

INTERGRATED RESORT DEVELOPMENT – QUERIES IN RESPECT OF REQUEST FOR APPLICATIONS

QUERY 3

Size and cost of the Luxury Hotel Rooms: Section 9.3. of the Casino Gaming Act (CGA) refers to the Minister's Development Order in relation to the definition of the size, cost and characteristics of the hotel rooms.

QUERY A: In order to ensure that we meet with the size and cost of the Luxury Hotel Rooms, would it be possible to have some objective reference on the terms and conditions that our project should meet in relation to said rooms?

RESPONSE A: Section 9 (3) (b) of the amendment to the CGA states that the integrated resort development will be comprised of one or more hotels providing in the aggregate at least one thousand associated hotels under construction but excluding hotel rooms already in existence prior to making the application under section 10 of which five hundred rooms will be designed as luxury rooms. "Luxury Rooms" means private and spacious accommodations with high quality fixtures and furnishings which may include but is not limited to butler service, high end and exclusive in-suite amenities such as jacuzzis, private entrances, modern technology and dining facilities, with a minimum Cost Per Key of US\$500,000.00 per room. The cost per key can be considered as the cost to build an operating/revenue generating unit in a hotel. The units/rooms used in estimating the cost per key are the saleable rooms used to accommodate guests. It can be calculated as the total amount spent to build, operate and maintain the AIRD divided by the number of saleable rooms which accommodate guests.

Delay (Section 9.3.e): the CGA sets forth a 3 year delay for the project to be fully operative since the beginning of the casino activity. In order to be able to meet this condition:

QUERY B: If we get our AIRD status, can we decide when we subsequently apply for the Casino Licence or else, is there a predefined delay to do so?

RESPONSE B: There is no need for a delay in applying for a Casino Gaming Licence. Once a prospective Casino License holder has obtained an Approved Integrated Resort Development (AIRD) Order issued by the Minister of Finance and the Public Service or is duly nominated by a holder of an AIRD Order, it may proceed to apply under the Casino Gaming Act. Each AIRD Order will be unique based on the submission of an applicant and will outline the specific terms and conditions, including

timelines that will support the implementation of the project and facilitate the application for a Casino License.

QUERY C: As for the launching of the Casino operations, is there an estimated maximum or minimum delay?

RESPONSE C: The application for an AIRD Order and a Casino License are two separate processes. As noted above, the AIRD Order will outline the specific timelines and performance criteria under which an integrated development will operate. A Casino License will also outline the specified period under which a Casino should commence operations and how it should operate as prescribed under Section 19 under the CGA.

For the avoidance of doubt, the three-year timeline mentioned in Section 9 (3) (e) is specific to the maximum timeline between the start of casino operations and the commencement of full operations of the investment project as defined in the AIRD Order.

QUERY D: As regards to the quantification of the total investment, the CGA and the guidelines refer to the total aggregate cost of “establishment, operation and maintenance”. I would be grateful if you could confirm that this covers:

- a) the initial investment in the hotel (fixed assets and FF&E) +
- b) casino equipment investment +
- c) Capex investment to maintain the hotel (capex – for how long?) +
- d) pre-opening and opening expenses and if so, for how long? +
- e) working capital (and if included, for how long?)

RESPONSE D: Section 9 (3) (d) of the amendment to the CGA outlines that a minimum capital investment of Five Hundred Million United States Dollars should be acquired by the developer for the establishment, operation and maintenance of the proposed integrated resort development. This is inclusive of the following:

- a) *Investment capital* - This includes costs associated with fixed asset, furniture, fixtures and equipment.
- b) *Casino equipment investment* – Note, however this does not include fees associated with receiving a Casino License.

- c) *Capital expenditure* – Capital related expenditure required to facilitate the set up and operation of the Development.
- d) *Pre- opening and opening expenses*- Both pre-opening and opening expenses should be included in the capital investment amount. These expenses would be classified as expenditure to bring the development into an operating state. The US\$500 million does not include recurrent expenses to be incurred after the commencement of full operations of the AIRD.
- e) *Working Capital*- The developer should be able to demonstrate the ability to have sufficient working capital so far as to provide assurance that cash flows are available to set up and commence the full operation of the development.

QUERY E: Is there a reference for the minimum investment threshold and the characteristics of investment per luxury room?

RESPONSE E: Section 9 (3) (d) of the amendment to the CGA, outlines that a minimum capital investment of five hundred million United States Dollars should be acquired by the developer for the establishment, operation and maintenance of the proposed integrated resort development. Please see response to the first query as reference.