

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

* * * * *

IN RE: CHESTER DOWNS & MARINA, LLC and ELDORADO
RESORTS, INC.

* * * * *

BEFORE: MEMBERS OF THE BOARD:

DAVID M. BARASCH, CHAIRMAN

Obra S. Kernodle, IV

Sean Logan

T. Mark Mustio

Merritt C. Reitzel (Via Telephone)

Dante Santoni, Jr.

Denise J. Smyler

EX-OFFICIO MEMBERS/DESIGNEES IN ATTENDANCE:

Jennifer Langan, Esquire, Designee,
Department of Treasury

Christin Heidingsfelder, Designee,
Department of Revenue

HEARING: Wednesday, February 12, 2020

Reporter: Amy Distefano

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LOCATION: Pennsylvania Gaming Control Board
Strawberry Square Complex
2nd Floor
Harrisburg, PA 17101

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A P P E A R A N C E S (cont.)

ALSO PRESENT:

Tom Reeg, Chief Executive Officer, Eldorado Resorts,
Inc.

Ed Quatmann, Chief Legal Officer, Eldorado Resorts,
Inc.

Chris Albrecht, Senior Vice President and General
Manager, Harrah's Philadelphia

Lynn Hughes, VP and General Counsel of Regional
Operations, Caesars

William Downey, Caesars

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CHAIRMAN: The first hearing relates to Chester Downs & Marina and Eldorado Resorts' Joint Petition for approval of change of ownership.

Can the representatives please come forward? And before we begin, as always, I would ask everyone who's going to speak today to please state and spell their name for the court reporter prior to your presentation. I would also ask all nonattorney witnesses please stand at this time to be sworn.

ATTORNEY SCHRIER: Mr. Chairman, we have three witnesses that can be sworn at this time.

CHAIRMAN: Please.

COURT REPORTER: Can you all raise your right hand.

CHAIRMAN: Well, I see six hands going up.

ATTORNEY PITRE: Those are FIE personnel, just in case there are questions that need to be -.

CHAIRMAN: Okay. Good enough. Thank you.

1 WITNESSES SWORN EN MASSE

2 ---

3 ATTORNEY SCHRIER: Thank you.

4 CHAIRMAN: You may begin.

5 ATTORNEY SCHRIER: Good morning, Mr.
6 Chairman, members of the Commission. Stephen D.
7 Schrier with the Law Firm of Blank Rome, on behalf
8 of the Petitioner, Eldorado Resorts, Incorporated.
9 With me today on behalf of the joint Petitioners is
10 Tom Reeg, who is the Chief Executive Officer of
11 Eldorado Resorts, who's sitting to my right. Ed
12 Quatmann, who is the Chief Legal Officer of Eldorado
13 Resorts, who's sitting to my left. Chris Albrecht,
14 who is the General Manager of Harrah's Philadelphia.
15 He just raised his hand.

16 Lynn Hughes, who is the Vice President
17 and General Counsel of Regional Operations for
18 Caesars. And also here representing Caesars is
19 William Downey. And representing VICI Properties is
20 Michael Fabius.

21 CHAIRMAN: Okay.

22 ATTORNEY SCHRIER: We're pleased to be
23 here today to present the Joint Petition of Eldorado
24 and Caesars, seeking your approval of a change of
25 control of the Slot Licensee, Chester Downs &

1 Marina, LLC, known as Harrah's Philadelphia Casino
2 and Racetrack.

3 This is an exciting and transformative
4 transaction that will create the world's largest
5 gaming company. And you'll hear more about this
6 from Eldorado's Chief Executive Officer, Thomas
7 Reeg.

8 You know both of these Petitioners
9 well. Caesars has been licensed and has owned and
10 operated Harrah's Philadelphia since it received its
11 initial license.

12 Eldorado has been licensed and has
13 operated both Presque Isle Downs and Lady Luck
14 Nemacolin, until it sold both of those casino
15 operations last year.

16 This transaction was announced in June
17 of 2019. In August, the joint Petitioners filed the
18 Petition with the Board. Both Caesars and Eldorado,
19 their key management teams and their counsel have
20 worked closely over the past seven months with the
21 Board's Bureau of Investigation, the Financial
22 Investigations Unit, the Office of Enforcement
23 Counsel (OEC) and the Bureau of Licensing to provide
24 all of the necessary information that has been
25 required and to address pertinent and important

1 questions about this transaction.

2 On behalf of the company, I can say
3 that we found that interaction to be extremely
4 professional and collaborative. And we greatly
5 appreciate all the time and effort that you and your
6 staff and Counsel have committed to this Petition
7 and this transaction, particularly in the midst of
8 the sweeping gaming expansion here in the
9 Commonwealth.

10 On January 27th of this year, Eldorado
11 and Caesars receive approval from the Pennsylvania
12 Horse Racing Commission for the change of control,
13 and that Order has been submitted to the Board.

14 Today, in seeking your approval of
15 this transaction and the change of control, we'd
16 like to present testimony from one of the key
17 architects of the transaction, and also information
18 to you about how this transaction will benefit
19 Harrah's Philadelphia and the Commonwealth.

20 At the conclusion of the presentation,
21 I suggest we take questions from OEC and members of
22 the Board. And then after that, I would like to
23 address the nature of the Change of Control Fee and
24 the unique circumstance that impact your
25 consideration of that fee in this instance.

1 With that, I'd like to introduce Mr.
2 Reeg.

3 MR. REEG: Thanks, Steve. Good
4 morning, Mr. Chairman, members of the Commission.
5 I'm Tom Reeg, Chief Executive Officer of Eldorado,
6 post closing I'll be the Chief Executive Officer of
7 the combined -.

8 CHAIRMAN: Could you spell your name
9 for the court reporter?

10 MR. REEG: It's, R-E-E-G.

11 CHAIRMAN: Thank you.

12 MR. REEG: The transaction that's in
13 front of you today is part of the larger purchase of
14 Caesars Entertainment by Eldorado. In that
15 transaction, we're paying \$12.75 per share to buy
16 the outstanding common shares of Caesars. That is
17 broken into \$8.40 per share in cash and .0899 shares
18 of Eldorado common Stock for each share of Caesars'
19 stock.

20 As you run that through the
21 shareholder base at Caesars, the way that shakes out
22 is Eldorado shareholders will end up owning about 51
23 percent of the combined company and Caesars'
24 shareholders will end up with about 49 percent.

25 Caesars Entertainment will merge into

1 - with and into an Eldorado merger subsidiary,
2 allowing existing operating companies to maintain
3 current licenses. It will hang off the Eldorado
4 holding company, similar to how we - when we bought
5 MTR Gaming that brought us the Presque Isle asset
6 and Isle of Capri that brought us the Nemacolin
7 asset.

8 We have committed financing in place
9 to fund the transaction, and I'll get more into that
10 a few slides from now.

11 The Eldorado leadership team will be -
12 will lead the combined company. So, I'll be the
13 CEO. Gary Carano will remain Executive Chairman.
14 Anthony Carano will be President and Chief Operating
15 Officer. Ed Quatmann will be Chief Legal Officer.
16 And Bret Yunker will be Chief Financial Officer.
17 That's the existing Eldorado team.

18 The Board gets reconstituted, expands
19 to 11 members, 6 of them coming from the Eldorado
20 side, 5 from Caesars. And upon closing, we will
21 change our name to Caesars Entertainment, and our
22 stock will trade under the Caesars' ticker, although
23 it will be our current stock.

24 In mid-November both shareholder
25 groups overwhelmingly approved the merger. We're

1 working through regulatory approvals and FTC on the
2 regulatory side. On a preclosing basis, what we
3 still need is Pennsylvania, Maryland and
4 Mississippi. Mississippi is next week, Maryland is
5 two weeks from now. And that would leave Nevada,
6 New Jersey and Indiana. Indiana is similar to
7 Pennsylvania, and needs approval from Racing and
8 Gaming. Those would be the remaining approvals
9 required at the end of this month.

10 We're working through FTC approval
11 process. We're very close to the end of that.
12 There are two assets that we are contemplating
13 selling. As part of that process, one of them in
14 Shreveport, Louisiana, we've already struck and
15 announced that agreement. The other one is in Lake
16 Tahoe, Nevada.

17 As far as the financing, as I said,
18 fully-committed financing. The cash consideration
19 to Caesars comes from \$3.2 billion of proceeds from
20 VICI that relate to exercise of call options on
21 Harrah's Atlantic City, Harrah's Laughlin and
22 Harrah's New Orleans real estate, and an increase in
23 the lease payments under the Caesars Palace Las
24 Vegas lease. There's \$4 billion from cash on hand,
25 asset sales and new financing.

1 We will leave the bulk of the Caesars'
2 capital structure in place, save for we will
3 collapse the CEOC entity into the Caesars resort
4 collection entity. So, that will require us to
5 raise a single new debt instrument at the Caesars'
6 level. The rest of the Caesars' debt remains in
7 place. All of the Eldorado debt comes out and is
8 refinanced.

9 There is a bridge commitment in place
10 to backstop the VICI financing, and the asset sale
11 to Sentry, or the Missouri and West Virginia assets.
12 Since we've announced the deal, though, Sentry asset
13 sales have closed. VICI has raised both the equity
14 and the debt capital required to close the
15 transaction.

16 So, as we sit here today, it's
17 exceedingly unlikely the bridge commitment will be
18 funded.

19 We will - post closing, our first debt
20 maturity will be December of 2024. So, we've
21 structured this to have a very long runway. We
22 expect to be generating in the neighborhood of a
23 billion and a half dollars a year in free cash flow
24 beyond what's required in debt service and
25 maintenance capital. And our intention is to use

1 the bulk of that free cash flow to pay down debt.

2 We've also talked about how we're - we
3 intend to sell an asset on the Las Vegas strip post
4 closing and use those proceeds to pay down debt.
5 So, we would anticipate paying down \$4 to \$5 billion
6 of conventional debt in the first 24 months post
7 closing and still be generating a billion and a half
8 dollars free cash flow per year.

9 In terms of where the financing is
10 now, it's fully committed by a syndicated bank
11 group. I'm actually going to New York tonight to
12 meet with the credit-rating agencies tomorrow. We
13 would expect to come to market in the next four to
14 six weeks to put our permanent financing in place
15 that will replace the commitments from the banks.

16 The VICI transaction, as I touched on
17 earlier, the call options attached to real estate in
18 New Orleans, Atlantic City, Laughlin, is \$1.8
19 billion of the \$3.2 billion of proceeds. The
20 regional lease that includes Harrah's Philadelphia
21 will be amended to add those additional properties.

22 And I would hasten to add that Caesars
23 - Eldorado and then the Caesars' corporation post
24 closing provide a parent guarantee on all of the
25 master leases. So, even for assets that are not

1 subject to the lease, they are supporting the leased
2 - the leases.

3 The leases for Harrah's Las Vegas at
4 Caesars Palace are amended to add about \$98 million
5 a year in additional lease payments, and for that
6 VICI will pay us \$1.4 billion. VICI gets right of
7 first refusal for any whole asset sale or sale-lease
8 back on two Las Vegas Strip properties and the
9 Horseshoe Casino Baltimore that doesn't obligate us
10 to sell those properties, but if we do, VICI has
11 right of first refusal. And they've got a put call
12 option on the two Indiana Racetracks as well.

13 The asset sales that I touched on
14 briefly earlier, the Century asset sale closed in
15 December. That was \$385 million of cash proceeds.
16 We've got asset sales in Missouri and Mississippi to
17 a company called Twin River, for \$230 million in
18 cash. That should close in the neighborhood of when
19 we close the broader transaction.

20 Caesars sold the Rio for over \$500
21 million of cash. That closed in December. We
22 announced our sale of Shreveport to Maverick Gaming.
23 That will likely close in the second half of 2020.
24 And then we're working on the Tahoe sale as well
25 with the FTC.

1 Post the transaction, we have a pretty
2 broad map. There will be approximately 60
3 properties, over 50,000 hotel rooms, over 70,000
4 slot machines and coverage coast to coast. We are
5 particularly excited that we had the Caesars Reward
6 Players Program through this transaction, and
7 customers on both sides will have more options on
8 when and where they can use their points. We expect
9 that to be additive to properties on both sides of
10 this transaction.

11 In terms of Harrah's Philadelphia,
12 Chris and his team have done a fantastic job. Our
13 expectation is that they will continue in the -. As
14 you've seen us before, we're not a company that
15 comes in and creates a lot of turnover at the
16 management level of the assets that we acquire.
17 Typically where we're looking for savings is at the
18 corporate level.

19 So, you should expect to see a
20 continuation of the leadership team and them to have
21 more power to make decisions. Really a difference
22 between us and Caesars is we ask our local operating
23 teams to implement our operating philosophy and
24 empower them to make many more decisions than
25 Caesars.

1 Caesars did a lot of centralization.
2 Our view is the management that's closest to the
3 customer has the best sense of what's going on, on
4 the ground, and can do the best job of operating the
5 assets. And that's how we've operated in the past
6 and how we intend to operate in the future.

7 We're committed to harness racing in
8 Pennsylvania, committed to continuing diversity in
9 hiring vendors and the charitable and community
10 contributions that Caesars has made, we'd expect to
11 continue as we move into the ownership position
12 there.

13 We're very excited about the future of
14 the combined company, about Harrah's Philadelphia.
15 You've got two established Pennsylvania operators
16 coming together. You've got the addition of 12
17 million people from the Eldorado database into
18 Caesars' 50 million, which creates a new pool of
19 customers that will game at all of the properties in
20 the portfolio, Harrah's Philadelphia in particular.

21 And we're excited to get started. I
22 would tell you, you know, we know that the State has
23 important work to do. Once we announce a
24 transaction to get to the point that we're at today,
25 it's a very difficult time for employees and

1 customers in terms of you're kind of in limbo
2 between signing and closing. There's a deal that,
3 you know, you're working toward, but you haven't
4 closed there yet. So, we try to make that as short
5 as possible.

6 You know, we want to thank Cyrus and
7 the entire investigative team for the work they've
8 done here, the pace they've been willing to work at.
9 It's been helpful for us. We obviously have a lot
10 of states we've had to go through here. And we've
11 been particularly pleased with the way the
12 Commonwealth has worked in this circumstance.

13 So, with that, I'd like to thank you
14 and open it up to any questions that you may have.

15 CHAIRMAN: Well, you have other
16 witnesses you're going to present?

17 ATTORNEY SCHRIER: No, Mr. Chairman.

18 CHAIRMAN: Okay.

19 I'll start with Enforcement Counsel.

20 ATTORNEY ARMSTRONG:

21 Thank you, Chairman. James Armstrong
22 for the OEC.

23 Mr. Ingus (sic), has the - all the
24 needed financing been secured for the merger or is
25 it still being arranged?

1 MR. REEG: All of the financing is
2 secured, committed from the banks. We will go to
3 market to replace that bank committed - or bank
4 financing with typical third-party capital markets
5 financing.

6 ATTORNEY ARMSTRONG: Thank you.
7 Will it be necessary to utilize any
8 bridge loan financing to complete the transaction?

9 MR. REEG: That appears highly
10 unlikely at this point.

11 ATTORNEY ARMSTRONG: Given the amount
12 of debt that is - that will be incurred as a result
13 of the transaction, and the fact that Caesars
14 recently emerged from bankruptcy, what are the
15 long-term plans to address future debt?

16 MR. REEG: As I touched on in my
17 remarks, we were mindful in structuring the
18 transaction that we are in an expansion that's long
19 in the tooth, economically speaking nationwide. So,
20 we wanted to structure the capital structure where
21 we had the ability to withstand anything that would
22 come at us economically.

23 We recognize what happened in the
24 prior Caesars' transactions. So, as I've said,
25 we've set up a capital structure where we don't have

1 a funded debt maturity until more than four years
2 after we'll close the transaction. We'll be
3 generating well in excess of a billion dollars a
4 year free cash flow. It's our intention to use that
5 free cash flow to pay down debt.

6 And we intend to sell a Las Vegas
7 Strip asset as well within the first 12 months post
8 closing from an agreement standpoint, probably
9 closer to 18 months for closing.

10 But it's our anticipation we would pay
11 down \$4 to \$5 billion of funded debt, which is, you
12 know, 30 - it's about a third to 40 percent of our
13 funded debt in the first two years post closing.

14 ATTORNEY ARMSTRONG: Thank you.

15 Moving in a different direction here.

16 Can you tell us exactly how many
17 jurisdictions have approved the merger so far?

18 MR. REEG: How many have approved?

19 I'm going to flip that to Ed. I know how many have
20 not approved.

21 MR. QUATMANN: I'm trying to run
22 through the numbers in my head. I believe we have a
23 total of 18 that require preapproval, and I believe
24 that we have 6 remaining. So, I believe it's 12
25 thus far, but I will - I will confirm that.

1 COURT REPORTER: Can you state your
2 name, please?

3 MR. QUATMANN: I'm sorry, Ed Quatmann,
4 Q-U-A-T-M-A-N-N.

5 ATTORNEY ARMSTRONG: Do you anticipate
6 any issues in these remaining jurisdictions, you're
7 seeking approval?

8 MR. REEG: No, we don't.

9 ATTORNEY ARMSTRONG: Approximately,
10 when do you anticipate the transaction - transaction
11 or closing to occur?

12 MR. REEG: We would expect to close
13 early in the second quarter.

14 ATTORNEY ARMSTRONG: And when do you
15 anticipate that the merger and integration of the
16 companies will be complete?

17 MR. REEG: That's an ongoing process,
18 I would say we should have the bulk of the heavy
19 lifting - lifting done in the first 12 months post
20 transaction. You know, given the size, I'd say my
21 expectation is we'll have it running completely as
22 we hope that it will run within 24 months
23 post transaction.

24 ATTORNEY ARMSTRONG: Thank you.

25 Do you anticipate meeting the Federal

1 Trade Commission requirements in time for closing?

2 MR. REEG: Yeah, we do.

3 ATTORNEY ARMSTRONG: Do you anticipate
4 that these requirements will interfere with the
5 anticipated closing date at all?

6 MR. REEG: No.

7 ATTORNEY ARMSTRONG: Has the merger
8 agreement invited any lawsuits from Eldorado and/or
9 Caesars' shareholders?

10 MR. REEG: Yes. We've had what I
11 would describe as typical shareholder suits related
12 to mergers. Nothing that would impact closing of
13 the merger or really be material to the combined
14 company.

15 ATTORNEY ARMSTRONG: Thank you.

16 Has Caesars and Eldorado begun any
17 kind of integration of the two companies and your
18 assets?

19 MR. REEG: We have done extensive
20 diligence and formulated an integration plan. We've
21 announced our first two levels of senior management
22 appointments post closing, but we obviously have not
23 jumped the gun in terms of actually integrating, but
24 we do have -. I would characterize it as we're much
25 further along than we have - we typically would be

1 at this point in prior transactions and are
2 comfortable we'll be able to hit the ground running.

3 ATTORNEY ARMSTRONG: Was regulatory
4 approval required in any of the jurisdictions that
5 this has occurred?

6 MR. REEG: For what we've done thus
7 far, no.

8 ATTORNEY ARMSTRONG: Okay.

9 And at last, have any Key Employees at
10 Harrah's Philadelphia left their employment there in
11 response to the anticipated merger?

12 MR. REEG: Not that I'm aware of, but
13 I'll ask Chris.

14 MR. ALBRECHT: No.

15 ATTORNEY ARMSTRONG: Thank you. I
16 have no further questions.

17 CHAIRMAN: Thank you.

18 Questions from the Board at this time?

19 MS. SMYLER: Actually, I do have a
20 question. You said you're meeting with the rating
21 agencies.

22 MR. REEG: Correct.

23 MS. SMYLER: So, do you see or foresee
24 any problems with the rating agencies that would
25 impact your timing, as far as going into market?

1 MR. REEG: No. This is a typical -
2 what you typically do is a minimum of two weeks
3 before you come to market, you go to the rating
4 agencies, you update your story. That's what will
5 occur here. We would expect that the capital
6 markets are extraordinarily strong right now.

7 We got lucky, quite frankly, in terms
8 of timing. We'd expect very favorable financing
9 conditions for us.

10 MS. SMYLER: Thank you.

11 CHAIRMAN: Any other questions?
12 Does Enforcement Counsel have a
13 presentation at this time?

14 ATTORNEY ARMSTRONG: Well, not a
15 presentation, Chair, but we'd like to make a
16 statement for the record.

17 CHAIRMAN: Please.

18 ATTORNEY ARMSTRONG: The OEC, along
19 with the Bureau of Investigations and Enforcement
20 (BIE) have reviewed and consulted extensively on the
21 Petition filed by Chester Downs & Marina, LLC and
22 Eldorado Resorts, Inc. for approval of a change in
23 ownership of certain affiliates and other relief,
24 after which the OEC filed an Answer on
25 December 13th, 2019 in regard to a Petition.

1 OEC requests that if the Board is
2 inclined to grant the relief sought under the
3 Petition, then as part of its approval, it is
4 recommended that the Board impose the 12 conditions
5 recommended by OEC in its Answer.

6 Additionally, if relief is granted to
7 Petitioners, OEC recommends the imposition of a
8 Change of Control Fee, but would defer to the Board
9 regarding the amount. Provided I recommend the
10 conditions are imposed (sic), the OEC has no
11 objection to the approval of the change in ownership
12 and/or control of Category 1 Slot Machine Licensee
13 Chester Downs & Marina, LLC as outlined in the
14 pleadings and any additional conditions imposed by
15 the Board.

16 We will be glad to answer any
17 questions you may have.

18 CHAIRMAN: Thank you.

19 Are there any questions from
20 Enforcement Counsel at this time? Petitioners have
21 any comments or questions on the statements made by
22 Enforcement Counsel?

23 ATTORNEY SCHRIER: Yes. Thank you,
24 Mr. Chairman.

25 I would just indicate that we reviewed

1 the 12 conditions that have been proposed by OEC in
2 its Answer, and we are in agreement with those
3 terms.

4 CHAIRMAN: Okay.

5 Now, before - we're going to be taking
6 up a final vote on this in the Office of Chief
7 Counsel's (OCC) portion of the Agenda, but did you
8 want to speak to -?

9 ATTORNEY SCHRIER: Yes.

10 CHAIRMAN: Go ahead.

11 ATTORNEY SCHRIER: If I may?

12 CHAIRMAN: Please.

13 ATTORNEY SCHRIER: Thank you, Mr.
14 Chairman. I just wanted to address our request for
15 reduced License Transfer Fee under Section 1328 of
16 the Gaming Act.

17 In the Petition and in our reply to
18 the Answer in New Matter filed by the OEC, we
19 outlined our view that the circumstances here
20 warrant a reduced License Fee from the currently
21 established standard of \$3.75 million.

22 The Board is well aware of the history
23 of this fee and how it has been applied in the past.
24 You're also aware of the studies that were done on
25 the issue and concerns that were raised about

1 setting a fee that would discourage new competitors
2 from entering the Pennsylvania market or discourage
3 a new operator from using these funds instead to
4 improve or reinvest in the new casino that they
5 acquired.

6 The gist of all the history is that
7 within the Board's discretion, you can determine to
8 reduce the fee if the circumstances so warrant under
9 the criteria in Section 1328. And one of the
10 criteria in Section 1328 involves a look at the
11 relevant ownership of the entity that is seeking the
12 change of control.

13 You've seen your way to doing this in
14 the previous cases within the last couple of years,
15 involving Boyd and its acquisition of Valley Forge.
16 And you did so last year with regard to Eldorado's
17 sale of its Presque Isle Downs' property.

18 I would note that those transactions
19 represented a 100 percent change of control of the
20 parent company of the Licensee in those instances.

21 Churchill and Boyd went through a full
22 and thorough investigation and installed a
23 completely new parent company and new ownership over
24 these two casinos.

25 We concede that the Caesars Eldorado

1 transaction before you meets the definition of a
2 change of control under Section 1328, and that you
3 do have the right to decide and impose a Transfer
4 Fee. However, both Petitioners here have paid the
5 Commonwealth either substantial initial Slot License
6 Fees or Transfer Fees in the past.

7 Both of the Petitioners before you
8 today are fully licensed already and well known to
9 the Board. It was not necessary for the BIE to
10 engage in the normal time-consuming background
11 investigations that typically would accompany a
12 change of control. These are two public companies,
13 primarily owned by investors like you and me,
14 shareholders who are seeking to invest in a company
15 that they believe in, to hopefully improve their
16 financial position for themselves and their
17 families.

18 Unlike many of the other transactions
19 you have considered, here the shareholders of both
20 companies will remain in ownership. The Eldorado
21 shareholders will own 50 percent - 51 percent of the
22 company, as Mr. Reeg noted. And the Caesars'
23 shareholders will hold 49 percent of the new
24 company.

25 So while, technically, Harrah's

1 Philadelphia will be owned by a new parent company
2 at the time of the merger, 49 percent of the owners,
3 the shareholders will be the same. Based upon these
4 facts, we submit the concept that both Petitioners
5 are already licensed and half the ownership of the
6 parent company will remain intact supports your
7 consideration of a reduction in the established fee
8 of \$3.75 million. That would reflect the unique
9 circumstances surrounding this transaction.

10 If you do the math, 51 percent of
11 \$3.75 million is \$1.9, and while that makes sense,
12 the Petitioners recognize that the former Transfer
13 Fee that was in place for quite some time and served
14 the Board well, of \$2.5 million, would represent a
15 reasonable and appropriate Transfer Fee under these
16 circumstances.

17 With that, I would conclude our
18 presentation today and I would just ask that the
19 PowerPoint that we have submitted be moved into
20 evidence.

21 ---

22 (Whereupon, Exhibit 1, PowerPoint Presentation,
23 was marked for identification and admitted.)

24 ---

25 CHAIRMAN: So moved without objection,

1 I presume?

2 ATTORNEY PITRE: No objection.

3 CHAIRMAN: Any comments from
4 Enforcement Counsel based on this last argument?

5 ATTORNEY ARMSTRONG: In our Answer to
6 the Petition, we deferred to the Board as to the
7 amount, but we ask that you impose -.

8 CHAIRMAN: But you didn't hear
9 anything new here that would cause you to say
10 anything further?

11 ATTORNEY PITRE: No.

12 ATTORNEY ARMSTRONG: No, we have not.

13 CHAIRMAN: Okay.

14 Any questions or comments from the
15 Board on the last matter?

16 Okay.

17 Well, I really appreciate your
18 presentation and coming in today. And we will
19 consider this matter later in the OCC's portion of
20 the Agenda. Thank you very much.

21 * * * * *

22 HEARING CONCLUDED

23 * * * * *

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CERTIFICATE

1
2 I hereby certify that the foregoing proceedings,
3 was reported by me on 2/12/2020 and that I, Amy N.
4 Distefano, read this transcript, and that I attest
5 that this transcript is a true and accurate record of
6 the proceeding.

7 Dated the 10th day of March, 2020.

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10 Amy N. Distefano,

11 Court Reporter

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