



# JOHN R. KASICH

GOVERNOR • STATE OF OHIO

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## Communication Department

### COMPREHENSIVE GAMING REVIEW AGREEMENT

#### Fact Sheet

With gaming having been legalized in Ohio in phases over approximately the past 80 years, Gov. John R. Kasich initiated a comprehensive review to ensure that the state's laws for horse racing, the Ohio Lottery and casino gaming are consistent and uniform, and provide the maximum benefit to Ohioans.

The result is an agreement in principle between the Office of the Governor and Rock Ohio Caesars, LLC (ROC) that would provide significant additional funds to Ohioans, increased regulatory certainty for ROC and additional policies for the Ohio Lottery and horse racing. Highlights include:

- \$110 million in additional payments to the state over the next 10 years by ROC;
- ROC would pay Ohio's Commercial Activity Tax on wagers minus payouts, instead of on wagers only;
- \$350 million to the state in video lottery terminal (VLT) license fees, plus 33.5 percent of all VLT sales revenue;

Portions of the agreement would require approval by the General Assembly, and in some cases the Casino Control, Lottery and Racing commissions. Portions of the agreement only apply to ROC.

#### CASINOS

- \$110 Million in Additional Payments: ROC would provide an additional \$10 million annually for the first five years and \$12 million annually for the five years after that;
- CAT: Ohio's Commercial Activity Tax (CAT) would be applied to, what in the gaming industry is referred to as, ROC's "gross," – total dollars wagered minus winnings and prizes to customers;
- Capital Expenditures: ROC would make a combined capital expenditure of at least \$900 million in its two casino facilities (Cleveland and Cincinnati), up from the combined \$500 million currently required by Article 15 of the Ohio Constitution;
- ROC Site: The two parcels of land on which ROC will build its Cleveland casino would be treated as a single facility for licensing and regulatory purposes;
- License Transfers: Casino license transfers must be approved by the Casino Control Commission and would require a \$1.5 million application fee;
- License Renewals: ROC's casino licenses must be renewed every three years for an amount designed to cover the Casino Control Commission's administrative costs.

#### VIDEO LOTTERY TERMINALS

- \$50 million VLT Licenses: The Lottery Commission intends to allow each of Ohio's seven horse racing permit holders to apply for a 10-year sales agent license to operate a VLT facility. Licenses would cost \$50 million and be paid over time: \$10 million upon application, \$15 million at the onset of VLT sales, and \$25 million one year later;

- Capital Expenditures: VLT sales agents would be required to invest at least \$150 million in their facilities, including VLT machines, with a maximum credit of \$25 million allowed for the value of existing facilities and land;
- Sales Agent Commission: The commission for VLT sales agents [the amount of their sales revenue they would be permitted to keep] would not exceed 66.5 percent;
- Opening Date Requirements: VLT sales agents would be required to fully complete their capital spending and open their facilities within three years of license approval;

### **HORSE RACE TRACKS**

- Track Relocations: The state would consider transferring horse racing permits from current track locations to new locations, including locations in the Dayton and Youngstown areas, at a later date;
- Horse Industry Agreements: No VLT sales can commence without VLT licensees reaching an agreement with the horse racing industry on funds to benefit the industry. The state reserves the right to set the details of an agreement if one is not reached by the time VLT sales are set to begin.

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## **MEMORANDUM OF UNDERSTANDING**

The attached Appendix A sets forth the principal terms agreed upon by Rock Ohio Caesars, LLC, (“ROC”) and the State of Ohio (“State”) as it relates to land-based casinos in Cincinnati, Ohio and Cleveland, Ohio as well as video lottery terminal (“VLT”) facilities in the State of Ohio. This Memorandum of Understanding (“MOU”) reflects a non-binding agreement in principle between ROC and the State that is expected to be incorporated into a subsequent written agreement between the parties. In those instances which an obligation is placed upon the State as set forth in Appendix A would require the enactment of a new or revised statute or administrative rule, the State will use its best efforts to pursue the enactment of such statute or rule. In the event that any such new or revised statute or administrative rule is not adopted exactly as envisioned in Appendix A, or is adopted as envisioned in Appendix A but for whatever reason is unable to be implemented, the parties will in good faith negotiate and discuss whether the statute or rule as adopted is sufficient to meet the State’s obligation or whether additional negotiations or discussions on any such obligation are necessary, including extending the deadlines set forth in this MOU. This MOU is only between ROC and the State and is not intended to be applicable to or inure to the benefit any third party.

**FOR AND BEHALF OF ROCK OHIO  
CAESARS, LLC**

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Dan Gilbert  
Chairman & CEO  
Dated:

**FOR AND BEHALF OF THE STATE OF OHIO**

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Jai Chabria  
Senior Advisor to the Governor  
Dated:

## **APPENDIX A: ROC AND STATE OF OHIO MEMORANDUM OF UNDERSTANDING**

### **State of Ohio**

- Agrees to seek the following statutory or rule changes applicable to any casino licensee (a) paying the constitutional \$50 million license fee, (b) agreeing to make an additional payment to the State of \$10 million/year for the first five (5) years and \$12 million/year for the next five (5) years (as more fully described herein), and (c) investing at least \$900 million (or some lesser amount in the State's discretion, but excluding any investment in VLT facilities) in the licensee's land-based Ohio casino facilities:
  - Amend the CAT in Revised Code Chapter 5751 to be on net casino gaming receipts, not gross casino gaming receipts, defined as total dollars wagered minus winnings and prizes to customers;
  - Amend R.C. §3772.11(A)(2) & (3) to change to 5% for privately-held companies;
  - Promotional credits distributed to casino customers are not subject to any taxes owed by the operators;
  - Allow operators to settle debts with debtors for less than the full amount owed;
  - No "central system," as defined by R.C. §3772.01(G), will be required by the Casino Control Commission (CCC) provided the licensee complies with all applicable payment and reporting requirements;
  - Amend R.C. §3772.28(B) to increase the threshold for reporting debts incurred with affiliated companies from \$500,000 to \$10 million in the aggregate;
  - Amend R.C. §3772.091 & §3772.17 to allow the transfer of a casino license (or acquisition of new majority control) without incurring the \$50 million license fee in Art. XV, § 6 of the Constitution;
  - All "affiliates" of casino licensees will also have to be licensed. State will define "affiliates" as persons who own 5% or greater of the economic interests of the casino licensee.
- Agrees that ROC's Cleveland project Phase I and Phase II are to be considered a single casino and the Phases may be operated concurrently;
- Lottery Commission will allow each of Ohio's current seven horse racing permit holders to apply for a VLT sales agent license at their existing facilities for a fee of \$50 million per license.
- The VLT sales agent license fee of \$50 million is payable: \$10 million upon application, \$15 million upon the beginning of VLT sales, and \$25 million one year from the beginning of VLT sales;
- If the racing permit holder does not apply for a VLT sales agent license by 6/30/12, the Lottery Commission may offer the license to another company in reasonable proximity of the permit holder's existing facility;
- VLT sales agent renewal fee to be paid once every three (3) years in amount to be determined by the Lottery Commission that is designed to cover the Lottery Commission's administrative costs;
- No VLT sales agent license transfers for the first five (5) years from the date the first license is issued by the Lottery Commission, however the sale of a holding company of which the VLT facility is less than ten percent (10%) of the holding company's value shall not be considered the sale or transfer of a license;

- Per R.C. §3770.21(B), the Lottery Commission will specify a capital investment of no more than \$150 million at the facility of each permit holder applying to become a VLT sales agent, with a credit of not less than \$25 million given for value of existing land and facilities;
- Each horse racing permit holder who holds a VLT sales agent license shall complete the development of and open a permanent VLT sales facility within three (3) years from the date that the permit holder's VLT sales agent license is approved;
- Lottery Commission will promulgate rules specifying that the commission for licensed VLT sales agents, calculated as a percentage of "VLT income," shall be no more than 66.5%;
- Lottery Commission will issue no more than seven (7) VLT sales agent licenses for ten (10) years from date the first license issued;
- State will consider transferring horse racing permits from current track locations to new locations in Dayton and Youngstown areas. The State will also consider transferring permits from a current location to another location nearby on a case-by-case basis;
  - State will receive proposals to transfer permits to new locations through 12/31/11;
  - State will approve or deny transfers by 1/31/12;
  - Permit holders will have until 6/30/12 to decide to apply for the VLT sales agent license at the new location;
  - If a current permit holder cannot lawfully make VLT sales at its existing facility, then State will consider allowing the permit holder to move its track to another location in the immediate vicinity where VLT sales are permissible;

### **Rock Ohio Caesars, LLC**

- Pays the State the \$50 million license fee upon license application;
- Upon the earlier of the opening of ROC's second land-based casino or 3/31/13, agrees to pay the State \$10 million/year for the first five (5) years and \$12 million/year for the next five (5) years;
- Agrees that each casino license will be renewed once every three (3) years for a fee to be determined by the CCC that is designed to cover the CCC's administrative costs;
- Agrees that any transfer of casino license to a new licensee (or acquisition of new majority control or interest in a casino) requires payment of \$1.5 million application fee in §3772.17(B), plus administrative costs, by the new licensee/majority owner;
- Agrees that the amount and usage of monies to be paid by any licensed VLT sales agent for the benefit of the Ohio horse racing industry is to be mutually agreed upon expeditiously by the licensed VLT sales agent and the relevant horse racing industry constituents under the monitoring of the State. If the parties are unable to reach agreement before VLT sales are set to begin, the State may set the parameters for such an agreement between the parties. No VLT sales may commence without such an agreement.

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