



October 18, 2013

Stephen P. Crosby, Chairman
Gayle Cameron, Commissioner
James McHugh, Commissioner
Bruce Stebbins, Commissioner
Enrique Zuniga, Commissioner

Massachusetts Gaming Commission
84 State Street, Suite 720
Boston, MA 02109

RE: SUITABILITY INVESTIGATION FOR STERLING SUFFOLK
RACECOURSE, LLC, APPLICANT FOR A CATEGORY 1 GAMING
LICENSE

Dear Chairman Crosby and Commissioners,

Sterling Suffolk Racecourse, LLC (“SSR”) has applied to the Massachusetts Gaming Commission (“MGC”) for a Category 1 license pursuant to M.G.L. Ch. 23K.

Pursuant to M.G.L. Ch. 23K section 12, the Investigations and Enforcement Bureau (IEB) of the MGC was tasked with conducting a suitability investigation of each applicant for a gaming license. The MGC recognized that these types of investigations are unprecedented in Massachusetts and that it would be impractical to staff these investigations internally under the expected time frames for licensure. Accordingly, recognizing the need for expertise in this area, the MGC posted a Request for Response (RFR) in order to obtain the services of expert gaming investigators to work with the IEB in this process. 205 CMR 115.03(1) There were two responses received by the MGC and the Commission made the award to the joint application from the consulting firms of Spectrum Gaming and Michael & Carroll. The SSR investigation was assigned to the Spectrum team.

Spectrum Gaming is an independent research and consulting firm entrusted by gaming commissions around the world to conduct entity and individual due diligence investigations of casino applicants. The investigative team is headed by Managing Director Fredric Gushin, a former Assistant Attorney General with the New Jersey Division of Gaming Enforcement, and includes former law enforcement personnel,



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former gaming regulators, attorneys, CPAs, analysts, and former journalists. Recent Spectrum clients for such investigations include the Maine Harness Racing Commission, Maryland Lottery Commission, Ohio Casino Control Commission, Singapore Casino Regulatory Authority, Singapore Ministry of Home Affairs, and several tribal governments. Spectrum has provided investigative, regulatory and other services to governments in 14 US states and territories and to national governments in Asia, Europe, and the Caribbean.

Over the past several months, the IEB has supervised the contract investigative personnel and the Massachusetts State Police (MSP) Gaming Enforcement Unit while they worked together to conduct the statutorily required suitability and background investigations. The process commenced with “scope of licensing determinations,” based on each applicant’s organizational structure. The interested parties were permitted to submit briefs and memoranda detailing the entities and individuals they believed were required qualifiers, along with those they felt were statutorily eligible to be waived from qualification.

The IEB, MSP and investigative staff participated in various meetings with the applicant, SSR, to determine which entities and individuals required qualification as part of the RFA Phase I licensing process. After careful review of materials and discussions with SSR representatives, the entities and individuals identified in this investigative report were required to qualify in accordance with the filing requirements as established at M.G.L. c.23K Section 14 and 205 CMR 116.02. It should also be noted that the applicant was given the opportunity to object to these determinations, and after review, the IEB finalized the list of SSR qualifier persons and entities. This final determination was accepted by the applicant. Each qualifying entity or qualifying individual natural person was then subject to the full statutorily required background investigation conducted by the IEB.

The criteria utilized by the IEB in the determination of SSR’s qualifiers are set forth in the relevant statutory provisions governing the scope of licensing issues, that is, M.G.L. c.23K Section 14(a), (b), (c), (g), and (h). Additionally, the IEB applied all relevant sections of the MGC’s own regulations, specifically, 205 CMR 116.01 – 116.03, inclusive. After the initial scope of licensing was determined, SSR then complied with the submission of the required application materials, privacy and liability waivers, application fee, and all information requested during the course of the comprehensive investigation of each qualifier.

These determinations were based upon the submissions of SSR and verifications by the IEB personnel, and are subject to change should contrary information be revealed during the background investigation or the Phase II processes. 205 CMR 116.03(3). It



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should also be emphasized that the initial scope of licensing determinations made herein do not prejudice nor limit the IEB and Commission's right to include any person or entity as a qualifier at any time, should it be deemed necessary in the best interest of the Commonwealth. 205 CMR 116.03(3). Indeed, any initial waiver of a person or entity does not exclude those persons or entities from scrutiny. The IEB may, and in fact did, investigate anyone that it determined had a bearing on the evaluation of the suitability of SSR and its qualifiers. 205 CMR 116.03(3).

Finally, the IEB has also advised the applicant that it is required to establish the suitability of all financial sources relating to the gaming establishment. All of these financial sources may not be known at this juncture and 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.

In order to achieve Phase I suitability, an applicant for a casino gaming license and any person or entity deemed a qualifier pursuant to M.G.L. c.23K §14 and 205 CMR 116 et seq must provide all required application materials set forth in 205 CMR 111 relevant to Phase I evaluations, as well as satisfy the relevant statutory suitability criteria as set forth in M.G.L. c.23K §12 and §16 of the Act. The standard for satisfaction of the suitability criteria requires each applicant/qualifier to establish its qualification for licensure to the commission by clear and convincing evidence (M.G.L. c.23K §13(a)). The various statutory criteria with appropriate annotations are listed below.

RELEVANT PHASE 1 STATUTORY CRITERIA

Has applicant/qualifier been convicted of a felony or other crime involving embezzlement, theft, fraud or perjury?

M.G.L. c.23K §16(a)(i)

Has the applicant/qualifier submitted an application for a gaming license which contains false or misleading information?

M.G.L. c.23K §16(ii)

Has the applicant/qualifier committed prior acts which have not been prosecuted or in which the applicant/qualifier was not convicted but form a pattern of misconduct that makes the applicant unsuitable for a license under this chapter?

M.G.L. c.23K §16(iii)



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Does the applicant/qualifier have affiliates or close associates that would not qualify for a license or whose relationship with the applicant may pose an injurious threat to the interests of the Commonwealth in awarding a gaming license to the applicant?

M.G.L. c.23K §16(iv)

Does the applicant/qualifier demonstrate integrity, honesty, good character and reputation?

M.G.L. c.23K §12(a)(1)

Does the applicant/qualifier demonstrate financial stability, integrity and background?

M.G.L. c.23K §12(a)(2)

Do the business practices and the business ability of the applicant/qualifier demonstrate the capacity to establish and maintain a successful establishment?

M.G.L. c.23K §12(a)(3)

Does the applicant/qualifier have an adverse history of compliance with gaming license requirements in other jurisdictions?

M.G.L. c.23K §12(a)(4)

Is the applicant/qualifier a defendant in litigation involving its business practices?

M.G.L. c.23K §12(a)(5)

Are all the parties in interest, including, but not limited to, affiliates, close associates and financial sources suitable to hold or participate in the gaming license?

M.G.L. c.23K §12(a)(6)

Is the applicant/qualifier disqualified from receiving a license under M.G.L.c.23K section 16?

M.G.L. c.23K §12(a)(7)

Has the applicant/qualifier failed to establish their integrity or the integrity of any affiliate, close associate, financial source or any person required to be qualified by the commission?

M.G.L. c.23K §12(b)(i)

Has the applicant/qualifier failed to demonstrate responsible business practices in any jurisdiction?

M.G.L. c.23K §12(b)(ii)



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Has the applicant/qualifier failed to overcome any other reason, as determined by the commission, as to why it would be injurious to the interests of the Commonwealth in awarding the applicant a gaming license?

M.G.L. c.23K §12(b)(iii)

Has the applicant/qualifier made any political contributions prohibited by M.G.L. c.23K?

M.G.L. c.23K §46, §47 and 205 CMR 108

INVESTIGATIVE PROCESS

Outlined below are the various steps taken in evaluating each applicant, qualifying entity and qualifying individual's suitability. While the following items contain specific areas of inquiry, such information is gleaned from many different and diverse databases. These services were initially focused on specific areas (for example, civil litigations, criminal conviction information, real estate and title records etc.), and then expanded as needed depending on the results. If information was revealed, then it was accumulated, cross-referenced, and compiled into workable summaries for careful evaluation by analysts. Thereafter, from this mass of information, a database report was derived on each applicant/qualifier, and was then reviewed by a supervisor and field investigator. Follow-up verifications of relevant important data (for example, licenses, compliance histories etc.) and areas of concern were then the subject of follow-up investigative activities. Qualifiers were interviewed in person, and that interview included an opportunity to provide clarification of any issues in the event derogatory information was found during the investigation. Next, an attorney review of the investigative results was conducted, followed by detailed consultation between both the legal and investigative teams. The material was then digested into the suitability report, which was submitted for final review to the IEB Director, Massachusetts State Police and staff. The subject areas of this investigation have included the following:

1. Public Record Database checks which included, but were not limited to, the following:
 - a. Searches for incorporation papers and corporate filing for incorporation in other states have been conducted for the identified privately held companies.
 - b. Verification of the applicant company and its owners and affiliated entities and individual qualifiers through address verifications and other companies operating from the same location(s).



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- c. Verification of business information and credit profiles on all qualifiers through Dun & Bradstreet.
 - d. Searches for national fictitious business names and “doing business as”.
 - e. Civil litigation searches relative to liens, bankruptcies and judgments in the state of incorporation and all other states or commonwealths that have such information online.
 - f. Nationwide bankruptcy searches on the entity and individual person qualifiers have been conducted.
 - g. Searches for all UCC filings to determine secured parties and banking affiliations.
 - h. National media searches on all entity and individual person qualifiers, as well as relevant affiliations.
 - i. Federal District Court Docket Summary searches for all states.
 - j. Business assets searches.
 - k. Limited Liabilities Company searches and Limited Partnership searches.
2. The status of all current and expired licenses, especially gaming licenses, disclosed by the entity or individual person qualifiers has been verified.
3. The compliance history of the applicant and/or owners, parent company or gaming related affiliates or subsidiaries in all gaming jurisdictions in which they operate has been examined and evaluated.
4. The company website and affiliated websites have been examined and evaluated.
5. As relevant, copies of stock certificates verifying each beneficial owner of the company as well as (again, if relevant) copies of the stock registry from the corporate secretary/registered agent have been obtained. Verifications of the various qualifier entities and individual person qualifiers ownership interests have been verified.
6. A certified public investigative accountant has conducted financial integrity and stability analysis of applicant owners and specific applicant affiliated entities relevant to



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the new applicant entities creation and formation. A critical review of the owner's annual financial statements and tax was also conducted. In addition:

- a. A review of the applicant's individual person qualifiers' financial statements was conducted.
- b. If financial statements were not audited, an analysis of three years of reviewed, compiled and/or internally prepared financial statements was conducted.
- c. If financial statements were audited, the contact name and number of the independent CPA firm's audit manager was obtained.
- d. Available management letters or internal control letters issued by the independent CPA for the past three years were evaluated.
- e. The applicant entity and all entity and individual person qualifiers' tax compliance histories were reviewed and evaluated.
- f. Documentation/information of the owners and entity and individual person qualifier historical line(s) of credit and long term debt (mostly related intra-family party debt or debt to/from a related entity) balances were obtained, reviewed and evaluated.
- g. A comprehensive list of the entity's bank accounts (domestic and foreign) with copies of complete bank statements for past three years was obtained, reviewed and evaluated by financial investigators and accountants.
- h. A letter from the banks (domestic and foreign) listing all entity and qualifiers' bank accounts and indicating the most current balance for each account along with a list of authorized signatories for each account was obtained.
- i. A listing of all-gaming-related licenses applied for by the applicant company, including the date and disposition, was obtained and reviewed. Relevant licensing agencies were contacted to verify the applicant's status and licensure.
- j. Minutes of relevant Board of Directors meetings and compliance committee meetings for the past three years were obtained, reviewed and evaluated.



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- k. All relevant applicant qualifier compliance, due diligence and audit investigations conducted during the past five years were obtained and reviewed. Additionally, a copy of the applicant's current compliance practices in existing licensing jurisdictions was obtained and reviewed.
- l. A list of all new gaming acquisitions or sale of gaming properties for the past five years was obtained and reviewed.
- m. Income analysis, net worth and asset evaluation were conducted for all individual person qualifiers.

7. Compliance with Foreign Corrupt Practices Act (FCPA) and Anti-Money Laundering (AML) policy and protocol was reviewed on all relevant qualifier entities and individual person qualifiers. Applicable policies and procedures, as well as a sampling of internal and/or external investigations or relevant compliance hypothetical scenarios, were included as subjects of personal interviews with key owners/qualifiers and were evaluated.

For publicly traded companies, a review of all above noted checks and critical Securities and Exchange Commission (SEC) filings, including quarterly filings and annual reports filed by the company for the past three years, was conducted. A check with the SEC and state security officials as to the applicant and any investigations conducted by these agencies over the past seventeen-year period was performed.

For international companies and/or subsidiaries, steps were taken to replicate the investigatory steps taken for domestic entities, and were executed to the extent possible. The beneficial ownership of the entity was determined and, if applicable, a copy of the stock registry from the company's registered agent was secured. A media search in the country where the applicant is incorporated and headquartered, as well as within the major countries where the company engages in business activity, was conducted.

8. Motor vehicle registrations, driver's licenses and driving history records were examined and verified.

9. The investigative team also examined the applicant and its qualifiers' past business practices and business ability as well as the qualifiers' demonstrated history to launch and maintain a successful gaming establishment.

10. The applicant qualifiers' history of compliance with gaming regulations was assessed.



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11. The applicant qualifiers' litigation history was assessed.
12. The applicant qualifiers' record of political contributions in Massachusetts and, if relevant, other jurisdictions was assessed.
13. The Massachusetts State Police conducted thorough federal, state, and commonwealth criminal history inquiries based on the applicant qualifiers' submissions and also processed fingerprint examinations on all natural person qualifiers.
14. An inquiry was conducted to determine if any credible information existed in any data bases, online or available from law enforcement, and regulatory sources regarding any applicant or qualifier involvement or affiliation with any organized criminal groups or persons with criminal histories.
15. Each individual person qualifier's educational background was examined and verified.
16. Each individual person qualifier's employment history was examined and verified as necessary.
17. All personal references for individual person qualifiers were contacted and interviewed.
18. All professional licenses of applicant qualifiers were examined and verified, including specific verification of any gaming industry related licenses, permits or suitability determinations.
19. Applicant's business affiliations for applicant entities and individual person qualifiers were examined and evaluated.

RECENT INFORMATION

On October 2, 2013, the IEB met with representatives from the applicant entity as well as the qualifier, Caesars Entertainment Corporation. At that time, the IEB identified certain issues of concern regarding Caesars Entertainment Corporation, including information obtained during the investigation regarding the company's financial status, Mitchell Garber, the Wantanabe matter, and most significantly the Gansevoort license agreement. It was deeply concerning to me, as the IEB Director, that it appeared that the representative from SSR was being apprised of the concerns regarding the Gansevoort



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matter for the first time at this meeting, despite the fact that the issue had been identified by investigators to Caesars during the course of the investigation.

On October 9, 2013, the IEB again met with representatives from the applicant entity as well as the qualifier, Caesars Entertainment Corporation, regarding the identified issues of concern, including the Gansevoort matter.

By letter dated October 13, 2013, CEO Gary Loveman notified the IEB that independent of any decision made by the IEB, Caesars Entertainment had terminated the relationship with Gansevoort. In that same letter, Loveman also notified the IEB that it came to the Company's attention on Friday, October 11, 2013 that FinCEN was investigating Caesars Palace for potential violations of the Bank Secrecy Act. Loveman also advised that Caesars had just learned that there is a pending grand jury investigation in Las Vegas of Caesars' anti-money laundering policies and practices. That letter is attached for your reference.

FinCEN's notification letter, which is dated October 10, 2013, and attached for your reference, formally notified Caesars that an investigation is being conducted of Desert Palace, Inc. dba Caesars Palace for violations of the Bank Secrecy Act. FinCen further advised that it is evaluating whether it is appropriate to assess a civil monetary penalty and/or take additional enforcement action against Caesars Palace. In this regard, FinCen indicated that it was working with the IRS regarding issues of non-compliance by Caesars Palace. FinCen referred in its letter to a 2012-2013 Bank Secrecy Act examination by the IRS, which resulted in Caesars Palace being cited for a range of Bank Secrecy Act violations. FinCen also noted that Caesars had provided a response to the IRS's findings on August 12, 2013.

On October 15, 2015 Charles Baker, the Secretary for Sterling Suffolk Racecourse, LLC, sent an Unsuitability Notice regarding Caesars to all of its members. A copy of that letter is attached for your reference.

On October 17, 2013 Gary Loveman notified the IEB by letter that Caesars's outside counsel entered into a voluntary document production protocol with the Assistant United States Attorney and IRS Special Agent involved in the grand jury investigation and therefore do not anticipate being served with a grand jury subpoena. In addition, outside counsel for Caesars and the IRS agreed on a protocol for witness interviews. A copy of that letter is attached for your reference.

Investigators are monitoring all of these new developments and will provide additional information when it becomes available.



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RECOMMENDATION

The findings of fact relative to this investigation can be found in the attached report. Specifically, those findings of fact are listed in the Executive Summary and in sections III through XX of the report.

On the basis of the investigation to date and as supported by the findings of fact as described therein, the IEB advises the Commission that based on the criteria listed in the gaming laws and regulations in Massachusetts, including Mass. Gen. Laws ch. 23K, § 12, 13, 14 and 16, **Caesars Entertainment Corporation**, a qualifier as part of the SSR application, has **not** met its burden by clear and convincing evidence to establish its suitability. Therefore, the applicant, as presently constituted, has at this point failed to demonstrate the suitability of all qualifiers.

If the qualifier at issue is removed from the application, the IEB recommends that the Commission find the applicant, Sterling Suffolk Racecourse, LLC, suitable for licensing subject to the following conditions:

- 1) The applicant must and identify for the Commission the new operator of the proposed casino project;
- 2) The new operator and any qualifiers, must be found suitable by the Commission;
- 3) The applicant must present a plan to the Commission for working with the host community to bring on a new operator.

If the qualifier at issue is not removed, the burden will rest with the applicant to demonstrate its suitability as presently constituted. The IEB recommends that the applicant be required demonstrate suitability at an adjudicatory hearing. The IEB recommends that the Commission consider the following items discussed in the attached report regarding Caesars Entertainment Corporation:

- 1) Gansevoort License Agreement;
- 2) Employment of Mitchell Garber as CEO of CIE;
- 3) Wantanabe Matter;
- 4) Financial Suitability.

The IEB also recommends that the Commission require the appropriate individuals to appear before the Commission to provide testimony on these issues.



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As stated in 205 CMR 115.03 – 115.05, the IEB is only providing a recommendation and the final determination of suitability rests within the Commission’s sound discretion.

The IEB suggests that if the applicant is awarded a Category 1 license, the Commission consider adding the following conditions to the license:

1. The applicant shall promptly report any changes relating to their ownership, members, managers and/or directors; any new owners, members, managers and/or directors be required to submit a PHD and Mass Supp, or BED form to the Commission; and that any owners, members, managers and/or directors must be found suitable by the Commission;
2. The Bank Secrecy Act of 1970 (“BSA,” or otherwise known as the Currency and Foreign Transactions Reporting Act) requires US financial institutions to assist US government agencies to detect and prevent money laundering. Specifically, the BSA 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 indicative of money laundering, tax evasion, or other criminal activities. Originally applied only to financial institutions such as banks, reporting requirements have since broadened to include businesses such as casinos and check-cashing agencies. In that regard, a licensed casino qualifies as a “financial institution” subject to those filing requirements if it has more than \$1,000,000 in annual gross gaming revenue.¹ This is a threshold any licensed gaming operation in Massachusetts should meet. The IEB recommends that the applicant be required to submit and adhere to a Plan for compliance with the United States Currency and Foreign Transactions Reporting Act satisfactory to the Commission.

This report reflects the findings of the IEB as of this date. The Bureau will continue to investigate the background and qualifications of all applicants and ultimately, all licensees. Should any additional information be gleaned from further inquiry, it will be appropriately reported to the Commission for further review.

It should also be understood that any determination of suitability that might be made by the Commission based on this and other suitability reports during this Phase I process will not constitute the final analysis of those matters. This suitability report will become part of the material considered during Phase II of the evaluation process as the

¹ see CFR 103 §1010.100(t)(5)(i) and (6)(i).



Commission is empowered to also consider the relative suitability of applicants when it makes its final license decision at the end of Phase II.

Respectfully submitted,



Karen Wells
Director
Investigations and Enforcement Bureau
Massachusetts Gaming Commission



Massachusetts Gaming Commission



Gary W. Loveman
Chairman of the Board
President and Chief Executive Officer

October 13, 2013

Karen Wells
Director of Investigations and Enforcement Bureau
Massachusetts Gaming Commission
84 State Street 10th Floor
Boston, MA 02109

Dear Karen,

Thank you for meeting last week. I have taken to heart and reflected on everything you said and wanted to thus provide you an update on a few developments since our meeting. I can assure you that the regulatory and compliance process is getting my utmost attention.

First, independent of any decision that you may make, we have terminated our relationship with Gansevoort. Second, on Friday, I again have personally reviewed our regulatory and compliance processes, and have spoken to the appropriate people within our company. I believe our organization will continue to keep compliance at the forefront of our minds and will strive to be a company that our regulators can have confidence in.

There is one additional item which only came to the company's attention on Friday, October 11 that I would like to brief you on. It has to do with the government's continuing examination of anti-money laundering ("AML") policies and procedures in the gaming industry. The new matter that arose is that the company received a letter from the Financial Crimes Enforcement Network ("FinCEN") indicating that it is investigating Caesars Palace for potential violations of the Bank Secrecy Act. We learned the same day that there is a pending grand jury investigation in Las Vegas of our AML policies and practices (which we believe is reviewing the same matters that are subject of the FinCEN investigation) and that that the company will be served with a subpoena for documents in the near future. As you may know, Las Vegas Sands recently settled an action related to its AML practices and it is likely that other gaming companies also are the subject of governmental review of their practices. We believe that we have appropriate policies in place to ensure AML compliance. High end play, which we believe to be the main focus of the government's investigation, is a small part of our company's business and we are not a leader in this part of the industry. Bank Secrecy Act audits are commonplace in the gaming industry. We always cooperate with any government or regulatory investigation and will do so, of course, in this case. In that regard, I have attached a draft Form 8-K public disclosure that we plan to use as a basis for disclosure if we are served with a subpoena or otherwise decide that we need to make a public disclosure. In situations like this, it is our policy to inform our regulators in advance of

making any public disclosures of this type.

I would be happy to discuss either or both of these matters with you. Again, thank you for your consideration and I hope we can continue to exhibit our company's commitment to ethics, compliance and full transparency with its regulators.

Best regards,

Gary W. Loveman

cc: Charles A. Baker



DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

October 10, 2013

VIA FEDERAL EXPRESS

Mr. Michael Grey
Vice President Finance -- Las Vegas Region
Desert Palace, Inc. dba Caesars Palace
3570 Las Vegas Boulevard South
Las Vegas, NV 89109

Dear Mr. Grey:

The Financial Crimes Enforcement Network ("FinCEN"), of the United States Department of the Treasury, is investigating Desert Palace, Inc. dba Caesars Palace ("Caesars Palace" or "the Casino") for violations of the Bank Secrecy Act (BSA) and its implementing regulations and is evaluating whether it is appropriate to assess a civil money penalty and/or take additional enforcement action against Caesars Palace.¹

FinCEN is working with the Internal Revenue Service (IRS) regarding issues of BSA non-compliance by the Casino. IRS, Small Business/Self-Employed Division ("IRS SB/SE") examines casinos for compliance with the BSA under authority delegated from FinCEN. Caesars Palace was the subject of a 2012-2013 BSA examination. As a result of the 2012-2013 BSA Examination, the IRS SB/SE cited Caesars Palace for a range of BSA violations. The Casino provided a response to the IRS's findings on August 12, 2013.

You may submit to FinCEN any information that you consider relevant to our evaluation of whether civil money penalties, and/or additional enforcement action, are warranted for these violations. This may include information regarding actions taken to address the concerns addressed in this letter or brought to your attention by IRS SB/SE, as well as any updates to your anti-money laundering compliance program. FinCEN also reserves the right to request additional information as part of its investigation.

This information should be submitted within 15 days of the date of this letter to the Department of the Treasury, Financial Crimes Enforcement Network, Post Office Box 39, Vienna, Virginia 22183-0039 (Attn: Kristen Conway, Office of Compliance and Enforcement). FinCEN may use these written submissions as evidence, if appropriate, in accordance with applicable law and as explained in the enclosed FinCEN Statement of Routine Uses of Information. Any submission by you may be discoverable by third parties in accordance with applicable law.

¹ The Bank Secrecy Act is codified at 12 U.S.C. §§ 1829b, 1951-1959 and 31 U.S.C. §§ 5311-5314, 5316-5332. Regulations implementing the Bank Secrecy Act appear at 31 CFR Chapter X (formerly 31 CFR Part 103).

In making a determination, FinCEN will consider all the information you provide in response to this letter. Please contact me if you would like to discuss this matter at (202) 354-6399.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephanie Brooker", with a long horizontal line extending to the right.

Stephanie Brooker
Acting Associate Director
Enforcement Division

Enclosure



October 15, 2013
(Via email and overnight delivery)

To the Members of Sterling Suffolk Racecourse, LLC
listed on Exhibit A to this letter

Re: Unsuitability Notice Pursuant to Section 9.9(a) of the LLC Agreement

Dear Members:

Reference is hereby made to that certain Second Amended and Restated Limited Liability Company Agreement (as amended from time to time, the "LLC Agreement") of Sterling Suffolk Racecourse, LLC (the "Company") dated as of June 20, 2012. All capitalized terms used but not defined in this letter shall have the meaning given to them in the LLC Agreement.

Pursuant to Section 9.9(a) of the LLC Agreement, the Company hereby notifies the Members that a Licensing Event with respect to a Massachusetts Gaming Authority has occurred. Such Licensing Event is attributable to Caesars Massachusetts Investment Company, LLC and its Affiliates (collectively, "Caesars"), in connection with certain matters that have arisen during the qualification process. The Company became aware of this Licensing Event through meetings and communications occurring on and after October 9th, 2013. This letter shall constitute the Company's Unsuitability Notice required pursuant to Section 9.9(a) of the LLC Agreement.

The Company has engaged former Massachusetts Attorney General Thomas Reilly as special counsel to advise the Company on this matter.

The Company reserves all of its rights and remedies under the LLC Agreement and the other agreements referenced therein, at law and in equity, with respect to the circumstances giving rise to the Licensing Event, including without limitation its rights under Article 9 of the LLC Agreement.

Please direct any questions you may have regarding this notice to me at 617-406-6018.

Sincerely,


Charles A. Baker III
Secretary

Exhibit A

<u>Member Names and Addresses</u>	
Dreamport Suffolk Corporation c/o GTECH Corporation 10 Memorial Boulevard Providence, RI 02903 Attn: Robert K. Vincent	MAR Suffolk LLC c/o MA Ross Companies One Mifflin Place, Suite 400 Cambridge, MA 02138
JJO Sterling Suffolk, Inc. c/o Cambridge Suffolk, LLC 55 Cambridge Parkway, Suite 200 Cambridge, MA 02142 Attn: Joseph J. O'Donnell	Stephen W. Kidder, as trustee for Vornado Suffolk, LLC Hemenway & Barnes LLP 60 State Street, 8th Floor Boston, MA 02109
Sterling Racecourse, Inc. c/o Coastal Development 745 Fifth Avenue, 18th Floor New York, NY 10151 Attn: Richard T. Fields	Coastal Development SSR, LLC c/o Coastal Development 745 Fifth Avenue, 18th Floor New York, NY 10151 Attn: Richard T. Fields
CS SSR Investor LLC c/o Cambridge Suffolk, LLC 55 Cambridge Parkway, Suite 200 Cambridge, MA 02142 Attn: Joseph J. O'Donnell	Caesars Massachusetts Investment Company, LLC c/o Caesars Entertainment Corporation One Caesars Palace Drive Las Vegas, NV 89109 Attn: General Counsel
Hall Racecourse Properties, Inc. c/o Carpenter & Company, Inc. 20 University Road Cambridge, MA 02138 Attn: John L. Hall, II	Suffolk CCF LLC c/o Coastal Development 745 Fifth Avenue, 18th Floor New York, NY 10151 Attn: Richard T. Fields
Sixth Street Sterling, LLC c/o Cambridge Suffolk, LLC 55 Cambridge Parkway, Suite 200 Cambridge, MA 02142 Attn: Joseph J. O'Donnell	Fisher WWCD Investors LLC c/o Fisher Brothers 299 Park Avenue New York, NY 10171 Attn: Winston Fisher
The SSR Investment Trust I c/o Michael A. Bass, Trustee Bass, Doherty & Finks, P.C. 40 Soldiers Field Place Boston, MA 02135	The SSR Investment Trust II c/o Michael A. Bass, Trustee Bass, Doherty & Finks, P.C. 40 Soldiers Field Place Boston, MA 02135



Gary W. Loveman
Chairman of the Board
President and Chief Executive Officer
(702) 218-3810

October 17, 2013

Karen Wells
Director of Investigations and Enforcement Bureau
Massachusetts Gaming Commission
84 State Street 10th Floor
Boston, MA 02109

Dear Karen,

I write to update you regarding developments in the grand jury investigation and FinCEN inquiry, each of which I have described previously. With regard to the grand jury investigation, Caesars' outside counsel today entered into a voluntary document production protocol with the Assistant United States Attorney and IRS Special Agent. Accordingly, we do not at this time anticipate that Caesars will be served with a grand jury subpoena. In addition, our outside counsel and the IRS agreed on a protocol for witness interviews. In light of the new information, we are considering our public disclosure obligations.

In the FinCEN inquiry, Caesars' outside counsel is discussing with FinCEN an extension of time for responding to FinCEN's letter. FinCen has agreed to an extension, but has not yet conveyed the length of the extension.

If you have any questions, please do not hesitate to contact me.

Best regards,

Gary W. Loveman

cc: Charles A. Baker