 2015 and beyond. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows and from borrowings under their established debt programs. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, joint venture partners or, if necessary, additional debt offerings.

The following table presents the outstanding debt as of December 31, 2012, and December 31, 2011:
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Credit Facilities (c)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Term Loans B1 - B3</td>
<td>2015</td>
<td>3.21% - 3.31%</td>
<td>$ 1,025.8</td>
<td>$ 1,025.8</td>
<td>$ 5,000.5</td>
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<td>Term Loan B4</td>
<td>2016</td>
<td>9.50%</td>
<td>970.0</td>
<td>954.5</td>
<td>961.2</td>
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<td>Term Loan B5</td>
<td>2018</td>
<td>4.46%</td>
<td>1,222.7</td>
<td>1,218.8</td>
<td>1,218.2</td>
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<td>Term Loan B6</td>
<td>2018</td>
<td>5.46%</td>
<td>2,853.8</td>
<td>2,812.6</td>
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<td>Revolving Credit Facility</td>
<td>2014</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>155.0</td>
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<tr>
<td>Revolving Credit Facility</td>
<td>2017</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Secured Debt</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Senior Secured Notes (c)</td>
<td>2017</td>
<td>11.25%</td>
<td>2,095.0</td>
<td>2,060.2</td>
<td>2,054.6</td>
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<tr>
<td>Senior Secured Notes (c)</td>
<td>2020</td>
<td>8.50%</td>
<td>1,250.0</td>
<td>1,250.0</td>
<td>—</td>
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<tr>
<td>Senior Secured Notes (c)</td>
<td>2020 (a)</td>
<td>9.00%</td>
<td>1,500.0</td>
<td>1,486.9</td>
<td>—</td>
</tr>
<tr>
<td>CMBS Financing</td>
<td>2015 (b)</td>
<td>3.21%</td>
<td>4,664.1</td>
<td>4,660.5</td>
<td>5,026.0</td>
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<td>Second-Priority Senior Secured Notes (c)</td>
<td>2018</td>
<td>12.75%</td>
<td>750.0</td>
<td>742.9</td>
<td>742.1</td>
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<td>Second-Priority Senior Secured Notes (c)</td>
<td>2018</td>
<td>10.00%</td>
<td>4,553.1</td>
<td>2,260.2</td>
<td>2,131.2</td>
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<tr>
<td>Second-Priority Senior Secured Notes (c)</td>
<td>2015</td>
<td>10.00%</td>
<td>214.8</td>
<td>173.7</td>
<td>164.2</td>
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<tr>
<td>Chester Downs Term Loan</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>221.3</td>
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<tr>
<td>Chester Downs Senior Secured Notes</td>
<td>2020</td>
<td>9.25%</td>
<td>330.0</td>
<td>330.0</td>
<td>—</td>
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<tr>
<td>PHW Las Vegas Senior Secured Loan</td>
<td>2015 (b)</td>
<td>3.07%</td>
<td>515.5</td>
<td>438.2</td>
<td>417.9</td>
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<tr>
<td>Linq/Octavius Senior Secured Loan</td>
<td>2017</td>
<td>9.25%</td>
<td>450.0</td>
<td>446.5</td>
<td>445.9</td>
</tr>
<tr>
<td>Bill’s Gamblin’ Hall &amp; Saloon Credit Facility</td>
<td>2019</td>
<td>11.00%</td>
<td>185.0</td>
<td>181.4</td>
<td>—</td>
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<tr>
<td>Subsidiary-Guaranteed Debt (d)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Senior Notes</td>
<td>2016</td>
<td>10.75%</td>
<td>478.6</td>
<td>478.6</td>
<td>478.6</td>
</tr>
<tr>
<td>Senior PIK Toggle Notes</td>
<td>2018</td>
<td>10.75%/11.5%</td>
<td>9.7</td>
<td>9.7</td>
<td>8.6</td>
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<tr>
<td>Unsecured Senior Debt (c)</td>
<td></td>
<td></td>
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<tr>
<td>5.37%</td>
<td>2013</td>
<td>5.375%</td>
<td>125.2</td>
<td>116.6</td>
<td>108.6</td>
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<tr>
<td>7.00%</td>
<td>2013</td>
<td>7.00%</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
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<tr>
<td>5.625%</td>
<td>2015</td>
<td>5.625%</td>
<td>364.5</td>
<td>306.7</td>
<td>287.7</td>
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<tr>
<td>6.50%</td>
<td>2016</td>
<td>6.50%</td>
<td>248.7</td>
<td>200.9</td>
<td>190.6</td>
</tr>
<tr>
<td>5.75%</td>
<td>2017</td>
<td>5.75%</td>
<td>147.9</td>
<td>108.7</td>
<td>107.2</td>
</tr>
<tr>
<td>Floating Rate Contingent Convertible Senior Notes</td>
<td>2024</td>
<td>0.57%</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Other Unsecured Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Special Improvement District Bonds</td>
<td>2037</td>
<td>5.30%</td>
<td>64.3</td>
<td>64.3</td>
<td>65.7</td>
</tr>
<tr>
<td>Other</td>
<td>2014</td>
<td>—</td>
<td>47.7</td>
<td>47.7</td>
<td>0.4</td>
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<tr>
<td>Capitalized Lease Obligations</td>
<td>to 2017</td>
<td>3.57% - 11.0%</td>
<td>35.9</td>
<td>35.9</td>
<td>13.6</td>
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<tr>
<td>Total Debt</td>
<td></td>
<td></td>
<td>24,103.1</td>
<td>21,412.1</td>
<td>19,799.9</td>
</tr>
<tr>
<td>Current Portion of Long-Term Debt (a)</td>
<td></td>
<td></td>
<td>(905.1)</td>
<td>(879.9)</td>
<td>(40.4)</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td></td>
<td></td>
<td>$ 23,198.0</td>
<td>$ 20,532.2</td>
<td>$ 19,759.5</td>
</tr>
</tbody>
</table>

(a) Includes the note offering that occurred in December 2012. Although the notes mature in 2020, $750.0 million face value notes offered in December 2012 are classified as short-term obligations within our December 31, 2012, balance sheet because the escrow conditions were not met as of that date.

(b) Based on our ability and intent, assumes the exercise of extension options to move the maturity from 2013 to 2015, subject to certain conditions.

(c) Guaranteed by Caesars Entertainment.

(d) Guaranteed by Caesars Entertainment and certain wholly owned subsidiaries of CEOC.
As of December 31, 2012, and 2011, book values of debt are presented net of unamortized discounts of $2,691.0 million and $2,858.0 million, respectively.

**Current Portion of Long-Term Debt**

The current portion of long-term debt includes required interim principal payments on certain Term Loans, the special improvement district bonds and capitalized lease obligations. The current portion of long-term debt also includes $750.0 million, $125.2 million and $0.6 million of 9.00 percent senior secured notes, 5.375 percent unsecured senior debt and 7.00 percent unsecured senior debt, respectively. The $750.0 million of 9.00 percent senior secured notes relate to the December 2012 offering, the proceeds of which were placed into escrow. This is classified as current portion of long-term debt in our Consolidated Balance Sheet at December 31, 2012, due to escrow conditions not being satisfied until February 20, 2013.

The current portion of long term debt excludes the PHW Las Vegas senior secured loan and CMBS Financing due in 2013 based upon the company’s ability and intent to exercise of our option to extend the maturities to 2015, subject to certain conditions. As of December 31, 2012, aggregate annual principal maturities for the four years subsequent to 2013, assuming all conditions to extend the maturities of the CMBS Financing and the PHW Las Vegas senior secured loan are met and such maturities are extended, are as follows: 2014, $74.7 million; 2015, $6,839.5 million; 2016, $1,709.7 million; and 2017, $2,735.3 million

**CEO Credit Facilities**

In connection with the Acquisition, CEO entered into the senior secured credit facilities (the “Credit Facilities”). This financing is neither secured nor guaranteed by Caesars Entertainment’s other direct subsidiaries, including the subsidiaries that own properties that are security for the CMBS Financing.

In May 2011, CEO amended its Credit Facilities to, among other things: (i) allow CEO to buy back loans from individual lenders at negotiated prices at any time, which may be less than par, (ii) allow CEO to extend the maturity of term loans or revolving commitments, as applicable, and for CEO to otherwise modify the terms of loans or revolving commitments in connection with such an extension, and (iii) modify certain other provisions of the Credit Facilities. CEO also extended its Credit Facilities by (i) converting $799.4 million of B-1, B-2
and B-3 term loans held by consenting lenders to B-5 term loans with an extended maturity date of January 28, 2018 and a higher interest rate with respect to such extended term loans (the “Extended Term Loans”) and (ii) converting $423.3 million of revolver commitments held by consenting lenders into Extended Term Loans.

During 2012, management (i) extended the maturity of $3,812.3 million B-1, B-2 and B-3 term loans held by consenting lenders from January 28, 2015 to January 28, 2018, and increased the interest rate with respect to such extended term loans (the “Term B-6 Loans”), (ii) converted $457.8 million original maturity revolver commitments held by consenting lenders to Term B-6 Loans and promptly following such conversion, repaid $1,574.3 million of term loans held by any consenting lender, (iii) extended the maturity of $37.2 million original maturity revolver commitments held by consenting lenders who elected not to convert their commitments to term loans from January 28, 2014, to January 28, 2017, and increased the interest rate and the undrawn commitment fee with respect to such extended revolver commitments, and upon the effectiveness of such extension, terminated $798.5 million of revolver commitments and increased the amount of outstanding Term B-6 Loans by $2,853.8 million, and (iv) modified certain other provisions of the Credit Facilities. The Term B-6 Loans have a springing maturity to April 14, 2017 if more than $250.0 million of CEOC’s 11.25 percent senior secured notes due 2017 remain outstanding on April 14, 2017.

In addition to the foregoing, CEOC may elect to extend and/or convert additional term loans and/or revolver commitments from time to time.

As of December 31, 2012, the Company’s Credit Facilities provide for senior secured financing of up to $6,480.6 million, consisting of (i) senior secured term loan facilities in an aggregate principal amount of $6,072.3 million with $1,025.8 million maturing on January 28, 2015, $970.0 million maturing on October 31, 2016 (the “Incremental Loans”), and $4,076.5 million maturing on January 28, 2018, (ii) a senior secured revolving credit facility in an aggregate principal amount of up to $408.3 million, with $377.2 million maturing January 28, 2014, and $31.1 million maturing January 28, 2017, including both a letter of credit sub-facility and a swingline loan sub-facility. The term loans under the Credit Facilities require scheduled quarterly payments of $3.1 million, with the balance due at maturity. As of December 31, 2012, $90.6 million of the revolving credit facility is committed to outstanding letters of credit. After consideration of the letter of credit commitments, $317.7 million of additional borrowing
capacity was available to the Company under its revolving credit facility as of December 31, 2012.

Subsequent to December 31, 2012, CEOC consummated additional extension transactions with consenting lenders under its Credit Facilities and amended its Credit Facilities. Borrowings under the Credit Facilities, other than borrowings under the Incremental Loans, the Extended Term Loans and the Term B-6 Loans, bear interest at a rate equal to the then-current LIBOR rate, or at a rate equal to the alternate base rate, in each case plus an applicable margin. As of December 31, 2012, the Credit Facilities, other than borrowings under the Incremental Loans, the Extended Term Loans and the Term B-6 Loans, bore interest at LIBOR plus 300 basis points for the term loans. The revolver loan bore interest at LIBOR plus 300 basis points or the alternate base rate plus 200 basis points. The swingline loan bore interest at the alternate base rate plus 150 basis points. The extended revolver loan bore interest at LIBOR plus 525 basis points or the alternate base rate plus 425 basis points.

Borrowings under the Incremental Loans bear interest at a rate equal to either the alternate base rate or the greater of (i) the then-current LIBOR rate or (ii) 2.0 percent; in each case plus an applicable margin. At December 31, 2012, borrowings under the Incremental Loans bore interest at the minimum base rate of 2.0 percent, plus 750 basis points.

Borrowings under the Extended Term Loans bear interest at a rate equal to either, the alternate base rate, or the then-current LIBOR rate, plus an applicable margin. At December 31, 2012, borrowings under the Extended Term Loans bore interest at LIBOR plus 425 basis points.

Borrowings under the Term B-6 Loans bear interest at a rate equal to either, the alternate base rate, or the then-current LIBOR rate, plus an applicable margin. At December 31, 2012, borrowings under the Term B-6 Loans bore interest at LIBOR plus 525 basis points.

In addition, on a quarterly basis, the company is required to pay each lender (i) a commitment fee in respect of any unborrowed amounts under the revolving credit facility and (ii) a letter of credit fee in respect of the aggregate face amount of outstanding letters of credit under the revolving credit facility. As of December 31, 2012, the Credit Facilities bore a commitment fee for unborrowed amounts of 50 basis points.
CEOC’s Credit Facilities are guaranteed by Caesars Entertainment and are secured by a pledge of CEOC’s capital stock and by substantially all of the existing and future property and assets of CEOC and its material, wholly owned domestic subsidiaries, including a pledge of the capital stock of CEOC’s material, wholly owned domestic subsidiaries and 65.0 percent of the capital stock of the first-tier foreign subsidiaries, in each case subject to exceptions. At December 31, 2012, the following casino properties have mortgages under the Credit Facilities:

<table>
<thead>
<tr>
<th>Las Vegas</th>
<th>Atlantic City</th>
<th>Louisiana/Mississippi</th>
<th>Iowa/Missouri</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caesars Palace</td>
<td>Bally’s Atlantic City</td>
<td>Harrah’s New Orleans</td>
<td>Harrah’s Council Bluffs</td>
</tr>
<tr>
<td>Bally’s Las Vegas</td>
<td>Caesars Atlantic City</td>
<td>(Hotel only)</td>
<td>Horseshoe Council Bluffs/</td>
</tr>
<tr>
<td>The Quad Resort &amp; Casino</td>
<td>Showboat Atlantic City</td>
<td>Harrah’s Louisiana Downs</td>
<td>Bluffs Run</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Horseshoe Bossier City</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Harrah’s Tunica</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Horseshoe Tunica</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tunica Roadhouse Hotel &amp; Casino</td>
<td></td>
</tr>
</tbody>
</table>

Additionally, certain undeveloped land in Las Vegas is mortgaged.

**CEOC Bond Offerings**

In February 2012, CEOC completed the offering of $1,250.0 million aggregate principal amount of 8.5 percent senior secured notes due 2020. CEOC used $1,095.6 million of the net proceeds from this transaction to repay a portion of the Credit Facilities in connection with the consummation of the transactions as further discussed in the Credit Facilities section above.

In August 2012, CEOC completed the offering of $750.0 million aggregate principal amount of 9 percent senior secured notes due 2020. CEOC used $478.8 million of the net proceeds from this transaction to repay a portion of the Credit Facilities in connection with the consummation of the transactions as further discussed in the Credit Facilities section above.

In December 2012, CEOC completed the offering of $750.0 million aggregate principal amount of 9 percent senior secured notes due 2020, the proceeds of which were placed into escrow and are recorded as short-term restricted cash in our Consolidated Balance Sheet at December 31, 2012.

Subsequent to December 31, 2012, CEOC completed the offering of $1,500.0 million aggregate principal amount of 9 percent senior notes due 2020.
The Senior Secured Notes, including the Second-Priority Senior Secured Notes, and the company’s unsecured debt, which is fixed-rate debt, have semi-annual interest payments, with the majority of those payments on June 15 and December 15.

**CMBS Financing**

In connection with the Acquisition, eight of the company’s properties (the “CMBS properties”) and their related assets were spun out of CEOC to Caesars Entertainment. As of the Acquisition date, the CMBS properties were Harrah’s Las Vegas, Rio, Flamingo Las Vegas, Harrah’s Atlantic City, Showboat Atlantic City, Harrah’s Lake Tahoe, Harvey’s Lake Tahoe and Bill’s Lake Tahoe. The CMBS properties borrowed $6,500.0 million of CMBS financing (the “CMBS Financing”). The CMBS Financing is secured by the assets of the CMBS properties and certain aspects of the financing are guaranteed by Caesars Entertainment. On May 22, 2008, Paris Las Vegas and Harrah’s Laughlin and their related operating assets were spun out of CEOC to Caesars Entertainment and became property secured under the CMBS mortgage loan and/or related mezzanine loans (“CMBS Loans”), and Harrah’s Lake Tahoe, Harvey’s Lake Tahoe, Bill’s Lake Tahoe and Showboat Atlantic City were transferred to CEOC from Caesars Entertainment as contemplated under the debt agreements effective pursuant to the Acquisition.

On August 31, 2010, the company executed an agreement with the lenders to amend the terms of our CMBS Financing to, among other things, (i) provide our subsidiaries that are borrowers under the CMBS Loans the right to extend the maturity of the CMBS Loans, subject to certain conditions, by up to two years until February 13, 2015, (ii) amend certain terms of the CMBS Loans with respect to reserve requirements, collateral rights, property release prices and the payment of management fees, (iii) provide for ongoing mandatory offers to repurchase CMBS Loans using excess cash flow from the CMBS entities at discounted prices, (iv) provide for the amortization of the mortgage loan in certain minimum amounts upon the occurrence of certain conditions and (v) provide for certain limitations with respect to the amount of excess cash flow from the CMBS entities that may be distributed to us. Any CMBS Loan purchased pursuant to the amendments will be canceled.

The conditions to the first extension of the initial maturity date to February 13, 2014, (the “first extended maturity date”) are (i) no default or event of default on the initial maturity date, (ii) notice of the election of the extension, (iii) delivery of an officer’s certificate reaffirming and
restating the representations and warranties in the loan agreements as of the initial maturity date, (iv) if the interest rate cap agreement then in effect is scheduled to mature prior to the first extended maturity date, the borrowers shall have obtained new or extended interest rate cap agreements extending the agreement through the first extended maturity date and (v) the borrowers shall have paid a 50 bps extension fee in respect of such extension.

The conditions to the extension of the first extended maturity date to February 2015 (the “second extended maturity date”) are (i) no default or event of default on the first extended maturity date, (ii) notice of the election of the extension, (iii) delivery of an officer’s certificate reaffirming and restating the representations and warranties in the loan agreements as of the first extended maturity date, (iv) if the interest rate cap agreement then in effect is scheduled to mature prior to the second extended maturity date, the borrowers shall have obtained new or extended interest rate cap agreements extending the agreement through the second extended maturity date, and (v) the borrowers shall have paid a 50-basis-points extension fee in respect of such extension.

As part of the amended CMBS Loan Agreement, in order to extend the maturity of the CMBS Loans under the extension option, the company is required to extend our interest rate cap agreement to cover the two years of extended maturity of the CMBS Loans, with a maximum aggregate purchase price for such extended interest rate cap of $5.0 million, which it funded in connection with the closing of the 2010 amendment to the CMBS Loan Agreement.

During 2010, the company purchased $361.7 million of aggregate face value of CMBS Loans for $155.3 million, recognizing total pre-tax gains of $167.6 million, net of deferred finance charges. During 2011, the company purchased $158.1 million of aggregate face value of CMBS Loans for $108.5 million, recognizing total pre-tax gains of $47.5 million, net of deferred finance charges. During 2012, the company purchased $367.3 million of aggregate face value of CMBS Loans for $229.3 million, recognizing total pre-tax gains of $135.0 million, net of deferred finance charges.

Subsequent to December 31, 2012, the company executed the first extension of the initial maturity date to February 2014.

The company makes monthly interest payments on their CMBS Financing.
**PHW Las Vegas Senior Secured Loan**

In February 2010, CEOC acquired 100 percent of the equity interests of PHW Las Vegas, which owns the Planet Hollywood Resort and Casino located in Las Vegas, Nevada. In connection with this transaction, PHW Las Vegas assumed a $554.3 million, face value, senior secured loan, and a subsidiary of CEOC canceled certain debt issued by PHW Las Vegas’ predecessor entities. The outstanding amount is secured by the assets of PHW Las Vegas and is non-recourse to other subsidiaries of the Company.

In connection with the transaction and the assumption of debt, PHW Las Vegas entered into the Amended and Restated Loan Agreement with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007-TFL2 (“Lender”). On October 26, 2011, the company exercised the option to extend the PHW Las Vegas senior secured loan to 2013. The loan contains an additional extension option which, if exercised, would extend its maturity until April 2015. The conditions to extend the maturity date are (i) no default or event of default on the date that notice of the extension is given and on the first extended maturity date of December 9, 2013, (ii) notice of the election of the extension, (iii) the purchase of an interest rate cap (or provision of an acceptable alternative letter of credit or other support) with a strike price such that our Debt Service Coverage Ratio is at least 1.1 : 1.00 as of the first extended maturity date and (iv) the ratio of (a) the Adjusted Net Cash Flow (defined as gross income from operations less operating expenses less 3 percent of gross income from operations) for the trailing twelve calendar month period to (b) the outstanding principal balance of the loan as of the first extended maturity date is not less than 9 percent.

PHW Las Vegas is an unrestricted subsidiary of CEOC and, therefore, not a borrower under CEOC’s Credit Facilities. A subsidiary of CEOC manages the property for PHW Las Vegas for a fee.

PHW Las Vegas may, at its option, voluntarily prepay the loan in whole or in part upon twenty (20) days prior written notice to Lender. PHW Las Vegas is required to prepay the loan in (i) the amount of any insurance proceeds received by Lender for which Lender is not obligated to make available to PHW Las Vegas for restoration in accordance with the terms of the Amended and Restated Loan Agreement, (ii) the amount of any proceeds received from the operator of the
timeshare property adjacent to the Planet Hollywood Resort and Casino, subject to the limitations set forth in the Amended and Restated Loan Agreement, and (iii) the amount of any excess cash remaining after application of the cash management provisions of the Amended and Restated Loan Agreement.

The PHW Las Vegas senior secured loan requires that the Company maintain certain reserve funds in respect of furniture, fixtures, and equipment, capital improvements, interest service, taxes and insurance. Certain amounts deposited into the specified reserve funds represent restricted cash.

The amount outstanding under the PHW Las Vegas senior secured loan bears interest at a rate per annum equal to LIBOR plus 2.859 percent. A subsidiary of CEOC owns interest-only participations in a portion of the PHW Las Vegas senior secured loan that bear interest at a fixed rate equal to 1.59 percent per year.

In connection with PHW Las Vegas’ Amended and Restated Loan Agreement, Caesars Entertainment entered into a Guaranty Agreement (the “Guaranty”) for the benefit of the Lender, pursuant to which Caesars Entertainment guaranteed to the Lender certain recourse liabilities of PHW Las Vegas. Caesars Entertainment’s maximum aggregate liability for such recourse liabilities is limited to $30.0 million, provided that such recourse liabilities of PHW Las Vegas do not arise from (i) events, acts, or circumstances that are actually committed by, or voluntarily or willfully brought about by, Caesars Entertainment or (ii) event, acts, or circumstances (regardless of the cause of the same) that provide actual benefit (in cash, cash equivalent, or other quantifiable amount) to the Company, to the full extent of the actual benefit received by the Company. Pursuant to the Guaranty, Caesars Entertainment is required to maintain a net worth or liquid assets of at least $100.0 million.

**Octavius and Linq Projects**

On April 25, 2011, the Company, together with certain indirect wholly owned subsidiaries of CEOC (the “Borrowers”) entered into a credit agreement (the “Octavius/Linq Credit Agreement”) pursuant to which the Borrowers incurred financing to complete the Development. The Octavius/Linq Credit Agreement provides for a $450.0 million senior secured term facility (the “Term Facility”) with a six-year maturity, which is secured by all material assets of the Borrowers. The proceeds of the Term Facility were funded during the second
quarter of 2011 and are included as restricted cash on the Company’s balance sheet until drawn to pay for costs incurred in the Development. These funds are being used by the Borrowers to finance the Development and to pay fees and expenses incurred in connection with the Term Facility and the transactions related thereto.

As a condition to the provision of the Term Facility, the Company provided a completion guarantee (the “Completion Guaranty”) with respect to the Development, which guarantees completion of the construction of the Development, availability of contemplated working capital and receipt of material permits and licenses necessary to open and operate the Development. The maximum liability of the Company under the completion guarantee is $25.0 million in respect of Project Octavius and $75.0 million in respect of Project Linq.

In connection with the Development and the Term Facility, the Company contributed the existing Octavius Tower at Caesars Palace Las Vegas and related assets to one of the Borrowers, the book value of which was $312.0 million. In August 2011, the Company completed the contribution of the existing O’Shea’s casino (adjacent to the Flamingo Las Vegas) and related real property and other assets comprising the components of Project Linq to one of the Borrowers, the book value of which was $319.2 million. In connection with Project Octavius, one of the Borrowers leases the Octavius Tower at Caesars Palace Las Vegas to a wholly owned subsidiary of CEOC. Upon completion of Project Linq, one of the Borrowers will lease the gaming space in Project Linq to a wholly owned subsidiary of CEOC. The total lease payments will be $50.0 million annually once the Development is open. As described above, CEOC has guaranteed certain of the obligations of the lessees under the Project Octavius and Project Linq leases.

Pursuant to the Octavius/Linq Credit Agreement, the Company is required to make cash contributions to the Borrowers from time to time to fund a total equity commitment to the Development of $76.0 million. In addition, from time to time, the Company may be required to make additional cash contributions to the Borrowers to fund certain portions of the Development upon the occurrence of certain conditions. In addition to potential contributions pursuant to the Completion Guaranty, the Company has guaranteed all payments of interest under the Term Facility until the commencement of operations of the Octavius Tower at Caesars Palace Las Vegas and Project Linq and guaranteed the performance of the Borrowers of the first lien
leverage ratio maintenance covenant (the “Performance Guarantee”) by agreeing, upon certain conditions, to make cash equity contributions to the Borrowers from time to time pursuant to the terms of the Term Facility. The maximum liability of the Company under the performance guarantee is $50.0 million. Except in the circumstances described above neither the Company nor CEOC has any material obligations under the Term Facility, and the Term Facility is non-recourse to the Company or CEOC.

The Octavius/Linq Credit Agreement requires that the Borrowers maintain certain reserve funds in respect of furniture, fixtures, and equipment, capital improvements, interest service, taxes and insurance. Amounts deposited into the specified reserve funds represent restricted cash. In addition, the Octavius/Linq Credit Agreement requires up to 50.0 percent of excess cash flow (as defined in the agreement), depending on the Senior Secured Leverage Ratio for that period, be applied to prepay the Term Facility.

The Linq/Octavius Term Facility bears interest at a rate equal to either the alternate base rate, plus an applicable margin or the greater of (i) the then-current LIBOR rate or (ii) 1.25 percent, in each case plus an applicable margin. At December 31, 2012, borrowings under the agreement bore interest at the minimum base rate of 1.25 percent, plus 800 basis points.

**Bill’s Credit Facility**

In November 2012, the Company entered into a $185.0 million, seven-year senior secured credit facility bearing interest at LIBOR plus 9.75 percent with a LIBOR floor of 1.25 percent (the “Bill’s Credit Facility”) to fund the renovation of Bill’s Gamblin’ Hall & Saloon into a boutique lifestyle hotel that includes a dayclub/nightclub. The renovation will include a complete remodeling of the guest rooms, casino floor, and common areas, the addition of a second floor restaurant, and the construction of an approximately 65,000 square foot rooftop pool and dayclub/nightclub. The Company will own the property and manage the casino, hotel, and food and beverage operations, and the dayclub/nightclub will be leased to a third party. The proceeds of the Bill’s Credit Facility were funded during the fourth quarter and are included as restricted cash on the Company’s balance sheet until drawn to pay for costs incurred in the renovation.
As part of the credit facility, the Company provided a completion guarantee to ensure prompt and complete performance to (i) complete construction and pay all project costs in accordance with the loan documents, (ii) provide the initial working capital specified in the project budget, and (iii) obtain all material permits and licenses necessary for the commencement of operations. The maximum liability of the Company under the completion guarantee is $20.0 million. We discuss this venture in more detail in the Significant Issues Section of this report, in the context of the license agreement with Gansevoort.

**Other Financing Transactions**

In February 2012, Chester Downs issued $330.0 million aggregate principal amount of 9.25 percent senior secured notes due 2020 through a private placement. Chester Downs used $232.4 million of the proceeds of the notes to repay the term loan due 2016 plus accrued interest and a prepayment penalty. The remaining proceeds were used to make a distribution to Chester Downs’ managing member, Harrah’s Chester Downs Investment Company LLC, a wholly owned subsidiary of CEOC, and for other general corporate purposes.

During the second quarter of 2012, a subsidiary of Caesars Entertainment purchased $5.9 million face value of CEOC debt for $3.2 million recognizing a pre-tax gain of $1.0 million, net of deferred finance charges.

In June 2012, a subsidiary of Caesars Entertainment issued a non-interest-bearing convertible promissory note in the amount of $28.5 million. In November 2012, a subsidiary of Caesars Entertainment issued an additional non-interest-bearing convertible promissory note in the amount of $19.2 million.

**e. Key Ratios**

**EBITDA as a Percentage of Sales**

EBITDA can be used to analyze the profitability between companies and industries. Because it eliminates the impact of financing and accounting decisions, using EBITDA provides a good “apples-to-apples” comparison. For example, EBITDA as a percent of sales can be used to find companies that are the most efficient operators (the higher the ratio, the higher the profitability) in the industry.
Caesars’ percentage of EBITDA to sales compares at the low end to other large industry operators. The Company’s EBITDA for the three years under review is as follows

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA  (in $ thousands)</th>
<th>Net Sales  (in $ thousands)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,937.7</td>
<td>8,586.70</td>
<td>22.57%</td>
</tr>
<tr>
<td>2011</td>
<td>1,864.0</td>
<td>8,573.30</td>
<td>21.74%</td>
</tr>
<tr>
<td>2010</td>
<td>1,786.5</td>
<td>8,553.20</td>
<td>20.89%</td>
</tr>
</tbody>
</table>

*Company Capital Structure-Expected Leverage*

<table>
<thead>
<tr>
<th>($ in thousands)</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA*</td>
<td>$1,937.7</td>
<td>$1,864.0</td>
<td>$1,786.5</td>
</tr>
<tr>
<td>Total Debt</td>
<td>21,412.1</td>
<td>19,799.9</td>
<td>18,841.1</td>
</tr>
<tr>
<td>Ratio</td>
<td>11.1%</td>
<td>10.6%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

The higher the ratio, the more cash or capital would be available to cover the interest and debt payments.

*Capital Structure-Strong Interest Coverage*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>2012</th>
<th></th>
<th>2011</th>
<th></th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1,937.7</td>
<td></td>
<td>1,864.0</td>
<td></td>
<td>1,786.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,101.3</td>
<td></td>
<td>2,122.3</td>
<td></td>
<td>1,981.6</td>
</tr>
<tr>
<td>EBITDA*/Interest Expense</td>
<td>0.9X</td>
<td>0.9X</td>
<td>0.9X</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The rise in the multiple above 1.0X indicates stronger ability to cover interest payments. In this case, interest expense is consuming more than 100 percent of the Company’s EBITDA.

*f. Company Forecasts and Projections*

The Executive Summary and basic assumptions were provided by Caesars. (See Exhibit 15.)
g. Subsequent Events

Caesars reported first-quarter 2013 results in its 10Q filed in April 2013. Net revenues were reported in the amount of $2,143 million and EBITDA of $470 million. The company’s top line declined in each of the casino operating segments in the first quarter. Overall net revenue declined 3 percent in the quarter, year over year. Adjusted property EBITDA declined 12 percent (in part because of $23 million of Harrah’s St. Louis EBITDA included in the first quarter, 2012). The St. Louis property was sold to Penn National Gaming in the fourth quarter of 2012.

h. Conclusion

The Company is highly leveraged and has significant debt. Refinancing transactions that extended the maturity date on a material portion of the Company’s debt from 2015 to 2018 have improved the near-term ability of the Company to fund capital spending and other development needs. However, the interest payments on that debt continue to consume more than 100 percent of the Company’s current cash flow. While the Company is currently meeting its debt-covenant requirements, there continues to be the risk that, should the economy fail to recover sufficiently or if another downturn occurs, it could cause a severe burden on Caesars to meet its debt service and covenant requirements.

Caesars has stated that if cash flows and capital resources are insufficient to service its indebtedness, the Company may reduce or delay capital expenditures, sell assets, seek additional capital, or restructure, or refinance their indebtedness. The Company has made progress in extending its debt by extending the maturity due dates from 2015 to 2018 on several of its larger obligations. It has either raised or is attempting to raise additional capital through the sale of properties in the Midwest and the golf course in Asia (see Significant Issues section of the report) in order to fund capital expenditures and development of properties in Maryland and Massachusetts.

The Company has stated plans to improve the Company’s capital structure and provide support for new projects by the creation of a new entity, Caesars Growth Partners LLC, which
will sell interests in Caesars Interactive Entertainment Inc., Planet Hollywood Resort & Casino in Las Vegas, and Caesars joint venture interests in the casino under development in Baltimore, MD.

Caesars’ current growth model appears to have departed from developing and managing its own casinos and resorts in favor of engaging in joint ventures with one or more partners to develop casinos in new jurisdictions. The Company is apparently relying on the sale of its management expertise as it has embarked on a various recent engagements in management agreements with new joint ventures in Ohio, Maryland, and Massachusetts.

Despite the extremely large debt burden, there is no indication of any immediate financial distress or imminent crisis disclosed in any company documents reviewed. The Company’s auditors have not expressed any opinion regarding its ability to continue as a going concern.

Based upon the foregoing facts and the Company’s positive financial projections, we believe that Caesars currently demonstrates the requisite financial stability for licensure by the Commonwealth of Massachusetts.
I. Natural Person Qualifiers

1. Jeffrey Tod Housenbold

The investigation of Jeffrey Housenbold, a director and a member of the audit committee of Caesars Entertainment Corporation, did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records and documents provided by Housenbold has verified the following information:

Name: Jeffrey Tod Housenbold

b. Employment History

Housenbold disclosed that he is employed at Shutterfly Inc. and that he holds the position of President and Chief Executive Officer. He disclosed that he has been employed at this company since January 2005. Research of online employment records and other public information sources has confirmed this information. Shutterfly Inc. is described as an Internet-based social expression and personal publishing service. The company provides a full range of products and services to enable consumers to manage their digital photographs.

Prior to his employment with Shutterfly, Housenbold was employed by eBay Inc. from March 2001 until December 2004. His last position with eBay was as Vice President of Business Development and Internet Marketing. Previously, he was employed as Vice President and
c. Criminal Record

Housenbold disclosed that he attended the Harvard Graduate School of Business, where he received a Master of Business Administration degree in June 1996. Consultation with the Office of the Registrar has confirmed that Housenbold received an MBA degree on June 6, 1996. Housenbold also disclosed that he attended Carnegie Mellon University where he received a Bachelor of Science degree in Economics and Business Administration in May 1991. Research has confirmed that Housenbold received a Bachelor of Science degree in Industrial Management and Economics on May 19, 1991.

d. Education

Housenbold disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

e. Professional and Gaming Licenses

Housenbold did not disclose any non-gaming professional licenses in his PHDF and no information was located to the contrary during the course of this investigation.

Housenbold disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports and assorted company records revealed
several business affiliations for Housenbold. These records reflect Housenbold’s association with Shutterfly Inc. and Shutterfly Lightbox Inc. In addition, Housenbold disclosed that he is on the Board of Directors for the following organizations:

- Clover
- Digital Chocolate
- Children’s Discovery Museum of San Jose

Clover Network Inc. is described as a company that provides a proprietary payment network for sending and receiving money using mobile devices. Digital Chocolate is a video game development company. The Children’s Discovery Museum of San Jose is a children’s museum which builds and displays interactive exhibits for children.

Housenbold is on the Board of Directors for Caesars Entertainment Corporation, a position he has held since November 29, 2011. Housenbold disclosed that he does not hold a 5 percent or greater interest in any business entity.

g. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States did reveal the following records naming Housenbold:

**San Mateo County California Superior Court**
- Case Name: State of Oregon vs. Jeffrey Housenbold
- Case Number: CIV481054
- Case Type: Civil
- Date Filed: February 9, 2009
- Plaintiff: People of the State of Oregon
- Defendant: Housenbold, Jeffrey T.
- Status: Dismissed (February 13, 2009)

Housenbold disclosed in his PHDF that he may have been involved in civil litigation as a matter of normal course of business-related to his time as an officer with various business entities. He did not list any specific cases, including the above-listed case. Housenbold advised that the above civil suit involved the spouse of a former employee of Shutterfly Inc. who was employed at the company prior to Housenbold’s employment there. The spouse filed suit in an attempt to access her husband’s stock options as a result of divorce proceedings. Housenbold advised that no stock options existed, and as Shutterfly did not wish to become involved in divorce matters, they immediately filed for dismissal of this suit. The case was dismissed four days after the filing date.
Research has also revealed three related federal civil litigation cases naming Housenbold as a Plaintiff. These cases involve Canadian company Livent (Live Entertainment Corporation of Canada Inc.), co-founded by Garth Drabinsky and Myron Gottlieb in 1989. This company experienced financial difficulties and in 1998, Drabinsky and Gottlieb were forced out of the company. Later that year, the company filed for bankruptcy protection. The SEC subsequently filed a civil suit against nine former officers of the company, including Drabinsky and Gottlieb, for accounting fraud.

A criminal investigation of the company’s finances was also launched which led to the 1999 criminal fraud indictment of Drabinsky and Gottlieb in US Federal Court in New York for misappropriating $4.6 million in company funds and for misrepresenting the company’s financial status (“cooking the books”) in order to hide enormous losses from investors.

Both were also indicted in Canada for criminal fraud offenses, and on March 25, 2009, they were both convicted in Ontario Superior Court of fraud and forgery. They filed an appeal, and in September 2011, their convictions were upheld. Drabinsky was sentenced to five years in prison and Gottlieb to four years. Both subjects have served their sentences and were paroled in 2012.

Research revealed that the three civil cases in question are related class action suits filed by investors, including Housenbold, against Livent, Drabinsky, Gottlieb, and others. Case summaries are as follows:

**US District Court, Southern District of New York**
Case Name: Rosen, et al v. Livent Inc., et al
Case Number: 1:98-cv-05686-VM
Date Filed: August 11, 1998
Plaintiff: Phyllis Rosen, Jeff Housenbold, et al
Defendant: Livent, Drabinsky, Gottlieb, et al
Nature of Suit: 850 Securities/Commodities
Status: Closed (October 29, 2002)

**US District Court, Southern District of New York**
Case Number: 1:98-cv-06247-VM
Date Filed: September 4, 1998
Plaintiff: Martin Grossman, Jeff Housenbold, et al
Defendant: Livent, Drabinsky and Gottlieb
Nature of Suit: 160 Stockholder Suits
Housenbold disclosed in his PHDF that he may have been involved in civil litigation as a matter of normal course of business-related to his time as an officer with various business entities. He did not list any specific cases, including the above-listed cases. Housenbold advised that he was unaware that he had been named in these suits. He stated that these suits appear to be class-action suits filed in the Livent matter, but that he never initiated any filing, never signed any documents, never participated in these suits, and never received any compensation from any settlements. He further advised that he owned only 100 shares of Livent when it declared bankruptcy, and did not feel the need to participate in any civil litigation regarding this matter.

**h. Bankruptcy**

**i. Property Ownership**
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
Assets

Cash in Banks

Securities

Real Estate Interests
Pension/Retirement Funds

Liabilities
Loans and Other Payables

Credit
Conclusion as to Financial Suitability

As a result of our request for additional information, we discovered variances in cash and securities balances listed on the schedules in Housenbold’s PHDF to the actual source documents. We also found the existence of a margin loan account which was not disclosed on Schedule “J” – Loans and other Payables. We have not uncovered any information, however, that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Housenbold has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Housenbold. All of the references indicated that Housenbold is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Housenbold from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Housenbold. He is mentioned several times on the Internet, however no adverse information was found regarding this individual.
o. Conclusion

Based on the investigation there were no known facts that would disqualify Housenbold based on any of the criteria listed in the gaming laws or regulations in Massachusetts.

2. Gary William Loveman

Gary W. Loveman is the Chairman, President and CEO of Caesars Entertainment Corporation.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the qualifier and independent investigation has verified the following information regarding Loveman:

<table>
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<th>Name: Gary William Loveman</th>
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b. Employment History

Research has confirmed that the qualifier is the President, Chief Executive Officer and Chairman of Caesars Entertainment Corporation Inc. Loveman disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and review of the applicant’s financial records.

- Caesars Entertainment Corporation (January 2003 to present)
- Harrah’s Entertainment Inc. (May 1998 to December 2002)
- Harvard Business School (July 1989 to April 1998)
c. Criminal Record


d. Education

Loveman disclosed that he attended Wesleyan University and the Massachusetts Institute of Technology. Consultation with these educational institutions confirmed that Loveman graduated with a Bachelor of Arts Degree in Economics from Wesleyan University in 1982. Research conducted with MIT confirmed that Loveman graduated in 1989 with a PhD in Economics.

e. Professional and Gaming Licenses

Loveman did not disclose any non-gaming professional licenses in his PHDF, and research did not locate any such licenses for Loveman.

Loveman disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Loveman, the majority of which are associated with employment or other offices or positions with which he is currently or previously associated, including Caesars Entertainment Corporation. Loveman disclosed in his PHDF numerous currently held offices, trusteeships, directorships and fiduciary positions.
Loveman disclosed in his PHFD that he does not personally hold a 5 percent or greater ownership interest in any entity.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed records naming Loveman in the past 15 years which are related to his association with Caesars Entertainment Corporation and/or its affiliates and subsidiaries. A review of these cases reveals them to be business-related suits pertaining to Loveman’s position with Caesars and/or its affiliates and not of a personal nature, which is in accordance with Loveman’s disclosure in his PHDF.

Loveman disclosed that he was served a subpoena by the Illinois Attorney General. He provided testimony on September 20, 2002, as to what he knew in regard to matters relating to actual, proposed, suggested or recommended joint action or joint decision of course of conduct in the operation of any casino business in Illinois in possible violation of the Illinois Antitrust Act, 740ILCS 10/3, in connection with an investigation that was being conducted by the Illinois Attorney General.

A subpoena was issued to Loveman by the Illinois Attorney General for his deposition in a matter that the agency was investigating. Loveman agreed to voluntarily provide his testimony. Loveman advised that in early 2002, the Attorney General’s Office had issued subpoena duces tecum for the production of documents to two Harrah’s subsidiaries involved in gaming operations in Illinois. It is believed that similar subpoenas were issued to all casino companies operating in that State.

Loveman explained that the Illinois Legislature had passed a law to increase the gaming tax revenue. A few gaming executives decided to meet to try to decide if anything could be done to address the gaming tax increase. Loveman was not originally going to be part of that meeting, but his former boss asked him to attend the meeting since he could not attend. Someone became aware of the meeting and then the Illinois Attorney General’s Office decided to subpoena the individuals to find out what was discussed at the executive’s meeting. Loveman stated that he explained what the meeting was about and said that he did not hear from the Attorney General’s Office again about the incident after he responded to the subpoena.
h. Bankruptcy

i. Property Ownership

j. Financial Suitability Evaluation

Income Analysis
### Net Worth Analysis

#### Assets

**Cash in Banks**

**Loans Receivable**
Securities

Real Estate Interests
Pension/Retirement Funds

Other Assets
Liabilities

Notes Payables

Loans and Other Payables
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Loveman has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References
The above-listed references were contacted and queried regarding the character and integrity of Loveman. All of the references indicated that Loveman is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Loveman from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Loveman. He is mentioned several times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

As CEO of the company, Loveman should address the Commission regarding the issues of concern pertaining to Caesars identified in this report.
3. Cheryl Ann Kondra

The investigation of Cheryl Kondra, Vice President and Chief Audit Executive of Caesars Entertainment Corporation Inc., did not reveal any derogatory information which would impact on her suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the qualifier and independent investigation has verified the following information regarding Kondra:

Name: Cheryl A. Kondra

b. Employment History

Research has confirmed that Kondra is the Vice President and Chief Audit Executive of Caesars Entertainment Corporation Inc. She has been in this position since October, 2008. Kondra disclosed in her PHDF that she has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and review of her financial records.

- Caesars Entertainment Corporation (October 2008 to present)
- Harrah’s Operating Company (April 2006 to September 2008)
- Harrah’s Operating Company (May 2005 to March 2006)
- Harrah’s Entertainment (April 2003 to April 2005)
- Harrah’s Entertainment (April 2000 to March 2003)
- Harrah’s Entertainment (September 1997 to March 2003)
c. Criminal Record

Kondra disclosed that she attended the University of Nevada, Reno. Consultation with this educational institution confirmed that Kondra graduated with a Bachelor of Science Degree in Accounting from the University of Nevada, Reno in 1995.

d. Education

Kondra disclosed in her PHDF that she has one professional license. She reported that she is currently a Certified Internal Auditor and has held a license since May 2002. Inquiries with the Institute of Internal Auditors confirmed that Kondra was issued certification No. 37005 in May 2002. The certification is current and valid.

Kondra disclosed that she has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed business affiliations for Kondra, the majority of which are associated with employment or other offices or positions with which she is currently or previously associated, including Caesars Entertainment Corporation. Kondra disclosed in her PHDF that she is currently a member of the Gaming Audit Group Advisory Board of the Institute of Internal Auditors.
Kondra disclosed in her PHDF that she does not personally hold a minimum of 5 percent ownership interest in any entity.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States did not locate any records personally naming Kondra. She did disclose one civil suit in her PHDF,

Kondra disclosed that, through her employment with Caesars Entertainment Corporation, she may have been named in civil suits as a normal course of business.

**h. Bankruptcy**

**i. Property Ownership**

**j. Financial Suitability Evaluation**
Income Analysis

Net Worth Analysis

Assets

Cash in Banks

Securities
Real Estate Interests
### Pension/Retirement Funds

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### Liabilities

#### Notes Payable

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Credit

Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Kondra has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Kondra. All of the references indicated that Kondra is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Kondra from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Kondra. She is mentioned several times on the Internet, however no adverse information was found regarding this individual.
4. Diane Elizabeth Wilfong

The investigation of Diane Wilfong, Senior Vice President, Controller and Chief Accounting Officer for Caesars Entertainment Corporation, did not reveal any derogatory information which would impact on her suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the qualifier and independent investigation has verified the following information regarding Wilfong:

Name: Diane E. Wilfong

b. Employment History

Research has confirmed that Wilfong is currently the Senior Vice President, Controller and Chief Accounting Officer for Caesars Entertainment Corporation.

Wilfong disclosed in her PHDF that she has been employed at the following companies during the timeframes noted. This information was confirmed.

- Caesars Entertainment Corporation (July 2009 to present)
- Eastman Kodak Company (July 1999 to June 2009)
- Corning Incorporated (January 1990 to June 1999)
c. Criminal Record

Wilfong disclosed in her PHDF that she attended the University of North Carolina at Chapel Hill. Consultation with this educational institution confirmed that Wilfong graduated with a Bachelor of Science Degree in Business Administration in May 1983.

d. Education

Wilfong disclosed in her PHDF that she currently holds a certified public accountant license in New York. Consultation with the New York State Office of the Professions has verified that Wilfong was licensed as a Certified Public Accountant on January 3, 2001, and was issued license No. 084657. Wilfong’s license will expire in September 2015. No disciplinary actions are associated with this license.

Wilfong also disclosed that she previously held a certified public accountant license in North Carolina but her license is currently inactive. Consultation with the North Carolina State Board of Certified Public Accountant Examiners has verified that Wilfong was licensed as a certified public accountant on November 8, 1985, and was issued certificate No. 15542. Wilfong’s license is currently inactive and expired on June 30, 2001. No disciplinary actions are associated with this license.

Wilfong disclosed that she has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.
**f. Directorships and Stockholdings**

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Wilfong, the majority of which are associated with employment or other offices or positions with which she is currently or previously associated, including Caesars Entertainment Corporation. Wilfong disclosed in her PHDF that she holds officer and/or director positions with various Caesars subsidiaries.

Wilfong disclosed in her PHDF that she does not own a minimum of 5 percent interest in any entity.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States did not reveal any records personally naming Wilfong. She did not disclose any personal civil litigation in her PHDF.

**h. Bankruptcy**

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**i. Property Ownership**

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**j. Financial Suitability Evaluation**

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### Income Analysis

#### Net Worth Analysis

### Assets

#### Cash in Banks

#### Securities
Real Estate Interests

Pension/Retirement Funds

Liabilities

Notes Payable

Loans and Other Payables

Mortgages
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Wilfong has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Wilfong. All of the references indicated that Wilfong is of the highest character and integrity, with no negative or derogatory issues noted.

No derogatory information was developed which would preclude Wilfong from being licensed by the Massachusetts Gaming Commission.
n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Wilfong. She is mentioned several times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation, there were no known facts that would disqualify Wilfong based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
5. Timothy Richard Donovan

Timothy Donovan is the Senior Vice President, General Counsel and Chief Compliance Officer of Caesars Entertainment Corporation.

a. Qualifier's Name and Verified Information

Research of available online public records, review of documents produced by the qualifier and independent investigation has verified the following information regarding Donovan:

Name: Timothy T. Donovan

b. Employment History

Research has confirmed that Donovan is the Senior Vice President, General Counsel and Chief Compliance Officer of Caesars Entertainment Corporation. Donovan is responsible for all regulatory and legal affairs of Caesars including Corporate Governance, Compliance and Investigation functions.

Donovan disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records.

- Caesars Entertainment Corporation (April 2009 to present)
- Republic Services Inc. (Dec. 2008 to March 2009)
- Tenneco Inc. (July 1999 to March 2007)
Donovan disclosed in his PHDF that from October 1999 to the present, he has been associated with John B. Sanfilippo & Son Inc., a publicly traded company identified as a consumer processed and packaged Goods Corporation. Donovan was hired to handle the company’s Initial Public Offering and currently holds the positions of Board Member, Audit Committee Member, Member of the Corporate Governance Committee and Chairman of the Compensation Committee. Donovan’s mother-in-law and her family own the business.

Donovan disclosed in his PHDF that his employment with Republic Services Inc., terminated after the company’s merger with Allied Waste Industries Inc.

c. Criminal Record


d. Education

Donovan disclosed that he attended Capital University, Ohio State University and Capital University Law School. Consultation with these educational institutions confirmed that Donovan attended Capital University from September 1973 to June 1975, but did not graduate. He disclosed that he attended Ohio State University after transferring from Capital University in June 1975. Consultation with Ohio State University confirmed that Donovan attended and graduated from The Ohio State University with a Bachelor of Science degree in Business Administration/Marketing in August, 1978. Research conducted with Capital University confirmed that Donovan attended this institution and received his Juris Doctor degree in May 1981.
e. Professional and Gaming Licenses

Donovan disclosed three non-gaming professional licenses in his PHDF. From September 1982 to the present, he disclosed that he has been licensed to practice law in Illinois. Inquiries with the Attorney Registration & Disciplinary Commission of the Supreme Court of Illinois confirmed that Donovan is active and authorized to practice law in Illinois. Donovan has no disciplinary record in Illinois.

Donovan disclosed that he currently holds an inactive license in good standing to practice law in Ohio. Inquiries with the Supreme Court of Ohio, Office of Attorney Services, confirmed that Donovan was licensed to practice law in Ohio in November 1981. Donovan’s attorney registration was suspended on December 2, 2005, because he failed to comply with continuing legal education and attorney registration requirements. Donovan’s attorney registration was reinstated on April 6, 2009. He currently holds an inactive license in good standing.

Donovan also disclosed that he currently holds a Nevada license to practice law. Inquiries with the State Bar of Nevada confirmed that he is currently licensed as a non-member attorney certified GIC. Donovan has no disciplinary record in Nevada.

Donovan disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Donovan, the majority of which are associated with his employment or other offices or positions with which he is previously or currently associated. His current positions are identified below:

- John B. Sanfilippo & Sons; Member of the Board of Directors, Member of Audit and Corporate Governance Committee, Chairman of the Compensation Committee, October 1999 to present
- American Bar Association; Member, 1982 to present
Donovan disclosed in his PHDF that he does not hold a minimum of 5 percent ownership interest in any business entity.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States did not reveal any records personally naming Donovan.

Donovan disclosed in his PHDF that from 1999 to 2007, he was employed by Tenneco Inc., a large publicly traded company engaged in the design, manufacture, and distribution of automotive products and systems for the automotive original equipment market and aftermarket. In 2001, he became the Managing Director of the international group of subsidiaries which he held until 2004, and was also an officer and director of a number of subsidiaries, including President of the Argentine subsidiary. The Argentine entity exported products to various countries including North America, Europe, Asia, and other countries in South America.

On March 28, 2008, an action was filed by Banco Central de Republica Argentina (Argentine Central Bank) against the Argentine entity and one of its employees as well as Donovan, in his capacity as President of the Argentine entity. The Central Bank alleged certain violations during 2002 of Argentina’s foreign exchange regime in connection with the Argentine entity’s obligation to enter and settle certain foreign currency amounts related to goods exported by entity. Under Argentinean law, the Central Bank has authority to initiate such proceedings under the Criminal Exchange Law.

Donovan reported that a motion to dismiss the matter was filed and, on May 19, 2010, the Argentinean Superintendent of Financial and Exchange Institution issued an order concluding that he was not involved in the alleged violation and was dismissed from this matter. Donovan provided a copy of the above mentioned May 19, 2010, letter which confirms this information.

**h. Bankruptcy**

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**i. Property Ownership**

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j. Financial Suitability Evaluation

Income Analysis
Net Worth Analysis

Assets

Cash in Banks

Securities
Real Estate Interests
Cash Value – Life Insurance

Pension/Retirement Funds
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<td>Loans and Other Payables</td>
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<td>Mortgages</td>
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Credit

Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Donovan has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Donovan. All of the references indicated that Donovan is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Donovan from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Donovan. He is mentioned several times on the Internet, however no adverse information was found regarding this individual.
o. Conclusion

As Senior Vice President, General Counsel and particularly as Chief Compliance Officer of Caesars Entertainment Corporation, Doonovan should address the Commission regarding the issues of concern pertaining to Caesars identified in this report.

6. Joshua Jordan Harris

The investigation of Joshua Harris, a Partner with Apollo Management Entities, did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Harris:

Name: Joshua Jordan Harris

b. Employment History

Research has confirmed that Harris is presently a Partner with Apollo Management Entities, an investment management firm whose partner responsibilities include investment opportunity sourcing, review and analysis, as well as management responsibilities.

- Apollo Management Entities (November 1990 to present)

This information was confirmed through research of online records and a review of income tax returns.

c. Criminal Record
d. Education

Harris disclosed that he attended the University of Pennsylvania from 1982 to 1986, at which time he graduated with a Bachelor’s degree in Economics. Consultation with the registrar’s office of the University of Pennsylvania confirmed that Harris graduated summa cum laude with a Bachelor’s degree in Economics in May 1986. Harris also disclosed that he attended Harvard Business School from September 1988 to June 1990, at which time he graduated with a Master of Business Administration degree. Consultation with the registrar’s office of Harvard Business School has confirmed that Harris was awarded a Master of Business Administration degree on June 7, 1990.

e. Professional and Gaming Licenses

Harris did not disclose any non-gaming professional licenses in his PHDF and no information was located to the contrary during the course of this investigation.

Harris disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Harris. However, these records do not reflect all of Harris’s business associations.

Harris, as a founding partner of Apollo Management Entities, has provided a listing of nearly 200 business affiliations of which he is either vice president or director. The majority of these entities appear to be subsidiaries of Apollo Global Management LLC. In addition, a
complete listing of all trusteeships was provided. Also provided through Apollo Global legal counsel was a listing of entities in which Harris holds a minimum 5 percent ownership interest. It should be noted that it was disclosed that the ownership information for Harris is presented on the basis of direct ownership, and that the ownership amounts do not necessarily reflect the ownership of interests in all entities held by trusts created by Harris or for Harris’ family members. The ownership amounts reflect the amount in Harris’ name on the books and records of the entities in which he has direct ownership.

- BRH Holdings LP
- Apollo SOMA Co-Investors LLC
- Apollo Asia Co-Investors LLC
- Apollo Advisors IV LP
- Apollo Co-Investors V (EH) LLC
- Apollo Advisors V (EH Cayman) LP
- The Joshua and Marjorie Harris Family Foundation
- Apollo Advisors V LP
- Apollo Co-Investors V LLC
- Apollo Advisors VI (EH) LP
- Apollo Advisors VI LP
- Apollo Co-Investors VI (A) LLC
- Apollo DIF Co-Investors LLC
- Apollo Value Advisors LP
- AIC Co-Investors LLC
- Apollo Investment Management LP
- AAA Associate LP
- AAA Guernsey Limited
- AAA MIP Limited
- AP-AR Holdco LLC
- Apollo Asia Opportunity Fund
- Apollo/JH Loan Portfolio LP
- MJH Partners LP
• HRS Management LLC
• Wash LLC
• Philadelphia 76ers

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed numerous records pertaining to Harris. A review reveals that these cases name Harris as a result of his positions with Apollo entities, and are not personal in nature. Additionally, Harris spends extended periods of time in London, and as such, searches of publicly available legal resources, court records (disposed/closed cases) and legal publications in the United Kingdom were conducted. The following court/venues were checked in the United Kingdom:

• Court of Appeal
• Administrative High Court
• High Court
• Supreme Court (formerly House of Lords)
• Privy Council Judgments
• Scottish Courts
• Northern Ireland Courts

This search did not locate any filings that are similar to US judgments, tax liens, insolvency/bankruptcy petitions, or defaults on payments or loans involving Harris.

It should be noted that Harris disclosed numerous state and federal court cases in which he was personally named in his roles as a director and/or officer of various business entities. A review of these cases revealed that none of these matters was of a personal nature and all were as they related to Harris serving as an officer of entities within the Apollo portfolio.

It should be noted that one record of a state tax lien filing naming Harris as a debtor was located:

**New Jersey State Superior Court – Lien Filing Record**
Filing Date: January 17, 2008
Filing Type: State Tax Lien Release
Filing Number: DJ27705807
Debtor: Harris
Amount: $1,142
Creditor: State of New Jersey
Investigation revealed that this tax lien concerned the applicant’s non-resident tax returns from 2005, and confirmed that this lien was released in 2008.

Additionally, it was disclosed that an Apollo portfolio company, Caesars Entertainment Corporation, received a federal grand jury subpoena seeking documents respecting an election law issue involving the 2010 general election in Nevada.

Harris disclosed that as a result of his position with Apollo and its related entities, there may be literally thousands of lawsuits in the ordinary course of business involving these portfolio companies in which one or more of the applicants, including himself, serve or served as a director and which do not reflect adversely upon their personal character. When the investment fund divests itself of its interest in such portfolio companies, the applicant typically resigns his position on the board of directors.

**h. Bankruptcy**

**i. Property Ownership**
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
**Assets**

**Cash in Banks**

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**Securities**

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Real Estate Interests
Liabilities

Loans and Other Payables

Contingent Liabilities

Credit
Conclusion as to Financial Suitability

We amended Harris’ individual net worth to eliminate duplication in reporting his retirement account on two schedules, a mistake in transferring a brokerage account balance from the source document to his securities schedule and to correct an oversight in listing his ownership in partnership which was closed in March 2012. We have not uncovered any information, however, that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Harris has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None

m. References

The above-listed references were contacted and queried regarding the character and integrity of Harris. All of the references indicated that Harris is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Harris from being licensed by the Massachusetts Gaming Commission.
n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Harris. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Harris based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
7. Leon David Black

The investigation of Leon Black, Chairman of the Board, Chief Executive Officer, Director, as well as Founding Partner of Apollo Global Management LLC, did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Black:

Name: Leon David Black

b. Employment History

Research has confirmed that Black is the Chairman of the Board, Chief Executive Officer, Director, as well as Founding Partner of Apollo Global Management LLC, an investment management firm. Black disclosed in his PHDF that he founded Apollo Global Management in June 1990. This was confirmed through research of online records.

c. Criminal Record
d. Education

Black disclosed that he attended Harvard Business School from September 1973 to June 1975, at which time he graduated with a Master of Business Administration degree. Consultation with the Registrar’s Office of the Harvard Business School has confirmed that Black graduated with a Master of Business Administration degree on June 12, 1975. Black also disclosed that he attended Dartmouth College from 1969 to June 1973, at which time he graduated with a Bachelor of Arts degree in Philosophy and History. Consultation with the Registrar’s Office of Dartmouth College confirmed this information.

e. Professional and Gaming Licenses

Black disclosed in his PHDF that he was issued a Series 7 license by the National Association of Securities Dealers in December 1977. He also disclosed that this license became inactive at an unknown date because he did not maintain his certification. Consultation with FINRA did not locate any records pertaining to Black as FINRA does not maintain online records for licenses which have not been active in the past 10 years.

Black disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Black. However, these records do not reflect all of Black’s business associations.

Black, as Chairman of the Board, Chief Executive Officer and Director of Apollo Management Entities, has provided a complete listing of nearly 200 business affiliations, of which he is either a director, member, manager, president, general partner or chairman of the board. In addition, a complete listing of all trusteeships was provided.
Also provided was a listing of entities in which Black holds a minimum 5 percent ownership interest.

It should be noted that it was disclosed that the ownership information for Black is presented on the basis of direct ownership. The ownership amounts do not necessarily reflect the ownership of interests in all entities held by trusts created by Black or for Black’s family members. The ownership amounts reflect the amount in Black’s name on the books and records of the entities in which he has direct ownership.

- Valcour Associates
- Valcour II Associates
- Rayburn Associates
- Cardiff Associates
- M-Clift Partners LP
- Associated Investors
- North Sea LP
- Power Investors
- Remainderman Investors LLC
- Residual Investment Corp. II
- Residual Investment Corp.
- Residual Investment Corp. III
- Residual Investment Corp. IV
- BPH Holdings LP
- Apollo Co. Investors III LLC
- Apollo Co. Investors IV LLC
- Apollo Co. Investors V LLC
- Apollo Co. Investors VI LLC
- Apollo Dif. Co. Investors LLC
- Apollo Soma Co. Investors LLC
- Apollo Credit Opportunity Fund I
- Pillowman NY LLC
- Blue Sunshine LLC
- Gift Horse Partners LLC
- M-Related LLC
- North Sea Investment
- PAM Centre LP
- Pent Holdings Corp.
Black’s financial interests will be addressed in greater detail in the Financial Suitability Evaluation section of this report.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed numerous records pertaining to Black. A review reveals that these cases name Black as a result of his positions with Apollo entities, and are not personal in nature.

Black disclosed numerous state and federal court cases in which he was personally named in his roles as a director and/or officer of Apollo related entities. A review of these matters revealed that none was of a personal nature and were all corporate related due to the position of Black serving on the board of directors of companies within the Apollo investment portfolio.

Black did disclose one personal litigation case which research also confirmed, as follows:

**New York County Clerk Civil Index, New York**

- **Filing Date:** July 23, 2010
- **Case Number:** 109784/2010
- **Case Type:** Contracts
- **Plaintiffs:** CN Renovation Co. Inc., CNR Group
- **Defendants:** Black, Debra Black
- **Status:** Closed

This complaint involves a construction/renovation project at the residence of Leon and Debra Black. The plaintiff, CN Renovation Co., brought action against the Blacks for failure to pay $84,668.80 for work contracted.

Black advised that the matter was a dispute between the Blacks and CN Renovation, and involved interior construction and design work on their home at 760 Park Avenue, New York, NY. It was also learned that this suit had been voluntarily dismissed by the plaintiff without the Blacks making any payment to the contractor.

Research revealed a state tax lien naming Leon D. Black and Debra Black which falls within the 15-year disclosure period, as follows:

**California State Tax Lien, Sacramento County**

- **Date Filed:** June 12, 2007
- **Filing Number:** 200706121233
- **Debtor:** Leon D. Black and Debra Black
- **Amount:** $7,751
This lien is noted as being released and is no longer active.

Additionally, it was disclosed that an Apollo portfolio company, Caesars Entertainment Corporation, received a federal grand jury subpoena seeking documents respecting an election law issue involving the 2010 general election in Nevada.

Black disclosed that as a result of his position with Apollo and its related entities, there may be literally thousands of lawsuits in the ordinary course of business involving these portfolio companies in which one or more of the applicants, including himself, serve or served as a director and which do not reflect adversely upon their personal character. When the investment fund divests itself of its interest in such portfolio companies, the applicant typically resigns his position on the board of directors.

**h. Bankruptcy**

i. Property Ownership
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
### Assets

#### Cash in Banks

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#### Securities

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Real Estate Interests
Cash Value – Life Insurance

Other Assets
Liabilities

Notes Payable

Loans and Other Payables

Contingent Liabilities
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Black has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Black. All of the references indicated that Black is of the highest character and integrity, with no negative or derogatory issues noted.
No derogatory information was developed which would preclude Black from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Black. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Black based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
8. Mary Helena Thomas

The investigation of Mary Thomas, Executive Vice President of Human Resources for Caesars Entertainment Corporation, did not reveal any derogatory information which would impact on her suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents provided by the applicant and independent investigation has verified the following information regarding Thomas:

Name: Mary Helena Thomas

b. Employment History

Research has confirmed that Thomas is Executive Vice President of Human Resources for Caesars Entertainment Corporation. Thomas disclosed in her PHDF that she has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of her financial records.

- Harrah’s Operating Company Inc. (January 2006 to December 2008)
- Allied Domecq Spirits & Wine (April 1995 to December 2005)
- Ansells Ltd. (June 1988 to April 1995)

Following the acquisition of Caesars Entertainment by Harrah’s Entertainment, Thomas continued her employment with Caesars in her current position.

During her employment with Allied Domecq Spirits & Wine North America, the company was sold and her position of Senior Vice President Human Resources North America was eliminated.
c. Criminal Record

Thomas disclosed that she attended the University of Central England, United Kingdom. Consultation with the registrar’s office of the University of Central England (now known as Birmingham City University) verified that Thomas attended the University from 1984 to 1988. She was awarded a Bachelor of Arts degree with Honors in Sociology, Second Class: Division II, on July 5, 1988.

d. Education

Thomas did not disclose any non-gaming professional licenses in her PHDF and no information was located to the contrary during the course of this investigation.

Thomas disclosed that she has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

e. Professional and Gaming Licenses

Thomas disclosed that she has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Thomas as they pertain to her position with Caesars Entertainment. The business affiliations Thomas disclosed in her PHDF are all related to past and present employment positions with Allied Domecq, Harrah’s Entertainment Corporation and Caesars Entertainment Corporation.
Thomas disclosed that she does not hold a 5 percent or greater interest in any business entity.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States did not reveal any records personally naming Thomas. Thomas disclosed that due to her position as an officer of Caesars she may have been named as a party to various civil proceedings and may have been questioned, subpoenaed and/or testified in such proceedings. She further disclosed that although she has never personally filed for bankruptcy, subsidiaries of Caesars Entertainment Corporation have been involved in bankruptcy proceedings.

Searches of publicly available legal resources, court records and legal publications in the United Kingdom did not locate any filings that are similar to United States judgments, tax liens, insolvency/bankruptcy petitions or defaults on payments or loans involving Thomas.

The following court/venues were checked in the United Kingdom:

- Court of Appeal
- Administrative High Court
- High Court
- Supreme Court (formerly House of Lords)
- Privy Council Judgments
- Scottish Courts
- Northern Ireland Courts

**h. Bankruptcy**

**i. Property Ownership**

Entity Gaming-License Investigation: Sterling Suffolk Racecourse LLC 362
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
### Assets

#### Cash in Banks

#### Securities

#### Real Estate Interests
Pension/Retirement Funds

Liabilities

Mortgages
**Conclusion as to Financial Suitability**

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

**k. Political Contributions**

The investigation has also confirmed that Thomas has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

**l. Significant Investigative Issues**

None.

**m. References**

The above-listed references were contacted and queried regarding the character and integrity of Thomas. All of the references indicated that Thomas is of the highest character and integrity, with no negative or derogatory issues noted.
No derogatory information was developed which would preclude Thomas from being licensed by the Massachusetts Gaming Commission.

**n. Media Coverage**

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Thomas. She is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

**o. Conclusion**

Based on the investigation there were no known facts that would disqualify Thomas based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
9. **James George Coulter**

The investigation of James Coulter, Partner with TPG Capital LP, did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

**a. Qualifier’s Name and Verified Information**

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Coulter:

Name: James George Coulter

**b. Employment History**

Research has confirmed that Coulter is one of the three Founding Partners of TPG Capital LP. Coulter disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of the applicant’s financial records.

- TPG Capital LP (Sept. 1992 to present)

**c. Criminal Record**


**d. Education**

Coulter disclosed that he attended Dartmouth College and Stanford University. Consultation with these educational institutions confirmed that Coulter graduated from Dartmouth College in 1982, receiving a Bachelor of Arts degree with a major in Engineering Sciences, and also confirmed that Coulter graduated from Stanford University in 1986, with a Master of Business Administration degree.

**e. Professional and Gaming Licenses**

Coulter disclosed in his PHDF that he does not hold any non-gaming professional licenses. However, research revealed that he is registered as an Investment Advisor Representative with TSL Advisers LLC, CRD# 5085548. He was previously registered with TPG Opportunities Advisers LLC and TPG Capital Management LP. Coulter disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

**f. Directorships and Stockholdings**

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Coulter. However, these records do not reflect all of Coulter’s business associations. Coulter has provided a complete listing of his business affiliations in his PHDF. Coulter has explained that these entities are formed as needed in order to facilitate business transactions. Given the nature of his business dealings, Coulter is routinely appointed as an Officer/Director of these companies in order to give him legal authorization to endorse official documents and instruments pertaining to these business dealings. In many cases, he himself is unaware that he
is/was associated with the entities, and in fact would not even be aware of the existence of the majority of the entities by name.

Coulter did provide an extensive listing of entities in his PHDF in which he holds a minimum of 5 percent ownership interest. These entities, too numerous to list in this report, are entities associated with TPG and/or its affiliates and subsidiaries. Coulter’s financial interests will be addressed in greater detail in the Financial Suitability Evaluation section of this report.

**g. Civil Litigation Records**

Research of available online civil records, judgments, and UCC Filings in the United States revealed five lawsuits personally naming Coulter filed in San Francisco Superior Court. The litigation was related to the renovation project of his home in San Francisco during the period 1999 through March 2003. Four of the suits involved personal injuries to construction workers and one suit involved property damage to a neighbor’s property. All lawsuits were either dismissed or settled. Coulter disclosed these suits in his PHDF.

Coulter also disclosed corporate litigation where he is named in his capacity as an officer or director of a company involved in filings and/or litigation in the ordinary course of doing business. Coulter did have a State Tax Lien filed against him in 1998, in San Mateo County Court, CA, for $119. The issue was resolved.

Coulter disclosed that he may have received subpoenas, or been involved in the giving of depositions or testimony as a result of his business dealings and investments, but that none would be personal in nature. Coulter also disclosed numerous lawsuits, arbitrations and/or bankruptcies involving general partnerships, business ventures, sole proprietorships and/or closely held corporations with which he is associated.

**h. Bankruptcy**

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**i. Property Ownership**

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j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
Assets

Cash in Banks
Loans Receivable
Securities

Real Estate Interests
Other Assets

Liabilities

Loans and Other Payables
Mortgages

Credit
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Coulter has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Coulter. All of the references indicated that Coulter is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Coulter from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Coulter. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Coulter based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
10. Christopher Judson Williams

The investigation of Christopher Williams, Director with Caesars Entertainment Corporation, did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records has verified the following information regarding Williams:

Name: Christopher Judson Williams

b. Employment History

Research has confirmed that Williams is the President and a partner of The Williams Capital Group LP, and subsidiaries/affiliated companies. He is also a Director with Caesars Entertainment Corporation. Williams disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of the applicant’s financial records.

- The Williams Capital Group LP (January 1994 to present)
- Shearson Lehman American Express (August 1984 to April 1992)
- Architects Environmental Collaborative International (July 1980 to August 1982)

c. Criminal Record
d. Education

Williams disclosed that he attended the Amos Tuck School of Business Administration (an Associated School of Dartmouth College) from 1982 to 1984, at which time he graduated with a Master of Business Administration degree. Consultation with the Registrar’s Office of Dartmouth College confirmed that Williams graduated with a Master of Business Administration degree in June 1984. Williams also disclosed that he attended Howard University from 1975 to 1980. Williams stated that he received a Bachelor’s Degree in Architecture in 1979, and he received a Professional Degree in Architecture in 1980. Consultation with the Registrar’s Office of Howard University provided that Williams graduated with a Bachelor’s Degree in Architecture in May 1980. Williams’ Professional Degree could not be confirmed.

e. Professional and Gaming Licenses

Williams disclosed in his PHDF that he currently holds four active securities licenses, issued by the National Association of Securities Dealers, now known as FINRA. Research with FINRA reveals that Williams was issued a series 24 license in 1992 and a series 27 license in 1993. He was also issued series 7 and series 63 licenses in 1985. Consultation with FINRA revealed that Williams is currently registered with a FINRA member firm, the Williams Capital Group LP; under CRD NO. 1335377. Williams was previously employed by two FINRA member firms, Jeffries & Company Inc. and Lehman Brothers Inc. There are no regulatory actions, arbitration awards or CFTC Reparations cases filed against Williams.

Williams disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.
f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Williams as a result of his current or previous employment or business associations. He disclosed his current association with the following entities:

- Caesars Entertainment Corporation-Director and Audit Committee April 2008 to present
- Wal-Mart Stores Inc.-Director June 2004 to present
- Teacher’s College of Columbia University-Director October 2006 to present
- Lincoln Center for the Performing Arts-Director October 2004 to present
- The National Board of Securities Industry Association-Director 2003 to present
- The Alvin Ailey American Dance Theater Foundation-Director 2001 to present
- The National Association of Securities Professionals-Director 2000 to present
- The National Dance Institute-Director 2000 to present
- The Century Association – 2003 to present
- Young Presidents Organization – 2002 to present
- The Economics Club – 1998 to present
- WNYC Foundation – 1996 to present


g. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed records naming Williams. These suits involve The Williams Capital Group and pertain to actions and securities issues as a result of the normal course of business. Williams is named as a result of his position with the company. He did disclose several suits of this nature in his PHDF.

Research also revealed one suit of a personal nature as follows:
Williams acknowledged he has been named in other corporate lawsuits resulting from his position on the corporate Boards of Wal-Mart and Caesars. However, his recollection is that he never directly participated in the litigation process, having the matters processed by corporate counsel.

**h. Bankruptcy**

**i. Property Ownership**

**j. Financial Suitability Evaluation**
**Income Analysis**

**Net Worth Analysis**

**Assets**

**Cash in Banks**
Securities

Real Estate Interests
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<td>Loans and Other Payables</td>
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**Conclusion as to Financial Suitability**

As a result of our request for additional information, we discovered variances in cash, securities and retirement balances listed on the schedules in Williams’ PHDF to the actual source documents. We also found the existence of a margin loan account which was not disclosed on Schedule “J” – Loans and other Payables. In addition, we revised his ownership in his partnership interests to reflect a more current assessment. We have not uncovered any information, however, that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

**k. Political Contributions**

The investigation has also confirmed that Williams has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

**l. Significant Investigative Issues**

None.

**m. References**

The above-listed references were contacted and queried regarding the character and integrity of Williams. All of the references indicated that Williams is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Williams from being licensed by the Massachusetts Gaming Commission.

**n. Media Coverage**

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Williams. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.
o. Conclusion

Based on the investigation there were no known facts that would disqualify Williams based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
11. Lynn Curtis Swann

The investigation of Lynn Swann, Director for Caesars Entertainment Corporation, did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Swann.

Name: Lynn Curtis Swann

b. Employment History

Research has confirmed that Swann is a self-employed consultant and the owner and President of Swann Inc. He is also a Director for Caesars Entertainment Corporation.

Swann disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records, public media and a review of the applicant’s financial records.

- Diamond Edge Capital Partners LLC (November 2007 to August 2011)
- ABC Sports (June 1976 to January 2006)
- Pittsburgh Steelers (Professional Football) (May 1974 to January 1983)

Swann has advised that he became associated with Diamond Edge Capital Partners (and its principal, Marvin Rosen) through his friend, professional basketball player Julius Irving. Rosen is associated with Kenneth Starr, a “disgraced celebrity accountant” who was sentenced in March 2011 to 90 months in prison and three years of supervised release thereafter for defrauding investors and putting millions of dollars into shell companies. Swann advised that due to communication issues at Diamond Edge and the resulting “smoke” surrounding Rosen and his
association with Starr, that he (Swann) voluntarily left Diamond Edge. No information was found to tie Swann to Starr and Starr’s fraud scheme.

c. Criminal Record

Swann disclosed that he attended the University of Southern California, where he graduated in 1974 with a Bachelor of Arts degree in Journalism. Consultation with this educational institution confirmed that Swann graduated with a Bachelor of Arts degree in Public Relations in June 1974.

d. Education

Swann disclosed one non-gaming professional license in his PHDF, a Series 7 license, which he indicates was issued in 2007 and is currently active. Research with FINRA revealed that Swann was issued a Series 7 license in October 2007 which is active. Research also revealed that Swann was issued a Series 63 license in June 2009 which is also active. One disclosure event is listed for Swann, the Battery criminal charge which is discussed in the Criminal Record section of this report. The FINRA report indicates that Swann was acquitted in July 1974.

Swann disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed
several business affiliations for Swann. He currently serves as a member of the Board of Directors of the following companies, which he disclosed in his PHDF:

- Caesars Entertainment Corporation
- Swann Inc.
- H.J. Heinz Company
- Hershey Entertainment & Resorts Company
- Big Brothers/Big Sisters of America

Swann was also found to be associated with the following entities:

- 88 Hut Inc.
- LS Group Inc.
- Swann Team 88

Swann has advised that these are registered names for potential business entities which he continues to maintain the rights to use. Swann disclosed that he owns [redacted] of Swann Inc., his only business ownership interest.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed the following records naming Swann:

**US District Court, District of Delaware (Wilmington)**

Case Title: Murchinson et al v. Harrah’s Entertainment Inc. et al (including Swann)
Case No. : 1:09-cv-00020-SLR
Date Filed: January 9, 2009
Date Closed: June 18, 2009
Nature of Suit: Securities/Commodities
Status: Closed

Swann disclosed the above suit in his PHDF, which is corporate related and not personal in nature, as are the following suits and the corporate litigation disclosed by Swann in his PHDF.

**US District Court, Northern District of Texas (Dallas)**

Case Title: Alaska U.F.C.W. Pension Trust v. Kleisner et al (including Swann)
Case No. : 3:05-cv-01323-B
Date Filed: June 30, 2005
Date Closed: March 21, 2006
Nature of Suit: Stockholders Suits
Status: Closed

**US District Court, Western District of Pennsylvania (Pittsburgh)**

Case Title: Swann Inc., et al v. Hot Corner Sports, et al
Swann has advised that his company, Swann Inc., was the plaintiff in a contractual dispute with Hot Corner Sports Inc., resulting from non- or insufficient-payment for autographed sports paraphernalia Swann provided. He does not recall the settlement details.

Swann disclosed that he may have been named in civil litigation as a result of his positions with various business entities.

Research revealed three related corporate civil suits naming Swann filed in 2013 as follows:

**United States District Court, Western District of Pennsylvania**
Case Name: Hannon’s Incorporated v. Berkshire Hathaway Inc. et al
Plaintiff: Hannon’s Incorporated
Defendant: 3G Capital Management, Lynn C. Swann et al
Docket Number: 2:13cv251
Filing Date: February 15, 2013
Nature: Stockholders’ Suits
Type: Class Action
Status: Pending

**United States District Court, Western District of Pennsylvania**
Case Name: Clem v. Berkshire Hathaway Inc. et al
Plaintiff: James Clem
Defendant: 3G Capital Management, Lynn C. Swann et al
Docket Number: 2:13cv252
Filing Date: February 15, 2013
Nature: Stockholders’ Suits
Type: Civil
Status: Pending

**United States District Court, Western District of Pennsylvania**
Case Name: Abdukarimov v. Johnson et al
Plaintiff: Fazliddin Abdukarimov
Defendant: 3G Capital Management, Lynn C. Swann et al
Docket Number: 2:13cv392
Filing Date: March 18, 2013
Nature: Securities
Type: Class Action
Status: Pending
Swann has advised that these suits were filed by shareholders in response to the potential acquisition of the H. J. Heinz company, of which he is a Director. All of these suits were dismissed in favor of the Heinz company. The Heinz company was officially acquired in June 2013 by an investment consortium consisting of Berkshire Hathaway and 3G Capital.

**h. Bankruptcy**

**i. Property Ownership**

**j. Financial Suitability Evaluation**

*Income Analysis*
Net Worth Analysis

Assets
Cash in Banks

Loans

Securities
Real Estate Interests

Cash Value – Life Insurance

Pension/Retirement Funds

Liabilities

Notes Payable
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<td>Mortgages</td>
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<td>Loans Against Insurance/Pension Plans</td>
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<td>Credit</td>
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Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Swann has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Swann. All of the references indicated that Swann is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Swann from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Swann. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Swann based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
12. Janis L. Jones

The investigation of Janis Jones, Executive Vice President of Communications and Government Relations for Caesars Entertainment Corporation, did not reveal any derogatory information which would impact on her suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Jones:

Name: Janis Laverty Jones

b. Employment History

Research has confirmed that Jones is Executive Vice President of Communications and Government Relations for Caesars Entertainment Corporation as of November 2011. She previously served as Senior Vice President of Communications and Government Relations from October 1999 to November 2011. Prior to joining Caesars, Jones served as Mayor of Las Vegas from 1991-99.

c. Criminal Record


d. Education

Jones disclosed that she attended Stanford University in Palo Alto California from 1967 to 1972, where she received a Bachelor of Arts degree in English. Consultation with the Registrar’s Office confirmed this information.


e. Professional and Gaming Licenses

Jones did not disclose any non-gaming professional licenses in her PHDF, and none were found as a result of this investigation.

Jones disclosed that she has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and various assorted company records revealed numerous business affiliations for Jones. Many of these entities are affiliates or subsidiaries of Caesars, or are associated with her through her previous position as Mayor of Las Vegas.

Jones disclosed her current association with the following entities:

- National Center for Responsible Gaming, Board of Directors, March 2005 - present
- US Chamber of Commerce, Board of Directors, November 2004 – present
- Nevada Advocate for Planned Parenthood, Board of Directors, January 2008 – present
- Nevada Public Radio (KNPR), Board of Directors, May 2008 – present
- Mexican American Legal Defense & Educational Fund, Board of Directors, June 2008- Present
- SAGE Commission, Commissioner, June 2008 – present
- The Caesars Foundation, Trustee, June 2002 – present
- Golden Rainbow, Board Member, 2002 – present
- Women’s Campaign Fund, Board Member, 2001 – present
• Foundation for Independent Tomorrow, Board of Directors, September 2001 – present
• Las Vegas Springs Preserve, Board of Directors, March 2001 – present
• Opportunity Village Foundation, Board Member, 2000 – present
• Women’s Leadership Board, JFK School of Government, Harvard, Board of Directors, 2000 – present
• Public Affairs Counsel, Board of Directors, 2000 – present
• Clark County Public Education Foundation, Board of Directors, 1999 – present
• National Conference for Community and Justice, Board of Directors, 1999 – present
• Las Vegas Philharmonic, Board of Directors, 1999 – present

Jones disclosed that she does not currently own 5 percent or greater interest in any business entity. Her financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed numerous records naming Jones. In addition, Jones disclosed numerous civil suits, many beyond the 15-year disclosure term, filed as a result of her positions as either a Las Vegas City Council member or as the Mayor. These are not personal in nature. Several other records were located as follows:

**District Court of Clark County, NV**
Filing Date: December 17, 2004  
Docket Number: 04A010251  
Plaintiff: Jan L. Jones  
Defendant: Mickal S. Mireles  
Nature of Suit: Small Claims  
Status: Closed

Jones has advised that she does not recall specifics of the above litigation but recalls that it was a small claims action for $1,812.75. The matter was settled out of court on February 25, 2005.

**County Court – Orange County, CA**
Filing Date: May 28, 1999  
Docket Number: 810010  
Plaintiff: Janis Laverty Jones  
Defendants: Richard C. Paxman; Beneficial Services Inc.; Victoria Lynne Strombom  
Nature of Suit: Breach of Contract/ Warranty
Jones has advised that she does not recall specifics of the above litigation but believes this case relates to a dispute over land development for a property she once owned in Pasadena, CA. The case was settled by a Request for Dismissal with Prejudice filed by Jones. Victoria Strombom is a licensed real estate agent working in the Newport Beach area of California and Richard C. Paxman is the former President of his own company called “Richard C. Paxman Inc.” The company was dissolved on an unknown date. The property Jones owned in Pasadena was sold in 2008.

Research also revealed US District Court and US District Court of Appeals records naming Jones. The causes of this litigation include torts/ negligence, civil rights, prisoners’ rights, prison conditions and personal injury. These cases appear to be related to her political positions in Las Vegas. All of the cases are closed.

Jones disclosed that due to her position as an Officer of Caesars Entertainment Corporation and Caesars Entertainment Operating Company Inc. (and its subsidiaries), she may have been named as a party to various civil proceedings and may have been questioned, subpoenaed and/or testified in such proceedings. Jones also indicates that although she has never personally filed for bankruptcy, subsidiaries of the Caesars Entertainment Corporation have been involved in bankruptcy proceedings. She disclosed several Caesars corporate civil suit records.

Research revealed that Jones was the subject of several ethics inquiries by the Nevada Commission on Ethics while Mayor of Las Vegas. She was exonerated in all cases; see summaries below:

Opinion Number 98-08
Allegations: Jones arranged and endorsed the hiring of Ann Holland, [redacted] as Deputy City Manager. Jones was accused of cronyism and ethical misconduct.
Ruling: Jones was cleared of the allegations.

Opinion Number 97-51
Filing Date: July 2, 1997
Allegations: Jones voted in favor of developing the Fremont Street Experience and Stratosphere projects while holding stock in the Mirage Corporation and Grand Casinos, corporations that would be affected by her votes.
Ruling: The Commission found that Jones did not own stock in the affected corporations until years after her participation and votes; she did not violate any provision of the Ethics in Government Law.

Opinion Number 97-41
Filing Date: September 26, 1997
Allegations: A third-party request for opinion was filed with the Nevada Commission on Ethics by Clyde Dinkins concerning the conduct of Wendell Williams, Jones, Matthew Callister and Cathy Hanson. The request alleges that Wendell Williams’ job was threatened by Callister and Hanson. Williams was threatened to make certain votes in order to remain employed by the City of Las Vegas as a senior management analyst.
Ruling: Although Jones was named in the original opinion request, no allegations were made nor testimony received against Jones. Therefore, she was dismissed from the matter.

h. Bankruptcy

i. Property Ownership
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
Assets

Cash in Banks

Securities

Real Estate Interests
Pension/Retirement Funds

Other Assets

Liabilities

Notes Payable

Loans and Other Payables
Conclusion as to Financial Suitability

As a result of our interview with Jones, we amended the estimated market values of her real estate interests disclosed on Schedule “C.” We have not uncovered any information, however, that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Jones has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References
The above-listed references were contacted and queried regarding the character and integrity of Jones. All of the references indicated that Jones is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Jones from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did reveal derogatory items relative to Jones. Several media articles from October through November 1997 reported that Jones had been criticized for not disclosing complete information regarding her investment in the Blue Pacific clothing shop operating in the Stratosphere casino, which she had jurisdiction over as a Las Vegas City Council member. She also owned stock in several gaming companies operating in Las Vegas. Jones and her attorney insisted that individual stockholdings are not required to be listed on the disclosure form. The Nevada State Ethics Commission chose not to pursue a complaint regarding Jones’ investment in the store.

In addition, Internet research revealed the ethics inquiries by the Nevada Commission on Ethics as detailed in the Civil Litigation Records section of this report.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Jones based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
13. David Benjamin Sambur

The investigation of David Sambur, Director of Caesars Entertainment Corp., did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Sambur:

Name: David Benjamin Sambur

b. Employment History

Sambur disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and review of the applicant’s financial records.

- Apollo Management LP July 2004 to present
- Salomon Smith Barney July 2002 to June 2004

c. Criminal Record
d. Education

Sambur disclosed that he attended Emory University. Consultation with Emory University confirmed that Sambur attended the University from August 1998 to May 2002. He graduated on May 13, 2002, with a Bachelor of Arts degree in Economics.

e. Professional and Gaming Licenses

Sambur disclosed in his PHDF a General Securities Representative license (Series 7) and a Uniform Securities Agent license (Series 63) from FINRA. Consultation with the FINRA confirmed that David Benjamin Sambur, CRD No. 4570374, passed the Series 7 exam on September 17, 2002, and the Series 63 exam on October 28, 2002. No customer disputes, disciplinary and/or regulatory events are disclosed on Sambur’s record.

Sambur disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Sambur.

Research has confirmed that Sambur is a Director or Manager of the following companies:

- Caesars Entertainment Corp. (Director), November 2010 to present
- Momentive Specialty Chemicals Holdings LLC and its subsidiaries or affiliates (Director), October 2010 to present
- Verso Paper Holding LLC and its subsidiaries and affiliates (Director), January 2008 to present

Sambur’s employer, Apollo Management LP, is in the business of buying companies, or forming various special purpose companies, for its various investment strategies. Sambur is
frequently named a director or manager of these companies. Sambur disclosed that he has no ownership interest greater than 5 percent in any public company.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed several UCC Filings naming Sambur. These are in accordance with filings made by financial institutions for Sambur during the normal course of business. No personal civil litigation records were located, and Sambur did not disclose any such records in his PHDF.

Sambur disclosed numerous corporate civil litigation cases naming Apollo Management LP and/or its many affiliates and subsidiaries. These cases do not personally name Sambur, and are corporate cases which are classified as “normal course of business” suits.

**h. Bankruptcy**

**i. Property Ownership**

**j. Financial Suitability Evaluation**

*Income Analysis*
Net Worth Analysis

Assets
Cash in Banks
Securities
Real Estate Interests

Pension/Retirement Funds

Other Assets
**Liabilities**

**Notes Payable**

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**Mortgages**

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**Contingent Liabilities**

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**Conclusion as to Financial Suitability**

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

**k. Political Contributions**

The investigation has also confirmed that Sambur has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

**l. Significant Investigative Issues**

None.

**m. References**

The above-listed references were contacted and queried regarding the character and integrity of Sambur. All of the references indicated that Sambur is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Sambur from being licensed by the Massachusetts Gaming Commission.

**n. Media Coverage**

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Sambur. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

**o. Conclusion**

Based on the investigation there were no known facts that would disqualify Sambur based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
14. Marc Jeffrey Rowan

The investigation of Marc Rowan, Managing Director of Apollo Management International LLP, did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Rowan:

Name: Marc Jeffrey Rowan

b. Employment History

Research has confirmed that Rowan is the Managing Director of Apollo Management International LLP. The applicant disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of the applicant’s financial records.

- Apollo Management International LLP, Managing Director July 2006 – present
- Apollo Management Entities, Senior Founding Partner June 1990 – present

c. Criminal Record
d. Education

Rowan disclosed that he attended the Wharton School at the University of Pennsylvania from June 1984 to May 1985, at which point he graduated with a Master of Business Administration degree. This information was verified by the Registrar’s Office. Rowan also disclosed that he attended the University of Pennsylvania from September 1980 to May 1984, at which point he graduated with a Bachelor of Science degree in Economics. This information was verified by the Registrar’s Office.

e. Professional and Gaming Licenses

Rowan disclosed in his PHDF that he currently holds two active securities licenses, which were issued by the Financial Industry Regulatory Authority (“FINRA”). Consultation with FINRA revealed that Rowan is currently registered with a FINRA member firm, Apollo Global Securities LLC, under CRD No. 1410799, and is issued Series 24, Series 7 and Series 79 licenses. Rowan was previously registered by two firms, Credit Lyonnais Securities (USA) Inc. and Drexel Burnham Lambert Incorporated. Rowan is approved as a general securities principal and an investment banking representative. There are no regulatory actions, customer complaints or arbitrations filed against Rowan.

Rowan disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Rowan. However, these records do not reflect all of Rowan’s business associations. Rowan disclosed that he holds director and officer positions with
numerous business entities as a result of his position with Apollo and its affiliates and subsidiaries.

Rowan also disclosed that he owns a 5 percent or greater interest in numerous entities, many of which are Apollo-related entities. Rowan’s financial interests will be addressed in greater detail in the Financial Suitability Evaluation section of this report.

g. **Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed records naming Rowan. A review revealed these cases to be business-related and not personal in nature. Rowan disclosed numerous state and federal court cases in which he was named in his roles as a director and/or officer of various business entities. Rowan is named in these cases as a result of his position with Apollo related entities, and they are not personal in nature. He also disclosed numerous corporate civil litigation cases involving Apollo related entities.

Rowan disclosed that he was named as the debtor in two California state tax liens, filed in 1999 ($2,351) and 2003 ($6,698). Research verified this information, and both liens were released shortly after they were filed.

Civil records research was also conducted in the United Kingdom, with no records found.

h. **Bankruptcy**

i. **Property Ownership**

Entity Gaming-License Investigation: Sterling Suffolk Racecourse LLC
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis

Assets

Cash in Banks
Real Estate Interests

Cash Value – Life Insurance
Pension/Retirement Funds

Other Assets

Liabilities

Contingent Liabilities
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Rowan has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Rowan. All of the references indicated that Rowan is of the highest character and integrity, with no negative or derogatory issues noted.
No derogatory information was developed which would preclude Rowan from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Rowan. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Rowan based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
15. Jeffrey David Benjamin

The investigation of Jeffrey Benjamin, a Director of Caesars Entertainment did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Benjamin:

Name: Jeffrey David Benjamin

b. Employment History

Research has confirmed that Benjamin is a Senior Advisor of Cyrus Capital Partners LP and is on the Board of Directors of Caesars Entertainment. Benjamin disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of the applicant’s financial records.

- Cyrus Capital Partners LP (June 2008 to present)
- Apollo Management LP (September 2002 to June 2008)
- Libra Securities LLC (April 1998 to August 2002)
- UBS Securities LLC (June 1996 to March 1998)
- Bankers Trust (March 1996 to June 1996)
- Apollo Management (February 1992 to March 1996)
- Salomon Brothers Inc. (August 1985 to February 1992)
c. Criminal Record

Benjamin disclosed that he attended Tufts University and the Massachusetts Institute of Technology. Consultation with these educational institutions confirmed that Benjamin graduated with a Bachelor of Arts degree from Tufts University in 1983. Research conducted with the Massachusetts Institute of Technology confirmed that Benjamin attended this institution from 1983 to 1985, graduating with a Master of Science degree in Management.

d. Education

Benjamin disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

e. Professional and Gaming Licenses

Benjamin disclosed four non-gaming professional licenses in his PHDF. He stated that he had obtained Series 7, Series 8, Series 24, and Series 55 licenses, but that none are currently active. Benjamin disclosed that the Series 7 license became inactive in 1994, and the other licenses became inactive in September 2002. Research with the Financial Industry Regulatory Authority did not verify these licenses as FINRA does not maintain online records for licenses that have been inactive for longer than 10 years.

Benjamin disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed
numerous business affiliations for Benjamin. However, these records do not reflect all of Benjamin’s business associations.

Benjamin has provided a listing of his business affiliations in his PHDF. Research revealed that these entities are formed as needed in order to facilitate business transactions. Given the nature of his business dealings, Benjamin is routinely appointed as an Officer/Director of these companies in order to give him legal authorization to endorse official documents and instruments pertaining to these business dealings. Benjamin is, in the majority of cases, unaware that he is/was associated with the entities and in many cases would not even be aware of the existence of the majority of the entities by name.

Benjamin did provide a listing of entities in his PHDF in which he holds a minimum of 5 percent ownership interest, as follows:

- AmTex Machine Products
- Involta LLC
- Apollo DIF Co-Investors LLC
- Apollo Value Advisors LP
- ImOn Communications LLC
- SSG Dominicus LLC
- OHA GMAC Investors LLC
- Hot Creek Ventures
- Hot Creek Ventures

\(g. \text{ Civil Litigation Records}\)

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed the following judgment record naming Benjamin:

Benjamin also disclosed the following personal civil suit:
Benjamin has been named as both a plaintiff and defendant in numerous corporate lawsuits related to the various companies with which he is involved. These lawsuits are routine in nature and do not reflect negatively on Benjamin personally. He did disclose a sampling of such lawsuits in his PHDF.

It should also be noted that Benjamin disclosed in his PHDF that he may have received subpoenas, or been involved in the giving of depositions or testimony as a result of his routine business dealings and investments.

h. Bankruptcy

i. Property Ownership

j. Financial Suitability Evaluation
**Income Analysis**

**Net Worth Analysis**

**Assets**

**Cash in Banks**
<table>
<thead>
<tr>
<th>Loans</th>
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<tr>
<td>Real Estate Interests</td>
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<td><strong>Pension/Retirement Funds</strong></td>
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<td><strong>Other Assets</strong></td>
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<tr>
<td><strong>Liabilities</strong></td>
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<td><strong>Credit</strong></td>
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</tbody>
</table>
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Benjamin has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Benjamin. All of the references indicated that Benjamin is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Benjamin from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Benjamin. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Benjamin based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
16. Eric Lurie Press

The investigation of Eric Press, a Partner of Apollo Management Entities, did not reveal any derogatory information which would impact on his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Press:

<table>
<thead>
<tr>
<th>Name:</th>
<th>Eric Lurie Press</th>
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b. Employment History

Research has confirmed that Press is a Partner of Apollo Management Entities (Apollo). The applicant disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of the applicant’s financial records.

- Apollo Management Entities (October 1998 to present)
- Wachtell, Lipton, Rosen & Katz LLP (October 1992 to October 1998)

c. Criminal Record
d. Education

Press disclosed that he attended Harvard College and Yale Law School. Consultation with these educational institutions confirmed that Press graduated with a Bachelor of Arts degree in Economics from Harvard College in 1987. Research conducted with Yale Law School confirmed that Press attended this institution from 1989 to 1992, graduating with a Juris Doctor degree.

e. Professional and Gaming Licenses

Press disclosed three non-gaming professional licenses in his PHDF. He stated that he was licensed to practice law in New York in 1993, and obtained Series 79 Investment Banking Registered Representative and Series 24 General Securities Principal licenses in 2011. Press disclosed that these licenses are currently active. Contact with the New York State Bar Association and the New York State Unified Court System has confirmed that Press is currently registered, No. 2539484. Research with the Financial Industry Regulatory Authority (FINRA) confirmed that Press, CRD No. 5889587, was issued both licenses in 2011.

Press disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Press. However, these records do not reflect all of Press’ business associations.

Press has provided a complete listing of his business affiliations in his PHDF. These entities are formed as needed in order to facilitate business transactions. Given the nature of his business dealings, Press is routinely appointed as an Officer/Director of these companies in order to give him legal authorization to endorse official documents and instruments pertaining to these business dealings. In many cases, the applicant is unaware that he is/was associated with the
entities, and in fact would not even be aware of the existence of the majority of the entities by name.

Press disclosed that he holds no ownership interest of 5 percent or more in any business entity.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed no records personally naming Press, other than in his capacity as an officer of a company involved in litigation in the ordinary course of doing business. No civil litigation was located which personally names Press in a derogatory manner.

Press, as part of his role with Apollo and other investment entities, has served on the board of directors of companies within the investment portfolio. As a result, there may be literally thousands of lawsuits in the ordinary course of business involving these portfolio companies in which he serves or served as a director that he is unaware of.

Press disclosed in his PHDF that he may have received subpoenas, or been involved in the giving of depositions or testimony as a result of his business dealings and investments. This would occur routinely in the ordinary course of business. Press also disclosed numerous lawsuits, arbitrations and/or bankruptcies involving limited partnerships, limited liability companies and corporations with which he is associated.

**h. Bankruptcy**

**i. Property Ownership**

**j. Financial Suitability Evaluation**
Income Analysis

Net Worth Analysis

Assets
Cash in Banks
Real Estate Interests

Cash Value – Life Insurance

Pension/Retirement Funds
Other Assets

Liabilities

Loans and Other Payables

Mortgages

Contingent Liabilities
**Credit**

**Conclusion as to Financial Suitability**

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

**k. Political Contributions**

The investigation has also confirmed that Press has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

**l. Significant Investigative Issues**

None.

**m. References**

The above-listed references were contacted and queried regarding the character and integrity of Press. All of the references indicated that Press is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Press from being licensed by the Massachusetts Gaming Commission.
n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Press. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Press based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
17. David Bonderman

The investigation of David Bonderman, a Partner with TPG Capital LP, did not reveal any derogatory information which would impact on his suitability for licensure by the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Bonderman:

Name: David Bonderman

b. Employment History

Research has confirmed that Bonderman is a Founding Partner of TPG Capital LP. The applicant disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of the applicant’s financial records. Both are private equity companies.

- TPG Capital LP (September 1992 to present)
- Robert M. Bass Group Inc. (April 1983 to August 1992)

c. Criminal Record
d. Education

Bonderman disclosed that he attended the University of California Los Angeles and Berkeley campuses from 1959 to 1961, the University of Washington, and Harvard Law School. Consultation with these educational institutions confirmed that Bonderman did attend UCLA and Berkeley but did not earn a degree. It was confirmed that he graduated with a Bachelor of Arts degree in Russian from the University of Washington in 1963. Research conducted with Harvard Law School confirmed that Bonderman attended this institution from 1963 to 1966, graduating with a Bachelor of Law degree.

e. Professional and Gaming Licenses

Bonderman disclosed two non-gaming professional licenses in his PHDF. He disclosed that he had obtained a license to practice law in two jurisdictions; District of Columbia and Texas. Bonderman disclosed that both of these licenses remain active. Contact with the two respective State Bar Associations confirmed the provided licensing information.

Bonderman disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.
f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Bonderman.

Bonderman has provided a listing of his business affiliations which are too numerous to list here. These entities are formed as needed in order to facilitate business transactions. Given the nature of his business dealings, Bonderman is routinely appointed as an Officer/Director of these companies in order to give him legal authorization to endorse official documents and instruments pertaining to these business dealings. Oftentimes, he himself is unaware that he is/was associated with the entities, and in fact would not even be aware of the existence of the majority of the entities by name.

Bonderman did provide a listing of entities in his PHDF in which he holds a minimum of 5 percent ownership interest. His financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.

g. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed numerous records naming Bonderman, as both plaintiff and defendant in lawsuits related to TPG and affiliated companies. The lawsuits are routine in nature and do not reflect negatively on Bonderman personally. The majority of these suits, which are disclosed by Bonderman, are class action suits pertaining to securities law violations and contract disputes.

In addition to the suits disclosed by Bonderman, research revealed three other federal corporate suits naming Bonderman and others as defendants which were not disclosed. The first suit, as follows, is related to the Securities Exchange Act, and the other two are related suits regarding a Bankruptcy Appeal in reference to Washington Mutual Inc. These suits, as the others disclosed by Bonderman, are not personal in nature.
It should be noted that Bonderman disclosed in his PHDF that he may have received subpoenas, or been involved in the giving of depositions or testimony as a result of his business dealings and investments. Bonderman stated that this occurs routinely in the ordinary course of business and do not relate to him personally.


Bonderman also disclosed numerous lawsuits, arbitrations and/or bankruptcies involving general partnerships, business ventures, sole proprietorships and/or closely held corporations in which he is associated.
h. Bankruptcy


i. Property Ownership


j. Financial Suitability Evaluation


Income Analysis
Net Worth Analysis

Assets

Cash in Banks

Loans Receivable
Securities

Real Estate Interests
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Entity Gaming-License Investigation: Sterling Suffolk Racecourse LLC
Liabilities

Loans and Other Payables

Credit

Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Bonderman has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.
m. References  

The above-listed references were contacted and queried regarding the character and integrity of Bonderman. All of the references indicated that Bonderman is of the highest character and integrity, with no negative or derogatory issues noted. A

No derogatory information was developed which would preclude Bonderman from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage  

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Bonderman. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion  

Based on the investigation there were no known facts that would disqualify Bonderman based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
18. Eric Alan Hession

The investigation of Eric Hession, Senior Vice President of Finance and Treasurer of Caesars Entertainment Corporation, did not reveal any derogatory information which would impact on his suitability for licensure by the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Hession:

Name: Eric Alan Hession

b. Employment History

Research has confirmed that Hession is Senior Vice President of Finance and Treasurer of Caesars Entertainment Corporation. The applicant disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of the applicant’s financial records.

- Caesars Entertainment Operating Company Inc., Senior Vice President of Finance and Treasurer, November 2011 – present
- Caesars Entertainment Operating Company Inc., Vice President of Finance and Treasurer, May 2010 – November 2011
- Harrah’s Operating Company, Multiple Positions, December 2002 – May 2010

c. Criminal Record
d. Education

Hession disclosed that he attended Cornell University, School of Engineering in Ithaca, NY, from 1992 to 1996, where he received a Bachelor of Science degree in Operations Research and Industrial Engineering in 1996. Consultation with the Registrar’s Office confirmed this information. Hession also disclosed that he attended Duke University, The Fuqua School of Business from 1999 to 2001, where he received a Master of Business Administration degree in Business. Consultation with the Registrar’s Office confirmed this information.

e. Professional and Gaming Licenses

Hession did not disclose any non-gaming professional licenses in his PHDF, and none were found as a result of this investigation. Hession disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed several business affiliations for Hession, including his association with Caesars and Harrah’s. Hession also disclosed that he is a member of the Board of Directors for the Southern Nevada Chapter of the American Red Cross. He also advised that he holds various Officer and Director positions with Caesars affiliates and subsidiaries. Hession disclosed that he does not own a 5 percent or greater interest in any business entity.

g. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States has not revealed any records personally naming Hession, nor did he disclose any
personal civil litigation in his PHDF. He did disclose that he may have been named in corporate civil litigation as a result of his position with Caesars.

**h. Bankruptcy**

**i. Property Ownership**

**j. Financial Suitability Evaluation**

**Income Analysis**

**Net Worth Analysis**
## Assets

### Cash in Banks

- [Amount]
- [Amount]
- [Amount]
- [Amount]
- [Amount]

### Securities

- [Amount]
- [Amount]
- [Amount]
- [Amount]
- [Amount]

### Real Estate Interests

- [Amount]
- [Amount]
- [Amount]
- [Amount]
- [Amount]

### Pension/Retirement Funds

- [Amount]
- [Amount]
- [Amount]
- [Amount]
- [Amount]
### Liabilities

**Loans and Other Payables**

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<td>Loan</td>
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**Mortgages**

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<td>Mortgage 2</td>
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<td>Mortgage 3</td>
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</table>

**Credit**

<table>
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<td>$67,890</td>
</tr>
<tr>
<td>Credit Line 3</td>
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</tbody>
</table>
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Hession has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Hession. All of the references indicated that Hession is of the highest character and integrity, with no negative or derogatory issues noted.

No derogatory information was developed which would preclude Hession from being licensed by the Massachusetts Gaming Commission.

n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Hession. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Hession based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
19. Kelvin Lloyd Davis

The investigation of Kelvin Davis did not reveal any derogatory information which would impact on his suitability for licensure by the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Davis:

Name: Kelvin Lloyd Davis

b. Employment History

Research has confirmed that Davis is a Senior Partner of TPG Capital LP. The applicant disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of the applicant’s financial records.

- TPG Capital LP (January 2007 to present)
- Tarrant Partners LP (March 2000 to December 2006)
- Colony Capital LLC (August 1992 to February 2000)
- Colony Advisors LLC (September 1991 to February 2000)

c. Criminal Record


\textit{d. Education}

Davis disclosed that he attended Stanford University and Harvard Business School. Consultation with these educational institutions confirmed that Davis graduated with a Bachelor of Arts degree in Economics from Stanford University in 1985, and also confirmed that Davis graduated from Harvard Business School in 1989 with a Master of Business Administration degree.

\textit{e. Professional and Gaming Licenses}

Davis disclosed in his PHDF that he holds no non-gaming professional licenses, and none were found as a result of this investigation.

Davis disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

\textit{f. Directorships and Stockholdings}

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Davis.

Davis has provided a complete listing of his business affiliations in his PHDF. These entities are formed as needed in order to facilitate business transactions. Given the nature of his business dealings, Davis is routinely appointed as an Officer/Director of these companies in order to give him legal authorization to endorse official documents and instruments pertaining to these business dealings. Oftentimes, he is unaware that he is/was associated with the entities, and in fact would not even be aware of the existence of the majority of the entities by name.

Davis also provided a listing of entities in his PHDF in which he holds a minimum of 5 percent ownership interest, which are too numerous to list in this report. Davis’ financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.
g. Civil Litigation Records

Research of available online civil records, judgments, and liens, in the United States revealed records naming Davis in his capacity as an officer or director of a company involved in litigation in the ordinary course of doing business. Davis disclosed several such suits in his PHDF. Several UCC filings were found relating to Davis’ routine financial dealings.

Davis also disclosed one personal civil suit in his PHDF, and research has verified this information.

Davis noted in his PHDF that he may have received subpoenas, or been involved in the giving of depositions or testimony as a result of his routine business dealings and investments. Davis also disclosed numerous lawsuits, arbitrations and/or bankruptcies involving general partnerships, business ventures, sole proprietorships and/or closely held corporations in which he is associated.

h. Bankruptcy

i. Property Ownership
j. Financial Suitability Evaluation

Income Analysis
### Net Worth Analysis

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Cash in Banks</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Loans Receivable</strong></td>
<td></td>
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</tbody>
</table>

#### Assets

**Cash in Banks**

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<tr>
<th>Amount</th>
<th>Description</th>
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</table>

**Loans Receivable**

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
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</tbody>
</table>
Securities

Real Estate Interests
Pension/Retirement Funds

Other Assets


<table>
<thead>
<tr>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and Other Payables</td>
</tr>
</tbody>
</table>

| Mortgages |
Credit

Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Davis has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Davis. All of the references indicated that Davis is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Davis from being licensed by the Massachusetts Gaming Commission.
n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Davis. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Davis based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
20. Karl Ivar Peterson

The investigation of Karl Peterson, a Partner with TPG Capital LLP, did not reveal any derogatory information which would impact on his suitability for licensure by the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Peterson:

Name: Karl Ivar Peterson

b. Employment History

Research has confirmed that Peterson is a Partner of TPG Capital LLP. He is also the co-head of the TPG United Kingdom office, which is where he currently resides. The applicant disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of the applicant’s financial records.

- TPG Capital LLP (April 2010 to present)
- TPG Capital LP (October 2004 to April 2010)
- Hotwire.com (December 1999 to October 2004)
- Texas Pacific Group (May 1995 to April 2000)

c. Criminal Record
d. Education

Peterson disclosed that he attended the University of Notre Dame. Consultation with the University of Notre Dame confirmed that Peterson attended the institution from 1988 to 1992, where he graduated with a Bachelor of Business Administration degree.

e. Professional and Gaming Licenses

Peterson disclosed in his PHDF that he does not hold any non-gaming professional licenses, and none were found as a result of this investigation.

Peterson disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed numerous business affiliations for Peterson.

Peterson has provided a complete listing of his business affiliations in his PHDF. These entities are formed as needed in order to facilitate business transactions. Given the nature of his business dealings, Peterson is routinely appointed as an Officer/Director of these companies in order to give him legal authorization to endorse official documents and instruments pertaining to these business dealings. Oftentimes, he himself is unaware that he is/was associated with the entities, and in fact would not even be aware of the existence of the majority of the entities by name.
Peterson disclosed in his PHDF that he holds no ownership interest of 5 percent or more in any business entity. Petson’s financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed no records personally naming Peterson, other than in his capacity as an officer or director of a company involved in litigation in the ordinary course of doing business. Peterson disclosed one such corporate litigation case where he is named. No personal civil cases were disclosed.

It should be noted that Peterson disclosed in his PHDF that he may have received subpoenas, or been involved in the giving of depositions or testimony as a result of his business dealings and investments, which occurs routinely in the ordinary course of business. Peterson also disclosed numerous lawsuits, arbitrations and/or bankruptcies involving general partnerships, business ventures, sole proprietorships and/or closely held corporations in which he is associated.

Civil litigation checks were also conducted in the United Kingdom due to Peterson’s current residency in the United Kingdom. All checks were negative. Research was conducted in the following courts:

**h. Bankruptcy**

**i. Property Ownership**
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis

Assets

Cash in Banks
Loans Receivable

Securities
Real Estate Interests

Pension/Retirement Funds

Other Assets
Liabilities

Loans and Other Payables

Mortgages
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Peterson has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Peterson. All of the references indicated that Peterson is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Peterson from being licensed by the Massachusetts Gaming Commission.
n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Peterson. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Peterson based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
21. Michael Daniel Cohen

The investigation of Michael Cohen, Senior Vice President, Deputy General Counsel and Corporate Secretary of Caesars Entertainment Corporation, did not reveal any derogatory information which would impact on his suitability for licensure by the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Cohen:

Name: Michael Daniel Cohen

b. Employment History

Research has confirmed that Cohen is the Senior Vice President, Deputy General Counsel, Corporate Secretary and Director of Caesars Operating Company, and Senior Vice President, Deputy General Counsel and Corporate Secretary of Caesars Entertainment Corporation. He has held these positions since November 2011. Cohen disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of the applicant’s financial records.

- Caesars Entertainment Operating Co., Vice President, Associate General Counsel, Corporate Secretary, February 2006 – November 2011
- Latham and Watkins LLP, Associate, September 1999 – February 2006

c. Criminal Record


d. Education

Cohen disclosed that he attended the University of Wisconsin, Madison. Consultation with this institution confirmed that Cohen attended this university from August 1989 until May 1994 where he graduated with a Bachelor of Business Administration degree in Accounting, Finance, Investing and Banking on May 22, 1994. He was on the Dean’s List. Cohen also disclosed that he received a Juris Doctor degree from Northwestern University School of Law in 1999. Consultation with this institution confirmed that Cohen graduated with a Juris Doctor degree on May 16, 1999.


e. Professional and Gaming Licenses

Cohen disclosed his PHDF that he is a member of the Bar Association in California and Nevada. Consultation with the Bar Association of California confirmed that Cohen is an active member of the Bar and may practice law in California (Bar No. 204292). There are no public disciplinary actions associated with this license. Consultation with the Bar Association of Nevada confirmed that Cohen is a non-member attorney who is able to practice law in Nevada (Bar No. 10295C). There are no public disciplinary actions associated with this license.

Cohen also disclosed that he holds a CPA license in Illinois, but the license is not active. A check with the Illinois Board of Examiners (CPA) confirmed that Cohen was certified on February 10, 1995, Certificate Number 64227. The status of the license is not provided.

Cohen disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.
f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and various assorted company records revealed numerous business affiliations for Cohen. Cohen is associated with these entities as a result of his position with Caesars or through prior employment, which he disclosed in his PHDF.

Cohen disclosed that he does not currently hold 5 percent or greater interest in any business entity. Cohen’s financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.

g. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States did not reveal records personally naming Cohen. Records were located for corporate civil litigation naming Cohen as a result of his position with Caesars. Cohen did not disclose any personal civil litigation in his PHDF.

Cohen disclosed that due to his position as an Officer of Caesars Entertainment Corporation and Caesars Entertainment Operating Company Inc. (and its subsidiaries), he may have been named as a party to various civil proceedings and may have been questioned, subpoenaed and/or testified in such proceedings. Cohen disclosed several corporate civil suits that do not pertain to him personally.

h. Bankruptcy

i. Property Ownership
j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis

Assets

Cash in Banks
Securities

Real Estate Interests

Pension/Retirement Funds
Liabilities

Loans and Other Payables

Mortgages

Credit

Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.
**k. Political Contributions**

The investigation has also confirmed that Cohen has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

**l. Significant Investigative Issues**

None.

**m. References**

The above-listed references were contacted and queried regarding the character and integrity of Cohen. All of the references indicated that Cohen is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Cohen from being licensed by the Massachusetts Gaming Commission.

**n. Media Coverage**

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Cohen. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

**o. Conclusion**

Based on the investigation there were no known facts that would disqualify Cohen based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
22. Gregory James Miller

The investigation of Gregory Miller, Senior Vice President of Domestic Development for Caesars Entertainment Corporation, did not reveal any derogatory information which would impact his suitability for licensure with the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents provided by the applicant and independent investigation has verified the following information regarding Miller:

Name: Gregory James Miller

b. Employment History

Research has confirmed that Miller is Senior Vice President of Domestic Development for Caesars Entertainment Corporation and Caesars Entertainment Operating Company. Miller is responsible for all large scale multi-property developments for Caesars.

The applicant disclosed in his PHDF that he has been employed at the following companies during the timeframes noted. This was confirmed through research of online employment records and a review of his financial records.

- Harrah’s Operating Company Inc. (September 2004 – December 2008)
- Universal Studios Port Aventura (March 2000 – September 2003)
- Universal Studios Parks and Resorts Group (February 1996 – March 2000)
- Pizza Hut Southwest Division (March 1994 – February 1996)
- Pepsi-Cola Company (December 1992 – March 1994)
Miller advised that during his employment with Universal Studios Port Aventura, he was responsible for all operations at Universal’s Theme Park/Resort in Port Aventura, Spain. At the conclusion of this overseas assignment, he did not find an acceptable opportunity within Universal and opted for a severance agreement that provided income until September 2004, at which time he began his employment with Harrah’s Operating Company Inc. Research and associated media review did not reveal any derogatory information pertaining to Miller’s past employment history.

c. Criminal Record

Miller disclosed that he attended the University of Notre Dame and the J.L. Kellogg Graduate School of Business at Northwestern University. Consultation with these educational institutions confirmed that Miller graduated with a Bachelor of Business Administration degree in Accountancy from the Mendoza College of Business, University of Notre Dame on May 15, 1983. Research conducted with Northwestern University confirmed that Miller graduated with a Master of Management degree in Marketing from the J. L. Kellogg Graduate School of Business on June 19, 1993.

d. Education

Miller disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified
the applicant’s disclosure, have been received and no negative or derogatory information is noted.

**f. Directorships and Stockholdings**

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and assorted company records revealed the following business affiliations for Miller:

- Tranquility Bay (aka Tranquility Bay Enterprises, T Bay Enterprises)
- Caesars Hotel Castilla La Mancha SRL

Miller also advised that his association with Caesars Hotel Castilla La Mancha SRL is related to his position as Senior Vice President of Domestic Development for Caesars. The entity was created to develop new business opportunities in Spain. Due to the subsequent economic conditions, anticipated projects were not pursued and the entity is not currently active.

Miller disclosed that he does not hold a 5 percent or greater interest in any business entity. Miller’s financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States revealed the following records personally naming Miller:

Clark County District Court, Nevada  
Case Number: 06A516262  
Disposed: October 18, 2011

Miller did not disclose this case in his PHDF. Miller has stated that this matter involved a dispute related to a real estate transaction, and he did not realize it became the subject of a civil suit. He was under the impression the matter was handled by his title company. Miller explained that Miller v. American Mortgage Company involved a title dispute that occurred subsequent to the purchase of his Las Vegas home (2857 Paradise Rd., No. 406) on November 5, 2004. He learned that his title company did not find a loan against the property that had been taken out by
the son of the owner without the owner’s knowledge. He contacted the title company for relief, and action was initiated on January 24, 2006, and resulted in the title being cleared. Miller sold this property in January 2011 without any issues involving conveyance of clear title.

Research also provided information on the following civil cases personally naming Miller:

**Sacramento County Court, California**
Case Name: Gregory J. Miller  
Case Type: State Tax Lien  
Amount: $17,453  
Case Number: 9108220971  
Filing Date: August 22, 1991  
Release Date: May 14, 1994

**Sacramento County Court, California**
Case Name: Gregory J. Miller  
Case Type: State Tax Lien  
Amount: $17,569  
Case Number: 9109170472  
Filing Date: September 17, 1991  
Release Date: May 26, 1994

These cases predate the fifteen year disclose timeframe and were not required to be disclosed by Miller. Miller has advised that in 1989 he moved out of California to pursue employment opportunities and did not file state income tax documentation for 1988 and 1989, assuming that since he had a refund due it was not required. He subsequently learned in 1994 that the California Franchise Tax Board filed two tax liens against him for failure to file in 1988 and 1989 with California; the amounts were $17,453 and $17,569, respectively. When Miller learned of the liens, he took appropriate action, filed the tax returns and paid any tax due.

Miller’s failure to file the tax returns for the years in question constitute a lack of good judgment, regardless of whether or not a net refund was due him. However, it is noted that once he learned of the liens he took action to quickly satisfy the obligations. Since we have not found any indication that this failure to file tax returns has been repeated in any other jurisdiction, we conclude that this matter should not materially impact Miller’s suitability for licensure.

Miller disclosed that he may have been named in corporate civil litigation as a result of his position with Caesars, which would have occurred in the normal course of business and which would not reflect on him personally.
h. Bankruptcy

i. Property Ownership

j. Financial Suitability Evaluation

Income Analysis

Net Worth Analysis
## Assets

### Cash in Banks

### Securities

### Real Estate Interests

### Pension/Retirement Funds
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Miller has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Miller. All of the references indicated that Miller is of the highest character and integrity, with no negative or derogatory issues noted.
No derogatory information was developed which would preclude Miller from being licensed by the Massachusetts Gaming Commission.

**n. Media Coverage**

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Miller. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

**o. Conclusion**

Based on the investigation there were no known facts that would disqualify Miller based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
23. Donald Andrew Colvin

The investigation of Donald Colvin, Executive Vice President and Chief Financial Officer of Caesars Entertainment Corporation, did not reveal any derogatory information which would impact on his suitability for licensure by the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Colvin:

Name: Donald Andrew Colvin

b. Employment History

Research has confirmed that Colvin is Executive Vice President and Chief Financial Officer of Caesars Entertainment Corporation and Caesars Entertainment Operating Company Inc. He has held these positions since November 2012. Prior to his hiring by Caesars, Colvin held the position of CFO, Director and Executive Vice President of Finance for ON
Semiconductor Corp., Phoenix, AZ. He held these positions from March 2003 to October 2012. Prior to this, he held the positions of CFO and Vice President of Finance for Atmel Corporation from April 1995 to March 2003. This was confirmed through research of online employment records and a review of the applicant’s financial records. Colvin disclosed that he resigned his position with ON Semiconductor to take his current position with Caesars. In an interview on July 9, 2013, Colvin advised that he simply wanted a change and decided to leave ON Semiconductor, and took his current position with Caesars.

c. Criminal Record

d. Education

Colvin disclosed that he attended the University of Strathclyde in Glasgow, Scotland, where he obtained a Bachelor of Arts degree in Economics in 1975, and a Master of Business Administration degree in Business Administration in 1977. Consultation with this University has confirmed that Colvin was awarded a Bachelor of Arts degree in Economics, Honours Second Class, on July 2, 1975, and a Master of Business Administration degree on October 27, 1978. In an interview on July 9, 2013, Colvin was advised of the date discrepancy for his MBA degree and he advised that he did not specifically recall the actual date of this degree, and that the school was probably correct.

e. Professional and Gaming Licenses

Cohen did not disclose any non-gaming professional licenses in his PHDF, and none were found as a result of this investigation. Colvin disclosed that he has applied for qualification in New Jersey. The Investigators requested verification and Colvin’s license was verified with no derogatory information noted.
f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and various assorted company records revealed several business affiliations for Colvin, as follows:

- Caesars Entertainment Corp. (and subsidiaries)
- ON Semiconductor Corp. (and subsidiaries)
- AMI Semiconductor Inc. (and subsidiaries)
- Atmel Corporation
- Semiconductor Components Industries LLC
- Project Arcadia LLC
- European Silicon Structures Limited
- Lattice Logic Limited
- Applied Micro Circuits Corp.

Colvin is associated with these entities either through previous employment, or through his position as a Director of the company. Research revealed that AMI Semiconductor was acquired by ON Semiconductor in 2008.

Research has established an association between Colvin and the above entities with the exception of Project Arcadia LLC and Lattice Logic Limited. In an interview on July 9, 2013, Colvin advised that Project Arcadia LLC, of which he is disclosed in his (disclosed in his PHDF), is a company located in Tempe, AZ. The company was purchased by Colvin in June 2012, but is operated by his children. The company specializes in the Internet sale of printers, paper and printing supplies, specializing in the printing of identification documents for various business entities and government agencies. The company is still active.

Colvin disclosed that he is currently a Director for Isola Group in Chandler, AZ. In an interview on July 9, 2013, Colvin advised that this company is currently active and manufactures circuit boards and laminates for circuit boards.

g. Civil Litigation Records

Research of available online civil records, judgments, liens, and UCC Filings in the United States did reveal numerous records naming Colvin. A review of these cases reveals that these are shareholder and securities suits involving Atmel Corporation and ON Semiconductor Corporation. Colvin is named in these suits as a result of his positions with those companies.
Colvin disclosed the following suits which were verified during research:

**US District Court, Northern District of California**
Case Name: Juengling et al v. Atmel Corporation et al
Plaintiff: James Juengling et al
Defendant: Atmel Corporation, Donald Colvin et al
Docket Number: 5:06cv4592
Filing Date: July 27, 2006
Nature: Stockholders’ Suits
Disposition Date: March 31, 2010
Status: Case Closed

**US District Court, Northern District of California**
Case Name: Pyevich et al v. Atmel Corporation et al
Plaintiff: Daniel J. Pyevich et al
Defendant: Atmel Corporation, Donald Colvin et al
Docket Number: 3:03cv0558
Filing Date: February 7, 2003
Nature: Securities
Disposition Date: March 2, 2004
Status: Case Closed

**US District Court, Northern District of Delaware**
Case Name: Lorber v. ON Semiconductor Corporation et al
Plaintiff: Robert A. Lorber
Defendant: ON Semiconductor Corporation, Donald Colvin et al
Docket Number: 1:10cv1101
Filing Date: December 15, 2010
Nature: Stockholders’ Suits
Disposition Date: August 27, 2012
Status: Case Closed

A review reveals that the numerous cases found naming Colvin are derivative cases all stemming from the above-listed cases disclosed by Colvin. Research did not reveal any civil cases personally involving Colvin. In an interview on July 9, 2013, Colvin was asked about the above-listed cases and the derivative cases found through research. Colvin advised the following, which is in accordance with the results of our research:

US District Court, Northern District of California. Case Name: *Juengling et al v. Atmel Corporation et al*. Colvin confirmed that he was not employed by Atmel Corporation when this suit was filed, which alleged that company stock options were backdated for company executives. He described the suit as the result of a dispute between Atmel Founder and CEO George Perlegos and the Atmel Board of Directors. Apparently, Perlegos was involuntarily removed from the Board, and a dispute
ensued. Perlegos’ travel expenses were initially questioned, and the dispute escalated to the point where the above suit was filed regarding the back dating of company stock options. Colvin advised that he was interviewed and investigated by the SEC, and that he was found to have committed no wrongdoing. Research revealed, and Colvin confirmed, that changes were made to the way stock options were awarded, and money was paid as part of the settlement, although the amount of the settlement was not publicly available.

US District Court, Northern District of California. Case Name: Pyevich et al v. Atmel Corporation et al. This case is a shareholders suit alleging that Atmel stock prices were artificially inflated due to the company’s deliberate non-disclosure of its manufacture of defective disc drives which it knew would drive down its share price when this information was eventually made public. Colvin advised that this suit was an attempt to obtain money from the company and that the complaint was baseless. Research revealed that the suit was eventually dismissed with no settlement.

US District Court, Northern District of Delaware. Case Name: Lorber v. ON Semiconductor Corporation et al. This case is a shareholders suit alleging that the ON Semiconductor Corporation issued a misleading proxy statement regarding the terms of its executive compensation. Colvin advised that this was another suit filed simply to obtain money and is routine in the business world. Research revealed, and Colvin confirmed, that changes were made to the company proxy statement and money was paid to settle the suit. The amount is not publicly available.

Colvin confirmed that he was only named in these suits because of his position with the companies, and that they were not filed against him personally.

Research did reveal a State Tax Lien in Montana personally naming Colvin, as follows:

**State Tax Lien, Montana**
Debtor 1: AMI Semiconductor Inc.
Debtor 2: Donald Colvin
Filing Date: May 13, 2009
Filing Number: SL2009169
Amount: $527
Disposition: Released
Date Released: July 6, 2009

Colvin was asked about this lien and he advised that he was aware of its existence, but he does not know why he is named other than because of his position with AMI Semiconductor. Caesars attorney Sue Carletta, who was present at the interview, advised that this lien has been released, and she provided both the Certificate of Lien and the Release Certificate which verifies the above information.
Civil records research was also conducted in the United Kingdom, with no records found.

Colvin disclosed that due to his position as an Officer of Atmel Corporation and ON Semiconductor Corporation, and their subsidiaries, he may have been named as a party to various civil proceedings and may have been questioned, subpoenaed and/or testified in such proceedings as per the normal course of business.

**h. Bankruptcy**

**i. Property Ownership**

**j. Financial Suitability Evaluation**
Income Analysis

Net Worth Analysis

Assets

Cash in Banks
Loans

Securities

Real Estate Interests

Pension/Retirement Funds
Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.
**k. Political Contributions**

The investigation has also confirmed that Colvin has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

**l. Significant Investigative Issues**

None.

**m. References**

The above-listed references were contacted and queried regarding the character and integrity of Colvin. All of the references indicated that Colvin is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Colvin from being licensed by the Massachusetts Gaming Commission.

**n. Media Coverage**

Research of available online and print media sources did reveal derogatory items relative to Colvin. These items pertain to the civil litigation cases listed in this report. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

**o. Conclusion**

Based on the investigation there were no known facts that would disqualify Colvin based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
24. Tariq Masud Shaukat

The investigation of Tariq Shaukat did not reveal any derogatory information which would impact on his suitability for licensure by the Massachusetts Gaming Commission.

a. Qualifier’s Name and Verified Information

Research of available online public records, review of documents produced by the applicant and independent investigation has verified the following information regarding Shaukat:

Name: Tariq Masud Shaukat

b. Employment History

Research has confirmed that Shaukat is Executive Vice President and Chief Marketing Officer of Caesars Entertainment Corporation. He has held these positions since April 2012. Prior to his hiring by Caesars, he was employed at McKinsey and Company, a business management and consulting company. He held various positions from December 2005 until March 2012. Prior to this, he founded and was employed at Marchtype LLC, a marketing and consulting company, from July 2005 until December 2005. He previously was employed at Trilogy Software from February 2003 until June 2005. Shaukat has a history of employment in the field of corporate marketing and consulting.

c. Criminal Record
d. Education

Shaukat disclosed that he attended the Massachusetts Institute of Technology where he received a Bachelor of Science degree in 1994 and a Master of Science degree in 1996. He disclosed that he attended Stanford University where he received a Master of Science degree in 1995. Consultation with the Massachusetts Institute of Technology confirmed that Shaukat was awarded a Bachelor of Science degree in Mechanical Engineering on May 27, 1994, and a Master of Science degree in Technology and Policy on February 19, 1997. Consultation with Stanford University confirmed that Shaukat was awarded a Master of Science degree in Mechanical Engineering on June 18, 1995. In an interview on July 9, 2013, Shaukat was asked about the date discrepancy for his Master of Science degree from MIT. He advised that, while he graduated from the university in 1996, he did not receive his degree from the school until February 1997.

e. Professional and Gaming Licenses

Shaukat did not disclose any non-gaming professional licenses in his PHDF, and none were found as a result of this investigation.

Shaukat disclosed that he has applied for qualification in various gaming jurisdictions, which could include US, tribal and/or international jurisdictions. The Investigators requested verification of certain US non-tribal licenses from the appropriate regulatory agencies as noted in the Scope and Methodology section of this report. The results of those inquiries, which verified the applicant’s disclosure, have been received and no negative or derogatory information is noted.

f. Directorships and Stockholdings

Research of available Dun & Bradstreet business filings, Secretary of State Records, Experian Business Reports, Hoover’s Company Reports, and various assorted company records revealed several business affiliations for Shaukat, confirming his association with his current and previous employers. He disclosed that he currently only holds his position with Caesars Entertainment Corporation.
Shaukat disclosed that he does not currently hold a 5 percent or greater interest in any business entity. He previously held [redacted] in Marchtype LLC, which is no longer in operation. Shaukat’s financial interests will be discussed in greater detail in the Financial Suitability Evaluation section of this report.

**g. Civil Litigation Records**

Research of available online civil records, judgments, liens, and UCC Filings in the United States did not reveal any civil litigation records personally naming Shaukat, nor did he disclose any such litigation in his PHDF. During an interview on July 9, 2013, Shaukat confirmed that he has not been personally named in any civil litigation.

Shaukat disclosed that due to his position with Caesars Entertainment Corporation, he may have been named as a party to various civil proceedings and may have been questioned, subpoenaed and/or testified in such proceedings involving his employer as per the normal course of business. He did disclose several corporate civil litigation matters which do not name him personally.

**h. Bankruptcy**

[redacted]

**i. Property Ownership**

[redacted]

**j. Financial Suitability Evaluation**

[redacted]
Income Analysis

Net Worth Analysis

Assets

Cash in Banks

Securities
Real Estate Interests

Pension/Retirement Funds

Liabilities
Loans and Other Payables
Mortgages


Credit


Conclusion as to Financial Suitability

We have uncovered no information suggesting that the applicant does not possess the financial integrity and responsibility as it relates to financial stability.

k. Political Contributions

The investigation has also confirmed that Shaukat has not made any prohibitive political contributions in Massachusetts that violate MGL c.23K s.46 or 205 CMR 108.00.

l. Significant Investigative Issues

None.

m. References

The above-listed references were contacted and queried regarding the character and integrity of Shaukat. All of the references indicated that Shaukat is of the highest character and integrity, with no negative or derogatory issues noted. No derogatory information was developed which would preclude Shaukat from being licensed by the Massachusetts Gaming Commission.
n. Media Coverage

Research of available online and print media sources did not reveal any derogatory or adverse items relative to Shaukat. He is mentioned numerous times on the Internet, however no adverse information was found regarding this individual.

o. Conclusion

Based on the investigation there were no known facts that would disqualify Shaukat based on any of the criteria listed in the gaming laws or regulations in Massachusetts.
**XII. Hamlet Holdings LLC**

On December 13, 2006, Hamlet Holdings LLC (“Hamlet”), a limited liability company, was formed as a holding company in Delaware. Its current place of business is the current addresses of Apollo at 9 West 57th Street, New York, NY, and TPG at 301 Commerce Street, Fort Worth, TX.

Hamlet was formed to effect the acquisition of Caesars, formally Harrah’s Entertainment Inc., by affiliates of Apollo and TPG, and following the acquisition, to hold all of the outstanding voting common stock of Caesars. The various affiliates of Apollo and TPG (CO-Invest Entities) holding the common stock of Caesars following the Acquisition entered into an irrevocable proxy in favor of Hamlet, whereby Hamlet is vested with voting and dispositive control of the common stock of Caesars which is held by such affiliates of Apollo and TPG. This resulted in Hamlet holding the voting and dispositive control of approximately [X]% of Caesars’ outstanding common stock as of December 31, 2011.

In connection with the 2012 IPO of Caesars, certain co-investors ceased to hold their interest in Caesars through a Co-Invest Entity (and instead held such interest directly through Caesars shares) and those shares were released from the Hamlet proxy. As a result, as of March 31, 2013, Hamlet held voting and dispositive control of approximately 69.918 percent of Caesars outstanding stock.

Hamlet has no Parents, Intermediaries, Subsidiaries or Affiliates and conducts business at the Apollo and TPG offices in New York, NY, and Forth Worth, TX, respectively. It is not qualified to conduct business in a state other than Delaware and it does not transact any business in any jurisdiction but acts only as a holding company.

The following individuals are members of Hamlet: Leon Black, David Bonderman, James Coulter, Joshua Harris, and Marc Rowan. Black, Harris and Rowan are representatives of Apollo, while Bonderman and Coulter are representatives of TPG. Originally, Jonathan Coslet was a representative of TPG with Hamlet Holdings, but he distributed his shares to Bonderman and Coulter in January 2013. The three Apollo representatives each holds a [X]% interest in Hamlet while the two Apollo representatives each holds a [X]% interest. The voting interests correspond with the membership interests. All of these members have filed a
PHDF and the results of the background investigations for each member are included in this report in the Natural Person Qualifier section for Caesars.

Hamlet’s principals are listed as follows:

- Joshua J. Harris, VP and Managing Member
- Marc Rowan, VP and Managing Member
- David Bonderman, VP and Managing Member
- James Coulter, VP and Managing Member
- Leon Black, Managing Member
- Jeffery Benjamin, Secretary
- Eric Press, Secretary
- Karl Peterson, Secretary
- Kelvin Davis, Secretary
- David Sambur, Secretary

The Operating Agreement for Hamlet was executed on December 19, 2006, and was later amended several times. The Operating Agreement states that the company was formed for the object and purpose of engaging in any lawful act or activity for which limited liability companies may be formed. Decisions of Hamlet are to be made by a simple majority vote of the members, provided that all decisions made by or on behalf of Hamlet shall require the consent of at least one Apollo member and at least one TPG member.

Hamlet and its five members were the subject of background investigations in all of the jurisdictions where Caesars is licensed. The results in all cases were favorable, with no significant issues noted as to suitability.
XIII. Co-Invest Hamlet Holdings, Series LLC

Co-Invest Hamlet Holdings, Series LLC ("Co-Invest Series") is a limited liability company formed in Delaware on February 5, 2007. Its current place of business is the current addresses of Apollo at 9 West 57th Street, New York, NY and TPG at 301 Commerce Street, Fort Worth, TX.

Co-Invest Series was formed to acquire an interest in Caesars. Co-Invest Series is a parallel entity with Co-Invest Hamlet Holdings B LLC, with each having the same rights and obligations. Co-Invest Series was designed for investors with certain tax concerns, and owns only non-voting stock. The managing members of Co-Invest Series, with no economic interest, are Apollo Management VI LP and TPG GenPar V LP.

Co-Invest Series current principals are listed as follows:

- Joshua J. Harris, VP
- Marc Rowan, VP
- David Bonderman, VP
- James Coulter, VP
- Jeffery Benjamin, Secretary
- Eric Press, Secretary
- Karl Peterson, Secretary
- Kelvin Davis, Secretary

All of these principals are representatives of either Apollo or TPG and have filed personal history disclosure forms.
XIV. Co-Invest Hamlet Holdings, B LLC

Co-Invest Hamlet Holdings, B LLC ("Co-Invest B") is a holding company that was formed as a Delaware limited liability company on February 5, 2007. Its current place of business is the current addresses of Apollo at 9 West 57th Street, New York, NY and TPG at 301 Commerce Street, Fort Worth, TX.

Co-Invest B was formed to acquire an interest in Caesars. It holds only non-voting stock. It does not have any parent companies or subsidiaries and is managed by the same affiliates of Apollo and TPG that manage Co-Invest Series, with no economic interest.

Co-Invest B’s principals are listed as follows:

- Joshua J. Harris, VP
- Marc Rowan, VP
- David Bonderman, VP
- James Coulter, VP
- Jeffery Benjamin, Secretary
- Kelvin Davis, VP
- Eric Press, Secretary
- Karl Peterson, VP
XV. Apollo Hamlet Holdings LLC

Apollo Hamlet Holdings LLC ("Apollo Hamlet"), is a holding company that was formed as a Delaware limited liability company on February 5, 2007. Its current place of business is the current address of Apollo at 9 West 57th Street, New York, NY.

Apollo Hamlet was formed to acquire an interest in Caesars. It does not hold or control any assets other than Caesars stock. The stock owned by Apollo Hamlet is only non-voting. Apollo Hamlet is managed by Joshua Harris, Marc Rowan and Leon Black, who also control Apollo.

Apollo Hamlet’s current principals are listed as follows:

- Leon Black, Manager
- Joshua J. Harris, VP and Manager
- Marc Rowan, VP and Manager
- Jeffery Benjamin, Secretary
- Eric Press, Secretary

Apollo Hamlet has been licensed, or has otherwise been found suitable, to conduct gaming operations in the following jurisdictions:

- Arizona
- Nevada
- New Jersey
- Mississippi
- Missouri
- Indiana
- Illinois
- Iowa
- Louisiana (Gaming and Racing)
- Maryland
- Ohio
- Pennsylvania (Gaming and Harness)
- Rincon Band of Luiseno Indians
- Eastern Band of Cherokee Indians
- Ak-Chin Indian Tribe
- National Indian Gaming Commission
- United Kingdom
- South Africa
- Ontario, Canada
XVI. Apollo Hamlet Holdings B LLC

Apollo Hamlet Holdings B LLC ("Apollo Hamlet B"), is a holding company that was formed as a Delaware limited liability company on February 5, 2007. Its current place of business is the current address of Apollo at 9 West 57th Street, New York, NY.

Apollo Hamlet B was formed to acquire an interest in Caesars. It does not hold or control any assets other than Caesars stock. It holds only non-voting stock of Caesars. Apollo Hamlet B is wholly owned by its sole member Apollo Investment Fund VI LP, a Delaware limited partnership. The managers of Apollo Hamlet B are Black, Harris and Rowan.

Apollo Hamlet B’s current principals are listed as follows:

- Leon Black, Manager
- Joshua J. Harris, VP and Manager
- Marc Rowan, VP and Manager
- Jeffery Benjamin, Secretary
- Eric Press, Secretary

Apollo Hamlet B has been licensed, or has otherwise been found suitable, to conduct gaming operations in the following jurisdictions:

- Arizona
- Nevada
- New Jersey
- Mississippi
- Missouri
- Indiana
- Illinois
- Iowa
- Louisiana (Gaming and Racing)
- Maryland
- Ohio
- Pennsylvania (Gaming and Harness)
- Rincon Band of Luiseno Indians
- Eastern Band of Cherokee Indians
- Ak-Chin Indian Tribe
- National Indian Gaming Commission
- United Kingdom
- South Africa
- Ontario, Canada
XVII. TPG Hamlet Holdings LLC

TPG Hamlet Holdings LLC (“TPG Hamlet”) is holding company that was formed as a Delaware limited liability company on February 1, 2007. Its current place of business is the current address of TPG at 301 Commerce Street, Fort Worth, TX.

TPG Hamlet was formed in Delaware to acquire an interest in Caesars. TPG Hamlet holds only non-voting common stock of Caesars. The following entities are members of TPG Hamlet:

TPG Hamlet Holdings LLC’s current principals are listed as follows:

- Managing Member
- David Bonderman, President
- James Coulter, Executive Vice President
- Karl Peterson, Secretary
- Kelvin Davis, Secretary

TPG Hamlet was formed in Delaware to acquire an interest in Caesars. TPG Hamlet holds only non-voting common stock of Caesars. The following entities are members of TPG Hamlet:

TPG Hamlet Holdings LLC’s current principals are listed as follows:

- Managing Member
- David Bonderman, President
- James Coulter, Executive Vice President
- Karl Peterson, Secretary
- Kelvin Davis, Secretary

was the Managing Member from February 6, 2007, until January 28, 2008, and then replaced by As the managing member, makes all decisions on behalf of TPG Hamlet. general partner is , whose general partner is , which is controlled by its sole shareholders Bonderman and Coulter. Ultimately, all decisions for TPG Hamlet are made by Bonderman and Coulter, who are also the directors of . Under the certificate of incorporation for , all actions by the Board of Directors of require the consent of both Bonderman and Coulter.

is managed by TPG pursuant to a management agreement executed by the parties on November 7, 2007. TPG’s general partner is , a Delaware limited liability company formed on October 13, 2006, whose sole member is , a Delaware corporation formed on October 13, 2006 as . The name was changed to on December 15, 2006. The shareholders of are Bonderman and Coulter. The limited partners of are sophisticated investors, including public and private pension funds and endowments. Each of the limited partners holds less than a 5 percent non-voting interest in Caesars.
TPG Hamlet has been licensed, or has otherwise been found suitable, to conduct gaming operations in the following jurisdictions:

- Arizona
- California
- Nevada
- New Jersey
- Maryland
- Mississippi
- Missouri
- Indiana
- Illinois
- Iowa
- Ohio
- Louisiana (Gaming and Racing)
- Pennsylvania (Gaming and Harness)
- Rincon Band of Luiseno Indians
- Eastern Band of Cherokee Indians
- Ak-Chin Indian Tribe
- National Indian Gaming Commission
- United Kingdom
- South Africa
- Ontario, Canada
XVIII. TPG Hamlet Holdings B LLC

TPG Hamlet Holdings B LLC (“TPG Hamlet B”) is a holding company that was formed as a Delaware limited liability company on February 1, 2007. Its current place of business is the current address of TPG at 301 Commerce Street, Fort Worth, TX.

TPG Hamlet B was formed to acquire an interest in Caesars. It holds only non-voting common stock of Caesars. Its managing member is [redacted], which is effectively controlled by Bonderman and Coulter.

- TPG Hamlet B’s current principals are listed as follows:
  - David Bonderman, President
  - James Coulter, Executive Vice President
  - Karl Peterson, Secretary
  - Kelvin Davis, Secretary

The Investigators note that the suitability of the holders of non-voting stock, as well as Hamlet, as the holders of the voting stock of Caesars, are inextricably linked to a determination of the suitability of Apollo and TPG, to be addressed below.

TPG Hamlet has been licensed, or has otherwise been found suitable, to conduct gaming operations in the following jurisdictions:

- Arizona
- California
- Nevada
- Maryland
- New Jersey
- Mississippi
- Missouri
- Indiana
- Illinois
- Iowa
- Ohio
- Louisiana (Gaming and Racing)
- Rincon Band of Luiseno Indians
- Eastern Band of Cherokee Indians
- Ak-Chin Indian Tribe
- National Indian Gaming Commission
- United Kingdom
- South Africa
- Ontario, Canada
XIX. Apollo Global Management

A. Corporate History and Organization

Apollo is a leading global alternative investment manager with offices in New York, Los Angeles, Houston, London, Frankfurt, Luxembourg, Singapore, Mumbai and Hong Kong. Apollo had assets under management of approximately $113 billion as of June 30, 2013, in private equity, credit-oriented capital markets and real estate funds invested across a core group of nine industries where Apollo has considerable knowledge and resources.

Apollo is controlled by Leon Black, Joshua Harris and Marc Rowan. They own several management partnerships that have the sole authority to make investment decisions on behalf of these investment funds. While the investment funds hold the economic interests in Apollo portfolio companies, all investment and management decisions for the portfolio companies are made by the management partnerships controlled by Black, Harris and Rowan.

Apollo’s predecessor company was founded in 1990 by Black, Harris and Rowan for the purpose of achieving long-term capital appreciation through investments in equity and debt securities. Apollo currently has approximately 660 employees worldwide. Shares of Apollo are publicly traded on the New York Stock Exchange. Its primary business is to raise, invest and manage private equity, capital markets and real estate funds on behalf of pension and endowment funds, as well as other institutional and high net worth individual investors. For these investment and management services, Apollo receives management fees generally related to the amount of assets managed, transaction and advisory fees for the investments made and carried interest income related to the performance of the respective funds that it manages. Apollo has three primary business segments:

1. **Private equity** – primarily invests in control equity and related debt instruments, convertible securities and distressed debt investments

2. **Capital markets** – primarily invests in non-control debt and non-control equity investments, including distressed debt securities

3. **Real estate** – primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real
estate-related debt investments. The Company may seek to sponsor additional real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

Apollo was formed as a Delaware limited liability company on July 3, 2007, and completed a reorganization of its predecessor businesses on July 13, 2007 (the “Reorganization”). Apollo is managed and operated by its manager, AGM Management LLC (“AGM”), which in turn is wholly owned and controlled by Leon Black, Joshua Harris and Marc Rowan (the “Managing Partners”). Operational decisions of AGM are made by its executive committee, comprised of Black, Harris, Rowan, and Mark Spilker, President of Apollo. The decisions are normally made by a simple majority vote, but in some instances, involving appointment of directors or the sale of assets, Black has the power of a veto.

Black is the Chairman of the Board, Chief Executive Officer and a Director of Apollo Global Management LLC and a Managing Partner of Apollo Management LP. Black founded Apollo Global Management in 1990 to manage investment capital on behalf of a group of institutional investors, focusing on corporate restructuring, leveraged buyouts, and taking minority positions in growth-oriented companies. From 1977 to 1990, Black worked at Drexel Burnham Lambert Inc., where he served as Managing Director.

Harris is a Senior Managing Director of Apollo Global Management and Managing Partner of Apollo Management LP which he co-founded in 1990. Prior to 1990, Harris was a member of the Mergers & Acquisitions Group of Drexel Burnham Lambert Inc.

Rowan is a Senior Managing Director and Director of Apollo Global Management and Managing Partner of Apollo Management LP, which he co-founded in 1990. Prior to that time, Rowan was a member of the Mergers & Acquisitions Group of Drexel Burnham Lambert Inc., with responsibilities in high yield financing, transaction idea generation and merger structure negotiation.

During the course of this investigation, the Investigators interviewed Caesars Board Member David Sambur and inquired whether he had any involvement in Caesars decision to participate in the Sterling Suffolk Racecourse casino project. He explained that he had been involved in the negotiation process, acting both as a Caesars Board member and as Apollo’s representative on the Board.
As of June 1, 2013, the Board of Directors consists of:

- Leon Black
- Joshua Harris
- Marc Rowan
- Martin Kelly
- Paul Fribourg
- Alvin Bernard (commonly “A.B.”) Krongard
- Pauline Richards
- Michael E. Ducey
- Mark Spiker

Henry Silverman joined Apollo Global Management in 2009 as Chief Operating Officer. From November 2007 until January 2009, Silverman served as a senior advisor for Apollo. Prior to joining Apollo, from July 2006 until November 2007, Silverman served as Chairman of the Board and the Chief Executive Officer of Realogy Corporation, formerly Cendant Corporation’s real estate division. On February 24, 2012, he announced his resignation from all of his positions with Apollo, including his Vice Chairman of the Board position, effective March 15, 2012.

Fribourg is an independent director under the rules of the NYSE. From 1997 to the present, Fribourg has served as Chairman and Chief Executive Officer of Continental Grain Company. Prior to 1997, Fribourg served in a variety of other roles at Continental Grain Company, including Merchandiser, Product Line Manager, Group President and Chief Operating Officer.

Krongard is an independent director under the rules of the NYSE. From 2001 to 2004, Krongard served as Executive Director of the US Central Intelligence Agency. From 1998 to 2001, Krongard served as Counselor to the Director of Central Intelligence. Prior to 1998, Krongard served in various capacities at Alex. Brown, Incorporated, including serving as Chief Executive Officer beginning in 1991 and assuming additional duties as Chairman of the Board of Directors in 1994.

Richards is an independent director under the rules of the NYSE. From 2008 to the present, Richards has served as Chief Operating Officer of Armour Reinsurance Group Ltd. Prior to 2008, Richards served as Director of Development of Saltus Grammar School from 2003 to
2008, as Chief Financial Officer of Lombard Odier Darier Hentsch (Bermuda) Ltd. from 2001 to 2003, and as Treasurer of Gulfstream Financial Ltd. from 1999 to 2000.

Ducey was most recently with Compass Minerals International Inc., from March 2002 to May 2006, where he served in a variety of roles, including as President, Chief Executive Officer and Director prior to his retirement in May 2006. Prior to joining Compass Minerals International Inc., Ducey worked for nearly 30 years at Borden Chemical Inc., in various management, sales, marketing, planning and commercial development positions, and ultimately as President, Chief Executive Officer.

Mark Spilker joined Apollo in 2010 as President, after his retirement from Goldman Sachs following a 20-year tenure with that firm. He was a member of Goldman’s firm-wide Management Committee and was co-head of its Investment Management Division.

In 2012, Martin Kelly joined Apollo as Chief Financial Officer. Prior to that, he was a Managing Director at Barclays and served as the Chief Financial Officer of Barclays’ Americas division since 2009 and also served as the Global Head of Financial Control for Barclays’ Corporate and Investment Bank since 2011. Kelly served in a variety of senior finance roles at Barclays from September 2008 to March 2009. Prior to his tenure at Barclays, Kelly was employed in a variety of roles at Lehman Brothers since 2000, including serving as a Managing Director and as Global Financial Controller from 2007 to 2008. From 2000 to 2007, Kelly provided accounting and regulatory expertise to support the development and distribution of investment and financing products to corporate and financial institution clients. Prior to joining Lehman Brothers in 2000, he spent thirteen years with PricewaterhouseCoopers, where he served in the Financial Services Group in New York from 1994 to 2000 and was appointed a partner of the firm in 1999.

Apollo has an audit committee, whose purpose is to assist the company’s manager in overseeing and monitoring the quality and integrity of its financial statements, and compliance with regulatory and legal requirements. The audit committee is currently comprised of Barry Giarraputo, Michael Ducey, Alvin Krongard, and Pauline Richards. Giarraputo filled the voided committee position upon Silverman’s March 15, 2012, resignation from Apollo, however, Richards assumed Silverman’s Audit Committee Chair position.
B. Compliance/Ethics

Apollo has a Code of Ethics, dated November 2011, that applies to Apollo partners, employees, members, owners, principals, directors, and officers. As stated in the Code of Ethics, that document is based on “our fundamental understanding that no one at Apollo should ever sacrifice integrity—or give the impression that they have—even if they think it would help the Firm’s business.”

As specified in the Code of Ethics, Apollo will take reasonable steps to ensure that the Code is followed, including monitoring and auditing to confirm compliance and to detect any illegal activity. John Suydam, is Apollo’s Chief Legal Officer and designated Chief Compliance Officer. Cindy Michel, the Director of Compliance for Apollo, reports to Suydam.

The company operates in an environment that includes non-US locations. It is therefore subject to exposure risk under the US Foreign Corrupt Practices Act. This law’s major provisions address accounting transparency and bribery of foreign officials. The company’s Code of Ethics adequately addresses the topic of gifts and gratuities, as well as money-laundering, bribes, kickbacks, conflicts of interest and outside activities.

In addition, Apollo has a detailed Supervisory Procedures Manual and a Whistleblower Policy. These documents reflect the company’s commitment to corporate governance.

C. Litigation

1. Huntsman Merger

On June 18, 2008, Apollo and certain affiliates, including Hexion Specialty Chemicals Inc., commenced action in Delaware Court of Chancery to declare their contractual rights with respect to a merger agreement with Huntsman Corporation. Thereafter, on June 23, 2008, Huntsman filed excess of $3 billion. The matter was eventually settled on December 19, 2008, with Hexion agreeing to pay Huntsman the contract termination fee of $325 million. In addition, on December 23, 2008, certain affiliates of Apollo purchased $250 million of senior notes of Huntsman. On December 29, 2008, Apollo and certain of its affiliates paid Huntsman $425 million.
2. LLDVF LP

On or about March 21, 2009, an entity known as LLDVF LP, which alleged it was an investor in certain notes issued by Linens ’n Things sued in US District Court for the District of New Jersey against Apollo Management V LP, two Apollo partners, and certain officers and directors of Linens, alleging negligent representations regarding the financial condition of Linens. The case was settled and dismissed by the court on April 25, 2011.

3. Bidding Clubs

On July 16, 2008, Apollo was joined as a defendant in pre-existing purported class action pending in Massachusetts federal court against numerous private equity firms. The suit alleges that beginning in mid-2003, Apollo and other private equity firms violated the US antitrust laws by forming “bidding clubs” that rigged the bidding for control of various public corporations, restricted the supply of private equity financing, fixed the prices for target companies at artificially low levels and allocated among themselves an alleged market for private equity services in leveraged buyouts. On July 15, 2013, Judge Edward Harrington dismissed Apollo Global Management LLC from this anti-trust action. (See Exhibit 16.)

4. CalPERS

In its SEC filings, Apollo notes that various state attorneys general and federal and state agencies have initiated industrywide investigations into the use of placement agents in connection with the solicitation of investments by public pension funds. Placement agents are intermediaries paid by external money managers to help gain access to capital from institutional investors. In some instances, the use of placement agents has given rise to various “pay to play” schemes run well-connected “insiders” and their patrons in government service. Certain affiliates of Apollo have received subpoenas and other requests for information from various governmental regulatory agencies and investors in Apollo’s funds, seeking information regarding the use of placement agents.

CalPERS, one of Apollo’s Strategic Investors, and the administrator of the largest state pension fund in the country, announced on October 14, 2009, that it has initiated a special review of placement agents and related issues. The special review focused on whether, during its
investment process, CalPERS was misled or made to overpay, resulting in increased expenses and consequently harm to its beneficiaries. The special review assessed the arrangements between CalPERS and its external money managers, and between those external money managers and third-party placement agents.

The report of the CalPERS special review was issued on March 14, 2011. (A copy of the report is attached as an Exhibit 17.) We note that the report did not allege any wrongdoing on the part of Apollo and its affiliates. Upon reading the report, it is clear that the investigator concluded that any misconduct was the result of the actions taken by representatives of CalPERS or the placement agents themselves, and not Apollo. Indeed, in a separate letter sent to Apollo prior to the release of the report, the law firm retained to conduct the investigation thanked Black on behalf of Apollo for the measures taken by the firm to rectify the situation. The report referred to Apollo as “one of CalPERS’ largest and most trusted external managers.”

In May 2007, Apollo and CalPERS were in negotiations concerning CalPERS purchasing an interest in Apollo. Leon Shahinian, then a Senior Investment Officer for CalPERS, was one of CalPERS’ employees responsible for evaluating the proposed investment. Apollo retained Alfred Villalobos as a placement agent to market this new investment to the pension fund.

After leaving the CalPERS Board in 1995, Villalobos earned $47 million as a placement agent, arranging business deals between his clients and CalPERS. In 2007, Villalobos brought Shahinian on a lavish trip that involved private jet travel, a hotel suite, and a gala at the Modern Museum of Art in honor of Leon Black. Apollo later reimbursed Villalobos for the trip, which cost approximately $60,000.

Following that trip, Shahinian recommended that CalPERS invest $700 million in Apollo, without disclosing the trip. Villalobos received a commission of $13.1 million. Villalobos was fired and sued for defrauding CalPERS. Shahinian resigned from CalPERS in August 2010, after having been placed on administrative leave in May 2010.

As a result of the investigation, Apollo agreed to no longer use placement agents for new CalPERS investments and to implement additional safeguards to make the relationship with CalPERS stringer. Apollo further agreed to reduce its management fees on funds it manages solely for CalPERS by $125 million over a five-year period. Following the investigation and release of the report, CalPERS continued to conduct business with Apollo. Significantly, the
report indicated that no agreement was even possible with some other investment firms and therefore, CalPERS had determined to terminate its relationships with those firms.

On May 6, 2010, the California Attorney General filed a civil complaint against Villalobos and its company, Arvo Capital Research LLC, a placement agent that Apollo had used, and Federico Buenrostro Jr., the former CEO of CalPERS, alleging misconduct in connection with CalPERS purchase of securities in various funds managed by Apollo and another asset manager. Notably, Apollo and its affiliates are not parties to this lawsuit and the lawsuit itself does not allege any misconduct on the part of Apollo or its affiliates. This lawsuit is pending.

On June 17, 2010, a class action complaint was filed against Apollo and Trilegiant Corporation (“Trilegiant”) in the US District Court for the District of Connecticut. The complaint asserts various causes of action on behalf of a putative nationwide class and a California-only subclass in connection with the sale by Trilegiant of its membership programs, including claims under the Electronic Communications Privacy Act, the Connecticut Unfair Trade Practices Act, the Racketeer Influenced Corrupt Organizations Act, the California Consumers Legal Remedies Act, the California Unfair Competition Law, the California False Advertising Law, and for unjust enrichment. On September 29, 2010, Apollo filed a motion to compel arbitration of all of the claims asserted in this lawsuit. On February 24, 2011, the court denied Apollo’s motion. On March 28, 2011, Apollo and Trilegiant filed a notice of appeal in the US Court of Appeals for the Second Circuit, appealing the district court’s denial of their motion to compel arbitration. On September 7, 2012, the Second Circuit affirmed the decision of the District Court denying arbitration. While that issue was on appeal, the matter proceeded in the district court. There was written discovery and depositions. Previously, the court had set a briefing schedule on class certification that called for the completion of class certification briefing on May 18, 2012. However, on March 28, 2012, the court suspended the briefing schedule on the motion due to the filing of two other overlapping class actions in the United States District Court for the District of Connecticut. The first of those cases was filed on March 6, 2012, against Apollo, Trilegiant and several other defendants. The second of those cases was filed on March 25, 2012, against the same defendants as well as Adaptive Marketing LLC, Vertrue Inc., Webloyalty.com Inc., and Wells Fargo & Co. These two cases assert similar claims as the claims asserted in the earlier-filed lawsuit in connection with the sale by Trilegiant of its membership programs. On April 26,
2012, the court consolidated these three cases. The court also set an initial status conference for May 17, 2012. At that status conference, the court ordered that Plaintiffs file a consolidated amended complaint to combine the claims in the three previously separate lawsuits. The court also struck the class certification briefing schedule that had been set previously. On September 7, 2012, the Plaintiffs filed a consolidated amended complaint asserting substantially the same legal claims. The consolidated amended complaint added Priceline, Orbitz, Chase Paymentech, Hotwire, and TigerDirect as Defendants and added three new Plaintiffs; it also dropped Webloyalty and Rakuten as Defendants. On December 7, 2012, all Defendants filed motions seeking to dismiss the consolidated amended complaint and to strike certain portions of the complaint. Plaintiff’s response brief was filed on February 7, 2013, and Defendants’ reply briefs are due March 11, 2013. Also, on December 5, 2012, the Plaintiffs’ law firms in these consolidated cases filed an additional action in the United States District Court for the District of Connecticut. That case is identical in all respects to this case except that it was filed by a new Plaintiff (the named Plaintiff from the case described in the following paragraph). On January 23, 2013, Plaintiff filed a motion to consolidate that case into the existing set of consolidated cases. It is unclear when the court will rule on that motion. On February 15, 2013, the Court entered an order staying the date for all Defendants to respond to the Complaint until the sooner of (1) the resolution of the motion to consolidate the case into the existing consolidated cases, or (2) April 1, 2013.

D. Financial Suitability Evaluation

Apollo Global Management LLC and its consolidated subsidiaries (the “Company” or “Apollo”), is a global alternative asset manager whose predecessor was founded in 1990. Its primary business is to raise, invest and manage private equity, capital markets and real estate funds on behalf of pension and endowment funds, as well as other institutional and high net worth individual investors. For these investment and management services, Apollo receives management fees generally related to the amount of assets managed, transaction and advisory fees for the investments made and carried interest income related to the performance of the respective funds that it manages. Apollo has three primary business segments:

1. Private equity — primarily invests in control equity and related debt instruments, natural resources, corporate carve-outs and distressed debt investments
2. **Credit** — primarily invests in non-control debt and non-control equity investments, including distressed debt securities, and European credit.

3. **Real estate** — primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments.

As of December 31, 2012, the Company had $113.4 billion in assets under management (“AUM”), consisting of $37.8 billion in their private equity business, $64.4 billion in their credit business and $8.8 billion in their real estate business.

As of December 31, 2012, approximately 93 percent of the Company’s total AUM was in funds with a contractual life at inception of seven years or more, and 10 percent of their total AUM was in permanent capital vehicles with unlimited duration.

### 1. Company History

The Company was formed as a Delaware limited liability company on July 3, 2007, and completed a reorganization of its predecessor businesses on July 13, 2007 (the “Reorganization”). The Company is managed and operated by its manager, AGM Management LLC, which in turn is wholly owned and controlled by Leon Black, Joshua Harris and Marc Rowan (the “Managing Partners”).

The company has three business segments: private equity, credit and real estate. As part of their private equity segment, they also manage AP Alternative Assets LP (“AAA”), a publicly listed permanent capital vehicle. The sole investment held by AAA is its interest in AAA Investments LP (“AAA Investments”), which currently has substantially all of its capital invested through various subsidiaries in Athene Holding Ltd., a Bermuda holding company that was founded in 2009 to capitalize on favorable market conditions in the dislocated life insurance sector.

In addition to AAA, they manage several strategic investment accounts (“SIAs”) established to facilitate investments by third-party investors directly in Apollo-sponsored funds and other transactions. They have also raised a dedicated natural resources fund, which they include within their private equity segment that targets global private equity opportunities in energy, metals and mining and select other natural resources sub-sectors.
a. AP Alternative Assets LP

AAA is a Guernsey limited partnership whose partners are comprised of (i) AAA Guernsey Limited (“AAA Guernsey” or “Managing General Partner”), which holds 100 percent of the general partner interests in AAA, and (ii) the holders of common units representing limited partner interests in AAA. The common units are non-voting and are listed on NYSE Euronext in Amsterdam under the symbol “AAA.” AAA Guernsey is a Guernsey limited company and is owned 55 percent by an individual who is not an affiliate of Apollo and 45 percent by Apollo Principal Holdings III LP., an indirect subsidiary of Apollo. AAA Guernsey is responsible for managing the business and affairs of AAA. AAA generally makes all of these investments through AAA Investments, of which AAA is the sole limited partner.

AAA issued approximately $1.9 billion of equity capital in its initial public offering (“IPO”) in June 2006. AAA was originally designed to give investors in its common units exposure as a limited partner to certain of the strategies that we employ and allowed us to manage the asset allocations to those strategies by investing alongside our private equity funds and directly in our credit funds and certain other opportunistic investments that we sponsor and manage.

On October 31, 2012, AAA and AAA Investments consummated a transaction whereby a wholly owned subsidiary of AAA Investments contributed substantially all of its investments to Athene Holding Ltd. (together with its subsidiaries, “Athene”) in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the “AAA Transaction”) payable at the option of AAA Investments in cash or common shares of Athene Holding Ltd. After the AAA Transaction, Athene was AAA’s only material investment and as of December 31, 2012, AAA, through its investment in AAA Investments, was the largest shareholder of Athene Holding Ltd. with an approximate 77 percent ownership stake (without giving effect to restricted common shares issued under Athene’s management equity plan). Subsequent to December 31, 2012, Athene called additional capital from other investors, and as a result AAA’s ownership of Athene Holding Ltd. was reduced to approximately 72 percent (without giving effect to restricted common shares issued under Athene’s management equity plan). Additional information related to AAA can be found on its website at www.apolloalternativeassets.com. The information contained in AAA’s website is not part of this report.
In connection with the consummation of the AAA Transaction, on October 31, 2012, AAA and Apollo Alternative Assets LP. (“Apollo Alternative Assets”), a subsidiary of Apollo, entered into an amendment to the services agreement pursuant to which Apollo Alternative Assets manages AAA’s assets in exchange for a quarterly management fee. Pursuant to the amendment, the parties agreed that there will be no management fees payable by AAA with respect to the shares of Athene Holding Ltd. that were newly acquired by AAA in the AAA Transaction (the “Excluded Athene Shares”). Likewise, affiliates of Apollo Alternative Assets will not be entitled to receive any carried interest in respect of the Excluded Athene Shares. AAA will continue to pay Apollo Alternative Assets the same management fee on AAA’s investment in Athene (other than the Excluded Athene Shares), except that Apollo Alternative Assets agreed that AAA’s obligation to pay the existing management fee shall terminate on December 31, 2014. The amendment provides for Apollo Alternative Assets to receive a formulaic unwind of its management fee in the event that AAA makes a tender offer for all or substantially all of its outstanding units where the consideration is to be paid in shares of Athene Holding Ltd (or if AAA accomplishes a similar transaction using an alternative structure): up to a cap of $30.0 million if the realization event commences in 2013, $25.0 million if the realization event commences in 2014, $20.0 million if the realization event commences in 2015 and zero if the realization event commences in 2016 or thereafter. Apollo Alternative Assets has further agreed that AAA has the option to settle all such management fees payable either in cash or shares of Athene Holding Ltd. valued at the then fair market value (or an equivalent derivative). Carried interest payable to an affiliate of Apollo Alternative Assets will be paid in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind or paid in cash if AAA sells the shares of Athene Holding Ltd.

2. Portfolio Company Holdings

The following table presents the current list of portfolio companies of Apollo’s private equity funds as of December 31, 2012.
<table>
<thead>
<tr>
<th>Company</th>
<th>Year of Initial Investment</th>
<th>Fund(s)</th>
<th>Buyout Type</th>
<th>Industry</th>
<th>Region</th>
<th>Sole Financial Sponsor at Time of Initial Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>EP Energy LLC</td>
<td>2012</td>
<td>Fund VII &amp; ANRP</td>
<td>Corporate Carve-outs</td>
<td>Oil &amp; Gas</td>
<td>North America</td>
<td>No</td>
</tr>
<tr>
<td>Great Wolf Resorts</td>
<td>2012</td>
<td>Fund VII</td>
<td>Opportunistic Buyouts</td>
<td>Media, Entertainment &amp; Cable</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Pinnacle - Jimmy Sanders</td>
<td>2012</td>
<td>Fund VII &amp; ANRP</td>
<td>Opportunistic Buyouts</td>
<td>Agriculture</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Talos</td>
<td>2012</td>
<td>Fund VII</td>
<td>Opportunistic Buyouts</td>
<td>Oil &amp; Gas</td>
<td>North America</td>
<td>No</td>
</tr>
<tr>
<td>Taminco</td>
<td>2012</td>
<td>Fund VII</td>
<td>Opportunistic Buyouts</td>
<td>Chemicals</td>
<td>Western Europe</td>
<td>No</td>
</tr>
<tr>
<td>Ascometal</td>
<td>2011</td>
<td>Fund VII &amp; ANRP</td>
<td>Corporate Carve-outs</td>
<td>Materials</td>
<td>Western Europe</td>
<td>Yes</td>
</tr>
<tr>
<td>Brit Insurance</td>
<td>2011</td>
<td>Fund VII</td>
<td>Opportunistic Buyouts</td>
<td>Insurance</td>
<td>Western Europe</td>
<td>No</td>
</tr>
<tr>
<td>CORE Media Group (formerly CKx)</td>
<td>2011</td>
<td>Fund VII</td>
<td>Opportunistic Buyouts</td>
<td>Media, Entertainment &amp; Cable</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Sprouts Farmers Markets</td>
<td>2011</td>
<td>Fund VI</td>
<td>Corporate Carve-outs</td>
<td>Food Retail</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Welspun</td>
<td>2011</td>
<td>Fund VII &amp; ANRP</td>
<td>Opportunistic Buyouts</td>
<td>Materials</td>
<td>India</td>
<td>No</td>
</tr>
<tr>
<td>Aleris International</td>
<td>2010</td>
<td>Fund VII &amp; VI</td>
<td>Distressed Buyouts</td>
<td>Building Products</td>
<td>Global</td>
<td>No</td>
</tr>
<tr>
<td>Athlon</td>
<td>2010</td>
<td>Fund VII</td>
<td>Opportunistic Buyouts</td>
<td>Oil &amp; Gas</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>CKE Restaurants Inc.</td>
<td>2010</td>
<td>Fund VII</td>
<td>Opportunistic Buyouts</td>
<td>Food Retail</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Constellium (formerly Alcan)</td>
<td>2010</td>
<td>Fund VII</td>
<td>Corporate Carve-outs</td>
<td>Materials</td>
<td>Western Europe</td>
<td>No</td>
</tr>
<tr>
<td>EVERTEC</td>
<td>2010</td>
<td>Fund VII</td>
<td>Corporate Carve-outs</td>
<td>Financial Services</td>
<td>Puerto Rico</td>
<td>No</td>
</tr>
<tr>
<td>Gala Coral Group</td>
<td>2010</td>
<td>Fund VII &amp; VI</td>
<td>Distressed Buyouts</td>
<td>Gaming &amp; Leisure</td>
<td>Western Europe</td>
<td>No</td>
</tr>
<tr>
<td>LyondellBasell</td>
<td>2010</td>
<td>Fund VII &amp; VI</td>
<td>Distressed Buyouts</td>
<td>Chemicals</td>
<td>Global</td>
<td>No</td>
</tr>
<tr>
<td>Monier</td>
<td>2010</td>
<td>Fund VII</td>
<td>Distressed Buyouts</td>
<td>Building Products</td>
<td>Western Europe</td>
<td>No</td>
</tr>
<tr>
<td>Veritable Maritime</td>
<td>2010</td>
<td>Fund VII</td>
<td>Opportunistic Buyouts</td>
<td>Shipping</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Charter Communications</td>
<td>2009</td>
<td>Fund VII &amp; VI</td>
<td>Distressed Buyouts</td>
<td>Media, Entertainment &amp; Cable</td>
<td>North America</td>
<td>No</td>
</tr>
<tr>
<td>Dish TV</td>
<td>2009</td>
<td>Fund VII</td>
<td>Opportunistic Buyouts</td>
<td>Media, Entertainment &amp; Cable</td>
<td>India</td>
<td>No</td>
</tr>
<tr>
<td>Entity</td>
<td>Year</td>
<td>Fund</td>
<td>Strategy</td>
<td>Industry</td>
<td>Region</td>
<td>License?</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>------</td>
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<td>---------------------------------</td>
<td>---------------------------------</td>
<td>-------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Caesars Entertainment</td>
<td>2008</td>
<td>Fund VI</td>
<td>Opportunistic Buyouts</td>
<td>Gaming &amp; Leisure</td>
<td>North America</td>
<td>No</td>
</tr>
<tr>
<td>Norwegian Cruise Line</td>
<td>2008</td>
<td>Fund VI</td>
<td>Opportunistic Buyouts</td>
<td>Cruise</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Claire's</td>
<td>2007</td>
<td>Fund VI</td>
<td>Opportunistic Buyouts</td>
<td>Specialty Retail</td>
<td>Global</td>
<td>Yes</td>
</tr>
<tr>
<td>Countrywide</td>
<td>2007</td>
<td>Fund VI</td>
<td>Opportunistic Buyouts</td>
<td>Real Estate Services</td>
<td>Western Europe</td>
<td>Yes</td>
</tr>
<tr>
<td>Jacuzzi Brands</td>
<td>2007</td>
<td>Fund VI</td>
<td>Opportunistic Buyouts</td>
<td>Building Products</td>
<td>Global</td>
<td>Yes</td>
</tr>
<tr>
<td>Noranda Aluminum</td>
<td>2007</td>
<td>Fund VI</td>
<td>Corporate Carve-outs</td>
<td>Materials</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Prestige Cruise Holdings</td>
<td>2007</td>
<td>Fund VII &amp; VI</td>
<td>Opportunistic Buyouts</td>
<td>Cruise</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Reology</td>
<td>2007</td>
<td>Fund VI</td>
<td>Opportunistic Buyouts</td>
<td>Real Estate Services</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Vantium</td>
<td>2007</td>
<td>Fund VII</td>
<td>Other Investments</td>
<td>Business Services</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Berry Plastics(1)</td>
<td>2006</td>
<td>Fund VI &amp; V</td>
<td>Corporate Carve-outs</td>
<td>Packaging &amp; Materials</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>CEVA Logistics(2)</td>
<td>2006</td>
<td>Fund VI</td>
<td>Corporate Carve-outs</td>
<td>Logistics</td>
<td>Western Europe</td>
<td>Yes</td>
</tr>
<tr>
<td>Rexnord(3)</td>
<td>2006</td>
<td>Fund VI</td>
<td>Opportunistic Buyouts</td>
<td>Diversified Industrial</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>SourceHOV(4)</td>
<td>2006</td>
<td>Fund V</td>
<td>Opportunistic Buyouts</td>
<td>Financial Services</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Verso Paper</td>
<td>2006</td>
<td>Fund VI</td>
<td>Corporate Carve-outs</td>
<td>Paper Products</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Affinion Group</td>
<td>2005</td>
<td>Fund V</td>
<td>Corporate Carve-outs</td>
<td>Financial Services</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Metals USA</td>
<td>2005</td>
<td>Fund V</td>
<td>Opportunistic Buyouts</td>
<td>Distribution &amp; Transportation</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>PLASE Capital</td>
<td>2003</td>
<td>Fund V</td>
<td>Opportunistic Buyouts</td>
<td>Financial Services</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Quality Distribution</td>
<td>1998</td>
<td>Fund III</td>
<td>Opportunistic Buyouts</td>
<td>Distribution &amp; Transportation</td>
<td>North America</td>
<td>Yes</td>
</tr>
<tr>
<td>Debt Investment Vehicles - Fund VII</td>
<td>Various</td>
<td>Fund VII</td>
<td>Debt Investments</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Debt Investment Vehicles - Fund VI</td>
<td>Various</td>
<td>Fund VI</td>
<td>Debt Investments</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Debt Investment Vehicles - Fund V</td>
<td>Various</td>
<td>Fund V</td>
<td>Debt Investments</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
</tbody>
</table>
E. Financial Operating Results

1. Revenues

Revenues are reported in three separate categories that include (i) advisory and transaction fees from affiliates, which relate to the investments of the funds and may include individual monitoring agreements with the portfolio companies and debt investment vehicles of the private equity funds and capital markets funds; (ii) management fees from affiliates, which are based on committed capital, invested capital, net asset value, gross assets or as otherwise defined in the respective agreements; and (iii) carried interest income (loss) from affiliates, which is normally based on the performance of the funds subject to preferred return.

a. Advisory and Transaction Fees from Affiliates

Advisory and transaction fees, including directors’ fees are recognized when the underlying services rendered are substantially completed in accordance with the terms of their transaction and advisory agreements. Additionally, during the normal course of business, the Company incurs certain costs related to private equity fund transactions that are not consummated (“Broken Deal Costs”).

As a result of providing advisory services to certain private equity and capital markets portfolio companies, Apollo is entitled to receive fees for transactions related to the acquisition and disposition of portfolio companies as well as ongoing monitoring of portfolio company operations. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds is subject to a reduction based on a certain percentage of such advisory and transaction fees, net of applicable broken deal costs (“Management Fee Offset”). Such amounts are presented as a reduction to Advisory and Transaction Fees from Affiliates in the condensed consolidated statements of operations.
\textit{b. Management Fees from Affiliates}

Management fees for private equity funds, real estate funds and certain capital markets funds are recognized in the period during which the related services are performed in accordance with the contractual terms of the related agreement. Management fees for private equity funds and certain capital markets funds are based upon a percentage of the capital committed during the commitment period, and thereafter based on the remaining invested capital of unrealized investments. For most capital markets funds, management fees are recognized in the period during which the related services are performed and are based upon net asset value, gross assets or as otherwise defined in the respective agreements.

\textit{c. Carried Interest Income from Affiliates}

Apollo is entitled to an incentive return that can normally amount to as much as 20 percent of the total returns on funds’ capital, depending upon performance. Performance-based fees are assessed as a percentage of the investment performance of the funds. The carried interest income from affiliates for any period is based upon an assumed liquidation of the fund’s net assets on the reporting date, and distribution of the net proceeds in accordance with the fund’s income allocation provisions. Carried interest receivable is presented separately in the condensed consolidated statements of financial condition. The net carried interest income may be subject to reversal to the extent that the carried interest income recorded exceeds the amount due to the general partner based on a fund’s cumulative investment returns. When applicable, the accrual for potential repayment of previously received carried interest income, which is a component of due to affiliates, represents all amounts previously distributed to the general partner that would need to be repaid to the Apollo funds if these funds were to be liquidated based on the current fair value of the underlying funds’ investments as of the reporting date. The actual general partner obligation, however, would not become payable or realized until the end of a fund’s life.

\textbf{2. Balance Sheet}

The following is Apollo Global Management’s Consolidated Statements of Financial Condition as of December 31, 2012, and December 31, 2011.
<table>
<thead>
<tr>
<th>Assets:</th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 946,225</td>
<td>$ 738,679</td>
</tr>
<tr>
<td>Cash and cash equivalents held at Consolidated Funds</td>
<td>1,226</td>
<td>6,052</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>8,359</td>
<td>8,289</td>
</tr>
<tr>
<td>Investments</td>
<td>2,138,096</td>
<td>1,857,465</td>
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<tr>
<td>Assets of consolidated variable interest entities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,682,696</td>
<td>173,542</td>
</tr>
<tr>
<td>Investments, at fair value</td>
<td>12,689,535</td>
<td>3,301,966</td>
</tr>
<tr>
<td>Other assets</td>
<td>299,978</td>
<td>57,855</td>
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<tr>
<td>Carried interest receivable</td>
<td>1,878,256</td>
<td>868,582</td>
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<tr>
<td>Due from affiliates</td>
<td>173,312</td>
<td>176,740</td>
</tr>
<tr>
<td>Fixed assets, net</td>
<td>53,452</td>
<td>52,683</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>542,208</td>
<td>576,304</td>
</tr>
<tr>
<td>Other assets</td>
<td>36,765</td>
<td>26,976</td>
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<tr>
<td>Goodwill</td>
<td>48,894</td>
<td>48,894</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>137,856</td>
<td>81,846</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 20,636,858</td>
<td>$ 7,975,873</td>
</tr>
<tr>
<td>Liabilities and Shareholders’ Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 38,337</td>
<td>$ 33,545</td>
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<tr>
<td>Accrued compensation and benefits</td>
<td>56,125</td>
<td>45,933</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>252,157</td>
<td>232,747</td>
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<tr>
<td>Due to affiliates</td>
<td>477,451</td>
<td>578,764</td>
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<tr>
<td>Profit sharing payable</td>
<td>857,724</td>
<td>352,896</td>
</tr>
<tr>
<td>Debt</td>
<td>737,818</td>
<td>738,516</td>
</tr>
<tr>
<td>Liabilities of consolidated variable interest entities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt, at fair value</td>
<td>11,834,955</td>
<td>3,189,837</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>634,053</td>
<td>122,264</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>44,855</td>
<td>33,050</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>14,933,475</td>
<td>5,327,552</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apollo Global Management LLC shareholders’ equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A shares, no par value, unlimited shares authorized, 130,053,993 shares and 123,923,042 shares issued and outstanding at December 31, 2012, and 2011, respectively</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at December 31, 2012, and 2011</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Additional paid in capital</td>
<td>3,043,334</td>
<td>2,939,492</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(2,142,020)</td>
<td>(2,426,197)</td>
</tr>
<tr>
<td>Appropriated partners’ capital</td>
<td>1,765,360</td>
<td>213,594</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (loss)</td>
<td>144</td>
<td>(488)</td>
</tr>
<tr>
<td>Total Apollo Global Management LLC shareholders’ equity</td>
<td>2,666,818</td>
<td>726,401</td>
</tr>
<tr>
<td>Non-Controlling Interests in consolidated entities</td>
<td>1,893,212</td>
<td>1,444,767</td>
</tr>
<tr>
<td>Non-Controlling Interests in Apollo Operating Group</td>
<td>1,143,353</td>
<td>477,153</td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td>5,703,383</td>
<td>2,648,321</td>
</tr>
<tr>
<td>Total Liabilities and Shareholders’ Equity</td>
<td>$ 20,636,858</td>
<td>$ 7,975,873</td>
</tr>
</tbody>
</table>
## 3. Comprehensive Statements of Income (Loss)


<table>
<thead>
<tr>
<th>(dollars in thousands, except share data)</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advisory and transaction fees from affiliates</td>
<td>$149,544</td>
<td>$81,953</td>
<td>$79,782</td>
</tr>
<tr>
<td>Management fees from affiliates</td>
<td>580,603</td>
<td>487,559</td>
<td>431,096</td>
</tr>
<tr>
<td>Carried interest income (loss) from affiliates</td>
<td>2,129,818</td>
<td>(397,880)</td>
<td>1,599,020</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>2,859,965</td>
<td>171,632</td>
<td>2,109,898</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation and benefits:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity-based compensation</td>
<td>598,654</td>
<td>1,149,753</td>
<td>1,118,412</td>
</tr>
<tr>
<td>Salary, bonus and benefits</td>
<td>274,574</td>
<td>251,095</td>
<td>249,571</td>
</tr>
<tr>
<td>Profit sharing expense</td>
<td>871,394</td>
<td>(63,453)</td>
<td>555,225</td>
</tr>
<tr>
<td>Incentive fee compensation</td>
<td>739</td>
<td>3,383</td>
<td>20,142</td>
</tr>
<tr>
<td><strong>Total Compensation and benefits</strong></td>
<td>1,745,361</td>
<td>1,340,778</td>
<td>1,943,350</td>
</tr>
<tr>
<td>Interest expense</td>
<td>37,116</td>
<td>40,850</td>
<td>35,436</td>
</tr>
<tr>
<td>Professional fees</td>
<td>64,682</td>
<td>59,277</td>
<td>61,919</td>
</tr>
<tr>
<td>General, administrative and other</td>
<td>87,961</td>
<td>75,558</td>
<td>65,107</td>
</tr>
<tr>
<td>Placement fees</td>
<td>22,271</td>
<td>3,911</td>
<td>4,258</td>
</tr>
<tr>
<td>Occupancy</td>
<td>37,218</td>
<td>35,816</td>
<td>23,067</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>53,236</td>
<td>26,260</td>
<td>24,249</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>2,047,845</td>
<td>1,582,450</td>
<td>2,157,386</td>
</tr>
<tr>
<td><strong>Other Income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gains (losses) from investment activities</td>
<td>288,244</td>
<td>(129,827)</td>
<td>367,871</td>
</tr>
<tr>
<td>Net (losses) gains from investment activities of consolidated variable interest entities</td>
<td>(71,704)</td>
<td>24,201</td>
<td>48,206</td>
</tr>
<tr>
<td>Income from equity method investments</td>
<td>110,173</td>
<td>13,923</td>
<td>69,812</td>
</tr>
<tr>
<td>Interest income</td>
<td>9,693</td>
<td>4,731</td>
<td>1,528</td>
</tr>
<tr>
<td>Other income, net</td>
<td>1,964,679</td>
<td>205,520</td>
<td>195,032</td>
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<tr>
<td><strong>Total Other Income</strong></td>
<td>2,301,085</td>
<td>118,548</td>
<td>682,449</td>
</tr>
<tr>
<td>Income (loss) before income tax provision</td>
<td>3,113,205</td>
<td>(1,292,270)</td>
<td>634,961</td>
</tr>
<tr>
<td>Income tax provision</td>
<td>(65,410)</td>
<td>(11,929)</td>
<td>(91,737</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>3,047,795</td>
<td>(1,304,199)</td>
<td>543,224</td>
</tr>
<tr>
<td>Net (income) loss attributable to Non-Controlling Interests</td>
<td>(2,736,838)</td>
<td>835,373</td>
<td>(448,607</td>
</tr>
<tr>
<td><strong>Net Income (Loss) Attributable to Apollo Global Management LLC</strong></td>
<td>$310,957</td>
<td>$468,826</td>
<td>$94,617</td>
</tr>
<tr>
<td>Distributions Declared per Class A Share</td>
<td>$1.35</td>
<td>$0.83</td>
<td>$0.21</td>
</tr>
<tr>
<td><strong>Net Income (Loss) Per Class A Share:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (Loss) Per Class A Share – Basic and Diluted</td>
<td>$2.06</td>
<td>$4.18</td>
<td>$0.83</td>
</tr>
<tr>
<td>Weighted Average Number of Class A Shares – Basic</td>
<td>127,693,489</td>
<td>116,364,110</td>
<td>96,964,769</td>
</tr>
</tbody>
</table>
4. Statements of Comprehensive Income


<table>
<thead>
<tr>
<th>(dollars in thousands, except share data)</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income (Loss)</td>
<td>$3,047,795</td>
<td>$(1,304,199)</td>
<td>$543,224</td>
</tr>
<tr>
<td>Other Comprehensive Income, net of tax:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain on interest rate swaps (net of taxes of $410, $855 and $1,449 for Apollo Global Management LLC and $0 for Non-Controlling Interests in Apollo Operating Group for the years ended December 31, 2012, 2011, and 2010, respectively)</td>
<td>2,653</td>
<td>6,728</td>
<td>11,435</td>
</tr>
<tr>
<td>Net (loss) income on available-for-sale securities (from equity method investment)</td>
<td>(11)</td>
<td>(225)</td>
<td>343</td>
</tr>
<tr>
<td>Total Other Comprehensive Income, net of tax</td>
<td>2,642</td>
<td>6,503</td>
<td>11,778</td>
</tr>
<tr>
<td>Comprehensive Income (Loss)</td>
<td>3,050,437</td>
<td>(1,297,696)</td>
<td>555,002</td>
</tr>
<tr>
<td>Comprehensive (Income) Loss attributable to Non-Controlling Interests</td>
<td>(922,172)</td>
<td>1,032,502</td>
<td>(446,467)</td>
</tr>
<tr>
<td>Comprehensive Income (Loss) Attributable to Apollo Global Management LLC</td>
<td>$2,128,265</td>
<td>$(265,194)</td>
<td>$108,535</td>
</tr>
</tbody>
</table>

5. Financial Discussion

a. Private Equity

During the year ended December 31, 2012, the total AUM in the Company’s Private Equity segment increased by $2.4 billion, or 6.9 percent. This increase was primarily a result of income of $8.1 billion attributable to improved unrealized gains in our private equity funds, including $4.5 billion from Fund VII and $3.1 billion from Fund VI. In addition, contributing to this increase was an additional $0.7 billion in subscriptions from AION Capital Partners Limited (“AION”) and ANRP. Offsetting this increase was $6.5 billion in distributions, including $3.7 billion from Fund VII and $2.1 billion from Fund VI.

During the year ended December 31, 2011, the total AUM in the Company’s private equity segment decreased by $3.4 billion, or 8.8 percent. This decrease was primarily a result of distributions of $3.5 billion, including $1.5 billion from Fund VII and $0.9 billion from Fund IV and $0.8 billion from Fund VI. In addition, $1.6 billion of unrealized losses were incurred that were primarily attributable to Fund VI. Offsetting these decreases was a $1.1 billion increase in leverage, primarily from Fund VII and capital raised of $0.4 billion, primarily in ANRP.

During the year ended December 31, 2010, the total AUM in our private equity segment increased by $4.8 billion, or 14.1 percent. This increase was primarily impacted by improved
investment valuations of $6.4 billion. This increase was partially offset by $1.6 billion of distributions primarily from Fund V.

b. Credit

During the year ended December 31, 2012, total AUM in the Company’s credit segment increased by $32.5 billion, or 102.1 percent. This increase was primarily attributable to $18.5 billion in acquisitions related to Stone Tower, $5.1 billion in other inflows related to Athene and $5.3 billion in increased leverage, including $3.4 billion from AMTG. The increase was also a result of $5.5 billion of additional subscriptions, including $3.0 billion by Apollo European Principal Finance Fund II LP. (“EPF II”), $0.6 billion by Apollo Centre Street Partnership LP. (“ACSP”) and $0.4 billion by AMTG. This increase was partially offset by $3.2 billion of distributions, including $1.5 billion collectively from COF I and COF II and $0.3 billion from Apollo European Principal Finance Fund I LP. (“EPF I”).

During the year ended December 31, 2011, total AUM in the credit segment increased by $9.6 billion, or 43.0 percent. This increase was primarily attributable to inflows of $9.4 billion related to $6.4 billion from Athene and $3.0 billion from the acquisition of Gulf Stream Asset Management LLC (“Gulf Stream”). Also contributing to this increase was $3.1 billion of capital raised driven by $0.8 billion in Apollo Palmetto Strategic Partnership LP. (“Palmetto”), $0.4 billion in Financial Credit Investment I LP. (“FCI”), $0.3 billion in AFT, $0.5 billion in Apollo European Strategic Investments LP. (“AESI”) and $0.2 billion in EPF II. Partially offsetting these increases were distributions of $1.2 billion and redemptions of $0.5 billion, as well as $1.4 billion in net transfers between segments.

During the year ended December 31, 2010, total AUM in the credit segment increased by $3.2 billion, or 16.6 percent. This increase was attributable to $2.2 billion in improved valuations, primarily in Athene of $0.4 billion and COF I and COF II of $0.7 billion and $0.2 billion, respectively, $1.8 billion of increased leverage primarily in COF II and Athene of $1.1 billion and $0.5 billion, respectively, and $0.5 billion of additional subscriptions. These increases were partially offset by $0.7 billion of distributions and $0.3 billion in redemptions.

c. Real Estate

During the year ended December 31, 2012, total AUM in the real estate segment increased by $0.8 billion, or 10.4 percent. This increase was primarily a result of $1.4 billion in
net transfers from other segments and additional subscriptions of $0.5 billion, including $0.2 billion from a real estate investment. In addition, also contributing to this increase was income of $0.7 billion attributable to improved unrealized gains in our real estate funds, including $0.4 billion from the CPI funds. Partially offsetting this increase was $1.1 billion in distributions, including $0.8 billion from the CPI funds.

During the year ended December 31, 2011, total AUM in the real estate segment increased by $1.5 billion, or 23.2 percent. This increase was primarily attributable to $1.2 billion from other net segments. Also impacting this change was an increase in leverage of $0.2 billion, primarily from AGRE CMBS Fund LP and 2011 A-4 Fund LP. In addition, there was $0.2 billion of income that was primarily attributable to improved unrealized gains in our real estate funds. These increases were offset by $0.5 billion of distributions.

During the year ended December 31, 2010, total AUM in the real estate segment increased by approximately $6.0 billion. The overall AUM increase in our real estate segment was primarily driven by the acquisition of CPI during the fourth quarter of 2010, which had approximately $3.6 billion of AUM at December 31, 2010. Additionally, $2.0 billion of incremental leverage was added during the year ended December 31, 2010, to the real estate segment, which was primarily attributable to the AGRE CMBS Accounts and ARI.

6. Conclusion

Based upon our review of the financial information submitted by the company believe that Apollo Global Management. LLC currently demonstrates the requisite financial stability for licensure by the Commonwealth of Massachusetts.

F. Overall Conclusion

Based on the foregoing analysis, Apollo has demonstrated its suitability as a qualifier of SSR.
A. Corporate History and Organization

TPG is one of the largest private equity investment firms in the country. The firm’s portfolio industry focuses include media and telecommunications, industrials, technology, travel/leisure, and health care. TPG partnered with Apollo to acquire Caesars in December 2006. The firm, originally called The Texas Pacific Group, was founded in 1992 by David Bonderman, James Coulter and William S. Price III. The latter co-founder departed TPG in 2006. Prior to founding TPG, Bonderman and Coulter had worked for Robert M. Bass making leveraged buyout investments during the 1980s. In 1993, Bonderman and Coulter partnered with Price, who was then Vice President of Strategic Planning and Business development for GE Capital to complete the buyout of Continental Airlines. TPG’s plan for the airline was to bring in a new management team, improve aircraft utilization and focus on lucrative routes.

TPG was established for the purpose of making significant investments in operating companies through acquisitions and restructurings. In early 2007, the firm officially changed its name to TPG. Since inception, the company has raised more than $50 billion of investor commitments across more than 18 private equity funds. TPG is headquartered at 300 Commerce Street, Suite 3300, Fort Worth, TX, and has offices in San Francisco, London, Hong Kong, Mumbai and Tokyo. TPG Capital Advisors LLC, General Partner of TPG, exclusively manages, controls and conducts the business and affairs of TPG. TPG Capital Advisors LLC is controlled by Bonderman and Coulter. On January 2, 2012, TPG’s name was changed to TPG Capital Management LP. This restructuring did not impact in any way the management contract that TPG Capital (now known as TPG Capital Management) has with the TPG funds that invested in Caesars Entertainment Corp. Further the name change did not affect the services agreement that TPG has with Caesars. In addition ultimate indirect ownership of TPG Capital was unaffected. The direct general partners and limited partners have changed, but all control and economic interests continue to be held by the same ultimate persons in the exact same proportions.

On December 1, 2006, TPG and Kohlberg Kravis Roberts explored the possibility of teaming up for a record $100 billion leveraged buyout of the second-largest retailer in the country, Home Depot. Although this deal did not come to fruition, TPG participated in many
large acquisition transactions in the past several years, including Neiman Marcus, Sabre Holdings, Avaya, Biomet, and First Data. In 2006, TPG teamed with Apollo to acquire Caesars.

TPG provides investment advisory services to pooled investment vehicles, (private funds). The investors of these funds are primarily qualified purchasers and may include banks, thrift institutions, pensions and profit sharing plans, trusts, estates, charitable organizations, corporations, limited partnerships, limited liability companies and high-net-worth individuals. TPG provides investment advice to each of the TPF Funds by identifying investment opportunities and by anticipating in the acquisition, management, monitoring and disposition of investments. TPG primarily provides investment advisory services related to private equity investments in various industries, including recapitalizations and leverage acquisitions, turnarounds, traditional buyouts and investments in growth companies. It may also advise on investments in performing and distressed bank and other loans, high yield bonds, investment grade bonds, mezzanine/private placements, structured products, credit based securities and claims, swap transactions, derivative instruments, equities, short sales, currency hedging transactions, financing and debt origination, securities lending arrangements and repurchase agreements. The Investment Review Committee ("IRC") makes the investment business decisions but ultimately, the decision is that of David Bonderman and James Coulter.

TPG’s current principals are listed as follows:

- David Bonderman – President, TPG Capital Advisors LLC, General Partner of TPG Capital LP
- James George Coulter, SR VP of TPG Capital Advisors LLC, General Partner of TPG Capital LP
- John Edward Viola, VP and Treasurer of TPG Capital Advisors LLC, General Partner of TPG Capital LP
- David Craig Reintjes, Chief Compliance Officer and Assistant Secretary of TPG Capital Advisors LLC, General Partner of TPG Capital LP

**B. Compliance**

The TPG Compliance Policy Program was adopted March 2008 and renewed in May 2009 for the purposes of compliance with Rule 260(4)-7 under the Investment Advisor Act which requires that registered advisers adopt written policies and procedures designed to prevent violation of the Advisers Act and associated rules. Advisers are also required to review their
policy annually and designate an individual to be responsible for administering the policy. TPG has designated its Chief Compliance Officer ("CCO") as the individual responsible for the administration of each of the Firm’s policies and procedures under Rule 206(4)-7 of the Investment Advisors Act. TPG’s Chief Compliance Officer is David Reintjes. The following individuals make up the Compliance group:

- David Reintjes, CCO & Deputy General Counsel
- Maryellen Maurer, Deputy CCO
- Tim Goodwin, Senior Compliance Professional
- Laura McQuillar, Legal & Compliance Professional
- Mickey Bazar, Legal & Compliance Professional
- Coleman Wallis, Legal & Compliance Professional
- Debbie Chan, Senior Compliance Officer, Asia
- Della Richardson, Deputy General Counsel & Compliance Manager
- Melissa Gamble, Legal & Compliance Professional
- Varatip Johnson, full-time consultant (Compliance)
- 2 Law Student interns

The CCO has a duty to be competent and knowledgeable regarding the Advisers Act, and must be a “supervised person” of the firm. The CCO must also have full responsibility and authority to develop and enforce appropriate policies and procedures for the firm and have sufficient seniority and authority to compel others to adhere to the firm’s compliance policies and procedures.

Pursuant to the TPG Compliance Policy Program the plan is to be distributed to employees, officers and members of the firm. Senior management is to confirm that employees are knowledgeable of the policies and procedures and that they understand it. The CCO shall see that there is an annual review of matters which may have arisen in the preceding year. There must also be a review of any changes in business activities and or changes in policies and procedures. The Advisers Act must also be monitored for any changes which may impact the compliance policies and procedures. The CCO’s review shall be documented in a written report that shall be maintained and preserved in an easily accessible place for a period of not less than five years. The report shall be provided to the Management Committee. An on-site review of TPG’s Compliance Program was conducted by the Investigators with no irregularities noted.
TPG has adopted a policy to insure compliance with investment objectives, policies and restrictions of each Fund. Prior to effecting an investment the Firm is required to assess the proposed investment’s compliance with relevant items in the organizational and offering documents and if an irregularity is detected, the CCO is responsible for conducting a prompt and thorough investigation and analysis of the irregularity and report his findings and recommendations to the governing body.

TPG’s Political Contribution policy provides that all contributions are disclosed and pre-approved by the CCO and there is a two-year look back for new employees.

TPG has adopted the Securities and Trading Policy and Investment Advisor Code of Ethics (“Code”) to guide and assist TPG to ensure that it complies with all applicable federal laws, rules and regulations and those of the state and foreign jurisdictions in which TPG conducts its business. The Code applies to TPG entities, management companies and advisors and/or sub advisors.

The purpose of the company’s Anti-Corruption Policy is to ensure that TPG adheres to, and is seen to adhere to, high standards of ethical conduct in its business affairs. Each of TPG’s employees is expected to safeguard TPG’s reputation and to conduct his/her duties with integrity. The Policy seeks to establish a standard of conduct that will satisfy all anti-corruption laws applicable to TPG and provide guidance for those circumstances where applicable law may not be intuitively obvious. Employees are required to sign an acknowledgement form regarding the Anti-Corruption Policy and Procedures.

A review of the above mentioned compliance plans, policies and procedures was conducted by the Investigators with no irregularities noted.

There have been External Compliance Investigations conducted for various reasons. Notably the following:

- November 2011, US SEC Examinations
- May 2012, ACA Compliance Group conducted an Information Barriers and MNPI Review pursuant to the Advisers Act
- June 2013, Promontory Financial Group conducted a Compliance Program Testing
C. Recent Events and Developments

October 31, 2011, was the closing transaction date for the acquisition of Aliente Hotel & Casino in Nevada, by TPG Capital. Certain funds affiliated with TPG acquired debt of Aliente, which at the time was in bankruptcy as part of the Stations Casinos Inc. Chapter 11 proceedings. In connection with the bankruptcy, the debt of Aliente was restructured through a prepackaged plan of reorganization, resulting in the TPG affiliated funds acquiring an indirect approximate 19 percent interest in Aliente. All interests in Aliente were sold in July, 2012.

November 30, 2011, was the closing transaction date for the acquisition of the Fiesta Palms LLC in Nevada by TPG Capital. Certain funds affiliated with TPG acquired debt of Palms. Through a consensual restructuring, outside of bankruptcy, the TPG funds, together with Leonard Green, another private equity fund, hold 98 percent economic interest in Palms. The transaction was approved by the NGCB. As of December 31, 2012, this status remains unchanged.

D. Due Diligence

The initial due diligence concerning the acquisition of Caesars was performed in 2006 by the firms of Cleary Gottlieb Steen & Hamilton LLP and Wachtell, Lipton, Rosen & Katz. The initial due diligence was limited to a review of the company’s publicity, available documents and filings with the Securities and Exchange Commission. The due diligence report addressed the following areas:

- Company background
- Operations overview
- Impact of hurricanes Katrina and Rita
- Material contracts
- Indebtedness
- Employee matters
- Litigation
- Real property
- Environmental
- Regulatory matters
- Disclosure issues
The SEC review consisted primarily of the Form 10-K filed by the company on March 14, 2006, for the annual reporting period ended December 31, 2005, and exhibits thereto, the Form 10-K/A filed by the company on August 8, 2006, (amending the Form 10-K filed for the annual reporting period ended December 31, 2005) and the exhibits thereto, the Form 10-Q filed by the company on May 10, 2006, for the quarterly period ended March 31, 2006, and exhibits thereto, the Form 10-Q filed by the company on August 8, 2006, for the quarterly period ended June 30, 2006 and the exhibits thereto, the Forms 8-K filed by the company on August 8, 2006, and September 1, 2006, respectively and exhibits thereto, and proxy statements on Form 14A filed by the company March 14, 2006, and exhibits thereto.

The amended report was made to address an informal comment received from the SEC, and clarifies that, while information is obtained from third parties in the course of the process, management is responsible for the final determination of the purchase price allocations that accrue following an acquisition and estimation of the self-insurance accruals.

E. Litigation

TPG Capital LP (“TPG”) is routinely party to litigation proceedings arising from its acquisition and ownership of certain portfolio investments. TPG has never had a judgment, order, consent decree or consent order arising from a case brought by a state or federal governmental entity and pertaining to a violation or alleged violation of the federal antitrust, trade regulations or securities laws, or similar laws of any state, province or country entered against it.

The partners believe the current litigation will not have a material adverse effect on the partnership financial condition or results of operations. A review of the lawsuits in which TPG Capital is named revealed no information which would impact on TPG Capital’s suitability for licensure by the Massachusetts Gaming Commission.

The following is a summary of pending matters in which TPG is a party:

1. Leveraged Buyout Fair Value

United States District Court, District of Massachusetts
Case Name: Michael M. Davidson, James D. Klein, Rufus Orr, and Robert Zimmerman v. Bain Capital Partners LLC, Texas Pacific Group Inc. (TPG)
The matter is currently pending in the United States District Court for the District of Massachusetts. The action was brought by former shareholders including trusts, public retirement funds and individuals which owned shares in companies that the defendants purchased in leveraged buyouts between 2003 and 2008. The lawsuit names as defendants 17 Private Equity Firms (“PE Firms”) or affiliates.

The plaintiffs bring their action under the Sherman Anti-Trust Act. The allegation is that the PE Firms conspired to pay less than fair value for the leveraged buyouts it completed, which in turn deprived the plaintiffs of the true value of their shares upon the sale.

The Defendants filed a motion to dismiss the law suit arguing that the action was preempted by anti-trust laws and/or that the plaintiffs lacked a legal remedy because they failed to properly plead a claim under the Sherman Anti-Trust Act. The motion to dismiss was denied. The court found that pre-emption did not apply in this matter because the securities laws did not govern the conduct at issue because private equity leveraged buyouts do not lie within an area of the financial market that the securities laws seek to regulate. The court also found that the plaintiffs had plead enough facts for a claim under the Sherman Anti-Trust Act finding that the complaint “plausibly suggests” that an illegal agreement among the defendants existed.

In or about 2011 the court allowed the plaintiffs to seek information about 10 additional deals including the acquisition of Harrah’s Entertainment. The case is pending and may take some time to resolve.

2. Property Price

**Supreme Court of the State of New York, County of New York**

Case Name: Cortlandt Street Recovery Corp.; Wilmington Trust Co. as Trustee v. Hellas Telecommunications, TPG Capital LP

Index Number: 651693/2010

Disposed: Pending

The complaint alleges breach of contract, violation of civil laws against fraudulent conveyances and unjust enrichment. Plaintiff believes that Defendant conspired with other parties interested in acquiring the property to keep the price down. The Defendant strongly denies the allegations. This litigation is expected to go on for some time. It remains pending.
3. Fiduciary Duty

Superior Court of Gwinnet County, Georgia
Case Name: Dennis Palkon v. Primedia Inc., et al., No. 11-A-05872-3
The “Palkon Complaint” was filed in the Superior Court of Gwinnet County, Georgia against the Company, the members of the Board of Directors, TPG and certain entities affiliated with TPG. The Palkon Complaint alleges that members of the Board of Directors breached their fiduciary duties by causing the Company to enter into the Merger Agreement and that the Company, TPG and certain entities affiliated with TPG aided and abetted those alleged breaches of duty. The Palkon Complaint seeks, among other relief, an order enjoining the Merger, rescission of the Merger Agreement and plaintiff’s counsel’s fees and experts’ fees. The parties to the Merger Agreement believe these complaints are without merit and intend to contest these matters vigorously.

F. Media Coverage

TPG Capital has been referenced in numerous adverse media articles relating to equity firms’ methods of doing business, acquisitions and attempted acquisitions, shareholder disputes, and litigation.

Numerous articles from November 2006 through January 2007 report that private equity firms have been accused of conspiring to drive down the price of public companies they were taking private. When the size of companies targeted for leveraged buyouts increase in size, these private equity firms have begun to team up for so-called club bids rather than bidding against one another. Club deals have caught the interest of the US Department of Justice, and the class action lawsuit filed in New York in November 2006 names TPG Capital KKR, Carlyle, Clayton, Bain, Blackstone, Thomas H. Lee, Madison Dearborn Partners, Merrill Lynch, Apollo Management, Providence Equity Partners, Silver Lake Partners, and Warburg Pincus as defendants. The club bidding allegations also led to several shareholder lawsuits filed in October 2006 in Nevada and Delaware courts alleging a cozy relationship between Harrah’s executive management and principals of Apollo and TPG.

In response to the allegation of club bids TPG counsel stated that when the price of a company is too high they will seek a partner to make the acquisition. An example of this is the acquisition of Caesars by TPG and Apollo.
It should be noted, regarding the lawsuits referenced above, that the federal lawsuit filed in New York on November 2006 was dismissed without prejudice in June 2007. The Nevada federal lawsuit filed in October 2006 was settled and dismissed in June 2007, and the three state lawsuits filed in Delaware in October 2006 were dismissed in June 2008.

The majority of the negative media coverage involves acquisitions and the related lawsuits, which were mostly settled and dismissed or just dismissed. TPG is mentioned numerous times on the Internet, mostly of an informational nature. Nothing was discovered in the media or on the Internet that impact adversely on the suitability of TPG.

G. TPG Financial Operating Results

We reviewed the financial statements of TPG Capital Management LP (“TPG”), TPG V L.P., and Caesars Entertainment prepared in conformity with US GAAP standards. TPG 2009 (audited) and 2010 and 2011 was unaudited. Since TPG is a private equity firm, it is not under the obligation to produce audited financial statements so the company has opted to forego the audit process for the last three years to save on costs. TPG V reflects a consolidation of all of the holdings within the fund which includes Caesars. The following is a summarization of TPG’s operating results for the periods stated. Due to the public information laws of Massachusetts, there are no exhibits to support and give further details to the numbers presented.

TPG is comprised of 15 limited partnerships and each one holds a portfolio of companies. The composition of a fund is based on one of five platforms which guides the investment plan. TPG Capital focusses on established businesses that require between $10 million and $1 billion. TPG Growth focusses on smaller buyouts and growth equity investments globally. TPG Biotech is a life science venture capital platform. It invests with doctors, scientists and entrepreneurs with innovation based businesses. TPG Alternative and Renewable Technologies builds its portfolio with companies that is in a position to develop and launch such technologies. TPG Opportunity Partners is a platform that focusses on actively managed credit related investments.

Each of the funds listed below generates its own financial statements which are the consolidated numbers of companies within its portfolio. Values are stated in thousands, as of December 31, 2012:
1. Cash Flows
TPG has a short-term $200 million credit facility with Bank of America of which all of the funds have access to use as bridge loans to close transactions. It is not credit specifically encumbered by TPG. This credit facility includes the titles of all of the TPG funds so that short term credit is always available to each fund as needed to close transactions.

Net income has increased between 2009-2011 due to the addition of funds and investments whereby the company receives management and consulting fees. The company was able to maintain its increased pace of fee based income which spiked in 2010.

Expenses remained even with 2010, which reflects the addition of new funds and costs associated with closing investment transactions. As the US domestic economy has weakened, the years reflected above include investments in Latin American business sectors, biotech and pharmaceutical companies.

2. TPG V Fund
Unrealized gains/losses are those that are still held in the portfolio. Market value of the total portfolio has decreased from 2011 to 2012 primarily due to the realization of a significant number of holdings.

Within TPG V LP are two companies called Hamlet Holdings LLC and Hamlet Holdings B LLC. Due to the heavily regulated nature of the Caesars Entertainment investment, the two companies were created to separate the domestic and foreign investors for tax and regulatory purposes.

Hamlet Holdings LLC was formed for US domestic investors and holds the voting rights of Caesars stock. The company is owned by the five principals of TPG Capital and Apollo and holds gaming licenses nationwide. The US domestic investors of Hamlet Holdings LLC proxied their voting interest of the Caesars stock to the owners of Hamlet Holdings LLC for regulatory compliance purposes.
Hamlet Holdings B LLC is comprised of the foreign investors who have an economic interest in Caesars, but no voting and dispositive control of Caesars outstanding common stock.

While Caesars carries the second most sizable loss in the TPG V portfolio, the loss value reflects TPG’s loss on Caesars Entertainment stock price and does not reflect 21. of Caesars Entertainment financial statements. All debt incurred with the original purchase of the asset was incurred to close the transaction and subsequently transferred to Caesars Entertainment, thus TPG V nor the Hamlet Companies which were formed to secure financing and close the deal are not encumbered with the original debt.

*a. Combined Statements*
### b. Combined Statement of Operations

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### c. Combined Statements of Cash Flows

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d. Caesars Entertainment

Caesars Entertainment value reflects all revenue streams generated by its properties worldwide.

4Q12 net revenue was $2,016.8 MM, down $91.4 MM or 4.3 percent. Year over Year and EBITDA was $420.1MM, down $45.9 MM or 9.8 percent Year over Year. Decrease in net revenue was mainly due to hurricane related property closures in Atlantic City, NJ as well as competitive pressures in the region. All five properties in Atlantic City had closures to Hurricane Sandy. Decrease in EBITDA was primarily driven by income impact of lower revenues due to Sandy. During 2012, Caesars issued $2.75 B of new CEOC senior secured notes adding flexibility as the company continues to drive equity value. Proceeds from this offering will be used to repay outstanding term loans, a portion of which will mature in 2015 and increase liquidity.

As stated earlier, the Caesars investment was purchased via TPG V L.P. Two companies were created to hold the Caesars’ stock and separate the owners for tax and regulatory compliance purposes. TPG Hamlet Holding LLC was created for the domestic investors and TPG Hamlet Holdings B LLC was created for foreign investors. The two companies together own 21.2 percent of Caesars Entertainment voting stock. Both companies executed an irrevocable proxy to Hamlet Holdings LLC to hold the voting common stock. This company is owned by the 6 principals of TPG and Apollo. Since this company controls the voting shares of the gaming stock, it is often the licensed gaming entity in jurisdictions within the United States.

e. Income Taxes

TPG Capital consolidated income before taxes are as follows:

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Tax income reflect the consolidation of all of the TPG funds. Since all funds are partnerships, taxes are paid by the partners and are reported and paid through K-1’s, thus federal tax expense for TPG Capital is always $0.

The TPG V fund was formed between 2007 and 2008. There are no federal, state or foreign tax expenses as none of the investments held in the TPG V portfolio have distributed any cash yet. Since TPG V is a partnership entity, taxes are paid by the partners and reported and distributed through K-1s.

3. Conclusion as to Financial Stability

The TPG business model has a history of successful financial results. The positive trends shown in both TPG Capital Management and TPG V demonstrate that the parent company and TPG V where the Caesars Entertainment investment is held shows the requisite financial stability for licensure by the Commonwealth of Massachusetts.
Exhibits

1. Table or Organization for Sterling Suffolk Racecourse, LLC
2. Jurisdictions Contracted for Massachusetts Applicants
3. Sterling Suffolk Racecourse, LLC’s Consolidated Income Statement
4. Sterling Suffolk Racecourse, LLC’s Consolidated Statements of Cash Flow
5. Sterling Suffolk Racecourse, LLC’s Consolidated Balance Sheet
7. Summary of Item for License Agreement with Las Vegas Gansevoort, LLC
8. PartyGaming Plc, Non-Prosecution Agreement, dated April 6, 2009
10. Transcript of Sworn Interview of Mitchell Garber, dated June 12, 2013
12. Caesars Entertainment Corporation’s Consolidated Statements of Cash Flows
13. Caesars Entertainment Corporation’s Consolidated Statements of Operations
14. Caesars Entertainment Corporation’s Consolidated Balance Sheets
15. Caesars Entertainment Projections and Basic Assumptions 2013-2016
18. Cachet Report (1)
19. Cachet Report (2)
20. Cachet Report (3)
21. 2011 Department of Justice Memorandum Opinion
22. Loveman Letter