

LGCB Board Directors' Meeting-4-24-2014, (Pages 1:1 to 171:24)

1: 1 LOUISIANA GAMING LOUISIANA CONTROL BOARD

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4 BOARD OF DIRECTORS' MEETING

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9 THURSDAY, APRIL 24, 2014

10

11 LaSalle Building, LaBelle Room

12 617 North Third Street

13 Baton Rouge, Louisiana

14

15

16

17 TIME: 10:00 A.M.

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20

21

22

23

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2

1 APPEARANCES

2

RONNIE JONES

3 Chairman (At Large)

Third Congressional District

4 June 30, 2019

5

6 FRANKLIN AYRES BRADFORD

(Economic Planner)

7 Fifth Congressional District

June 30, 2019

8

9 JAMES SINGLETON

(Public/Business Administration)

10 Second Congressional District

June 30, 2014

11

12 MARK STIPE

(Attorney)

13 Seventh Congressional District

June 30, 2014

14

15 DENISE NOONAN

(At Large)

16 First Congressional District

June 30, 2015

17

18 MAJOR CLAUDE MERCER

(Law Enforcement)

19 Fifth Congressional District

June 30, 2018

20

21 CLAUDE D. JACKSON

(At Large)

22 Fourth Congressional District

June 30, 2018

23

24

25

3

1 APPEARANCE CONTINUED

2

3 ROBERT W. GASTON, III

(At Large)

4 Sixth Congressional District

June 30, 2015

5

6 DENNIS N. STINE

(MBA/CPA)

7 Third Congressional District

June 30, 2019

8

9 JARROD CONIGLIO

Deputy Secretary

10 Department of Revenue

11

12 MAJOR MARK NOEL

Ex-Officio Board Member

13 Louisiana State Police

14

15 LANA TRAMONTE

Executive Assistant

16

17 TRUDY SMITH

Confidential Assistant

18

19 REPORTED BY:

20 SHELLEY G. PAROLA, CSR, RPR

Baton Rouge Court Reporters

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10	d/b/a Grand Bayou Casino - No.	
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13	TravelCenters of America-Greenwood	
14	- No. 0906515551 (transfer of	

15 interest) 20  
16 TA Operating, LLC, d/b/a  
17 TravelCenters of America-Tallulah  
18 - No. 3301515851 (transfer of  
19 interest) 20  
20 TA Operating, LLC, d/b/a  
21 TravelCenters of America-Egan -No.  
22 0100515849 (transfer of interest) 20  
23 TA Operating, LLC, d/b/a  
24 TravelCenters of  
25 America-Shreveport -

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2 No. 0904515852 (transfer of  
3 interest) 20

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6 Approval of Transfer of Ownership  
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1 I. CALL TO ORDER

2 CHAIRMAN JONES: Good morning and  
3 welcome to the regular monthly meeting  
4 of the Louisiana Gaming Control Board.  
5 We should only be displaced one more  
6 session. The legislature will be over  
7 with, but there will be a date change  
8 because we're meeting on that Monday,  
9 May 19th, so that this room can  
10 accommodate us. So we'll get back to  
11 our regular Thursdays once we can get  
12 back to the basement of the capitol. So  
13 we appreciate your indulgence with sort  
14 of moving things around a bit.

15 I want to call the meeting to order.  
16 Miss Tramonte, would you call the roll.

17 THE CLERK: Chairman Jones?

18 CHAIRMAN JONES: Here.

19 THE CLERK: Mr. Bradford?

20 MR. BRADFORD: Here.

21 THE CLERK: Mr. Stipe?

22 MR. STIPE: Here.

23 THE CLERK: Mr. Singleton?

24 MR. SINGLETON: Here.  
25 THE CLERK: Miss Noonan?

8

1 MS. NOONAN: Here.  
2 THE CLERK: Major Mercer?  
3 MAJOR MERCER: Here.  
4 THE CLERK: Mr. Jackson?  
5 MR. JACKSON: Here.  
6 THE CLERK: Dr. Gaston?  
7 MR. GASTON: Here.  
8 THE CLERK: Mr. Stine?  
9 MR. STINE: Here.  
10 THE CLERK: Colonel Edmonson?  
11 MAJOR NOEL: Major Noel for Colonel  
12 Edmonson.  
13 THE CLERK: Secretary Barfield?  
14 MR. CONIGLIO: Jarrod Coniglio here  
15 for Secretary Barfield.

16 CHAIRMAN JONES: There is a quorum.  
17 We may conduct business. Board Members,  
18 if you would turn your microphones on,  
19 please. I don't have control of them.  
20 There should be a switch in front of  
21 you. There you go. Very good.

## 22 II. PUBLIC COMMENTS

23 CHAIRMAN JONES: At this point, is  
24 there anyone in the audience that would  
25 like to comment on any matter before the

9



1 Board today, if you'll please stand and  
2 identify yourself.

3 MR. BARBIN: Jeff Barbin, Phelps  
4 Dunbar.

5 CHAIRMAN JONES: We have you on the  
6 Caesars matter?

7 MR. BARBIN: Yes.

8 CHAIRMAN JONES: And?

9 MR. PLAISANCE: Wesley Plaisance.

10 CHAIRMAN JONES: Are you here also  
11 on the Caesars matter?

12 MR. PLAISANCE: Yes, sir.

13 CHAIRMAN JONES: If it's agreeable  
14 with you, agreeable with the Board, I  
15 will defer that until we bring it up as  
16 part of the regular agenda. If there's  
17 no one else in the audience to comment  
18 on business today?

19 III. APPROVAL OF THE MINUTES

20 CHAIRMAN JONES: Very good. Can I  
21 get a motion to waive reading and  
22 approve the minutes of the last meeting?

23 MS. NOONAN: So moved.

24 CHAIRMAN JONES: By Miss Noonan,  
25 seconded by Mr. Singleton. All in

10

1 favor? [Collective "aye."] Opposed?

2 No opposition. The motion carries.

3 IV. REVENUE REPORTS

4 CHAIRMAN JONES: At this time, I'd  
5 like to call for the Revenue Reports.  
6 Take the table and identify yourself for  
7 us. Good morning.

8 MS. JACKSON: Good morning, Chairman  
9 Jones, Board Members, my name is Donna  
10 Jackson, Louisiana State Police Gaming  
11 Enforcement Division.

12 The riverboat revenue report for  
13 March 2014 is shown on page one of your  
14 handout. During March, the 14 operating  
15 riverboats generated Adjusted Gross  
16 Receipts of \$154,418,481, up almost  
17 \$12 million or 8 percent from last  
18 month, but down \$7 million or 4 percent  
19 from last March.

20 Adjusted Gross Receipts for fiscal  
21 year 2013-2014 to date are  
22 \$1,283,000,000, an increase of 3 percent  
23 or \$40 million from fiscal year  
24 2012-2013.

25 During March, the State collected

11

1 fees totaling \$33,199,973. As of  
2 March 31st, 2014, the State has  
3 collected \$276 million in fees for  
4 fiscal year 2013-2014.

5 Next is a summary of the March 2014  
6 gaming activity for Harrah's New Orleans

7 found on page three. Harrah's generated  
8 \$32,607,271 in gross gaming revenue, a  
9 slight decrease, .5 percent from last  
10 month, and an increase of \$1 million or  
11 3 percent from last year. Fiscal  
12 year-to-date gaming revenues for  
13 2013-2014 are almost \$255 million, a  
14 minimal increase of .2 percent from  
15 fiscal year 2012-2013.

16 During March, the State received  
17 \$17,652,788 in fees. This includes a  
18 true-up payment of \$12,556,898 for the  
19 April 2013 through March 2014 fiscal  
20 year, since 21.5 percent of Harrah's  
21 revenues exceeded their minimum payment  
22 of \$60 million. As of March 31st, 2014,  
23 the State has collected almost \$58  
24 million for fees in fiscal year  
25 2013-2014.

12

1 Slots at the Racetracks revenues are  
2 shown on page four. During March, the  
3 four racetrack facilities combined  
4 generated Adjusted Gross Receipts of  
5 \$37,041,420, an increase of 7.6 percent  
6 or \$2.6 million from last month, but a  
7 decrease of almost 6 percent or  
8 \$2.2 million from March 2013.

9 Adjusted Gross Receipts for fiscal

10 year 2013-2014 to date are \$290 million,  
11 a decrease of 4 percent or \$11 million  
12 from fiscal year 2012-2013.

13 During March, the State collected  
14 fees of \$5.6 million. As of March 31st,  
15 2014, the State has collected  
16 \$44 million in fees for fiscal year  
17 2013-2014.

18 Overall in March, Riverboats,  
19 Landbased and Slots at the Racetracks  
20 combined generated \$224 million in  
21 Adjusted Gross Receipts, which is  
22 \$8 million or 3 percent less than the  
23 previous March.

24 Are there any questions before I  
25 present the Harrah's employment

13

1 information?

2 CHAIRMAN JONES: Any questions,  
3 Board Members? [No response.] Thank  
4 you.

5 MS. JACKSON: Harrah's New Orleans  
6 is required to maintain at least 2,400  
7 employees and a bi-weekly payroll of  
8 \$1,750,835. This reports covers the  
9 three pay periods in March 2014.

10 For the first pay period, the audit  
11 section verified 2,428 employees with a  
12 payroll of \$2,043,000. For the second

13 pay period, the audit section verified  
14 2,423 employees with a payroll of  
15 \$2,057,000. For the third pay period,  
16 the audit section verified 2,424  
17 employees with a payroll of \$2,030,000.  
18 Therefore, Harrah's met the employment  
19 criteria during March.

20 CHAIRMAN JONES: Questions, Board  
21 Members? [No response.]

22 MS. JACKSON: Thank you.

23 CHAIRMAN JONES: Thank you very  
24 much.

25 Good morning.

14

1 MR. BOSSIER: Good morning.

2 CHAIRMAN JONES: Please identify  
3 yourself for the Board.

4 MR. BOSSIER: Good morning, Chairman  
5 Jones and Board Members. My name is Jim  
6 Bossier with the Louisiana State Police  
7 Gaming Audit Section. I'm reporting  
8 video gaming information for March 2014  
9 as shown on page one of your handout.

10 Seven new video gaming licenses were  
11 issued during March 2014: Three bars,  
12 three restaurants and one device owner'.  
13 Seven new applications were received by  
14 the Gaming Enforcement Division during  
15 March and are currently pending in the

16 field: Two bars and five restaurants.

17 The Gaming Enforcement Division  
18 assessed \$2,450 and collected \$3,650 in  
19 penalties in March, and there are  
20 currently \$2,000 in outstanding fines.  
21 Please refer to page two of your  
22 handout.

23 There are presently 13,797 video  
24 gaming devices activated at 1,954  
25 locations.

15

1 Net device revenue for March 2014  
2 was \$56,197,332, a \$3.5 million  
3 increase, or 6.7 percent when compared  
4 to net device revenue for February 2014,  
5 and a \$2.7 million decrease, or  
6 4.6 percent, when compared to March  
7 2013.

8 Net device revenue so far for fiscal  
9 year 2014 is \$440,146,669, a  
10 \$17.8 million decrease, or 3.9 percent  
11 when compared to net device revenue for  
12 fiscal year 2013. Page three of your  
13 handout shows a comparison of net device  
14 revenue.

15 Total franchise fees collected for  
16 March 2014 were \$16,851,747, a  
17 \$1 million increase when compared to  
18 February 2014, and an \$800,000 decrease

19 when compared to March 2013.

20 Total franchise fees collected for  
21 fiscal year 2014 are \$131,636,776, a  
22 \$5.1 million decrease, or 3.7 percent  
23 when compared to franchise fees for  
24 fiscal year 2013.

25 Page four of your handout shows a

16

1 comparison of franchise fees. Does  
2 anybody have any questions?

3 CHAIRMAN JONES: Any questions,  
4 Board Members? No questions.

5 MR. BOSSIER: Thank you.

6 CHAIRMAN JONES: Thank you very  
7 much. Before we move on to the next  
8 item, I was remiss, which is not  
9 unusual. I didn't introduce our newest  
10 board member, Dennis Stine, appointed by  
11 Governor Jindal in the last 30 days or  
12 so.

13 MR. STINE: Yup.

14 CHAIRMAN JONES: I think there will  
15 be three of us going through the  
16 confirmation process hopefully in the  
17 next month or so, but Dennis brings a  
18 wealth of business knowledge and  
19 administration knowledge to the Board.  
20 We welcome you. I look forward to your  
21 participation.

22 MR. STINE: Glad to be here.

23 V. VIDEO GAMING ISSUES

24 A. Consideration of the following truckstop  
25 applications:

17

1 1. A.N. Collette Oil Co., Inc., d/b/a Grand  
2 Bayou Casino - No. 2401508817 (transfer of  
3 interest)

4 CHAIRMAN JONES: At this point,  
5 we'll take up Video Gaming Issues,  
6 consideration of the transfer of  
7 interest in Section A, Number 1: A.N.  
8 Collette Oil Company, Inc., doing  
9 business as Grand Bayou Casino. That's  
10 No. 2041508817. We'll hear from State  
11 Police and the Attorney General's  
12 Office. Good morning.

13 MS. COLLY: Good morning. Chairman  
14 Jones, Members of the Board, I am  
15 Assistant Attorney General, Nicolette  
16 Colly, appearing before the Board on the  
17 matter of the transfer of stock in A.N.  
18 Collette Oil Company, Inc., d/b/a Grand  
19 Bayou Casino, a Type 5 truckstop  
20 licensee. Grand Bayou Casino is located  
21 at 17545 Sidney Road, Grosse Tete,  
22 Louisiana.

23 On January 2nd, 2014, A.N. Collette  
24 Oil notified the Division of the death



25 of the Rosie M. Collette on

18

1 November 12th, 2013. By last will and  
2 testament, Mrs. Collette left her  
3 undivided one half interest and 35  
4 shares of Collette Oil to the Rosie  
5 Collette Credit Shelter Trust.

6 The trustees and the principal  
7 beneficiaries of the trust are Ronald A.  
8 Collette and Carol C. Hotard. Anthony  
9 N. Collette is the income beneficiary.

10 On February 27th, 2014, in a special  
11 joint meeting of the board of directors  
12 and shareholders, Ronald A. Collette was  
13 appointed President, Secretary and  
14 Treasurer of Collette Oil, and Carol C.  
15 Hotard was appointed Vice-President.

16 After the stock transfer, the  
17 membership interest of A.N. Collette Oil  
18 are as follows: Ronald A. Collette has  
19 a 50 percent share; Carol C. Hotard has  
20 a 43 percent share; Anthony N. Collette,  
21 3.5 percent share; and Rosie Collette  
22 Credit Shelter Trust has a 3.5 percent  
23 share.

24 Trooper Vincent Lenguyen has  
25 conducted an investigation of the

19

1 transfer. He is present this morning to

2 report his findings to the Board.

3 TROOPER LENGUYEN: Good morning.

4 CHAIRMAN JONES: Good morning.

5 Please identify yourself for the Board.

6 TROOPER LENGUYEN: Good morning,

7 Chairman Jones and Board Members.

8 Trooper Vincent Lenguyen with the

9 Louisiana State Police Gaming

10 Enforcement Division.

11 Following the licensee's

12 notification to the Division regarding

13 Miss Collette's death, I conducted an

14 investigation of the transfer of A.N.

15 Collette Oil stock. A.N. Collette,

16 Ronald Collette and Carol Hotard have

17 previously undergone a suitability

18 investigation, and no information was

19 found that would preclude them from

20 continuing to participate in the video

21 gaming industry.

22 I'll be happy to answer any

23 questions that you may have at this

24 time.

25 CHAIRMAN JONES: Board Members, do

20

1 we have any questions of the Assistant

2 Attorney General or State Police? There

3 are no questions. Do I have a motion to

4 approve the transfer of interest?

5 MAJOR MERCER: I move we approve.

6 CHAIRMAN JONES: By Mr. Mercer,

7 seconded by Mr. Stipe. All in favor?

8 [Collective "aye."] Any opposition?

9 [No response.] The motion carries.

10 MS. COLLY: Thank you.

11 2. TA Operating, LLC, d/b/a TravelCenters of  
12 America-Greenwood - No. 0906515551 (transfer of  
13 interest)

14 TA Operating, LLC, d/b/a TravelCenters of  
15 America-Tallulah - No. 3301515851 (transfer of  
16 interest)

17 TA Operating, LLC, d/b/a TravelCenters of  
18 America-Egan - No. 0100515849 (transfer of  
19 interest)

20 TA Operating, LLC, d/b/a TravelCenters of  
21 America-Shreveport - No. 0904515852 (transfer  
22 of interest)

23 CHAIRMAN JONES: Thank you very  
24 much. At this point, consideration of  
25 the transfer of interest, Section A,

21

1 Number 2: TA Operating, LLC, doing  
2 business as TravelCenters of America  
3 Greenwood, Tallulah, Egan and Shreveport  
4 and the license numbers as are cited on  
5 the official agenda. Good morning.

6 MR. PITRE: Good morning, Chairman  
7 Board Members, I'm Assistant Attorney

8 General, Earl Pitre, Jr., appearing  
9 before the Board in the matter of Item  
10 V.A.2 concerning certain transfers of  
11 the owner of TA Operating, LLC, doing  
12 business at TravelCenters of America.

13 TA Operating, LLC, owns and operates  
14 four licensed truckstop facilities in  
15 the State: One in Egan, one in  
16 Shreveport, one in Greenwood and one in  
17 Tallulah. TA Operating is indirectly  
18 wholly-owned by TravelCenters of  
19 America, LLC, which is a publicly traded  
20 company.

21 There are only two members of  
22 TravelCenters of America holding more  
23 than 5 percent of its equity interest.  
24 They are: Hospital Properties Trust,  
25 which owns 9.09 percent of

22

1 TravelCenters, and Capital Research  
2 Global Investors, which owns  
3 6.44 percent.

4 Capital Research Global Investors is  
5 a new member of TravelCenters, and its  
6 acquisition of 6.44 percent of  
7 TravelCenters is one of the transfers  
8 being reported to you today. It is a  
9 division of Capital Research and  
10 Management Company determined by the

11 auditing section of State Police to be  
12 an institutional investor which may be  
13 presumed suitable.

14 The other transfer being reported to  
15 you today is the acquisition of  
16 6.76 percent of Hospitality Properties  
17 Trust by Vanguard Specialized Fund.  
18 Hospitality Properties Trust is a  
19 publicly traded company and is one of  
20 the members holding more than 5 percent  
21 of the TravelCenters of America.

22 Vanguard Specialized Fund is a division  
23 of The Vanguard Group, determined by the  
24 auditing section of State Police to be  
25 an institutional investor which may be

23

1 presumed suitable.

2 The Office of the Attorney General's  
3 review of the file indicates no  
4 information to preclude Capital Research  
5 Global Investors and Vanguard  
6 Specialized Fund from participating in  
7 the gaming industry.

8 Trooper Vincent Lenguyen conducted  
9 the investigation and is here to answer  
10 any of your questions.

11 CHAIRMAN JONES: Anything to add?

12 TROOPER LENGUYEN: No, sir.

13 CHAIRMAN JONES: Any questions for

14 the Board? [No response.] Do I have a  
15 motion?

16 MR. BRADFORD: So moved.

17 CHAIRMAN JONES: Moved by

18 Mr. Bradford and second by Miss Noonan.

19 All in favor? [Collective "aye."]

20 Motion carries. Thank you very much.

## 21 VI. CASINO GAMING ISSUES

22 A. Consideration of Petition of Approval for  
23 Transfer of Ownership Interests by Caesars  
24 Entertainment Operating Company, Inc., to a  
25 subsidiary of Caesars Growth Partners, LLC

24

1 CHAIRMAN JONES: We will move to  
2 Casino Gaming Issues: Consideration of  
3 Petition for Approval of Transfer of  
4 Ownership Interests by Caesars  
5 Entertainment Operating Company, Inc.,  
6 to a subsidiary of Caesars Growth  
7 Partners. I'd like to proceed in the  
8 following fashion: We're going to hear  
9 first from State Police and the Attorney  
10 General's Office followed by  
11 representatives from Caesars and their  
12 legal representative. Opposition has  
13 been raised. We'll hear from the  
14 opposition as soon as we have an  
15 opportunity to respond.

16 So we'll proceed in that order

17 unless I have objection from the Board.

18 [No response.] State Police and

19 Attorney General.

20 MR. GAUTREAU: Good morning,  
21 Chairman, Members of the Board. I'm  
22 Leonce Gautreaux, Assistant Attorney  
23 General. With me is Evie Ficklin from  
24 the Audit Section of State Police and  
25 Trooper Eddie Daigle from the Gaming

25

1 Enforcement Section of State Police.

2 Before you is a petition filed by  
3 Jazz Casino Company doing business as  
4 Harrah's New Orleans, which is the  
5 casino operator of the landbased casino  
6 down in New Orleans. They are  
7 requesting Board approval for the  
8 transfer of the ownership interest in  
9 Jazz Casino Company to a subsidiary of  
10 Caesars Growth Partners. They're also  
11 asking approval of the revised  
12 management agreement and approval of the  
13 financing of the transaction.

14 The transactions themselves consist  
15 of two separate transfers. Currently  
16 the Jazz Casino Corporation is being  
17 held under the Caesars Entertainment,  
18 Incorporated, and Caesars Entertainment  
19 Operating Company. The transfer -- the

20 first step in the transfer would be the  
21 transfer of 100 percent of the equity  
22 interest in JCC Holding, II, which is  
23 the holder of the equity interest of  
24 Jazz Casino Company, to JCC Holding  
25 Company II NewCo, a newly formed company

26

1 by the Caesars CEOC.

2 The second stage of the transaction  
3 would be the transfer of 100 percent of  
4 the equity interest in that new entity,  
5 JCC Holding NewCo to Caesars Growth  
6 Harrah's New Orleans, and it is this  
7 part of the transaction which will take  
8 the landbased casino, Jazz Casino  
9 Corporation, into -- out of Caesars  
10 Entertainment and into the Caesars  
11 Growth Partners, which is a related  
12 entity.

13 And as a reminder to the Board,  
14 unlike the riverboat and the slots at  
15 the track, the landbased casino is not a  
16 licensed entity. It operates under a  
17 Casino Operating Contract that it  
18 entered with this board on behalf of the  
19 State of Louisiana. That contract was  
20 amended and renegotiated in 1998.

21 The legal team on behalf of the  
22 State was Taylor Porter. Mr. Mike



23 Dufilho was one of the gentlemen who  
24 negotiated that contract with -- on  
25 behalf of the State. He was unable to

27

1 be here today, but he did submit a memo  
2 because we asked him to take a look at  
3 it to make sure that this transfer  
4 doesn't violate any portions of the  
5 Casino Operating Contract or is not  
6 prohibited under the Casino Operating  
7 Contract or statute or rule. He did  
8 that, reviewed the transactions,  
9 reviewed the contract, reviewed the law  
10 and issued an opinion and concluded that  
11 the transfers are not prohibited by  
12 either the Casino Operating Contract or  
13 the rules and regulations, and I concur  
14 in that evaluation.

15 Again, at the end of the  
16 transaction, basically what happens is  
17 Jazz Casino Company moves from one  
18 Caesars entity into the new Caesars  
19 entity, Caesars Growth Partners, and now  
20 Evie has her report on the financials.

21 MS. FICKLIN: Good morning,  
22 Mr. Chairman, Board Members. My name is  
23 Evie Ficklin. I'm an auditor in State  
24 Police Gaming.

25 Caesars Entertainment is a highly

1 leveraged company with over \$23 billion  
2 in debt. Approximately 77 percent of  
3 that debt is held by Caesars  
4 Entertainment Operating Company, or  
5 CEOC, the parent company of Harrah's New  
6 Orleans. CEOC's debt schedule is shown  
7 on page eight.

8 In February 2013, Caesars began  
9 executing certain transactions in an  
10 effort to address its capital structure  
11 which we refer to as Phase I in our  
12 report. In February 2013, Caesars  
13 formed Caesars Acquisition Company to  
14 partner with Caesars in a joint venture.  
15 The same private equity sponsors TPG and  
16 Apollo, and their co-investors who are  
17 part of Caesars in January of 2008, own  
18 66.3 percent of Caesars Acquisition  
19 Company.

20 Caesars Acquisition Company serves  
21 as the sole managing member of the joint  
22 venture, Caesars Growth Partners, LLC,  
23 or CGP, which Caesars formed in July  
24 2013. On October 21st, 2013, Caesars,  
25 Caesars Acquisition Company and CGP

1 executed certain transactions that  
2 resulted in the formation of the joint

3 venture, including the following:  
4 Caesars distributed a rights offering to  
5 its stockholders allowing its  
6 stockholders to purchase Caesars  
7 Acquisition Company's Class A common  
8 stock at \$8.64 per share. Affiliates of  
9 the sponsors exercised their  
10 subscription rights in full and acquired  
11 457.8 million shares worth of CAC's  
12 Class A common stock.

13 Caesars Acquisition Company used the  
14 funds it received from the stock  
15 offering to acquire all of CGP's voting  
16 units. CGP used \$360 million of the  
17 funds it received from the sale of the  
18 voting units to Caesars Acquisition  
19 Company to purchase from CEOC the  
20 following assets: The equity interest  
21 in Planet Hollywood Las Vegas, including  
22 certain Planet Hollywood debt; a  
23 41 percent interest in Horseshoe  
24 Baltimore, a project currently under  
25 development; a 50 percent interest in

30

1 the management fee revenues received by  
2 a CEOC subsidiary that manages Planet  
3 Hollywood; and 50 percent of the  
4 management fees another CEO subsidiary  
5 will receive through its agreement to

6 manage Horseshoe Baltimore upon its  
7 opening.

8 Lastly, two contributions: A  
9 contribution by a Caesars subsidiary,  
10 HIE Holdings, Inc., of its approximate  
11 90 percent interest in Caesars  
12 Interactive Entertainment, the  
13 entity Caesars -- that holds Caesars  
14 on-line gaming business for 40.3 percent  
15 of CGP's non-voting units and  
16 23.23 percent of CGP's equity interest;  
17 and a second contribution by Caesars  
18 subsidiary, Harrah's BC, Inc., of its  
19 investment and approximately \$1.1  
20 billion in CEOC issued notes for  
21 59 percent in CGP's non-voting units and  
22 41. -- 34.41 percent in equity interest.  
23 The joint venture's current structure is  
24 shown in CGP's organizational chart on  
25 page five.

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1 On November 19th, 2013, Caesars  
2 Acquisition Company's Class A shares  
3 began trading on the NASDAQ global  
4 select market, and Caesars trades on  
5 that same exchange.

6 In Phase II of Caesars' plans,  
7 Caesars through CEOC is seeking approval  
8 to sell Harrah's New Orleans Casino and

9 three of its Las Vegas properties to a  
10 subsidiary of CGP for approximately \$2.2  
11 billion, including \$185 million in  
12 assumed debt and \$223 million in  
13 committed project capital expenditures.

14 In addition to Harrah's New Orleans  
15 Casino & Hotel, the acquisition includes  
16 the Cromwell, formerly Bill's Gamblin'  
17 Hall & Saloon on the strip in Las Vegas,  
18 Bally's Las Vegas, and The Quad which is  
19 formerly Imperial Palace in Las Vegas.

20 Included with the purchase of the  
21 properties, CGP intends to acquire  
22 intellectual property that is specific  
23 to each of the properties and 50 percent  
24 of the ongoing management fees and the  
25 any termination fees payable under

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1 management agreements. At closing, CEOC  
2 will form three new property managers  
3 for the Las Vegas properties it plans to  
4 acquire and will retain Harrah's New  
5 Orleans Management Company as Harrah's  
6 New Orleans property manager.

7 The ongoing management fees payable  
8 to CEOC -- CEOC's property managers  
9 consist of a base management fee of  
10 2 percent of net operating revenues and  
11 an incentive fee equal to 5 percent of

12 EBIDTA for each operating year of the  
13 agreement.

14 Funding for the acquisition of the  
15 four properties will be provided by a  
16 \$1.175 billion term loan part of a new  
17 \$1.325 billion credit agreement that  
18 also includes a \$150 million revolver.  
19 Additional funding also includes \$675  
20 million 9.375 percent second lien notes.

21 Caesars Growth Partners, LLC, is the  
22 borrower and co-issuer of the second  
23 lien notes and is the borrower under the  
24 credit agreement. CGP will also  
25 contribute \$628 million in equity,

33

1 including the cash on hand to Planet  
2 Hollywood. The sources and uses  
3 schedule for the proposed transactions  
4 is shown on page 39.

5 Caesars management provided a  
6 capital expenditure's budget for 2014  
7 for Harrah's New Orleans shown on page  
8 29 and projections for the property  
9 shown on page 30.

10 There are obvious concerns regarding  
11 CEOC's financial challenges which the  
12 Division will continue to monitor.  
13 While we review the projections provided  
14 by CGP, we provide no assurances that

15 they are attainable. Other than the  
16 matters discussed in our report, we  
17 discovered no financial issues that  
18 preclude approval of the requested  
19 transactions, and now Trooper Eddie  
20 Daigle will present the results of his  
21 findings.

22 TROOPER DAIGLE: Good morning,  
23 Chairman Jones and Board Members.

24 CHAIRMAN JONES: Morning.

25 TROOPER DAIGLE: I'm Trooper Eddie

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1 Daigle, Louisiana State Police Gaming  
2 Enforcement Division.

3 The Division received a petition  
4 from Jazz Casino Company, LLC, d/b/a  
5 Harrah's New Orleans, seeking approval  
6 for transactions related to transfer of  
7 membership interest. As part of this  
8 transfer, a suitability investigation  
9 was conducted on Jazz Casino Company,  
10 LLC, and the associated entities of the  
11 proposed transaction and the key  
12 personnel. This investigation consisted  
13 of inquiries through federal, state and  
14 local law enforcement agencies,  
15 computerized criminal history databases,  
16 civil institutions and gaming regulatory  
17 entities.

18 Tax clearance request forms were  
19 forwarded to the Internal Revenue  
20 Service and the Louisiana Department of  
21 Revenue in order to ensure the  
22 applicants are current in their tax  
23 filings.

24 During the suitability  
25 investigation, no information was

35

1 discovered which preclude the licensing  
2 of Jazz Casino Company, LLC, d/b/a  
3 Harrah's New Orleans, and the associated  
4 entities or the key personnel. At this  
5 time, we will gladly answer any  
6 questions you may have.

7 CHAIRMAN JONES: Board Members, do  
8 we have questions for State Police, Miss  
9 Ficklin or Mr. Gautreaux? No questions  
10 at this time. Thank you.

11 At this time, I'd like to ask  
12 representatives of Caesars to the table.  
13 Please tell us who you are and your  
14 position.

15 MR. WEST: Good morning,  
16 Mr. Chairman and Board Members. My name  
17 is Paul West representing Caesars  
18 Entertainment Corporation and Caesars  
19 Acquisition. With me to my left here is  
20 Michael Cohen, who is the general



21 counsel of Caesars Acquisition, Eric  
22 Hession, who the treasurer.

23 CHAIRMAN JONES: What was your last  
24 name? I'm sorry.

25 MR. WEST: Hession, H-E-S-S-I-O-N.

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1 Craig Abrahams, who is the CFO of the  
2 Caesars Acquisition, and Jane Russell,  
3 who is the regional counsel who resides  
4 at the landbased casino in New Orleans.

5 We have obviously anticipated  
6 certain questions and issues. What we  
7 would like to do is go through the deck  
8 that we handed out, and then we'd be  
9 happy to answer any questions after  
10 that.

11 CHAIRMAN JONES: You're going to  
12 handle it, Mr. Cohen?

13 MR. COHEN: Thank you, Mr. Chairman,  
14 Members of the Board. Again, my name is  
15 Michael Cohen. I'm the general counsel  
16 of Caesars Acquisition Company. We're  
17 going to present a short presentation  
18 for you, and please ask any questions as  
19 we go along.

20 Skipping to slide two, the overview  
21 of the request, this is just reiterating  
22 what Mr. Gautreaux said earlier. We're  
23 here seeking approval on three items

24 today: The sale of Harrah's New Orleans  
25 as part of the larger sale, including

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1 the three assets in Las Vegas, from  
2 subsidiaries of Caesars Entertainment  
3 Operating Company through subsidiaries  
4 of Caesars Growth Partners; the related  
5 financing by Caesars Growth Partners  
6 Holdings, including \$2 billion in total  
7 debt, \$1.175 billion first lien term  
8 loan, \$150 million of revolving credit  
9 facility to \$675 million of second lien  
10 notes; and the revised management  
11 agreement for operation of the Harrah's  
12 New Orleans property.

13 MR. HESSION: Thanks. Good morning,  
14 Mr. Chairman and Board Members. My name  
15 is Eric Hession, H-E-S-S-I-O-N,  
16 appreciate you giving us the time today.

17 Turning to page three, we provided  
18 an overview of the structure which I  
19 would say was very adequately discussed  
20 in the previous presentations. I'll be  
21 very brief on this slide. We conduct  
22 our business through three primary  
23 entities: Caesars Entertainment Resort  
24 Properties, LLC, Caesars Entertainment  
25 Operating Company, Incorporated, and

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1 Caesars Growth Partners, LLC. The  
2 ownership structure of those three  
3 entities is through the two publicly  
4 listed companies: Caesars Acquisition  
5 Company, CACQ on the NASDAQ, and Caesars  
6 CEC, which is CZR on the NASDAQ.

7 Turning to page four, on March 1st  
8 of 2014, CEOC and CGP executed a  
9 transaction agreement for the sale by  
10 CEOC and purchase by CGP of four  
11 properties. Those four properties, as  
12 previously described was: Harrah's New  
13 Orleans, The Quad in Las Vegas, Bally's  
14 in Las Vegas, and the Cromwell, formerly  
15 known as Bill's, also in Las Vegas.

16 The transaction was fully negotiated  
17 and approved by a special committee of  
18 both CAC and CEC comprised solely of  
19 independent members of the board of  
20 directors of each company. Subsidiaries  
21 of CEOC will continue to manage each of  
22 the properties purchased by subsidiaries  
23 of CGP, and CEOC will collect a  
24 management fee of 2 percent of net  
25 revenues and 5 percent of EBIDTA.

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1 CEOC has agreed to sell these  
2 properties and the financial stake of  
3 50 percent of the ongoing management

4 fees paid to CEOC under the management  
5 agreements for \$2 billion in cash to be  
6 paid by CGP to CEOC less the assumed  
7 debt by CGP, which is associated with  
8 the Cromwell project and is  
9 \$185 million. These four properties  
10 will continue to be part of the Total  
11 Rewards Network Loyalty Program and will  
12 also continue to be managed under the  
13 same management team that currently  
14 operates the four properties, including  
15 the Harrah's New Orleans facility.

16 In order to purchase these  
17 properties as previously described, CGP  
18 will use a mixture of cash on hand, as  
19 well as the financing.

20 MR. ABRAHAMS: Thank you, Eric.  
21 Good morning, Chairman, Members of the  
22 Board. My name is Craig Abrahams. I'm  
23 the Chief Financial Officer of Caesars  
24 Acquisition Company.

25 CAC is the managing member of

40

1 Caesars Growth Partners, LLC, and owns  
2 42 percent of the economic interest and  
3 holds a hundred percent of the voting  
4 rights for Caesars Growth Partners.  
5 Caesars Growth Partners was established  
6 in 2013 as a growth-oriented entity

7 comprising of falling assets:  
8 Approximately \$1.2 billion of cash  
9 proceeds raised from the rights offering  
10 of CAC offered to all shareholders of  
11 CEC, and approximately 89 percent  
12 ownership stake in Caesars Interactive  
13 Entertainment, certain unsecured bonds  
14 issued by CEOC, Planet Hollywood Resort  
15 & Casino in Las Vegas, and approximately  
16 41 percent ownership stake in a joint  
17 venture which owns the Horseshoe  
18 Baltimore Casino currently under  
19 development and expected to open this  
20 summer, and a financial stake and  
21 50 percent of the management fee streams  
22 associated with both Planet Hollywood  
23 and the Horseshoe Baltimore development.

24 MR. HESSION: Thank you, Greg. As I  
25 mentioned, CEOC is the main operating

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1 subsidiary of Caesars Entertainment  
2 Corporation. CEOC owns and operates 44  
3 properties in the United States and  
4 abroad and provides the corporate  
5 services to the Caesars branded  
6 facilities under the shared services  
7 agreement, as well as management  
8 agreements, including the Caesars  
9 Harrah's and Horseshoe brands for the 44

10 properties.  
11 As you're well aware, regional  
12 properties in the United States, and in  
13 particular Atlantic City, have been  
14 challenging with depressed gaming  
15 revenues since the onset of the  
16 recession back in 2008. In response,  
17 Caesars Entertainment Operating Company  
18 has been very active in the capital  
19 markets addressing leverage, cash flow  
20 and maturities of our debt as they come  
21 due.

22 Due to the negative operating  
23 metrics and the unfavorability in the  
24 dynamics that we've experienced through  
25 these properties, we entered into this

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1 transaction to sell the four properties  
2 to Caesars Growth Partners. The asset  
3 sale will provide much needed liquidity  
4 and bolster our current liquidity, and  
5 it will relieve CEOC from ongoing capex  
6 expenses required in these large  
7 properties that are industry leading and  
8 require capex to retain that position.

9 The asset sale that we're proposing  
10 today is an important step in the  
11 efforts to improve CEOC's liquidity and  
12 our overall financial position.

13           The proceeds from this sale, as we  
14           mentioned, will be the \$2 billion which  
15           consists of slightly over \$1.8 billion  
16           of cash and the assumption of the  
17           \$1.85 billion of debt that's existing on  
18           the Cromwell, and it can be used for a  
19           number of different options, including  
20           paying down existing debt on the CEOC  
21           side, funding improvements at our other  
22           properties, including the properties  
23           here in Louisiana and other capital  
24           expenditures throughout the  
25           organization, and increasing our overall

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1           liquidity position to provide  
2           flexibility in the future.

3           As part of the transaction, the two  
4           independent committees also asked the  
5           management teams to establish a services  
6           company to management the Caesars  
7           branded assets and employ the employees  
8           who provide joint services to entities  
9           that utilize the CEOC owned assets and  
10          intellectual properties. Services  
11          Company will be established for the  
12          benefit of its members, which to recall  
13          is CEOC, CERP and CGPH, the three  
14          primary operating entities, and their  
15          respective subsidiaries to achieve a

16 preservation of the brand value and  
17 maximize the economy of the scale  
18 associated with our network and our  
19 Total Rewards Program.

20 It's not expected that the  
21 implementation of the Services Company  
22 will have any impact on the day-to-day  
23 operations which is very important to  
24 ensure the continuity and the scale of  
25 the operations continued to the benefit

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1 of the customers. Certain details of  
2 the Services Company structure haven't  
3 been finalized yet and are being  
4 negotiated between the two special  
5 committees, and they will be implemented  
6 after the closing of the four property  
7 asset sale.

8 MR. COHEN: Thank you, Eric.

9 Flipping to slide eight, we wanted to  
10 discuss the process for this  
11 transaction. There are four key points  
12 here: The Caesars Acquisition Company  
13 and Caesars Entertainment Corporation,  
14 the two public companies, formed special  
15 committees of independent directors that  
16 were tasked to negotiate this  
17 transaction. These directors are  
18 independent under Securities and



19 Exchange Commission rules and NASDAQ  
20 requirements. They had full authority  
21 to negotiate the transaction, and they  
22 did. They had full authority and did  
23 engage independent financial advisors  
24 and independent legal counsel, and they  
25 also received a fairness opinion that

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1 was addressed to the committees, as well  
2 as the boards of both companies, that  
3 stated that this transaction was fair  
4 from a financial point of view to both  
5 Caesars Acquisition Company and Caesars  
6 Entertainment Corporation.

7 MR. HESSION: In terms of the  
8 overall benefits of the transaction,  
9 CEOC elected to sell the properties to  
10 CGP for a number of reasons. The  
11 continuity between the existing  
12 management structure, the Total Rewards  
13 Program and the expectation that our  
14 customers and employees have is very  
15 important. The proposed structure will  
16 continue to rely upon and benefit from  
17 the maintenance of the common control  
18 structure that was described earlier  
19 between our sponsors. It will also  
20 result in no day-to-day changes or  
21 interruption to the management or the

22 operations of the four properties, and  
23 subsidiaries of CEOC will continue to  
24 manage these assets post closing.

25 In fact, Dan Real, the General

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1 Manager of Harrah's New Orleans, will  
2 remain in that role pre -- as he is pre  
3 and post transaction, and the New  
4 Orleans management company will continue  
5 to manage the facility.

6 Guests can expect the same superior  
7 customer service and the same access to  
8 the Total Rewards Network. They can  
9 benefit from the network benefits that  
10 enable them to have opportunities to  
11 experience different rewards and  
12 abilities to redeem their reward credits  
13 throughout the network and also in their  
14 properties such as New Orleans when they  
15 import the reward credits from other  
16 regional casinos that we have.

17 In addition, historical transactions  
18 that Caesars has either entered into or  
19 attempted to enter into have resulted in  
20 depressed values due to the purchaser's  
21 subtraction of the value associated with  
22 the Total Rewards Network.

23 MR. ABRAHAMS: We would like to  
24 reiterate Caesars Growth Partners'

25 commitment to Louisiana. New Orleans is

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1 a large luxury facility, and a property  
2 of its nature takes continuing  
3 commitment to capital to invest in that  
4 property to keep its market leading  
5 status. Caesars Growth Partners has the  
6 financial capacity and liquidity to make  
7 these investments in the future.

8 In connection with this transaction,  
9 Caesars Growth Properties Holdings, the  
10 new wholly-owned subsidiary of CGP,  
11 executed a commitment letter with four  
12 large financial institutions to finance  
13 the purchase of the four properties and  
14 refinance the \$485 million of debt  
15 related to Planet Hollywood in Las  
16 Vegas. This debt financing will consist  
17 of \$1.325 billion in senior secured  
18 credit facilities and a \$150 million  
19 senior secured revolving facility. In  
20 addition, it will include a  
21 \$675 million dollar -- \$675 million  
22 dollars in second lien debt.

23 In November 2012, the Cromwell  
24 raised \$185 million in bank debt to  
25 finance the transformation of the

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1 property. That debt will remain an

2 outstanding obligation of the Cromwell  
3 as part of this transaction.

4 The next slide you'll see a  
5 structure chart, which we can skip over;  
6 and in conclusion, I'd like to thank the  
7 Louisiana State Police and the Attorney  
8 General's Office for all your hard work  
9 throughout this investigation, and with  
10 that, we'd like to open it up to any  
11 questions.

12 CHAIRMAN JONES: Okay. Let's talk.  
13 I'm curious: Of all of the properties  
14 that were part of Caesars Entertainment  
15 that you bundled these four that  
16 included Harrah's of New Orleans. What  
17 was the reasoning there?

18 MR. HESSION: I'll address that and,  
19 Craig, you can on the buyer's side.  
20 You're right. We picked four  
21 properties. We identified properties  
22 that either -- as with the two in Las  
23 Vegas: One, the Cromwell is shut down,  
24 and The Quad is under significant  
25 construction that require a large amount

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1 of capital investment to ultimately  
2 realize their potential. And then we  
3 also included Bally's in New Orleans  
4 which are large properties, as well.

5 In the case of New Orleans, in  
6 particular, it was at the very high end,  
7 especially on the hotel side of what we  
8 offer in our brand. To maintain that  
9 presence and to maintain that position,  
10 it requires a significant amount of  
11 reinvestment. We focus on that and make  
12 sure that the property remains at the  
13 higher end of the spectrum.

14 As we talked earlier and as was  
15 included in the report, given CEO's  
16 challenges from a leverage perspective,  
17 deploying capital and allocating that  
18 across the portfolio is challenging. We  
19 felt that this portfolio of assets in  
20 the hands of an entity that had a  
21 capital structure with less leverage  
22 would be able to be better maximized,  
23 and thus, the price that it would be  
24 willing to pay would be higher.

25 MR. ABRAHAMS: When Caesars Growth

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1 Partners was formed, it was formed with  
2 a mandate to go after growth  
3 opportunities both domestically and  
4 internationally. When the opportunity  
5 came about to acquire these properties,  
6 Caesars Acquisition Company formed an  
7 independent special committee made up of

8 its independent members of its board and  
9 hired both independent financial and  
10 legal counsel to evaluate this  
11 transaction. That committee then  
12 determined that all four properties were  
13 attractive and negotiated the  
14 transaction with the CEC independent  
15 special committee.

16 CHAIRMAN JONES: Mr. Cohen, at your  
17 request, we met with you in December.  
18 Do you recall that meeting?

19 MR. COHEN: I do, Mr. Chairman.

20 CHAIRMAN JONES: And I think without  
21 getting into any confidential matters, I  
22 think what you presented to us at that  
23 time was a dire set of circumstances for  
24 Caesars Corporation, that if certain  
25 things weren't done, including this

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1 planned sale, that a report might be  
2 issued in March affecting the financial  
3 stability of the corporation, and by  
4 fall, it could be bad for the corporation  
5 as a whole; is that correct?

6 MR. COHEN: That's correct,  
7 Mr. Chairman.

8 CHAIRMAN JONES: And there was some  
9 urgency at that time, and you were going  
10 to work through the holidays; and I

11 think I gave you my number. I said,  
12 I'll be waiting to hear from you; and  
13 December turned to January and January  
14 turned to February, and we didn't hear  
15 from you again. I sent one e-mail. I  
16 did not hear from you again until March.  
17 So I guess what I'm wondering is: Is  
18 there urgency now?

19 MR. COHEN: Well, there is. I'll  
20 address quickly, and then I'll let  
21 Mr. Hession answer some of the questions  
22 about urgency. So the -- yes, we did  
23 meet in December to discuss the urgency.  
24 As we outlined in the presentation and  
25 in the -- and Mr. Abrahams just

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1 mentioned, the independent special  
2 committees dictated the timing.  
3 Unfortunately, none of us at the table,  
4 though willing to work the holidays and  
5 anytime at any moment, were unable to  
6 dictate the timing of the transaction.

7 To keep the process fair and honest,  
8 the independent special committees hired  
9 their own advisors, hired their own  
10 legal counsel to negotiate that  
11 transaction, and they determined the  
12 time line to move that transaction  
13 along.

14 I'll let Mr. Hession address the  
15 urgency of the transaction today.

16 MR. HESSION: Yes. Thanks, Michael.  
17 Mr. Chairman, the point Michael raised  
18 regarding the delayed timing or the  
19 length of the time line is important.  
20 We had intended to move very quickly on  
21 the transaction. It's a large,  
22 complicated transaction, as you can see  
23 through the materials. The special  
24 committees were formed; and as Michael  
25 said, they dictate the timing, and

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1 management is not involved with those  
2 discussions other than to provide data  
3 to the committees as requested.

4 The timing moved through the  
5 process. They reached an agreement.  
6 We -- and put the materials together,  
7 raised the financing, and then we're on  
8 the agenda today as the final step in  
9 that process.

10 In terms of the specific urgency,  
11 Caesars Entertainment Operating Company  
12 is, as we discussed and as the  
13 investigator mentioned earlier, is  
14 challenged. It has negative cash flow,  
15 and this transaction will enable the  
16 company to improve the liquidity



17 position and be able to have CEOC then  
18 move forward and continue to operate in  
19 the form that it's traditionally  
20 operated in, continue to invest in the  
21 properties and to be able to deploy that  
22 cash for -- in the best uses of Caesars  
23 Entertainment Operating Company.

24 CHAIRMAN JONES: Caesars is also  
25 opening in South Korea; aren't they?

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1 MR. HESSION: Correct. Caesars  
2 Entertainment Corporation has applied  
3 for a license and received preliminary  
4 approval in South Korea; that's correct.

5 CHAIRMAN JONES: And I think you  
6 just put one million down in New York  
7 for a proposed casino there, as well?

8 MR. HESSION: Correct, a million  
9 dollar deposit.

10 CHAIRMAN JONES: Mr. Cohen, for the  
11 record and for the Board's  
12 consideration, I asked you about -- at  
13 the meeting in December about Caesars'  
14 corporate value that they place in this  
15 property in New Orleans. Would you  
16 share with the Board what you told me at  
17 that time.

18 MR. COHEN: Sure, absolutely.  
19 Obviously, the New Orleans property is

20 very important to the Caesars  
21 Entertainment Corporation, specifically  
22 to Caesars Entertainment Operating  
23 Company, and it's a very valuable asset.  
24 As Mr. Abrahams and Mr. Hession  
25 mentioned, it's a very high-end asset,

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1 very important to our portfolio for the  
2 Harrah's brand, and one of the reasons  
3 that it was chosen, as mentioned, for  
4 this transaction is because of the need  
5 for the capital to keep that property in  
6 its high standard that CEOC,  
7 unfortunately, doesn't always have that  
8 capital to do so.

9 CHAIRMAN JONES: And I think you  
10 also told me at that time, in response  
11 to a direct question, that in so far  
12 as you knew, corporate Caesars had no  
13 intention whatsoever of going outside  
14 the corporate structure to a third  
15 entity, a third party to sell this  
16 property; that's correct?

17 MR. COHEN: The decision was made,  
18 for some of the items that were outlined  
19 earlier, that the property would -- no  
20 one would pay a full and fair price for  
21 that property, and because of its  
22 strategic importance, yes, that's

23 exactly correct.

24 CHAIRMAN JONES: Okay. Just to make  
25 sure I recalled it precisely. I'll

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1 defer now to board members' questions.

2 Mr. Stipe.

3 MR. STIPE: The special committee  
4 and the -- what was the charter of the  
5 special committee? And the reason I ask  
6 is because we've talked about these four  
7 properties. There are a number of  
8 properties that are available. What was  
9 the charter of the special committee?  
10 What was it formed? What was it charged  
11 to do?

12 MR. COHEN: Obviously, there's two  
13 charters on each side. They're fairly  
14 similar, but in general concept, the  
15 committee was given the authority to  
16 negotiate a transaction for these four  
17 assets between the two special  
18 committees, set the value and determine  
19 whether it wanted to do the transaction  
20 in the first place.

21 MR. STIPE: So these four properties  
22 were picked, designated before the  
23 special committee was formed.

24 MR. COHEN: The board of directors  
25 designated the four properties that were

1 chosen; though the special committees  
2 did have the authority to not engage in  
3 the transaction if they so choose.

4 MR. STIPE: Okay. The million  
5 dollar deposit in New York, what entity  
6 put that deposit down?

7 MR. COHEN: I'm going to defer to  
8 Mr. Hession on that one.

9 MR. HESSION: It was Caesars  
10 Entertainment Corporation.

11 MR. STIPE: And if this approval  
12 is -- if this is approved, where would  
13 that fall in this organizational chart?  
14 Would that be anywhere involved in the  
15 entities that we're talking in the  
16 casino we're talking about today?

17 MR. HESSION: So the answer's "no."  
18 The Caesars Entertainment Corporation is  
19 the parent of Caesars Entertainment  
20 Operating Company, which is the entity  
21 that currently has the four assets. So  
22 Caesars Entertainment Corporation, that  
23 put down the million dollar deposit,  
24 does not receive the cash coming into  
25 the entity. It goes to Caesars

1 Entertainment Operating Company.

2 MR. STIPE: And I'm jumping around,

3 and I apologize. I'm kind of trying to  
4 work my way through the submissions  
5 here. The capital expenditure budget  
6 for JCC Holding Company that I've seen  
7 in the materials is \$8.28 million.  
8 That's the budget for 2014, and we're at  
9 least a fourth of the way and maybe a  
10 little more through it. How much has  
11 actually been spent on that capital  
12 expenditure budget to date?

13 MR. HESSION: I apologize. I don't  
14 know the year-to-date figure, but as you  
15 know, we put a budget together and fully  
16 intend to spend that amount for the  
17 period of the year. Post acquisition,  
18 Craig can address his plans.

19 MR. ABRAHAMS: I think we can follow  
20 up with you in an e-mail on the exact  
21 actual to date, but the plans are to  
22 reinvest in these properties and to do  
23 so opportunistically given our lower  
24 cost of capital and the ability to  
25 investigate growth projects.

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1 MR. STIPE: All right. The  
2 transaction, what are the third parties  
3 that will -- the approvals or the  
4 consents of third parties that will be  
5 required for this transaction.

6 MR. COHEN: The City of New Orleans  
7 under the operating lease have to  
8 consent to the transaction or determine  
9 that their consent was not needed.

10 MR. STIPE: Has there been a request  
11 put in to the City of New Orleans?

12 MR. COHEN: Yes.

13 MR. STIPE: What is the scheduled  
14 date for consideration of that?

15 MR. COHEN: They've already given  
16 their consent.

17 MR. STIPE: All right. What else?

18 MR. COHEN: This Board and the  
19 Nevada Gaming Control Board and  
20 Commission, both of those. The Gaming  
21 Control Board and the Nevada Commission  
22 moved in March on that transaction, and  
23 those are the only approvals that I'm  
24 aware of.

25 MR. STIPE: No lender?

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1 MR. COHEN: No. There are no lender  
2 approval --

3 MR. STIPE: Just in debt is approved  
4 that's kept in place, that \$185 million,  
5 is that meant to stay in place?

6 MR. COHEN: Oh, the debt related to  
7 the Cromwell? No, there is no lender  
8 consent required because the loan is not

9 changing.

10 MR. STIPE: All right. The entities  
11 that are currently involved in this  
12 particular facility are JCC Fulton  
13 Development, LLC. What are the assets  
14 in that entity?

15 MR. COHEN: I'll let Miss Russell  
16 answer that.

17 MS. RUSSEL: Good morning, JCC  
18 Fulton Development, LLC, is the entity  
19 that holds the assets that -- the hotel.  
20 So on the property in New Orleans, you  
21 have the casino itself which sits on  
22 land that is owned by the Canal Street  
23 Development Corporation, and the hotel  
24 is -- it sits on property that is  
25 actually owned by Caesars through JCC

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1 Fulton Development, LLC.

2 MR. STIPE: So is JCC Development --  
3 Fulton Development, LLC, the titled  
4 owner of the hotel?

5 MS. RUSSEL: That's correct. In  
6 addition to the hotel, it also owns the  
7 Manning's restaurant, which is  
8 immediately adjacent to the hotel.

9 MR. STIPE: Okay. Can I collect my  
10 thoughts?

11 CHAIRMAN JONES: Oh, absolutely.

12 Mr. Ayres -- or Mr. Bradford.

13 MR. BRADFORD: As I understand it,  
14 you're selling a hundred percent  
15 interest in the JCC to Caesars Growth  
16 Partners, I guess, and you have three --  
17 Caesars has three properties in  
18 Louisiana: The landbased casino, the  
19 Horseshoe and Louisiana Downs.

20 I guess my question is: The  
21 landbased casino is an integral part of  
22 this transaction, which seems to be the  
23 focus here today of this new company and  
24 a lot of your focus in the future on  
25 that property. Where does that leave

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1 the Horseshoe and the track in Bossier?  
2 What commitment can we get from y'all  
3 today as far as the ongoing operation  
4 and success, reinvestment, whatever you  
5 want to call it, on those other two  
6 properties?

7 MR. HESSION: Yeah, I can certainly  
8 address that. You know, as you know, we  
9 focused on this particular property  
10 today because it's the subject of this  
11 transaction, but we note that we do have  
12 two other properties in the market, the  
13 Horseshoe and the racetrack in  
14 Shreveport. This transaction positions



15 CEOC to be able to move forward and  
16 continue to deliver that same great  
17 service and same great branded  
18 entertainment that we can offer the  
19 current customers in both of those  
20 markets. It provides us with the  
21 financial flexibility and the capital to  
22 continue to invest in the properties.

23 I'm not sure how familiar you are  
24 with the specifics of the two  
25 properties, but we just recently started

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1 a construction project on the Horseshoe  
2 property to build a new pool, as well as  
3 an outdoor bar, cabana entertainment  
4 area. Part of what we're trying to do  
5 there is to extrapolate some of the  
6 learnings that we have in Las Vegas  
7 where these types of entertainment  
8 venues have become exceptionally popular  
9 and try them in other markets; although,  
10 to a slightly more -- well, a fairly  
11 more limited scale, we do believe that  
12 that type of entertainment will be  
13 appealing, and it will drive customers  
14 to the property and to the market where  
15 they'll then participate in the gaming  
16 activity.

17 Turning to the racetrack, as you

18 know, it's been very challenging. The  
19 horseracing industry has been difficult,  
20 and the track has struggled relative to  
21 our expectations. We continue to do our  
22 best and put our best effort into the  
23 property. We allocate capital there for  
24 slot products and other amenities that  
25 we think will drive customers and be

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1 valued by them to the facility.

2 But, you know, in summary, we value  
3 the two properties. We continue to  
4 invest in them. They are significant  
5 parts of our network, particularly the  
6 Horseshoe property that draws business  
7 from Texas, and we continue to manage  
8 them to the best possible position they  
9 can be in the market.

10 MR. BRADFORD: I guess my biggest  
11 concern was the track. I live about  
12 less than an hour from there. I go by  
13 there quite a bit. It's an area of  
14 concern. I've said this many times:  
15 Part of our job here, I believe, is to  
16 help y'all be successful, and if there's  
17 something that needs to be done there to  
18 enhance that product rather than y'all  
19 closing it or walking way from it or  
20 selling it or whatever, I'd -- you know,

21 I think it's an integral part of that  
22 market.

23 MR. WEST: Mr. Bradford, I can tell  
24 there was a State Racing Commission  
25 meeting Tuesday morning, and the

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1 director of the track gave a progress  
2 report; and actually at the end of his  
3 progress report, he was commended by the  
4 State Racing Commission for his efforts.  
5 They flew in a hundred of their top  
6 non-racing gamblers, brought them in to  
7 Bossier, put them all on buses, took  
8 them over for a whole day at the races  
9 so they could see the thoroughbreds run,  
10 and he said it went really, really well.

11 They took out a full page ad in the  
12 newspaper. They're working as hard as  
13 they can to promote the live racing,  
14 which the racing commission reasonably  
15 expects them to do.

16 CHAIRMAN JONES: Mr. Singleton.

17 MR. SINGLETON: I notice that you  
18 had \$9.7 million in the Manning's  
19 restaurant in New Orleans. Is that  
20 facility owned by Harrah's?

21 MS. RUSSEL: The Manning's  
22 Restaurant is owned by JCC Fulton  
23 Development, LLC, which is an entity

24 that is currently held by CEOC.

25 MR. SINGLETON: So the Mannings is

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1 just an operator?

2 MS. RUSSEL: I'm sorry?

3 MR. SINGLETON: The Manning name is

4 just being used as part of the

5 operation?

6 MS. RUSSEL: That's correct. We

7 have a license agreement with Archie

8 Manning that allows us to utilize the

9 Manning's name, but we own and operate

10 the facility.

11 MR. SINGLETON: The hotel

12 renovation, is that ongoing?

13 MS. RUSSEL: Yeah. Actually, the

14 hotel renovations actually just started

15 last week, I believe, and they'll

16 continue throughout the summer months.

17 You know, they'll attack those

18 renovations in phases, so that's

19 correct.

20 MR. SINGLETON: Thank you.

21 CHAIRMAN JONES: Mr. Stine.

22 MR. STINE: My questions, I guess,

23 would go to Mr. Cohen. There's a lot of

24 moving parts in that transaction; and I

25 know they're separate corporations, but

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1 I look at them as essentially all  
2 Caesars to a great degree. I noted that  
3 you've lost money, cash flow, EBIDTA for  
4 four years running, and yet in 2014 and  
5 beyond, you show some pretty positive  
6 numbers.

7 What I value this to be is a  
8 liquidity play only. It's not a profit  
9 play if you took the separate -- it may  
10 be a profit play for CGP. I'm not  
11 certain of that, but for Caesars  
12 totally, profit shouldn't change at all  
13 other than greater liquidity. So this  
14 is -- is that a correct statement that I  
15 just made with respect to profit?

16 MR. COHEN: I'll start to answer  
17 that and pass that down to the financial  
18 folks. To answer your question about  
19 what will happen at the properties,  
20 nothing. A customer that walks into  
21 that property the day before the closing  
22 and a customer that walks into the  
23 property the day after the closing, they  
24 will see no change: Same management  
25 team, same name on the door, same Total

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1 Rewards Program. That will not be  
2 affected at all.

3 So to answer your question, the same

4 people that run the property, that  
5 manage the property today, will continue  
6 to manage the property to the best of  
7 their ability to drive profits for the  
8 property.

9 To answer your specific question  
10 about liquidity, I'll pass it down to  
11 Mr. Hession.

12 MR. HESSION: I think Mr. Abrahams.

13 MR. ABRAHAMS: I'll just jump in  
14 quickly. I think from the Caesars  
15 Growth Partners' perspective, we believe  
16 we'll be able to enhance the  
17 profitability of these properties  
18 through additional capital investment  
19 and achieve a return on that investment.

20 MR. STINE: So liquidity will  
21 generate dollars for capital  
22 expenditure, and you'll improve the box  
23 so you'll improve the numbers.

24 MR. HESSION: Yeah. Yes, CEOC will  
25 benefit from the added liquidity, and

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1 then as Craig mentioned, they have --  
2 CGP has a lower cost of capital.

3 MR. STINE: And I guess back to  
4 Mr. Cohen, last year you had an EBIDTA  
5 of \$887 million loss, and yet in 2014,  
6 you look like you're going for -- and if

7 I'm reading this packet right on page  
8 13, a billion dollars in EBIDTA; 2015  
9 has 80.9; a billion fifty-one in '16;  
10 '17, a billion .17; and then upwards to  
11 a billion in 207. Is that correct,  
12 Mr. Cohen?

13 MR. COHEN: I'm going to let  
14 Mr. Hession answer that.

15 MR. ABRAHAMS: Yeah, and I'd like to  
16 clarify which entity you're referring  
17 to. I think you may be referring to net  
18 income and not EBIDTA, because all these  
19 properties generate positive EBIDTA.

20 MR. STINE: I'm not talking about  
21 the properties. I'm talking about CEOC.

22 MR. HESSION: Yes, I apologize. I  
23 don't have the schedule in front of me,  
24 but we do generate positive EBIDTA. We  
25 have negative net income due to the

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1 leverage that's placed on the entity.

2 MR. STINE: So CEOC had a positive  
3 EBIDTA in 2013?

4 MR. HESSION: That's correct.  
5 Nearly -- with the exception of only one  
6 of our properties, from my recollection,  
7 generates a negative EBIDTA, and all the  
8 others generate substantial positive  
9 EBIDTA.

10 MR. STINE: The committees, the two,  
11 I guess, groups that negotiated the  
12 deal, I think you have -- again, this is  
13 our handout, and obviously you don't  
14 have that. But in our handout, you  
15 reference that eight times EBIDTA, ten  
16 times EBIDTA, a range, and that's what  
17 they utilized to purchase or to come up  
18 with a valuation of the proposal?

19 MR. COHEN: Because of the process,  
20 the special committees negotiated the  
21 price between of two of them. There's  
22 lots of ways to calculate EBIDTA. Are  
23 you talking historical, or are you  
24 talking projections?

25 MR. STINE: I'm just looking at your

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1 report that you sent out to us.

2 MR. COHEN: The financial  
3 information that was --

4 MR. STINE: That's correct.

5 MR. COHEN: I'm not sure which one  
6 that is. I'm not sure if that's a  
7 historical number or a projected number.

8 MR. STINE: It was Phase II Caesars  
9 Strategic Plan, and then it had a  
10 multiple range of eight to ten times;  
11 and I just wanted to know if that's how  
12 you valued the -- or this special



13 committee, if you will, valued the  
14 proposal?

15 MR. COHEN: We're -- because we're  
16 not privy to the special committee's  
17 decision-making process, we're not aware  
18 of exactly how they valued it. They had  
19 independent financial advisors and  
20 independent legal advisors, because of  
21 the process, that helped them value it.

22 MR. STINE: Okay. I'm new to this  
23 board, and I understand this is State  
24 Police's report. You don't have a copy  
25 of that, sir.

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1 MR. COHEN: That's correct.

2 MR. STINE: That's why you all have  
3 confused looks on your faces. I often  
4 have confused looks on my face.

5 In your mind, Mr. Cohen, do you feel  
6 that any bondholders, lease holders,  
7 lien holders will be impaired in this  
8 transaction?

9 MR. COHEN: I'm going to let  
10 Mr. Hession answer that as the financial  
11 expert.

12 MR. HESSION: Thanks. We believe  
13 that this is the best transaction for  
14 CEOC at this time. Given the liquidity  
15 that we have at the entity and given the

16 maturity profile and the leverage that's  
17 in existence, we think that enhancing  
18 the liquidity at that entity, the CEOC  
19 entity, is in the best interests of all  
20 at this point.

21 MR. STINE: And you've argued that  
22 point. The alternative possibly would  
23 be worse, failure of CEOC? I'm trying  
24 to get -- you referenced that CEOC will  
25 be better off as a result of this, but

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1 my question specifically was: Do you  
2 feel bondholders, lease holders, lien  
3 holders and will be impaired, and you  
4 said everyone will be better off  
5 ultimately.

6 MR. HESSION: Well, again, I can't  
7 make --

8 MR. STINE: I'm trying to  
9 understand: Why do you feel that  
10 everyone would?

11 MR. HESSION: Sure. I think it's  
12 important to note, too, that I can't  
13 make projections as to ultimately what  
14 will happen with respect to the economy,  
15 with respect to the performance of the  
16 properties, with respect to how we'll do  
17 investing this cash so that the returns  
18 from the investments either exceed or

19 fail to achieve our performance.

20 So what we believe at this point is  
21 that given the liquidity profile of the  
22 company, it's the best decision to  
23 engage in this sale activity. I can't  
24 project for you, unfortunately, what the  
25 ultimate outcome will be. It's a highly

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1 levered entity, and there's certainly  
2 risks. And I think we all know that.  
3 We've mentioned through the reports in  
4 the past about the cash flow challenges  
5 that we face, but at this point, we  
6 believe this is in the best interests of  
7 the CEOC entity.

8 MR. STINE: Okay.

9 CHAIRMAN JONES: Miss Noonan.

10 MS. NOONAN: A couple of questions.  
11 You mentioned about the Total Rewards  
12 Program, and everything will stay the  
13 same. Can we get a commitment from you  
14 saying that Harrah's New Orleans'  
15 programs will stay the same? And my big  
16 concern is it seems, from a very simple  
17 standpoint because I'm not a -- I'm not  
18 an accountant; I have a lot of business  
19 knowledge -- but from a simple  
20 standpoint, it seems like you're using  
21 Harrah's to help another company, and

22 we're concerned, especially, I mean, as  
23 a Board and being from the area, about  
24 Harrah's, about the people that go  
25 there, keeping those people happy

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1 because the city uses that money.

2 So we need a commitment -- I need to  
3 know the Total Rewards Program and the  
4 things you say will stay the same. Can  
5 we get a commitment from you that you're  
6 not going to change it next year and the  
7 next year?

8 MR. ABRAHAMS: The commitment is  
9 there. I mean, this is a premier  
10 destination market within the Caesars  
11 branded portfolio. In Caesars Growth  
12 Partners perspective, this is a marquis  
13 asset that we're going to continue to  
14 invest in, and we have plans to invest  
15 even beyond what's on this paper right  
16 here. So I think upon the consummation  
17 of this transaction, you'll start to see  
18 that in the coming months.

19 MS. NOONAN: So the Total Rewards  
20 Program will continue?

21 MR. ABRAHAMS: Yes.

22 MS. NOONAN: And maybe this is for  
23 Leonce. I'm not sure. I noticed when  
24 we were talking to -- and this is

25 changing the subject a little bit.

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1 Thank you very much. Certain details of  
2 the Services Company structure have not  
3 been finalized. My question is: Once  
4 this transaction's finalized -- well,  
5 even before -- does the Services Company  
6 have to meet suitability, or is it  
7 people that have already been found  
8 suitable and you're comprising this  
9 Services Company?

10 MR. GAUTREAUX: It's possible. Of  
11 course, we won't know until we see the  
12 final agreement, but it is -- that is a  
13 possibility.

14 MS. NOONAN: Okay.

15 MR. COHEN: If I could quickly  
16 address that on the Services Company.

17 MS. NOONAN: Um-hmm.

18 MR. COHEN: I agree with  
19 Mr. Gautreaux. Services Company concept  
20 is laid out. The details have not all  
21 been worked out. So once those details  
22 are worked out, we will work with  
23 Mr. Gautreaux and the State Police and  
24 all of our regulators to weigh out what  
25 Services Co will look like.

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1 MS. NOONAN: One more question.

2 What if this is not approved? What is  
3 your -- and I know you said you can't  
4 predict the future, but yet you're  
5 giving us positive numbers that you're  
6 projecting with this sale. What do you  
7 think is worst case scenario if this is  
8 not approved?

9 MR. HESSION: Again, it's a  
10 difficult question because we can't  
11 predict what would happen. We've spent  
12 a considerable effort going through the  
13 process, getting independent committees  
14 through their diligence and their hiring  
15 of the financial experts to agree to a  
16 price. We have secured financing in the  
17 term loan with respect to commitments  
18 and from the bond with respect to  
19 actually having the money in a trust at  
20 this point -- or escrow, rather, ready  
21 to close the transaction.

22 Failure to approve? It could range  
23 in outcomes again. We could lose the  
24 ability to have the term loan funded.  
25 Although they've made commitments,

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1 they're not obligations, and they're not  
2 funded yet. We're paying interest on  
3 the bond, and as a result, the  
4 transaction could change significantly

5 in the sense that the market might not  
6 be willing to lend us -- lend CGP the  
7 funds to purchase the assets in the  
8 future.

9 MS. NOONAN: Thank you.

10 CHAIRMAN JONES: Mr. Singleton.

11 MR. SINGLETON: I just want to back  
12 up. On the hotel, there was some  
13 discussion about increasing the number  
14 of rooms in the hotel, and as I  
15 understand, there has been a great deal  
16 of discussions about trying to do that.  
17 Has that stopped? Is that a continued  
18 process? And I guess I'm interested now  
19 because you're expanding, and you're  
20 doing some other things. Is that still  
21 on the table?

22 MR. ABRAHAMS: Yes. It's something  
23 we're evaluating and looking at it; and  
24 if it's something that makes sense, we  
25 are going to push for regulatory changes

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1 at the appropriate time to allow it to  
2 happen, but for now it's just in the  
3 evaluation stage.

4 CHAIRMAN JONES: Mr. Stipe.

5 MR. STIPE: The other three  
6 facilities in this bundle of four, what  
7 are their capital requirements for 2014?

8 MR. ABRAHAMS: So if we start with  
9 The Quad, we're investing -- CGP is  
10 investing \$223 million to completely  
11 reinvent that property. I'm not sure  
12 when the last time anyone here was at  
13 the Imperial Palace, but it is not one  
14 of the nicest properties on the strip.  
15 And based on the \$90 million that was  
16 previously put into the property to  
17 reinvent the outside, this \$223 million  
18 will be used to completely transform the  
19 hotel towers, the pool and the  
20 surrounding areas.

21 Then we move on to the Cromwell,  
22 which already -- which has around a  
23 \$235 million capital project. We'll  
24 complete that, and that will launch  
25 around Memorial Day Weekend, which will

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1 be a good 188-room boutique hotel,  
2 nightclub and day club. That financing  
3 for that is already -- it's fully  
4 financed based on \$185 million in debt  
5 at that property and then the cash on  
6 hand to complete that. So that won't  
7 require any additional capital from CGP  
8 this year.

9 Then we move on to Bally's where  
10 we're -- we just spent -- or CEOC



11 previously spent \$32.5 million to  
12 renovate the south tower. We're now  
13 looking at renovating the north tower,  
14 and we have additional capital projects  
15 at that property. Typically, we'll  
16 invest anywhere from, you know, 2 to  
17 3 percent net revenue maintenance  
18 capital at all of these properties.

19 MR. STIPE: So what does that equal?

20 MR. ABRAHAMS: The 223 in committed  
21 capital at The Quad and then probably in  
22 addition to that, expecting around 40 to  
23 \$50 million in capital projects.

24 MR. STIPE: And this \$15 charge for  
25 the hotel, tell me what that is.

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1 MR. ABRAHAMS: So that's a resort  
2 fee charge that's planned to be  
3 implemented. It's something that's been  
4 implemented at the Las Vegas properties,  
5 and since we don't own the property, you  
6 want to talk about CEOC's previous  
7 plans?

8 MR. HESSION: Yeah. So the resort  
9 fee concept was introduced into a number  
10 of markets, and in particular Las Vegas,  
11 approximately three to four years ago.  
12 Our company took a wait and see approach  
13 on the resort fee concept. We -- so we

14 were kind of last to market to enter.  
15 We -- "we" being CEOC entity --  
16 introduced the resort fees in the  
17 March/April period of last year, and  
18 what the resort fee is, is it's a 15 to  
19 \$25 fee, as is in Las Vegas; and it  
20 includes access to the gym, free Wi-Fi  
21 and some other amenities.

22 The concept that we have for this  
23 year was to potentially introduce that  
24 in the New Orleans market, and so we're  
25 doing some research to see whether that

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1 makes sense. At this point, we think it  
2 does. We think that the customers at  
3 the hotel that we have would appreciate  
4 having access to the gym that we have  
5 there and have access to the Wi-Fi and  
6 so forth, but it has yet -- has not been  
7 implemented yet.

8 MR. STIPE: Your projections assume  
9 revenue from that?

10 MR. HESSION: Yes. It's, to be  
11 honest, relatively modest because the  
12 hotel has 450 rooms, and a very high  
13 percentage of those rooms are provided  
14 complementary to the gaming customers  
15 that we bring in from the regions. The  
16 number of cash paying customers,

17 therefore, is relatively low, and the  
18 resort fee, although it could be  
19 assessed to all the customers, if a  
20 customer is receiving a complementary  
21 room, they'd likely get that also paid  
22 for.

23 MR. STIPE: The Services Company  
24 agreement would allocate, among other  
25 things -- among other things it would

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1 set a service charge, the management  
2 fee? Is that accurate?

3 MR. COHEN: The management fee is  
4 already set. It's 2 percent of net  
5 revenue and 5 percent of EBIDTA. That  
6 is separate and apart from the Services  
7 Co structure.

8 MR. STIPE: What is now -- what  
9 needs to be finalized in the Services Co  
10 agreement?

11 MR. COHEN: Well, the special  
12 committees have been negotiating this  
13 for months. It's a very complex  
14 undertaking to take a company that is as  
15 centralized as Caesars Entertainment is  
16 and trying to figure out the best way to  
17 service its three structures, as we  
18 alerted to earlier in the presentation,  
19 the CEOC structure, the Caesars Growth

20 Partner structure and the Service  
21 structure; and so they're working  
22 through all the issues such as employee  
23 issues and how costs will be allocated.

24 It's a complex problem that is  
25 taking a lot longer than anyone would

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1 like; but obviously we need to do it  
2 right, and that's why we haven't  
3 finalized it and presented it to our  
4 regulators but will as soon as we  
5 finalize the details.

6 MR. STIPE: I mean, it has the  
7 potential to really change the operating  
8 costs depending on how those allocations  
9 are done; wouldn't you agree?

10 MR. COHEN: Potentially  
11 theoretically, yes. Extremely unlikely.  
12 The way we look at it today is it  
13 shouldn't affect the allocated costs.  
14 It's more of a structural issue, and it  
15 depends on the entity. Some costs will  
16 actually hopefully go down through  
17 centralized -- continued centralized  
18 services.

19 MR. STIPE: What funds are being  
20 held in escrow currently?

21 MR. COHEN: The \$675 million in  
22 second lien notes.

23 MR. STIPE: Is there a drop dead  
24 deadline under the -- for this  
25 agreement, an outline date when the

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1 transaction must be closed?

2 MR. COHEN: I don't have it in front  
3 of me. I believe the -- we obviously  
4 built in a lot of time. I believe  
5 August is an absolute drop dead.  
6 Obviously that's a worst case scenario.

7 MR. STIPE: And following up on Miss  
8 Noonan's question, what would be the  
9 adverse consequence to continuing  
10 consideration of this matter until the  
11 next hearing date which would be, by my  
12 count, about 24 days?

13 MR. COHEN: Well, I'll speak on a  
14 couple of the CGP matters: One is,  
15 we've talked about one piece of the debt  
16 is the second lien debt. The other  
17 piece of debt is the first lien debt,  
18 which is \$1.325 billion. That credit  
19 agreement is negotiated and complete,  
20 pending approval from the Louisiana  
21 Gaming Control Board.

22 Obviously we didn't sign that  
23 agreement. As you can imagine, lenders  
24 who are ready to sign that, if they  
25 suddenly hear that the matter was pushed

1 to another hearing, might get skittish,  
2 likely would get skittish, and we're  
3 very fearful that loan agreement would  
4 fall apart, which would obviously really  
5 affect the transaction and have ripple  
6 effects throughout the transaction and  
7 the ability to close the transaction.

8 CHAIRMAN JONES: Mr. Singleton.

9 MR. SINGLETON: You know, when I sit  
10 here and look, there's one person here  
11 who has some connection to Louisiana,  
12 and everybody else is, I guess, from  
13 somewhere else. I happen to be a part  
14 of the original, in another capacity,  
15 negotiated for Harrah's to come into New  
16 Orleans and be a part of that. Why  
17 should I trust y'all here to -- and when  
18 you tell me that the committee, you  
19 don't have privilege to say the  
20 information from some of the other  
21 committees, et cetera, et cetera, why  
22 should I trust what y'all are saying  
23 here today in terms of going forward  
24 with this transaction?

25 MR. COHEN: Well, I'll start to

1 answer that, and I'll let Miss Russell  
2 jump in, as well. We brought the people

3 here who could answer the questions  
4 related to the structural transaction.  
5 This is not about what happens at the  
6 property day-to-day. That will be  
7 unaffected. Miss Russell can speak to  
8 that more eloquently than I can. We  
9 brought the people here who could  
10 answer. This is a structuring  
11 transaction.

12 As it relates to the customers, the  
13 service levels, the brand at the  
14 property, there is no effect. So there  
15 is nothing that affects the property.

16 MR. SINGLETON: You're saying that,  
17 and I don't have any problem with the  
18 local in terms of what you say they're  
19 doing and how they operate. Why should  
20 I believe that there won't be some  
21 changes later on once this is approved?

22 MS. RUSSEL: Well, I think one of  
23 the things that we have to keep in mind  
24 is that many of our deliverables and  
25 obligations at the JCC level are imposed

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1 upon us by our Casino Operating  
2 Contract, which the State of Louisiana  
3 is a party to and Leonce referenced in  
4 his summary. That goes unchanged, and  
5 if it were to change, it would

6 definitely require the consent of this  
7 Board, as well as the active legislature  
8 and a bill by the Governor -- you know,  
9 signing a bill into law by the Governor  
10 to make those changes.

11 On the local level, Mr. Singleton,  
12 you can be assured that there will be no  
13 changes to our lease agreement with the  
14 city, which is managed by the casino --  
15 I'm sorry, the Canal Street Development  
16 Corporation. We've worked very closely  
17 with Cindy Connick, who is the Executive  
18 Director of entity. She's provided her  
19 full sign-off on behalf of that board.

20 You can be assured that, again, if  
21 there were any changes to that agreement  
22 and the obligations and conditions that  
23 we're held to under that agreement, we  
24 would also be required to not only have  
25 the approval of the Canal Street

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1 Development Corporation, but the City of  
2 New Orleans and city council, as well.

3 MR. SINGLETON: What is to stop  
4 Caesars, after this is approved and down  
5 the line, if they want to make some  
6 changes that you don't control? That's  
7 the part that I'm -- that's why I asked  
8 the question about why should I trust



9 Caesars, not you, but later on if they  
10 decide to make some changes, where are  
11 we at that point? That's where my  
12 concern is, and I've had that experience  
13 before, so I'm not talking about  
14 something I haven't experienced.

15 MR. ABRAHAMS: I think the  
16 commitment here is strong. I'll give  
17 you a couple case examples. I've been  
18 at Caesars over eight years and started  
19 -- was at Caesars to form Caesars  
20 Interactive Entertainment along with the  
21 charter, and Caesars gave us at the time  
22 the opportunity to create a business  
23 plan and form a business from scratch,  
24 in the IP and the World Series of Poker,  
25 and create over a multi-billion dollar

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1 business today.

2 I think as we've looked at the  
3 opportunity, Mitch and myself are  
4 selected as the CEO and CFO of Caesars  
5 Acquisition Company. We have a duty to  
6 shareholders and all our fiduciary stake  
7 holders to increase the value of the  
8 stock at CACQ, and I'm a significant  
9 equity holder of both CAU shares CACQ  
10 shares and, therefore, have the drive  
11 and commitment to increase the equity

12 value of all of our key assets here, and  
13 New Orleans being one of those key  
14 assets.

15 As referenced earlier, the  
16 management team here is not changing. I  
17 mentioned myself before but Dan Real and  
18 the team there to really improve on the  
19 property.

20 I think if you happen to be  
21 attending any of our road trip  
22 presentations speaking to investors the  
23 last few weeks, we talked about a lot of  
24 grand visions for the property, whether  
25 it's expansion or to call upon changes

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1 in regulations or the idea a new pool  
2 experience like referenced they're  
3 having in Las Vegas, the renovations  
4 that are happening at the towers, new  
5 sort of F & B options that don't exist  
6 here today.

7 So I think we're thinking creatively  
8 about how to take our experience in the  
9 interactive world. As consumer behavior  
10 is changing, we're sort of the thought  
11 leaders in the non-gaming space of how  
12 to sort of innovate, and we were brought  
13 to innovate and grow this opportunity.  
14 And so I think we're not the type -- you

15 know, we've been here since CEP -- or  
16 CIP since the beginning; and now we're  
17 at CGP since the beginning, and we're  
18 entrepreneurs here to grow.

19 And, you know, it's -- I think if  
20 you look at our vesting schedules where  
21 we're locked in, Rich and myself are  
22 locked in to CIE for the next seven  
23 years. We just got granted equity in  
24 CAC for the next four years, so we're  
25 here, and we're committed. And I am

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1 based in Las Vegas, but, you know, in  
2 the world of mobile travel and the  
3 internet and mobile phones, you know, we  
4 get stuff done.

5 CHAIRMAN JONES: Major Mercer, did  
6 you have anything? Dr. Gaston,  
7 anything?

8 MR. GASTON: No, sir, other than the  
9 fact that in your opening remarks, you  
10 said there was opposition.

11 CHAIRMAN JONES: We're getting  
12 there.

13 MR. GASTON: Would it be time to  
14 hear opposition now so --

15 CHAIRMAN JONES: Yes.

16 MR. GASTON: -- we can ask these  
17 folks?

18 CHAIRMAN JONES: And y'all will have  
19 a chance to respond to opposition.

20 MR. GASTON: I assume that would be  
21 bondholders.

22 CHAIRMAN JONES: Mr. Jackson,  
23 anything? For the benefit of those of  
24 you that have other items on the agenda,  
25 be patient. This is really important

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1 that everybody gets a chance this  
2 morning. This is an incredibly  
3 important transaction for this Board to  
4 consider. We need all the information.  
5 Just indulge us, please. I apologize,  
6 but I think it's really important.

7 Two quick issues, and I'll close and  
8 permit bondholders and lien holders to  
9 come forward. I'm a little bit  
10 discomfited by this whole Services  
11 Company issue that, you know, according  
12 to your presentation: Certain details  
13 of the Services Company structure have  
14 not been finalized, structure will not  
15 be implemented until after closing for  
16 asset sale transaction. That bothers me  
17 a little bit. All kinds of things can  
18 happen there, and good, bad or  
19 indifferent. I would have liked to have  
20 had more information there. I think it

21 was -- it's important for me.  
22 And finally, just you said it in,  
23 perhaps, a different way. I just want  
24 to get it into the record. There has  
25 been no delay whatsoever with regard to

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1 State Police in processing this,  
2 correct?

3 MR. WEST: Absolutely.

4 MR. COHEN: That's correct.

5 CHAIRMAN JONES: And no delay on the  
6 part of the Attorney General.

7 MR. WEST: Absolutely not.

8 MR. COHEN: That's correct.

9 MR. WEST: To the contrary.

10 CHAIRMAN JONES: Mr. Hession,  
11 Mr. Abrahams, Paul and Mr. Cohen and  
12 Miss Russell, thank you very much. I  
13 now ask the other representatives here  
14 who rise in opposition to come to the  
15 table. I think we have two groups; is  
16 that correct? Please introduce  
17 yourself.

18 MR. BARBIN: My name is Jeff Barbin.  
19 I'm a lawyer in town with Phelps Dunbar,  
20 and I'm joined on my right by Tuck  
21 Hardie from Houlihan Lokey and on my  
22 left by Sid Levinson of the Jones Day  
23 Law Firm. Together we represent

24 bondholders of CEOC, Caesars  
25 Entertainment Operating Company, and our

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1 clients together hold, about,  
2 approximately a billion dollars of bonds  
3 of that company.

4 And we're very concerned about this  
5 transaction. We're very concerned about  
6 the implications. It's a very complex  
7 transaction, and what we haven't heard  
8 today from any of the parties that have  
9 spoken so far, we haven't heard what the  
10 implications to the State, and  
11 particularly to the casinos in the  
12 north, that will remain behind in the  
13 CEOC.

14 I'm very happy that there have been  
15 some very good questions raised by the  
16 Board today. I'm encouraged by that,  
17 and we're going to try to answer those  
18 questions as we see, you know, those --  
19 the answers to those questions. We're  
20 going to do our best. We're going to  
21 give you our opinion, and we represent  
22 the bondholders.

23 Mr. Stine asked about the -- you  
24 know, whether or not the bondholder will  
25 be impaired -- and we'll certainly

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1 answer that question -- but we believe  
2 the State will be impaired, as well. So  
3 that's something that we're going to  
4 address. Mr. Bradford asked about the  
5 North Louisiana properties, and we're  
6 going to give little bit of flavor of  
7 what we think is going to happen there.

8 Mr. Singleton, Miss Noonan asked  
9 about what else is going to happen,  
10 particularly with respect to the  
11 services group, and just to be clear, as  
12 we understand it, the services group,  
13 what CEOC -- what the representatives  
14 today, you know, said, you know, was  
15 still being finalized, and we understand  
16 that that relates to the Total Rewards  
17 Program.

18 So that part not being finalized is  
19 a problem, because we're not sure that  
20 this state will have an ability to  
21 approve that transaction down the road.  
22 So the state needs to see what's  
23 happening with that transaction before  
24 you approve this transfer, because you  
25 may not get another chance to approve

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1 that transaction.

2 Mr. Stipe, you talked about the  
3 independent committees, and we'll

4 mention a little bit about that, as  
5 well.

6 We handed out a deck of slides.  
7 This is the deck that we're going to go  
8 through briefly and will be available  
9 for questions. I'm going to ask  
10 Mr. Hardie to go through the slides, and  
11 Mr. Levinson will go through some of the  
12 information about some of the other  
13 questions that were posed.

14 MR. HARDIE: Good morning,  
15 Mr. Chairman, Ladies and Gentlemen of  
16 the Board. We do appreciate your making  
17 time available for us today.

18 As Mr. Barbin said, we did hand out  
19 a small deck, about eight pages. We're  
20 going to try and get through that  
21 relatively quickly because we know the  
22 Board's time is valuable. But I think  
23 as Mr. Barbin indicated, there are some  
24 very important issues that the state  
25 has, and as I think I mentioned to the

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1 Chairman in our meeting last week, it's  
2 not often that bondholders, creditors  
3 and the state are in same position; but  
4 I believe in this particular instance we  
5 are being put in the same boat.

6 Our view, as is summarized on the



7 first page, is that -- and I don't think  
8 there's a tremendous amount of debate  
9 about this, but CEOC, the entity that  
10 currently owns the three properties --  
11 and there have been a lot of talk about  
12 New Orleans, and obviously New Orleans  
13 is a very critical asset both to the  
14 State as well as to Harrah's -- but  
15 there are three properties here in  
16 Louisiana. We believe CEOC is  
17 insolvent, and that this transaction is  
18 making the insolvency of CEOC much  
19 worse. And we'll go through some quick  
20 analysis on that in just a second.

21 And then as Mr. Barbin said and as  
22 some of the questions from the Board  
23 Members have indicated, the access to  
24 the Total Rewards Program, the glue, if  
25 you will, that binds all the Harrah's

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1 and Caesars properties together, is  
2 something that is as yet undetermined,  
3 and while you heard a commitment from  
4 the Harrah's folks today about the fact  
5 that New Orleans will continue to be  
6 part of the Total Rewards Program,  
7 nobody's made any commitments to this  
8 board about what happens to the  
9 properties in the north.

10 Louisiana Downs and the Horseshoe  
11 property are obviously part of Total  
12 Rewards today, and, in fact, CEOC today  
13 owns all of the intellectual property  
14 associated with the Total Rewards  
15 Program, and yet they're proposing to  
16 move it out of CEOC.

17 We're not quite sure why. We  
18 haven't heard them say why. We don't  
19 believe they've articulated a public  
20 position on that, and as you heard, that  
21 is part of the transaction that they  
22 would like to ask this board to defer  
23 after they've taken the most valuable  
24 asset that they have that's in this  
25 state out of it, the solvent entity, and

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1 put it into another entity leaving at  
2 risk the two remaining properties in the  
3 State of Louisiana.

4 There are a lot of employees, family  
5 businesses who are suppliers to those  
6 two properties in North Louisiana who  
7 will be put at risk by the deepening  
8 insolvency of CEOC that that transaction  
9 creates.

10 Page two of the materials is yet  
11 another representation of the relatively  
12 Byzantine corporate structure that

13 Harrah's has put in place here. I'm  
14 going to ask you to focus on two things.  
15 On the far right-hand side, you'll see  
16 CEOC identified with all of the  
17 properties they currently own. There's  
18 \$19.6 billion in debt on that property  
19 -- on all of these properties, excuse  
20 me, and they're proposing to take  
21 probably the single best regional asset  
22 they have, which is the property in New  
23 Orleans -- we all know is a very  
24 valuable property; it's one that they've  
25 fought long and hard to get their hands

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1 on.  
2 I was in New Orleans when  
3 Mr. Singleton was part of the City  
4 Council and the battle that went on to  
5 get that sorted out, and yet they're  
6 proposing to move it, their single best  
7 regional asset out of CEOC, and leave  
8 behind, for no stated purpose that I've  
9 heard, the horse track and the Horseshoe  
10 in Bossier.

11 On page three -- and then I'll make  
12 just a couple quick comments on page  
13 three, and this gets to one of the  
14 points earlier about EBIDTA that's  
15 generated by CEOC. And you've heard a

16 lot of discussion today about CGP and  
17 how clean and unlevered and how positive  
18 CGP is. What they don't talk about is  
19 how bad CEOC is. So if you look at the  
20 far right-hand column, 123113PF, which  
21 is pro-forma for this transaction, CEOC  
22 is going to have EBIDTA of around a  
23 billion dollars. They're going to have  
24 interest expense of \$1.6 billion.

25 Now, there have been a number of

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1 questions asked about capital spending  
2 on the property in New Orleans, and  
3 they've made some statements about that.  
4 What they haven't said is what they're  
5 going to do with horse track and  
6 Horseshoe in Bossier, and given that  
7 they are interest expensed to  
8 \$600 million more than their EBIDTA, I  
9 think it's going to be very difficult  
10 for them to assure this board that those  
11 other two properties aren't going to, in  
12 fact, be impaired by this transaction.

13 This transaction, however, is just a  
14 first of what we believe are a number of  
15 different transactions that have  
16 deepened the insolvency of CEOC, and if  
17 the Board would kindly turn to page five  
18 of the materials, you'll see we've laid

19 out three transactions, two of which  
20 happened last year and then this  
21 proposed transaction. And in summary,  
22 we believe that Harrah is transferring  
23 out of CEOC into CGP assets that are  
24 worth somewhere between 1.1 and  
25 \$2.2 billion more than they've paid for.

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1 And there were a number of questions  
2 about the charter for the special  
3 committees. Were these gentlemen  
4 authorized to go and investigate the  
5 sale to a third party and get higher  
6 prices for these assets than the ones  
7 that Harrah's has essentially negotiated  
8 with itself? And the answer to that is:  
9 We don't believe so, and I didn't hear  
10 them say that they were authorized to do  
11 that. And the excuse they used is,  
12 well, when we sell properties, third  
13 party buyers typically don't pay us full  
14 value because when we sell properties,  
15 they come out of the Total Rewards  
16 System.

17 I would actually agree with part of  
18 that statement. We've seen Harrah's try  
19 and sell regional assets on a number of  
20 occasions, and third party buyers do  
21 say, you know what, when it comes out of

22 Total Rewards System, it's probably not  
23 worth nearly as much as you think it is.  
24 That is not the case, however, for the  
25 single best regional asset they have,

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1 which is New Orleans. We believe they  
2 are selling New Orleans from one  
3 Harrah's entity to the other for a  
4 vastly undervalued price, which is  
5 deepening the insolvency of CEOC.

6 Now, this Board may say, well, look  
7 we want to get Harrah's New Orleans out  
8 of CEOC because we don't want Harrah's  
9 New Orleans to be part of a big CEOC  
10 bankruptcy. The problem with that is:  
11 If there is a big CEOC bankruptcy, which  
12 we believe is, in fact, likely to be the  
13 case, Harrah's New Orleans is going to  
14 get drug back in because the creditors  
15 of CEOC will seek to unwind this  
16 transaction. We will bring litigation  
17 both before the transaction is  
18 consummated, if it is, in fact,  
19 deferred, and in the event that it is,  
20 in fact, consummated and there is a CEOC  
21 bankruptcy, which we believe to be the  
22 case given the massive leverage that it  
23 has and the relatively low cash flow it  
24 has with respect to servicing that debt,

25 we will seek to -- we will seek to

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1 unwind this transaction in the future.

2 So Harrah's New Orleans, whether this

3 Board likes it or not, is likely to get

4 drug back into this big mess.

5 That doesn't also address the fact

6 that there are two properties in this

7 state that this Board is charged with

8 the responsibility for that are being

9 left behind, and as I said a minute ago,

10 we're not quite sure what the rationale

11 for that is other than they just want to

12 leave them behind.

13 I want to go back to a couple of the

14 questions that were posed with respect

15 to the Total Rewards Program, and as I

16 mentioned earlier, it's the glue that

17 holds all these properties together.

18 But what it really is is not terribly

19 dissimilar to a frequent flyer program.

20 You know, if you live in Little Rock,

21 Arkansas, and you want to go to Paris

22 for the summer, you use your frequent

23 flyer miles to go from Little Rock to

24 Paris.

25 If you go back to page two, you'll

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1 see there's a whole bunch of regional

2 properties that are owned by CEOC, and  
3 they -- there are a lot of players, and  
4 they generate a lot of points. And they  
5 like using those points in New Orleans  
6 and in Las Vegas. There is no doubt  
7 that they will maintain Total Rewards  
8 for the Harrah's New Orleans. It's  
9 their best asset in the state. It's,  
10 frankly -- other than Las Vegas, it's  
11 their best asset.

12 Our concern is that even though CEOC  
13 owns Total Rewards today, they're  
14 proposing to move it out. Our opinion  
15 is is that one of the reasons why they  
16 want to move it out is because they're  
17 trying to distance Total Rewards from  
18 those regional assets. So, for example,  
19 the folks that go to the horse track,  
20 the folks that go to Bossier to the  
21 Horseshoe, they may lose access to Total  
22 Rewards.

23 Now, you said, well, Mr. Hardie, how  
24 is it you know all this? I don't. This  
25 is my opinion, but they haven't given

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1 you the documentation to disprove this  
2 to make that commitment to you as board  
3 members who are responsible for these  
4 two other properties in North Louisiana



5 that Total Rewards will, in fact,  
6 continue to be available to those  
7 regional assets.

8 And when you sit back and think  
9 about it, why are they moving Total  
10 Rewards out of CEOC? It works today.  
11 It's not broken. They told you several  
12 times from a player perspective, there's  
13 going to be no change in the way the  
14 player perceives their experience in New  
15 Orleans, their experience in Horseshoe  
16 Bossier, experience at the track. This  
17 is all a structuring transaction.

18 Why? We don't understand why. They  
19 haven't -- I've been here all morning.  
20 I haven't heard them say why they need  
21 to move Total Rewards out of CEOC, the  
22 entity with \$19.6 billion of debt on it,  
23 and all of which is saddling the  
24 racetrack and the Horseshoe in Bossier.

25 So as a number of the questions

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1 posed by some of the Board Members have  
2 correctly identified, there's a lot here  
3 that this Board doesn't know. There's a  
4 lot that we as bondholders don't know.  
5 We believe that this transaction is, in  
6 fact, deepening the insolvency of a very  
7 insolvent entity. We believe there are

8 alternatives to this transaction.

9 You know, there have been a number  
10 of questions asked about what happens if  
11 we don't approve this? The only answers  
12 you got were what happens to CGP: Our  
13 financing for this may go away. Okay.  
14 Here's what happens to CEOC if this  
15 transaction does get approved: These  
16 assets leave. If the transaction is not  
17 approved, these assets stay in CEOC, and  
18 Harrah's is going to have to sit down  
19 and talk to my clients and the first  
20 lien creditors about what we do to help  
21 save CEOC, to prevent it from entering  
22 into probably the world's largest casino  
23 bankruptcy in the history of time.

24 Our clients and first lien creditors  
25 over the course of time have been

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1 willing to grant waivers and amendments  
2 to Harrah's to deal with these issues.  
3 We believe keeping all these assets  
4 together is, in fact, a value maximizing  
5 approach. We believe keeping all these  
6 assets together will reduce the  
7 likelihood that the horse track and  
8 Horseshoe in Bossier get left behind in  
9 an entity that is woefully insolvent and  
10 will, in fact, end up in the single

11 largest casino bankruptcy ever.

12 With that, I'll ask Mr. Levinson to  
13 make a few extra comments.

14 MR. LEVINSON: Thank you, just a few  
15 additional points. First, Mr. Chairman,  
16 with respect to your questions about the  
17 rest of the transaction, I would point  
18 to their own transaction agreement which  
19 talks about the services JB, being, you  
20 know, part of a single integrated  
21 transaction. There's supposed to be an  
22 exhibit. It's not attached. We haven't  
23 seen it. I don't know if the Board has  
24 seen it, but without all that  
25 information, it's impossible to evaluate

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1 the implications of this transaction for  
2 Louisiana and for the creditors of CEOC.

3 These are not just mere details. I  
4 think that the complexity and what we  
5 heard described by Caesars' own  
6 representatives about the amount of time  
7 that they've had to spend discussing  
8 exactly how to do this speaks to the  
9 substantive nature of those terms,  
10 including as to the question of how are  
11 those costs going to be allocated. It's  
12 one thing to say we don't think they'll  
13 be in effect. But we need to see that,

14 and we need to understand that before --  
15 because it is part of the single  
16 integrated transaction before this board  
17 can, I would respectfully submit, fully  
18 evaluate and approve what's been  
19 proposed.

20 Second, and with respect to the  
21 suggestion that the New Orleans property  
22 is being moved because CEOC can't  
23 maintain the capital expenditures, if I  
24 heard the numbers correctly during the  
25 presentation, it sounded as if the

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1 budget for New Orleans was \$8.28 million  
2 for the entire year of 2014.

3 So I just do not see the urgency of  
4 moving the New Orleans property out of  
5 CEOC given what is that small amount of  
6 money and given what was described by  
7 Caesars' own representatives, the fact  
8 that New Orleans is, quote, very  
9 important, closed quote, to CEC and  
10 CEOC. So I just don't see how it could  
11 possibly be the case to justify it  
12 happening now today on that basis, again  
13 without the benefit of having all of the  
14 information that relates to the single  
15 integrated transaction before the Board.

16 And finally, you know, I heard a lot

17 of talk about independent committees for  
18 CEC and CGP. I heard nothing about an  
19 independent committee for CEOC. I've  
20 heard about committees with directors.  
21 I don't know who these independent  
22 directors are, and I don't know if  
23 there's more than one independent  
24 director that's considering this.

25 But it's important to understand

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1 that CEC and CEOC have different  
2 interests here. CEC owns a 58 percent  
3 nonvoting interest in Caesars Growth  
4 Partners. Caesars Entertainment  
5 Operating Company doesn't share in that  
6 ownership interest, so a very different  
7 situation. The suggestion that this has  
8 somehow been run through the mill for  
9 the benefit of CEOC is, I would  
10 respectfully submit, not well taken, and  
11 the fact that you have the creditors  
12 here speaking on behalf of CEOC, we are  
13 the only ones that truly are speaking on  
14 behalf of CEOC.

15 We don't think that there's urgency  
16 in this happening today. We think that  
17 the Board should have the benefit of all  
18 of the information, and if it does, that  
19 the Board will come to a conclusion

20 similar to the ones that we've come to.

21 So thank you.

22 MR. BARBIN: One other point,  
23 Mr. Chairman -- I apologize. I was  
24 remised in not introducing Jay  
25 Weinberger, who is also here from

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1 Houlihan Lokey.

2 We're happy to answer any questions  
3 you have. We could talk about this for  
4 hours, and I think -- you know, we met  
5 with the Chairman last week, and I  
6 appreciate that audience and all the  
7 help from the State Police and the  
8 Attorney General's Office. We're happy  
9 to answer any questions.

10 What I'd just like to, I guess,  
11 drive home is that we're really in the  
12 same position that the State is in.  
13 We're -- we have the same interests  
14 here. We're concerned about -- about  
15 what's happening, and we'd like to ask  
16 the Gaming Control Board to slow down.  
17 Let's take a good look at what's going  
18 on with Total Rewards before we just  
19 jump off this cliff, and, you know, make  
20 sure we fully understand what's going  
21 on. With that, we're happy to answer  
22 any questions you have.

23 CHAIRMAN JONES: Mr. Stipe.

24 MR. STIPE: Let me kind of flip to  
25 the back of your handout with the

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1 concerns that you raised. Limited  
2 future financial otherwise support for  
3 the properties in Louisiana, you're not  
4 suggesting that this transaction, if  
5 approved, will impair the ability of  
6 this entity to fund the capital  
7 expenditures and to operate the facility  
8 in New Orleans, are you?

9 MR. HARDIE: No, sir.

10 Unfortunately, what we believe is  
11 happening here is New Orleans is moving  
12 from a highly over-levered, insolvent  
13 entity to a much less levered, solvent  
14 entity and leaving behind the two  
15 properties in North Louisiana, a lot of  
16 employees, a lot of family businesses  
17 that do business with those two  
18 properties, leaving those two properties  
19 behind; and it is those two properties  
20 that we are very concerned, and we will  
21 continue to be creditors of and the  
22 State will continue to look for tax  
23 receipts and the like from.

24 So we -- as Mr. Barbin said, we  
25 think we're in the same position as the

1 State, that those two properties are  
2 going to be in a pretty tough spot.

3 MR. STIPE: And I'm guessing that  
4 kind of carries through the second and  
5 third points; that is, as what's on the  
6 docket is the approval of this  
7 particular transfer of ownership for  
8 this particular property. As to this  
9 particular property, you're really not  
10 telling me that you're worried about the  
11 ability to fund capital expenditures,  
12 the ability to utilize the Total  
13 Rewards, the funding and those type  
14 things. You're not really concerned  
15 about those for this particular  
16 property, but you're very concerned the  
17 two facilities in the Shreveport/Bossier  
18 area.

19 MR. HARDIE: Yes, sir. That's  
20 exactly correct, and like the State, you  
21 know, we are interested in all three  
22 properties; and we are continuing to be  
23 very concerned about those properties in  
24 the north.

25 MR. BARBIN: And one point that I'd

1 like to make of that, the only caveat I  
2 have to that is the Total Rewards --



3 your question, Mr. Stipe, about Total  
4 Rewards with respect to New Orleans, we  
5 just simply do not know. I don't know  
6 for sure, but I don't think you know  
7 what the implications are going to be  
8 for Total Rewards because you haven't  
9 seen that part of the transaction.

10 CHAIRMAN JONES: Mr. Stine.

11 MR. STINE: I'm trying to understand  
12 the responsibility of the Gaming Control  
13 Board, and it is not necessarily for a  
14 bondholder or lease holder and whatnot.

15 And to your argument -- and, sir, I  
16 don't know your name on the end.

17 Forgive me. I didn't catch it.

18 MR. HARDIE: It's Tuck Hardie.

19 MR. STINE: You made some very  
20 persuasive arguments. Your comments is  
21 that you're tying us together in some  
22 regard in that this transaction may be  
23 good for bondholders to not be done and,  
24 of course, it would be good for this  
25 Board, who is concerned about Louisiana

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1 casinos, not to be done. But let me  
2 carry it a little further. If you argue  
3 that CEC will ultimately, in your mind,  
4 go bankrupt?

5 MR. HARDIE: CEOC.

6 MR. STINE: CEOC.

7 MR. HARDIE: The entity that has the  
8 \$19.6 billion in debt and will continue  
9 to own the two properties in the north.

10 MR. STINE: And I understand, but  
11 that's what you believe, is that that's  
12 possibly where they are heading?

13 MR. HARDIE: Well, as numbers  
14 show --

15 MR. STINE: I agree.

16 MR. HARDIE: -- the EBIDTA is going  
17 down, and the interest expense is not;  
18 and you can only whistle past the  
19 graveyard so many times. And, you know,  
20 I think our view is that if they leave  
21 these assets in CEOC and engage in  
22 constructive discussion with their  
23 creditors, that we should be in a  
24 position to figure out how to keep this  
25 all knitted together. You don't need to

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1 move Total Rewards out; you don't need  
2 to move the New Orleans property out, et  
3 cetera, and then CEOC has a better  
4 chance of avoiding that unfortunate  
5 outcome.

6 MR. STINE: And I understand that,  
7 but your logic is clearly for the  
8 benefit of the bondholder and lease

9 holders without question. I'm trying to  
10 understand the logic for the benefit of  
11 the Gaming Control Board and the benefit  
12 of the State, in view of the fact if  
13 they're going to go down, we have three  
14 going down as opposed to one being  
15 saved -- or the very nice one and the  
16 two going down that we deal with in  
17 bankruptcy. I'm just trying to  
18 understand the logic. Can you walk me  
19 back through that logic.

20 MR. HARDIE: I believe I can. The  
21 logic is that the probability of that  
22 occurring is reduced if you leave  
23 valuable assets, like the ones in Las  
24 Vegas that are proposed to be  
25 transferred and the one in New Orleans

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1 proposed to be transferred, in CEOC;  
2 whereas, I think the probability that  
3 that happens is vastly increased if you  
4 take them out, because CEOC is just less  
5 valuable, has less cash flow.

6 MR. STINE: I understand that, but I  
7 thought I heard you say that it's going  
8 down anyway.

9 MR. HARDIE: No, I did not say that.  
10 If I said that, I misspoke or was  
11 inarticulate.

12 MR. STINE: And then you made a  
13 comment, Mr. Hardie, that the  
14 bondholders and lien holders and others  
15 had met with CEOC in order to discuss --

16 MR. HARDIE: In the past, CEOC has  
17 come to its creditors on a number of  
18 different occasions looking for waivers  
19 and amendments and the like, and they've  
20 always gotten the flexibility to  
21 continue to keep this entity moving  
22 forward.

23 MR. STINE: Define "the past."

24 MR. HARDIE: Excuse me?

25 MR. STINE: Define "the past."

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1 MR. HARDIE: The last two or three  
2 years.

3 MR. STINE: But nothing of late.

4 MR. HARDIE: Well that, in effect,  
5 that is the unique change in their  
6 behavior here. Unlike in the past where  
7 they have engaged in the dialogue with  
8 their creditors about the necessity of  
9 flexibility, here they have basically  
10 proposed this transaction and done  
11 everything they can to move this  
12 transaction forward as fast as they can  
13 with as little dialogue as possible and,  
14 frankly, without finishing the

15 transaction, as you heard from them  
16 themselves. They haven't finished the  
17 Total Rewards part of the deal.

18 MR. STINE: And so your belief is  
19 that the transaction goes forward, then  
20 they'll sit down with you and say, we've  
21 got \$19 billion of debt in CEOC. Let's  
22 have a conversation.

23 MR. HARDIE: I think the  
24 conversation, if the transaction is  
25 approved is: We got out of this entity

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1 the assets we wanted to get out of it,  
2 and we don't have to talk to you now.

3 MR. STINE: Okay.

4 MR. HARDIE: And look, I know this  
5 board is not charged --

6 MR. STINE: To protect  
7 bondholders --

8 MR. HARDIE: Exactly.

9 MR. STINE: -- and I wanted to  
10 make -- I wanted to fully understand  
11 what you valued the Gaming Control  
12 Board's responsibility was, and I, in my  
13 very limited time here, value what our  
14 responsibility is, and it is not to the  
15 bondholders and lease holders.

16 MR. HARDIE: To the State.

17 MR. STINE: And I empathize,

18 sympathize and whatnot, but it is to the  
19 State. And, again, I'm coming back to  
20 that logic of save the preeminent from  
21 all of them going down or -- again, I'm  
22 using your logic: Nobody's going to go  
23 bankrupt, but I do see \$20 billion worth  
24 of debt sitting on the books.

25 MR. HARDIE: Again, I will tell you

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1 that I believe that the probability that  
2 that happens is substantially reduced if  
3 you leave all of these assets together,  
4 because they're more valuable, they have  
5 more cash flow. With some time and some  
6 restructuring of the debt, they'll be  
7 able to be kept together, and in that  
8 unfortunate outcome, as some of your  
9 other directors I'm sure can report,  
10 casino bankruptcies are not pleasant.  
11 They're expensive. Unfortunately, the  
12 properties suffer because there's less  
13 money to spend on the properties, et  
14 cetera.

15 So our view is that is less likely  
16 to happen if you keep these properties  
17 together.

18 CHAIRMAN JONES: Any other  
19 questions? Before you leave, thank you,  
20 Mr. Barbin. Thank you for the courtesy

21 you extended to meet with me and staff  
22 last week. It's very important to let  
23 the Chair know what's coming, and I  
24 appreciate that.

25 MR. BARBIN: Thank you.

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1 CHAIRMAN JONES: So we'll hear from  
2 the next group. Good morning, almost  
3 afternoon, introduce yourself, please.

4 MR. GOODMAN: Thank you. My name is  
5 Alan Goodman, and with me is my partner,  
6 Wesley Plaisance. We are with the Law  
7 Firm of Breazeale, Sachse & Wilson, a  
8 local law firm. We're from the New  
9 Orleans office.

10 I'm here representing a group of  
11 first lien -- what we call the first  
12 lien group, and it's over \$2 billion of  
13 first lien lenders.

14 CHAIRMAN JONES: Do you have the  
15 names of those?

16 MR. GOODMAN: I do have the names of  
17 those. There's a sensitivity to  
18 disclosing them. I'm not authorized to  
19 disclose them. I do have the names.  
20 I've had to clear conflicts internally,  
21 so I do have the names but -- and if you  
22 have to have the names, I can.

23 CHAIRMAN JONES: It's not essential.

24 MR. GOODMAN: Okay. Because it  
25 could be done on a very confidential

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1 basis. I could ask the client if they  
2 would be willing to do that.

3 CHAIRMAN JONES: And just so I'm  
4 clear: Mr. Goodman --

5 MR. GOODMAN: Yes.

6 CHAIRMAN JONES: -- you and I have  
7 not met.

8 MR. GOODMAN: Correct.

9 CHAIRMAN JONES: We've never talked.

10 MR. GOODMAN: Correct.

11 CHAIRMAN JONES: And the first I  
12 heard from you was yesterday afternoon  
13 sometime about 6:00?

14 MR. GOODMAN: Correct.

15 CHAIRMAN JONES: Proceed.

16 MR. GOODMAN: And I was retained  
17 yesterday morning, so I apologize on  
18 behalf of my clients, but I was just  
19 brought into it myself.

20 CHAIRMAN JONES: Understand.

21 MR. GOODMAN: We share many of the  
22 concerns that the second lien group has  
23 expressed. The second lien group -- and  
24 it's reported in the Form 8-K that the  
25 company, CEOC, has filed with the

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1 Securities and Exchange Commission. The  
2 second lien group has gone so far as to  
3 say that this transfer is being made at  
4 a time when CEOC is willfully insolvent,  
5 and they said that today; and they have  
6 also said that this proposed transfer  
7 under the fraudulent conveyance laws of  
8 this country and under the applicable  
9 laws constitutes a voidable fraudulent  
10 transfer if approved.

11 CHAIRMAN JONES: You said  
12 "fraudulent"?

13 MR. GOODMAN: Yes. It's a  
14 constructive fraudulent transfer under  
15 the applicable laws of this country, and  
16 if this transaction is approved, there  
17 is, I think, a fair likelihood that the  
18 second lien lenders and the first lien  
19 lenders will -- may or will institute  
20 proceedings to unwind the transactions  
21 under the applicable fraudulent transfer  
22 laws of this country, and rescind it so  
23 it becomes voidable.

24 I think that will create a bigger  
25 mess than is already there. We have

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1 attached to our opposition letter from  
2 yesterday the letter from the New York  
3 Law Firm, Kramer Levin, to the members

4 of the Board of Directors of CEC and  
5 CEOC; and it's a four-and-a-half page  
6 letter, and we would invite you to read  
7 it.

8 But I would point you to a couple of  
9 things in particular. At the top of  
10 page two, the first full paragraph, our  
11 perception of what is going on here is  
12 that the equity interest in CEOC are  
13 represented by Apollo Global Management  
14 and TGP Capital. They are the equity  
15 interest. Equity comes behind  
16 creditors. We are the creditors, and  
17 what we perceive is going on here is  
18 very valuable assets of CEOC have been  
19 transferred in October 2013 -- and we  
20 reference those transactions in the  
21 letter -- and this transaction, the  
22 March 2014 transaction; that very  
23 valuable assets are being transferred  
24 out of CEOC to the detriment of the  
25 creditors, first lien group, second lien

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1 group, unsecured creditors, bondholders,  
2 everybody, for the benefit of the equity  
3 interest.

4 And obviously as lenders, lenders  
5 are not going to stand by and let the  
6 equity interest recoup the value to the

7 detriment of the lenders who are to be  
8 paid first.

9 The other thing I would direct your  
10 attention to is on page three of the  
11 letter where we say in the letter the  
12 first lien group believes that it and  
13 the company -- the company being  
14 Caesars -- that it and the company can  
15 work operatively and constructively to  
16 formulate a strategy for a restructuring  
17 that will provide an opportunity for the  
18 company to prosper for years to come,  
19 and in the preceding paragraph we say,  
20 the first lien group believes that CEOC  
21 needs to restructure its balance sheet  
22 to remain a viable going concern and is  
23 supportive of the effort.

24 Lenders do not like bankruptcies.  
25 Nobody likes bankruptcies. To the

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1 extent these assets are transferred out  
2 of CEOC, the insolvency of CEOC is that  
3 much worse, and the lenders will not  
4 stand by forever. We are seeking out to  
5 work with the equity interests who are  
6 controlling this transaction. We are  
7 seeking to meet with them and to try to  
8 work things out to resolve the bigger  
9 picture. If this transaction is

10 approved, we don't know whether they'll  
11 sit down with us, and we think the next  
12 stop might be in a courtroom, which  
13 would be unfortunate.

14 What courtroom? I can't tell you.  
15 It may start in state court. It may be  
16 in federal court. It may be in  
17 bankruptcy court, and that's -- that's a  
18 bigger mess than we now have. We think  
19 the situation with CEOC is very  
20 salvageable and resolvable for the  
21 benefit of everyone, and we think this  
22 will make matters worse for everything,  
23 including the creditors who I represent.

24 And that's really the essence of our  
25 presentation. I could repeat things

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1 that are being said, but I don't think I  
2 need to do that. We're happy to answer  
3 any questions.

4 CHAIRMAN JONES: Did you have  
5 anything to add?

6 MR. PLAISANCE: No.

7 CHAIRMAN JONES: Questions from the  
8 Board? Mr. Stipe.

9 MR. STIPE: First of all,  
10 Mr. Chairman, I would ask that your  
11 clients -- you can certainly work with  
12 our staff counsel. Counsel, I'm going

13 to ask that your clients be forwarded to  
14 the Board so we have a record of who  
15 they are. I certainly understand. I  
16 guess I can -- I take your point that  
17 you were retained at a late point. You  
18 run into conflicts. I recognize that;  
19 but at some point you do have clients,  
20 and those clients as you're appearing on  
21 behalf of here today I do think -- I  
22 personally would appreciate a list of  
23 those to be somewhere where we can  
24 access.

25 MR. GOODMAN: I will speak to the

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1 clients and pass on the request, of  
2 course, and I understand.

3 MR. STIPE: And then we can  
4 certainly work it out whatever  
5 confidentiality you feel is applicable,  
6 but I would ask that. If you have that  
7 and the creditors -- and you believe  
8 this company and this entity is  
9 insolvent, do you not now have recourse  
10 to prevent the transfer?

11 MR. GOODMAN: I don't know the  
12 answer to that question, but I think the  
13 answer is probably not because we'd have  
14 to get an injunction. Courts do not  
15 enjoin transactions generally. A

16 fraudulent transfer is you unwind  
17 something after it has been done, not  
18 beforehand. I've never seen one  
19 enjoined, to answer your question.

20 MR. STIPE: Well, and if you believe  
21 they're insolvent, don't you have enough  
22 creditors to force the issue?

23 MR. GOODMAN: We have enough  
24 creditors to force the issue. We don't  
25 want to force the issue. Litigation is

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1 not a good alternative for anyone. I  
2 mean, I think this state has been  
3 through two bankruptcies, as  
4 Mr. Singleton has pointed out. It's  
5 been through two bankruptcies, and I  
6 think it's in everybody's interest for  
7 it not to be a bankruptcy, frankly, or  
8 other litigation.

9 MR. STIPE: Is it -- is it your  
10 position that this board cannot approve  
11 this transfer today?

12 MR. GOODMAN: No. I think this  
13 board has the authority to do what it  
14 thinks is best.

15 MR. STIPE: All right. I'm reading  
16 your correspondence. I guess I want to  
17 make clear: There was some suggestion  
18 that this is not properly before the

19 Board or --

20 MR. GOODMAN: Well, the question I  
21 had -- and it's a third point. We have  
22 a copy of the petition; we have a copy  
23 of the two exhibits to the petition. We  
24 have not been given access to any other  
25 information. We've learned here today

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1 that y'all have been submitted a lot of  
2 information we have not seen, so we have  
3 not been able to comment on it. And I  
4 don't know whether you have everything  
5 required by the Administrative Code or  
6 not.

7 MR. STIPE: So you raise the  
8 question -- raise the issue. So my  
9 question to you is: Is it your position  
10 that we cannot act on this today?

11 MR. GOODMAN: No.

12 MR. STIPE: Okay.

13 MR. GOODMAN: My position would be  
14 that you should not act on this today.

15 MR. STIPE: All right.

16 MR. GASTON: I would defer to the  
17 lawyer. You want to make a motion?

18 CHAIRMAN JONES: Not yet.

19 MR. GASTON: Can it wait until  
20 supper?

21 CHAIRMAN JONES: Please. Are there

22 any other questions? I want you to take  
23 a message back to your clients --

24 MR. GOODMAN: Yes.

25 CHAIRMAN JONES: -- okay? It's

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1 generally been known, since at least  
2 March the 3rd, of this pending  
3 transaction. If I were a suspicious and  
4 a cynical person, I'd be very curious as  
5 to why less than 24 hours I received  
6 this packet of information. I can  
7 conceive in that sort of world that it  
8 was deliberate and intentional to  
9 forestal this action, but I'm not a  
10 cynical person. But I don't appreciate  
11 it. Convey that message.

12 MR. GOODMAN: We will certainly do  
13 that.

14 CHAIRMAN JONES: Thank you.

15 MR. GOODMAN: And I apologize.

16 CHAIRMAN JONES: It is not your  
17 problem. You were just retained.

18 MR. GOODMAN: Yes.

19 CHAIRMAN JONES: Take the message.

20 MR. GASTON: Mr. Chairman, also,  
21 about being threatened by lawsuits, I  
22 don't like to be threatened by lawsuits.  
23 I'm sorry.

24 MR. GOODMAN: I'm sorry. I was not



25 threatening anybody.

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1 MR. GASTON: I know you weren't. It  
2 could be conceived as that.

3 MR. GOODMAN: I was just trying to  
4 explain.

5 CHAIRMAN JONES: Thank you.

6 MR. GOODMAN: Thank you very much.

7 CHAIRMAN JONES: Thank you.

8 Mr. Gautreaux, do you have anything to  
9 add based on what you've heard from the  
10 lien holders and bondholders?

11 MR. GAUTREAUX: No.

12 CHAIRMAN JONES: Nothing to add?  
13 I'd like Caesars' representatives  
14 briefly to sort of put things back into  
15 context for us.

16 MR. WEST: Thank you, Mr. Chairman.  
17 Initially I would like to reiterate and  
18 join in your request of who these people  
19 are, the public comments. I think it's  
20 only right on a public record. We've  
21 got six lawyers and no clients over  
22 here. Fraudulent transfers, a  
23 subsidiary or publicly traded company  
24 woefully insolvent, we don't know who's  
25 making those allegations against my

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1 client, but I think it's a shame that

2 they would come hide behind six lawyers  
3 and not -- well, we can't tell you who  
4 we are. I don't think you should let  
5 them even speak, but I understand why  
6 under public comments that's necessary.

7 They have made a couple of --  
8 several severe accusations I think we  
9 can put to rest. They've brought up  
10 some -- a couple of issues I'm hopeful  
11 we can give you some peace of mind on.

12 CHAIRMAN JONES: Mr. Cohen.

13 MR. COHEN: Sure. Thank you,  
14 Mr. Chairman and Members of the Board,  
15 for giving us another chance to speak.  
16 I'd like to address the Services Co  
17 concept that you raised, Mr. Chairman.

18 CHAIRMAN JONES: Yes.

19 MR. COHEN: We're not trying to hide  
20 anything. We've been open and honest  
21 with the Board and the State Police and  
22 the Attorney General's Office. We give  
23 you documents when we have them. So a  
24 couple of -- you know, there have been a  
25 lot of wild allegations, and if you've

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1 noticed every time they always said, we  
2 don't have any facts, but made a lot of  
3 wild allegations. Let me state a few  
4 facts, and then I'm going to let Mr.

5 Hession and Mr. Abrahams address a few  
6 things, as well.

7 To your point about Services  
8 Company, it is not a requirement for the  
9 transaction. It is a request of the  
10 Caesars acquisition special committee,  
11 and they're doing it to assure that the  
12 assets that they're buying are -- that  
13 the value that they're paying will  
14 continue to be -- to achieve that value.  
15 And one of the key ways that the New  
16 Orleans property and the other four  
17 properties attribute that value is to  
18 use the Total Rewards Program.

19 This is a fear on the Caesars  
20 Acquisition Company that parties might  
21 take away the Total Rewards Program from  
22 Caesars Acquisition Company, and these  
23 CEOC lenders, who -- we don't know what  
24 their intentions are. There are a lot  
25 of people that are saying that they

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1 believe that they're, you know, acting  
2 in benefit of CEOC. We don't know if  
3 they're, you know, betting against CEOC.

4 There are people that could profit  
5 from a bankruptcy of CEOC. I think we  
6 would all agree that a bankruptcy of  
7 CEOC would be bad for the state, but

8 that's why Services Co has come out is  
9 because of a concept that the Caesars  
10 Acquisition Company wants to continue to  
11 have the benefit of Total Rewards, not  
12 that it wants to get rid of Total  
13 Rewards. It wants Total Rewards because  
14 we've seen in other transactions that  
15 once the properties are unplugged from  
16 for the Total Rewards system, they're  
17 worth a lot less. They're paying full  
18 value for these assets, including the  
19 use of Total Awards. That's the key to  
20 this.

21 Unfortunately, Services Co is a very  
22 difficult concept. We will -- you know,  
23 I can say from the Caesars Acquisition  
24 Company that we will be forthright and  
25 honest to the State Police and the

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1 Attorney General's Office and this  
2 Board. When we have figured out all the  
3 details of Services Co, we will bring  
4 them to you before it's implemented and  
5 discuss with you, if required approvals  
6 are necessary. I don't know the answers  
7 to that or not, but we will do that.

8 And I think the history of this  
9 company is we've always been open and  
10 honest with our regulators. We don't

11 come to our regulators after the fact  
12 and say, "We did this." We go to them  
13 and we discuss things that we're  
14 planning to do and discuss them with our  
15 regulators.

16 I will just emphasize just one thing  
17 that all the lenders that were all  
18 speaking here, I'll reiterate Mr. West's  
19 point, we don't know who they are. They  
20 haven't revealed themselves. We think  
21 that it's only fair that someone tells  
22 us who they represent, all these lawyers  
23 here, and they haven't filed any  
24 lawsuits. Why they haven't filed any  
25 lawsuits? You'd have to ask them, but

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1 they haven't filed any lawsuits. They  
2 have contractual rights. Those are  
3 their rights to file lawsuits if they so  
4 choose.

5 We don't believe that anything has  
6 been done wrong here. We've been open  
7 and honest with the Board with this  
8 transaction. We've given all the  
9 materials. I think Mr. Gautreaux and  
10 the members of the State Police would  
11 state that we've given any piece of  
12 information that was requested from the  
13 Board and the State Police and the

14 Attorney General's Office.

15 With that, I'm going to ask  
16 Mr. Hession to address a couple of the  
17 claims related to CEOC.

18 MR. HESSION: Thanks, Michael. And  
19 I appreciate you giving us the time to  
20 respond, and as requested, I'll try to  
21 be brief.

22 There's no question that CEOC is a  
23 challenged entity. We've had  
24 discussions about it in the past.  
25 You've seen the materials. I responded

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1 to some questions earlier. The question  
2 is predicting the future. We don't know  
3 what the outcome is going to be. We  
4 believe that this is the best path  
5 forward for the CEOC entity. CEOC, as  
6 we pointed out and as some of the --  
7 those that were up here before pointed  
8 out, has a negative cash flow position  
9 right now. Getting liquidity into the  
10 entity we view as a positive. This  
11 transaction gets right around \$1.8  
12 billion worth of cash coming into the  
13 entity which we will use to shore up our  
14 liquidity position and enable us to move  
15 forward and try to resolve the CEOC  
16 leverage issue.

17       The -- I don't even -- the lawyers  
18       that were up here before making their  
19       statements talked about bankruptcy, and,  
20       of course, that's something we all want  
21       to avoid. It's not good for the State.  
22       It's not good for our customers. It's  
23       not good for the employees. It's not  
24       good for any of us, except for the  
25       lawyers, particularly those that would

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1       benefit from the fees; and, you know, in  
2       that case, we're trying to avoid that  
3       situation. And we believe that is the  
4       best avenue towards that.

5       As Michael touched upon, we've  
6       complied with all of our debt  
7       agreements. We've paid our interest.  
8       This is a contractual matter that they  
9       are saying that they're concerned with  
10      the approach we're taking, but we're  
11      conforming to the contracts that we have  
12      entered into with the lenders. And we  
13      believe that that is why, you know, that  
14      they can make lots of accusations, as  
15      Michael said some of them not backed up  
16      with facts, but the fact is we're  
17      complying with these documents.

18      I'll now turn it over to Craig to  
19      talk a little bit about the Total

20 Rewards questions they raised.

21 MR. ABRAHAMS: I would just like to  
22 clarify the fact -- the suggestion that  
23 TR would not be part of this transaction  
24 is not well informed. TR is integral to  
25 operating these properties. Services Co

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1 was formed -- is a concept at the  
2 request of the special committee of CAC,  
3 but with or without Services Co, Total  
4 Rewards is part of these properties.

5 So if Services Co happens, Service  
6 Co will manage Total Rewards through a  
7 nonexclusive license. The Total Rewards  
8 IP is staying at Caesars CEOC. So that  
9 is not part of the Services Co. So the  
10 suggestion that TR was getting pulled  
11 out, that is not the case.

12 So I think what's important to  
13 understand is that for all the  
14 properties here -- and the thing about  
15 Total Rewards is they network, so the  
16 more properties that are in that  
17 network, the stronger the network is.  
18 So no one has an incentive to pull that  
19 network apart. If anything, we want to  
20 add properties to that network to make  
21 it stronger for the future.

22 CHAIRMAN JONES: Mr. Stine.



23 MR. STINE: This whole structure  
24 really has begun in the fall of 2013,  
25 and Service Co has still not been banked

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1 yet. Mr. Cohen, you mentioned that we  
2 should have it done shortly. Can you  
3 give me a time frame? And you may not  
4 be the best one to answer that, but can  
5 you give me an approximate time frame  
6 when Service Co, the details will be  
7 finalized?

8 MR. COHEN: Well, I'll give my best  
9 answer that I can. So when you said the  
10 fall of 2013 --

11 MR. STINE: That's when CGP was  
12 formed.

13 MR. COHEN: Right.

14 MR. STINE: This wasn't hallucinated  
15 in a midnight dream. I mean, things  
16 started way back then to get here; and  
17 I'm okay with that, but I just want to  
18 understand, Service Co's not been done  
19 yet.

20 MR. COHEN: To clarify, Services  
21 Co -- the transaction you're referring  
22 to that closed in October of 2013,  
23 Service Co was not envisioned at that  
24 point. It was not part of the  
25 transaction. It wasn't discussed. It

1 wasn't in any of the transactions  
2 because it didn't exist at the time.

3 This came about, as I stated  
4 earlier, when the CAC special committee  
5 said to the CEC special committee, what  
6 assurances can you give me that we will  
7 continue to have access to Total  
8 Rewards? I'd like a way that I can  
9 continue to have access to Total  
10 Rewards. That is what born Services Co.

11 There is a -- because of the  
12 centralized nature of all of the  
13 properties, the corporate function of  
14 Caesars Entertainment Operating Company  
15 is very large. There are a lot of  
16 details to it. As we shared with the  
17 Board, it was a short-term sheet, a  
18 concept that was envisioned when the  
19 transaction was negotiated in March.  
20 That concept has been worked more fully,  
21 is continuing to be negotiated, but then  
22 the implementation of that will be after  
23 the fact.

24 So to give you a specific, I don't  
25 have one. I think people would like to

1 do it as quickly as possible, but it's a  
2 very complex undertaking. And as I

3 stated before, we will be -- we will get  
4 all of the information to the State  
5 Police, the Attorney General's Office  
6 and this Board prior to any  
7 implementation of Services Co.

8 MR. STINE: I have no doubt that you  
9 will, but just, you have no idea?  
10 Thirty days, 360 days, 3,600 days?

11 MR. COHEN: I would hope that we can  
12 work out some of the details in the next  
13 couple of months and be prepared to  
14 deliver those details to the Board and  
15 the LSP and in full detail. As I think  
16 the Louisiana State Police and the  
17 Attorney General and Chairman would  
18 agree, coming to you with half-baked  
19 ideas is usually not a good idea.

20 We mentioned Services Co in this  
21 presentation only because people are  
22 talking a lot about Services Co. We  
23 felt it was important to mention it, but  
24 we don't have anything to ask for an  
25 approval for because we don't know fully

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1 what the concept is.

2 MR. STINE: I respect that.

3 CHAIRMAN JONES: Any other  
4 questions? [No response.] Thank you,  
5 gentlemen.

6 This Board is charged with the  
7 responsibility of protecting the  
8 interests of the citizens of the state.  
9 This is an important property. We've  
10 heard from Caesars how we've gotten to  
11 where we are with this proposed  
12 transaction. We've heard from  
13 bondholders and lien holders or  
14 representatives of those groups.

15 We're not the SEC. We don't  
16 regulate those transactions. That's  
17 another building and another group. Our  
18 obligation is to serve the public and to  
19 serve the best interest. We have before  
20 us properly at this point a resolution  
21 for the transfer, and I'll accept a  
22 motion to approve that transfer of  
23 interest or subject to motion. Do I  
24 have a motion?

25 MR. STIPE: Mr. Chairman, I have a

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1 motion to continue the matter until the  
2 next -- I apologize. I have a motion to  
3 continue consideration of this approval  
4 to the next scheduled hearing date to  
5 allow -- to give the parties an  
6 opportunity to focus on the information  
7 that is not before us that was discussed  
8 to be forwarded.

9 MR. GASTON: I'd like to second  
10 that, Mr. Chairman.

11 CHAIRMAN JONES: We have a motion by  
12 Mr. Stipe, seconded by Dr. Gaston.  
13 Would you call the roll, Miss Tramonte.  
14 Motion to defer.

15 THE CLERK: Mr. Bradford?

16 MR. BRADFORD: Yes.

17 THE CLERK: Mr. Stipe?

18 MR. STIPE: Yes.

19 THE CLERK: Mr. Singleton?

20 MR. SINGLETON: Yes.

21 THE CLERK: Miss Noonan?

22 MS. NOONAN: Yes.

23 THE CLERK: Major Mercer?

24 MAJOR MERCER: Yes.

25 THE CLERK: Mr. Jackson?

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1 MR. JACKSON: Yes.

2 THE CLERK: Mr. Gaston?

3 MR. GASTON: Yes.

4 THE CLERK: Mr. Stine?

5 MR. STINE: Yes.

6 THE CLERK: Chairman Jones?

7 CHAIRMAN JONES: Yes, and that will  
8 be deferred until the next meeting.

9 MR. GASTON: Mr. Chairman, may I say  
10 something? It was my thought that that  
11 would be a good motion prior to being

12 told that we might be sued. I'm sorry.

13 CHAIRMAN JONES: That's okay.

14 MR. GASTON: I just needed more  
15 discussion, and I needed more guidance.

16 CHAIRMAN JONES: We're fine. Thank  
17 you, Dr. Gaston. The motion to defer  
18 carries. It will be heard at the next  
19 meeting.

20 B. Consideration of Certificate of Compliance for  
21 the Alternate Riverboat Inspection of the  
22 gaming vessel of Treasure Chest Casino, LLC,  
23 d/b/a Treasure Chest Casino - No. R012600098

24 CHAIRMAN JONES: Next up,  
25 Consideration of Certificate of

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1 Compliance for the Alternate Riverboat  
2 Inspection of the gaming vessel Treasure  
3 Chest Casino, LLC, doing business as  
4 Treasure Chest Casino. That's No.  
5 R012600098. Good morning -- good  
6 afternoon.

7 MR. TYLER: Chairman Jones, Board  
8 Members, Assistant Attorney General  
9 Michael Tyler, joined today by John  
10 Francic with the American Bureau of  
11 Shipping Consultants. We come before  
12 you at this time to present the matter  
13 of the consideration of the Certificate  
14 of Compliance for Treasure Chest Casino.

15           On March 18th, 2014, Treasure Chest  
16 Casino began the Alternate Inspection  
17 process for the renewal of its  
18 Certificate of Compliance. Some issues  
19 were found, and a follow-up inspection  
20 was set. For more on these inspections,  
21 I now turn this presentation over to  
22 John Francic with ABSC.

23           MR. FRANCIC: Good afternoon,  
24 Chairman, Board Members. I'm John  
25 Francic with ABS Consulting here to

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1 report the annual certification for  
2 Treasure Chest Casino.

3           The Inspector Doug Chapman did, on  
4 March 18th, attend the riverboat  
5 Treasure Chest to conduct the annual  
6 inspection in accordance with the  
7 Alternative Inspection of the riverboat  
8 gaming vessels in the State of  
9 Louisiana. The inspector reviewed the  
10 fire protection equipment, life-saving  
11 equipment, egress routes, mooring  
12 system, vessel manning, variance program  
13 and conducted a fire drill.

14           In addition to the certificate of  
15 safety inspection, the inspector  
16 conducted an internal structural exam of  
17 the vessel's mooring spaces since the

18 vessel is currently silted in. The  
19 vessel is due for an underwater hull  
20 exam in June, but with the current  
21 dredging schedule, it could be late  
22 summer, early fall before the underwater  
23 hull exam is done. The internal  
24 structure of the exam found no  
25 structural defects.

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1 The 2013 annual survey, as required  
2 by Louisiana Gaming Control Board, is  
3 complete and presents no safety concerns  
4 to its patrons or employees onboard the  
5 riverboat.

6 It is the recommendation of ABSC  
7 that the Treasure Chest be issued a  
8 Certificate of Compliance to expire  
9 May 31st, 2015.

10 MR. TYLER: I now present these  
11 findings to this honorable board and  
12 request that upon accepting the report  
13 of ABSC, that the Board will move for  
14 the issuance of a renewal Certificate of  
15 Compliance to Treasure Chest Casino.

16 CHAIRMAN JONES: Do I have a motion  
17 to issue the certificate of -- any  
18 questions? I'm sorry. No questions.  
19 We have a motion by Mr. Bradford and a  
20 second by Major Mercer. All in favor?



21 [Collective "aye."] Any opposed? [No  
22 response.] The motion carries.  
23 C. Consideration of Certificate of Compliance for  
24 the Alternate Riverboat Inspection of the  
25 gaming vessel of PNK Lake Charles, LLC, d/b/a

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1 L'Auberge Lake Charles - No. R011001707  
2 CHAIRMAN JONES: Next up,  
3 Consideration of Certificate of  
4 Compliance for the Alternate Riverboat  
5 Inspection of the gaming vessel PNK Lake  
6 Charles, LLC, doing business as  
7 L'Auberge Lake Charles, No. R011001707.

8 MR. TYLER: Again, Chairman, Board  
9 Members, again Assistant Attorney  
10 General, Michael Tyler, joined by John  
11 Francic with the American Bureau of  
12 Shipping Consultants.

13 We now come with respect to the  
14 consideration of a Certificate of  
15 Compliance for L'Auberge Lake Charles  
16 Casino.

17 On March 11th, 2014, L'Auberge  
18 Casino began the Alternate Inspection  
19 process for the renewal of its  
20 Certificate of Compliance. Some issues  
21 were found and a follow-up inspection  
22 set. For more on this, I now turn this  
23 over to John Francic.

24 MR. FRANCIC: Good afternoon,  
25 Chairman, Board Members, John Francic

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1 with ABS Consulting here to report the  
2 annual certification for L'Auberge Lake  
3 Charles.

4 Inspectors Doug Chapman and Lindsey  
5 Dew did, on March 11th, attend the  
6 riverboat L'Auberge Du Lac to conduct  
7 the annual inspection in accordance with  
8 the Alternate Inspection of riverboat  
9 gaming vessels in the State of  
10 Louisiana. The inspectors reviewed the  
11 fire protection equipment, life saving  
12 equipment, egress routes, mooring  
13 systems and vessel maintenance, vessel  
14 manning variance programs and did  
15 conduct a fire drill.

16 Two deficiencies were found during  
17 the inspection that are found on page  
18 five of your report and all deficient  
19 items were corrected. The 2013 annual  
20 survey as required by the Louisiana  
21 Gaming Control Board is complete and  
22 presents no safety concerns to its  
23 patrons and employees aboard the  
24 riverboat. It is the recommendation of  
25 ABSC that L'Auberge Lake Charles be

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1 issued a Certificate of Compliance to  
2 expire May 31st, 2015.

3 MR. TYLER: We now present these  
4 findings to this honorable board and  
5 request upon accepting the report  
6 presented by ABSC, that the Board will  
7 move for the renewal of the Certificate  
8 of Compliance for L'Auberge Lake  
9 Charles.

10 CHAIRMAN JONES: Any questions of  
11 the Board? Do I have a motion? By  
12 Mr. Stine, a second by Mr. Bradford.  
13 All in favor? [Collective "aye."]  
14 Opposed? None. The motion carries.

15 Thank you very much, gentlemen.

16 D. Consideration of Petition for Modification of  
17 License Condition Regarding Escrow by Pinnacle  
18 Entertainment, Inc.

19 CHAIRMAN JONES: The final item on  
20 the casino agenda is Consideration of  
21 Petition for Modification of License  
22 Condition Regarding Escrow by Pinnacle  
23 Entertainment, Inc. Please take the  
24 table and then introduce yourself.

25 MR. SANFILIPPO: Good morning,

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1 Chairman -- good afternoon, Chairman and  
2 Members of the Board. My name is  
3 Anthony Sanfillipo. I'm the Chief

4 Executive Officer of Pinnacle  
5 Entertainment, and with me are two team  
6 members from Pinnacle Entertainment. To  
7 my left is Donna Negrotto. Donna is  
8 from our legal department, and she  
9 represents us in four jurisdictions or  
10 the four markets that we operate here in  
11 Louisiana, and to my right is Vincent  
12 Zahn. Vincent is both the head of  
13 investor relations for us, as well as  
14 Vincent deals with much of our  
15 financing.

16 And we appreciate the opportunity to  
17 be here to be on the agenda. If I can  
18 take a second to tell you: We love  
19 operating in Louisiana. We're very  
20 proud of the four properties that we  
21 have here. We, as you know, operate the  
22 L'Auberge properties, one here in Baton  
23 Rouge that has done extremely well and  
24 continues to do better, and also the  
25 L'Auberge property that is in Lake

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1 Charles, plus the two Boomtown  
2 properties.

3 The one in New Orleans, I was just  
4 there yesterday. We are completing a  
5 hotel -- 150-room hotel, and it's an  
6 investment of \$20 million that we have

7 invested in that property on the West  
8 Bank, and we expect it to open the week  
9 of July 4th. That's coming along.

10 Continuing to invest in our property  
11 in Lake Charles, we have renovated the  
12 complete hotel. We have close to a  
13 thousand guest rooms there, and we've  
14 changed a lot of public space. We have  
15 made investments there over the last  
16 couple of years that are close to  
17 \$50 million at that property.

18 We have worked closely with the --  
19 with Tilman Fertitta and the Landry's  
20 Group, with the Golden Nugget project  
21 that is going to be next to us. That  
22 project's moving along, and I know you  
23 and Members of the Board have seen it  
24 and toured that project. That is a  
25 property we would have liked to have

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1 had, but as part of our acquisition of  
2 Ameristar, the Federal Trade  
3 Commission -- for us to get through the  
4 gate of the Federal Trade Commission, we  
5 had to agree to sell that facility, and  
6 we think that the Golden Nugget, the  
7 Landry's Group is going to be a very  
8 good license holder and someone that  
9 would be very good for the Lake Charles

10 area as well as for Louisiana.

11 And we're working together to link  
12 the two facilities. We're going to have  
13 walkways that link the two facilities  
14 and try to make the whole complex a  
15 complete destination for people that  
16 come in primarily from Beaumont and  
17 Houston and from South Texas.

18 We are here -- and I'm going to ask  
19 Leonce, who has worked closely with us,  
20 to explain it to you, but we are here  
21 because as part of that transaction, the  
22 deposit, which is \$25 million in true  
23 cash that is tied up with our company,  
24 as part of the negotiation with  
25 Landry's, they asked us to keep our

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1 money down as part of that deal. So the  
2 \$25 million that's in escrow is Pinnacle  
3 Entertainment funds, and we're here to  
4 ask you if we can get those funds  
5 released. What we would do is  
6 immediately use that to pay down debt.  
7 We have continued to pay down our debt  
8 since the acquisition. In fact, since  
9 the acquisition last August, we've paid  
10 down over \$600 million of our debt.  
11 We -- we're just asking you to accept  
12 the form of payment in a different way

13 so that we're just not tying up  
14 \$25 million in escrow, and we appreciate  
15 you allowing us to come in and to have  
16 this discussion with you.

17 CHAIRMAN JONES: Leonce.

18 MR. GAUTREAUX: Thank you, Chairman.

19 Again, Leonce Gautreaux, Assistant  
20 Attorney General, and I think Anthony  
21 explained it. What Pinnacle is asking  
22 the Board to do is to consider allowing  
23 them to withdraw the \$25 million in cash  
24 that's on deposit in a federally  
25 chartered bank according to the

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1 agreement, amend the escrow agreement to  
2 require them to maintain a \$25 million  
3 borrowing capacity under their  
4 \$1 billion revolver in place of the cash  
5 requirement.

6 Currently, the revolver is  
7 \$1 billion. There is \$493 million  
8 borrowed and over -- a little over  
9 \$500 million currently they have the  
10 capacity to borrow. The amended and  
11 restated escrow agreement would require  
12 the Pinnacle to maintain its revolver to  
13 provide a source for the \$25 million,  
14 to maintain at least \$25 million of the  
15 borrowing capacity under the revolver to

16 support the escrow agreement, and to  
17 provide monthly statements verifying the  
18 amount borrowed -- monthly statements to  
19 us to verify the amount borrowed under  
20 the revolver.

21 I contacted Golden Nugget, and they  
22 had no objections to these amendments.

23 And if it's the Board's pleasure to --  
24 to approve this, it would require an  
25 amendment -- which y'all have it, I

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1 submitted a copy of -- to the escrow  
2 agreement itself, and then authorize the  
3 Chairman, if you should approve it, to  
4 execute on the Board's behalf.

5 CHAIRMAN JONES: Mr. Stipe?

6 MR. STIPE: You're not amending the  
7 credit facility?

8 MR. SANFILIPPO: No, we're not.

9 MR. STIPE: You're simply certifying  
10 to us every month that you have  
11 \$25 million in your credit facility that  
12 could be drawn on in the event that it's  
13 necessary; is that correct?

14 MR. SANFILIPPO: Yes, sir. That's  
15 correct.

16 CHAIRMAN JONES: And correct me if  
17 I'm wrong: That was your good faith  
18 deposit that was put up when it was your



19 project.

20 MR. SANFILIPPO: That's correct.

21 CHAIRMAN JONES: And even though you  
22 can't really distance yourself from  
23 Golden Nugget, the fact is you have no  
24 control over that project at this point.

25 MR. SANFILIPPO: We don't. They own

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1 it totally.

2 CHAIRMAN JONES: But we still have  
3 your money.

4 MR. SANFILIPPO: But part of our  
5 agreement with them was that we would  
6 keep our money on it, so it was the deal  
7 they struck when -- last summer when we  
8 made the deal to satisfy the FTC.

9 CHAIRMAN JONES: And we appreciate  
10 that. Any other questions? Yes,  
11 Miss Noonan.

12 MS. NOONAN: Leonce, will this  
13 affect other casinos or the moneys that  
14 will go in escrow for something like  
15 this? Will there be other companies  
16 that will come in and want to do the  
17 same thing? Is that feasible?

18 MR. GAUTREAUX: That's a  
19 possibility. The escrow has been in  
20 varying amounts depending on the  
21 project, and it's a relatively new tool.

22 Usually before it was imposed by the  
23 Board when there was some question about  
24 the financial ability to do it -- what's  
25 presented to the Board. Now, it's a --

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1 because of some circumstances that  
2 happen with the surrendering of a  
3 license. Now it's more: We want to see  
4 your commitment to completing this  
5 project.

6 MS. NOONAN: Okay.

7 MR. GAUTREAU: So the amount is not  
8 set.

9 MS. NOONAN: It's not so much the  
10 amount. It's just the process of them  
11 wanting to take that money out of  
12 escrow, and I realize they're not --  
13 it's their money that -- you know, they  
14 don't own the project anymore, but I'm  
15 just concerned about other casinos or  
16 other casino companies following suit  
17 wanting to take their money out of  
18 escrow. But like you said --

19 MR. GAUTREAU: And some of the past  
20 escrows have not always been a cash  
21 deposit requirement.

22 MS. NOONAN: Okay. That was my  
23 question. Thank you.

24 CHAIRMAN JONES: The interests of

25 the State are protected, right, Leonce?

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1 MR. GAUTREAUX: I believe so.

2 Pinnacle is a pretty sound --

3 financially sound company. I think the

4 project's almost complete.

5 MR. BRADFORD: That was my question.

6 Certainly I'm in favor of your request.

7 MR. SANFILIPPO: Thank you.

8 MR. BRADFORD: But it was a

9 performance escrow deposit, and when

10 would normally it be released?

11 MR. GAUTREAUX: Upon confirmation of

12 substantial completion of the project

13 would be normally when it would be

14 released.

15 CHAIRMAN JONES: Any other

16 questions? Yes, Mr. Stine.

17 MR. STINE: It is very close to

18 being completed, and it's very nice. I

19 happen it live in Lake Charles, and I'm

20 very impressed with it. And, know,

21 letters of credits and different things

22 can be done, but I believe that the

23 whole reason for the escrow is to make

24 certain that the job gets done; and it

25 looks like it's getting done, and we

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1 have some assurance. So I would make

2 the motion.

3 CHAIRMAN JONES: We have a motion by  
4 Mr. Stine, second by Mr. Bradford. All  
5 in favor? [Collective "aye."]  
6 Opposition? None, the motion carries.  
7 Thank you very much.

8 MR. SANFILIPPO: Thank you very  
9 much.

10 CHAIRMAN JONES: We have to read the  
11 resolution into the record.

12 THE CLERK: On the 24th day of April  
13 2014, the Louisiana Gaming Control Board  
14 did, in a duly noticed public meeting,  
15 consider the issue of the petition for  
16 approval of the modification for license  
17 condition regarding escrow filed by  
18 Pinnacle Entertainment, Incorporated,  
19 and upon motion duly made and second,  
20 the Board adopted this resolution.

21 Be it resolved that subject to all  
22 license conditions currently in effect  
23 on Golden Nugget Lake Charles, LLC, the  
24 following be and are hereby approved:  
25 One, Pinnacle Entertainment,

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1 Incorporated, shall continue to maintain  
2 and be responsible for Louisiana Gaming  
3 Control Board escrow agreement subject  
4 to the terms of the purchase agreement

5 and letter agreement as amended between  
6 Pinnacle Entertainment, Incorporated,  
7 Golden Nugget Holdings, LLC, and Golden  
8 Nugget Lake Charles, LLC. Pinnacle  
9 Entertainment, Incorporated, shall  
10 continue to be bound by Condition 16 of  
11 the Statement of Conditions.

12 Two, until such time as the  
13 obligation to maintain the escrow amount  
14 is released, in accordance with the  
15 escrow agreement, Pinnacle  
16 Entertainment, Incorporated, shall  
17 maintain at least \$25 million of  
18 borrowing capacity under its \$1 billion  
19 revolving credit facility.

20 Three, the Board authorizes the  
21 Chairman to execute the amended and  
22 restated escrow agreement for Pinnacle  
23 Entertainment, Incorporated, a copy of  
24 which is attached hereto and made a part  
25 hereof.

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1 Four, subject to the terms of the  
2 amended and restated escrow agreement  
3 and this resolution, Pinnacle  
4 Entertainment, Incorporated, is  
5 authorized to draw the \$25 million cash  
6 currently held as the escrow amount.

7 Thus done and signed in Baton Rouge,

8 Louisiana, this 24th day of April, 2014.

9 CHAIRMAN JONES: For the record,  
10 please call the roll.

11 THE CLERK: Mr. Bradford?

12 MR. BRADFORD: Yes.

13 THE CLERK: Mr. Stipe?

14 MR. STIPE: Yes.

15 THE CLERK: Mr. Singleton?

16 MR. SINGLETON: [No response.]

17 THE CLERK: Miss Noonan?

18 MS. NOONAN: Yes.

19 THE CLERK: Major Mercer?

20 MAJOR MERCER: Yes.

21 THE CLERK: Mr. Jackson?

22 MR. JACKSON: Yes.

23 THE CLERK: Mr. Gaston isn't here.

24 Mr. Stine?

25 MR. STINE: Yes.

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1 THE CLERK: Chairman Jones?

2 CHAIRMAN JONES: Yes. The motion  
3 carries, resolution is adopted.

4 VII. CONSIDERATION OF PROPOSED SETTLEMENT IN THE  
5 FOLLOWING:

6 1. In Re: Ralph T. Davis - No. PO40062119

7 CHAIRMAN JONES: The final agenda  
8 item, Consideration of Proposed  
9 Settlement in the following case in  
10 regards to Ralph T. Davis. That's No.

11 PO40062119.

12 MR. HEBERT: Good afternoon,  
13 Chairman, Members of the Board. I  
14 promise to only take up an hour of your  
15 time. Christopher Hebert representing  
16 the Louisiana Office of State Police in  
17 the matter of Ralph T. Davis.

18 On September 13th, 2013, the  
19 Division received notification from the  
20 Internal Revenue Service that Mr. Davis  
21 was not current in the filing of all  
22 applicable tax returns or of payment of  
23 taxes owed. Mr. Davis was personally  
24 served by the Division on October 31st,  
25 2013, with a letter from the Division

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1 that explained to him that he would be  
2 recommended for revocation, suspension  
3 or imposition of a civil penalty if he  
4 did not become current in the filing of  
5 all applicable taxes or payment of taxes  
6 owed within 30 days from receipt of such  
7 letter. Mr. Davis did come into  
8 compliance but did not until March 12th,  
9 2014.

10 In lieu of administrative action,  
11 Mr. Davis has agreed to pay, and the  
12 Division has agreed to accept, a \$250  
13 civil penalty. The hearing officer has

14 signed off on this settlement, and we're  
15 here this morning seeking your approval.

16 CHAIRMAN JONES: Are there any  
17 questions?

18 MAJOR MERCER: I so move.

19 CHAIRMAN JONES: I have a motion to  
20 accept the settlement by Major Mercer  
21 and seconded by Mr. Jackson. All in  
22 favor? [Collective "aye."] Any  
23 opposition? [No response.] The motion  
24 carries.

25 MR. HEBERT: Thank you.

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1 CHAIRMAN JONES: Thank you very  
2 much.

### 3 VIII. ADJOURNMENT

4 CHAIRMAN JONES: Do I have a motion  
5 to adjourn?

6 MR. BRADFORD: So moved.

7 MR. JACKSON: So moved.

8 CHAIRMAN JONES: We have a motion to  
9 adjourn by Mr. Jackson, seconded by  
10 Mr. Bradford. All in favor?  
11 [Collective "aye."] Any opposition?  
12 No. We're adjourned.

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1 REPORTER'S PAGE

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3 I, SHELLEY PAROLA, Certified Shorthand

4 Reporter, in and for the State of Louisiana, the

5 officer before whom this sworn testimony was

6 taken, do hereby state:

7 That due to the spontaneous discourse of this

8 proceeding, where necessary, dashes (--) have been

9 used to indicate pauses, changes in thought,

10 and/or talkovers; that same is the proper method

11 for a Court Reporter's transcription of a

12 proceeding, and that dashes (--) do not indicate

13 that words or phrases have been left out of this

14 transcript;

15 That any words and/or names which could not

16 be verified through reference materials have been

17 denoted with the word "(phonetic)."

18

19

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21

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23

24

SHELLEY PAROLA

Certified Court Reporter #96001

25

Registered Professional Reporter

171

1 STATE OF LOUISIANA

2 PARISH OF EAST BATON ROUGE

3 I, Shelley G. Parola, Certified Court

4 Reporter and Registered Professional Reporter, do

5 hereby certify that the foregoing 169 pages is a

6 true and correct transcript of the proceedings on

7 April 24, 2014, as taken by me in Stenographic

8 machine shorthand, complemented with magnetic tape

9 recording, and thereafter reduced to transcript,

10 to the best of my ability and understanding, using

11 Computer-Aided Transcription.

12 I further certify that I am not an

13 attorney or counsel for any of the parties, that I

14 am neither related to nor employed by any attorney

15 or counsel connected with this action, and that I

16 have no financial interest in the outcome of this

17 action.

18 Baton Rouge, Louisiana, this 9th day of

19 June, 2014.

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22           SHELLEY G. PAROLA, CCR, RPR  
              CERTIFICATE NO. 96001

23

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