

State of Louisiana

Considerations Relating to New Orleans Casino Licensing

Disclaimer

On Industry Expertise:

- Chartic does not represent itself as an expert in the gaming industry nor does it claim any expertise in related hospitality or tourism markets.

On Legal Expertise:

- Chartic is not a law firm, has no lawyers on staff and no material in this report has been reviewed by any qualified counsel at Chartic's direction. None of the information here should be interpreted as representing a legal opinion or advice in any way.

On Data Completeness and Veracity:

- The one-week project timeline precluded a comprehensive analysis and Chartic has made its best effort to collect, review and analyze relevant data and information within this one-week time period. Chartic does not attest to the accuracy or completeness of any of the data contained within this report; where available, data sources are referenced to allow the reader to independently consider any potential bias, completeness and accuracy.
- There may be several other data sets and analyses that have been unintentionally omitted from this document which may be relevant to objectives of this study.

On Interpretation of Findings

- Chartic is not making any recommendations of any kind, either for or against any terms relating to gaming licensing, nor is Chartic offering an opinion as to the fairness of any current or potential licensing agreement.

Project Context and Objectives

Background:

- In 1993, the State of Louisiana agreed to issue a license for one land-based casino to be located in New Orleans
- Harrah's formed a consortium with other casino developers to build and operate this casino as Harrah's Jazz
- The original terms of the license agreement included the following summary terms:
 - Upfront payment of \$125MM
 - Guaranteed tax payments of \$100MM per year
- After a brief attempt at operating from a temporary location, Harrah's Jazz filed for bankruptcy in November 1995
- In October 1999, a newly structured casino operator, JCC Holdings, (43% owned by Harrah's) began operating from its current location under the Harrah's brand
- In 2001 after filing for bankruptcy, Harrah's gained ownership and renegotiated its contract with the State of Louisiana to reduce the minimum annual tax payment to \$60MM (after one year of a \$50MM minimum)
- The current license expires in 2024 and Harrah's has been actively negotiating for its renewal under new terms
- Two versions that are currently being debated share many similar elements (36 year license duration, taxes at 21.5% of Gross Gaming Revenue (GGR), additional fixed payments totaling up to \$100MM, additional annual payments of \$9.4MM) and one key difference (minimum annual tax payments of \$60MM or \$80MM)

Project Scope and Approach

- Chartic was contacted by Louisiana Economic Development to help it think through the appropriateness of various terms under negotiation between the State of Louisiana and Harrah's.
- All work was to be completed within one week's time. It was recognized that this timeline limited the depth and scope of the analysis.
- Chartic agreed to focus its time on the collection and synthesis of primary and secondary data that might provide some comparable data with which to evaluate license renewal terms with Harrah's.
- Chartic conducted various interviews with representatives from Harrah's New Orleans, Gaming Commissioners or similar from 6 states (LA, MS, MA, MD, PA, NV) and constituents with diverse views on the proposal.
- In addition, Chartic collected secondary data from published sources including UNLV academic research, State gaming regulators, industry analysts (e.g. Spectrum, RubinBrown), trade associations (e.g. American Gaming Association), trade press, investor presentations and financial filings of publicly traded casino operators and REITs, press releases and general news sources.

Executive Summary

Background and Context: Gaming Industry

- The commercial casino market has experienced significant growth over the past several decades, and across the US there are roughly 700 commercial casinos which in aggregate generate roughly \$40B per year in gross gaming revenues.
- Louisiana was a relatively early entrant into legalized casino gambling and since the early 1990s has added 20 commercial casinos which combined generate nearly \$2.6B in gross gaming revenues behind only Pennsylvania and Nevada with \$3.2B and \$11.6B respectively.
- In terms of tax receipts, Louisiana ranks seventh, with roughly \$590MM in 2017, behind Pennsylvania, New York, Nevada, Maryland, Indiana and Ohio. It's effective tax rate of roughly 23% is on the lower end of US state averages and is ahead of Iowa, Michigan, South Dakota, Colorado, Mississippi, New Jersey and Nevada.
- Since 2010 the commercial casino market has grown at approximately 2% per year nationally, and New Orleans regional competitors (coastal casinos in Mississippi and riverboat casinos across Louisiana) have grown at a similar pace to achieve gross gaming revenues of \$3.5B in 2017.

The Land-Based New Orleans Casino

- After a turbulent start, including bankruptcy and closure in 1995, the land-based New Orleans casino operated by Harrah's reopened in 1999 with revised estimates of gross gaming revenues of roughly \$300MM per year – substantially lower than the \$1B estimates projected at its inception.
- Since opening in October 1999, gross gaming revenues at the casino grew steadily to a peak of over \$400MM in fiscal 2008.
 - During this time, the operator continued to make minimum tax payments (equivalent to \$60MM per year) following Hurricane Katrina, during which time the casino was closed for approximately 6 months.
- During the recession, GGR fell to the mid \$300MM range and has softened further since then with current annual gaming revenues of roughly \$280MM.
- Harrah's has developed a master plan that calls for an additional investment of \$350MM to upgrade the hotel, including rooms and amenities which it estimates will generate additional tax payments, construction jobs, other direct and indirect / induced jobs. To support this investment, Harrah's wants to renew the current gaming license which expires in 2024.

Executive Summary

Benchmarking: Comparative Casino Licensing Agreements

- Since each casino property, regulatory oversight and competitive market is unique, to provide additional context for understanding the appropriateness of various iterations of alternative terms, we summarized key data points from five different casino licensees including Wynn's Encore Boston Harbor, Mirage Beau Rivage in Biloxi Mississippi, The Seminole's Hard Rock in Florida, the MGM National Harbor in Maryland and the Rivers Casino in Schenectady NY.
- These deals differ in many ways including the license duration, contractual license fees, tax rates as % of GGR, minimum payments, renewal fees, and project size and scale. We have identified no comparable license with a duration as long as that in New Orleans or an upfront fee so large, though many have higher tax rates.
- In addition to laying out comparable data for each property, we developed a common metric to be able to compare and benchmark the economic terms more easily across casinos. The resulting metric is calculated as the Present Value of all Taxes & Fees divided by the Present Value of Gross Gaming Revenues over the duration of the license.
- For the benchmark casinos, this analysis suggests a fairly wide range that on the low end includes Mississippi Beau Rivage at 12% to a high of 39% at Maryland's MGM National Harbor. Using this same metric we modeled the New Orleans casino with both revenue and flat-revenue scenarios iterations for each of the current proposals being discussed (either \$60MM or \$80MM minimum annual tax payment) and a further 'high risk' scenario where a natural disaster forces the casino to close for a year.
- For the New Orleans license the resulting metric fell between 26% and 31% for all scenarios modeled.

Other Considerations

Beyond the economic terms of the license, the State may want to factor in other issues, including:

- **Timing:** The goal of the State (and all parties) should be to achieve the best economic terms and to realize those benefits as soon as possible. Any protracted period of negotiation would therefore need to be accompanied by an expectation for superior terms to offset the cost of deferring benefits further out into the future.
- **Risk:** There is inherent risk that the current environment in which negotiations are taking place may change, either subtly or drastically. These changes may impact either or both the State's and the applicant's plans and negotiating positions which may either improve or damage the net value of negotiated economic benefits.
- **Complexity:** To the extent that the State is interested in soliciting bids from other developers and casino operators, there are likely several questions the State will want to seek answers to including the likelihood of suitable bidders, the likelihood of superior terms with other bidders, any potential for prolonged negotiation, legal challenges, litigation, property rights and ownership issues, and casino employee concerns to suggest a few. The State may wish to seek advice from appropriate counsel.

Overview of the US Casino Market

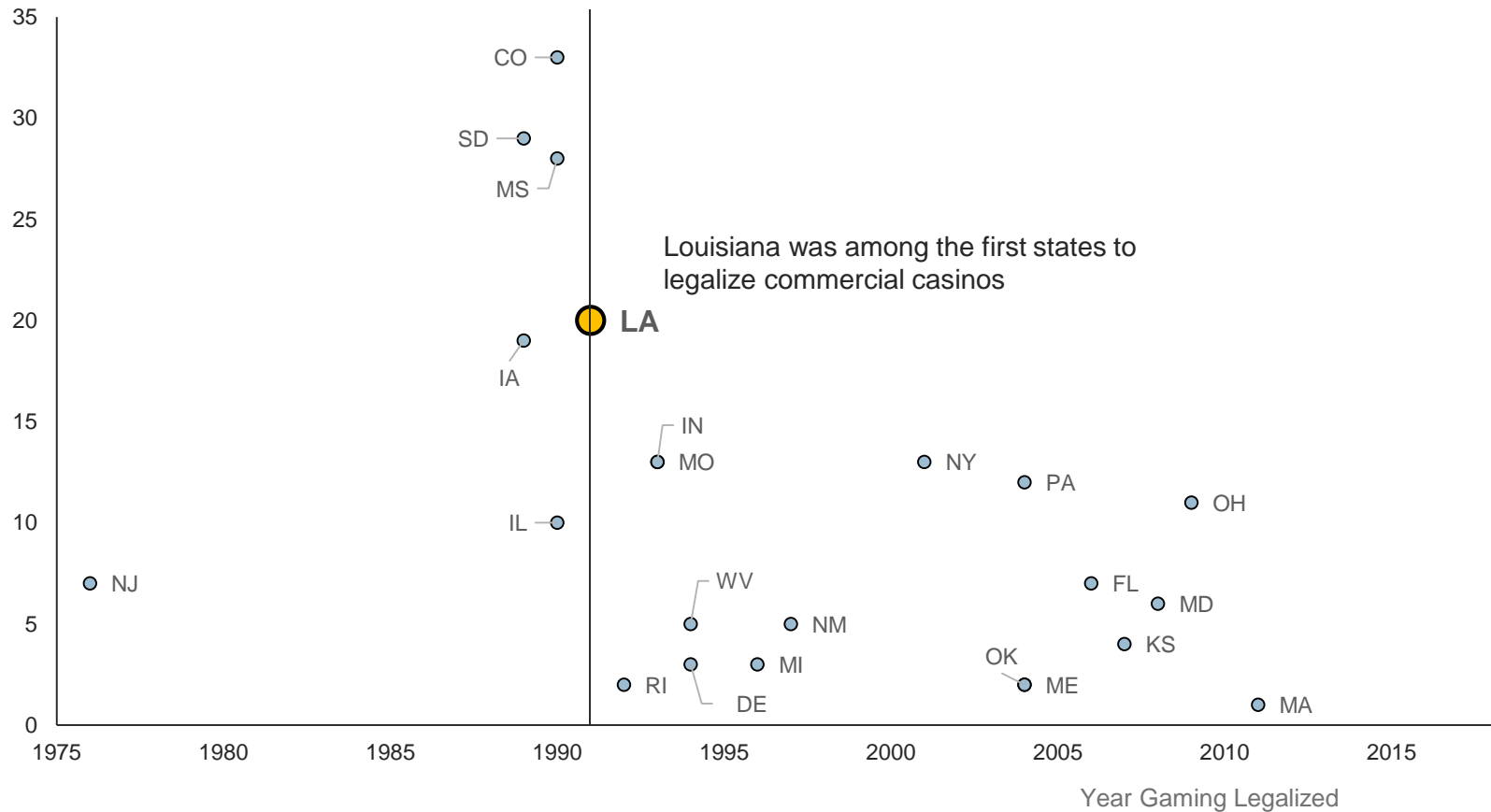
US / National History and Context

Local / Regional Market History and Context

Twenty-four states have legalized commercial casinos; Nine since the year 2000

Number of Commercial Casinos in Each State & Year Gaming Legalized (excl. NV)

of Casinos Operating in
2017

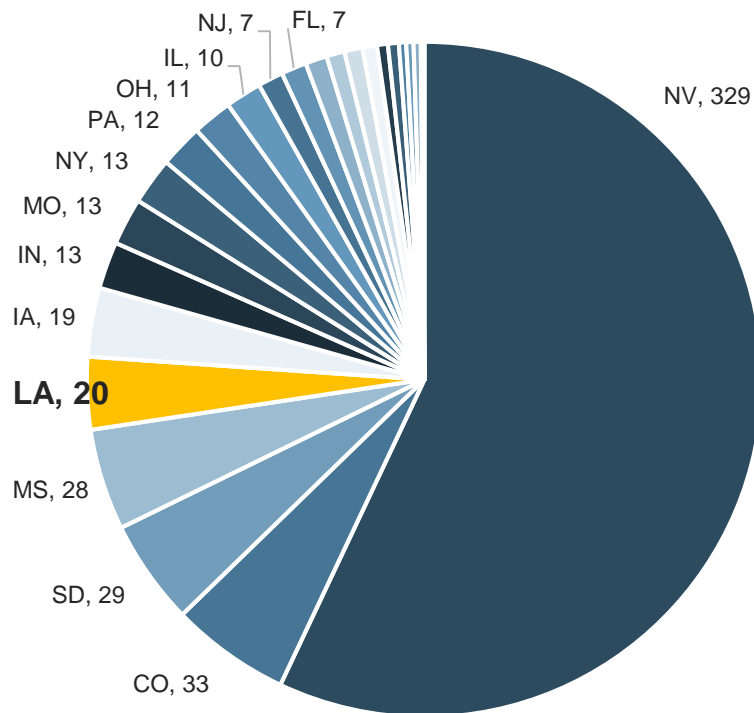


Louisiana's twenty commercial casinos generate more revenue than all states except NV & PA

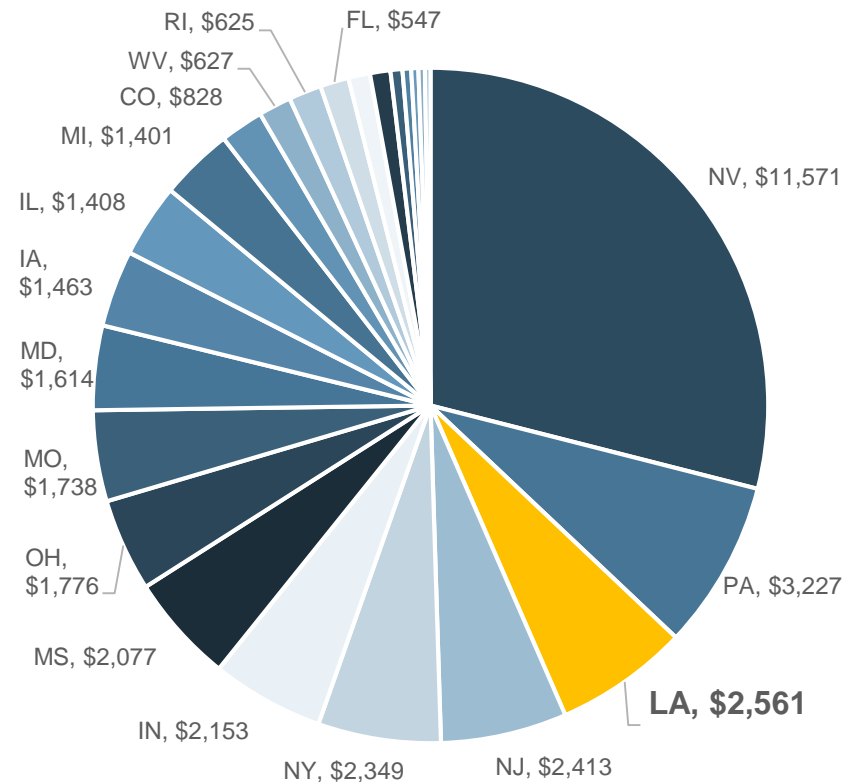
Louisiana has 20 commercial casinos...

... which, combined, generate \$2.6B/year

Number of Commercial Casinos by State

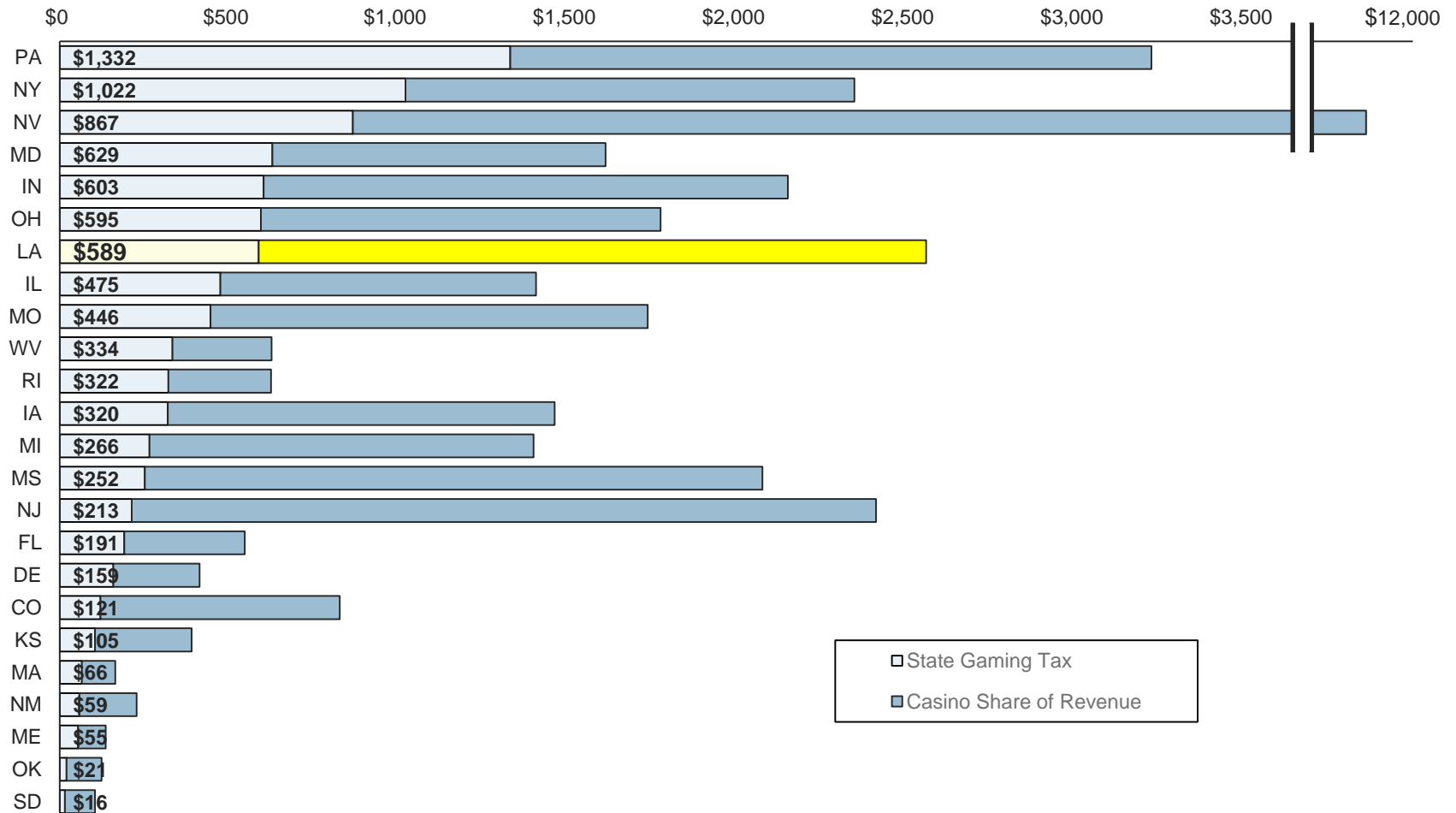


Commercial Casino Revenue by State



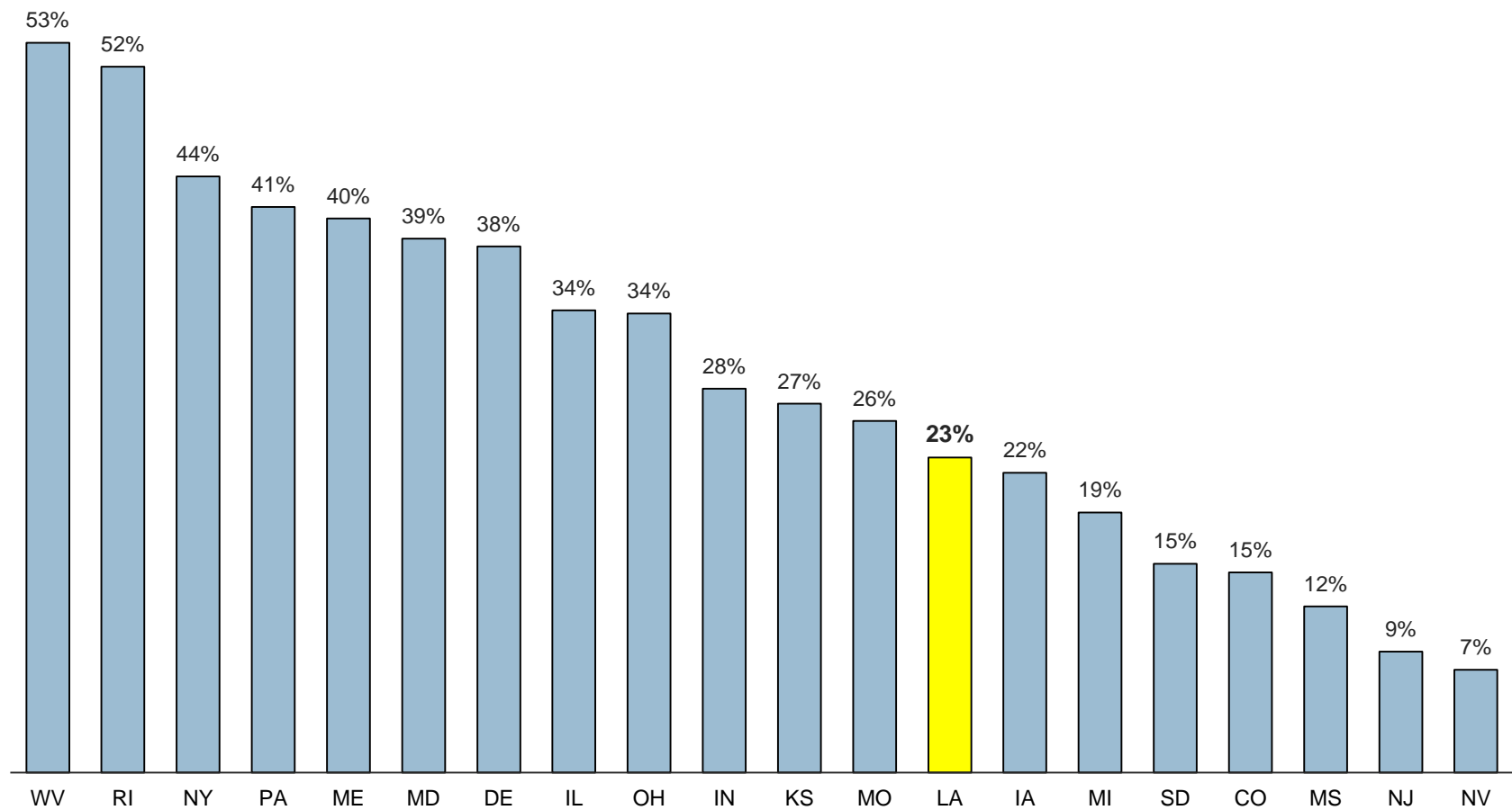
LA is ranked #7 nationally in tax receipts

2017 State Tax Receipts from Commercial Casino Gaming



LA's statewide effective tax rate on gaming is towards the lower end

Effective Tax Rate on Commercial Casino Gaming by State, 2017

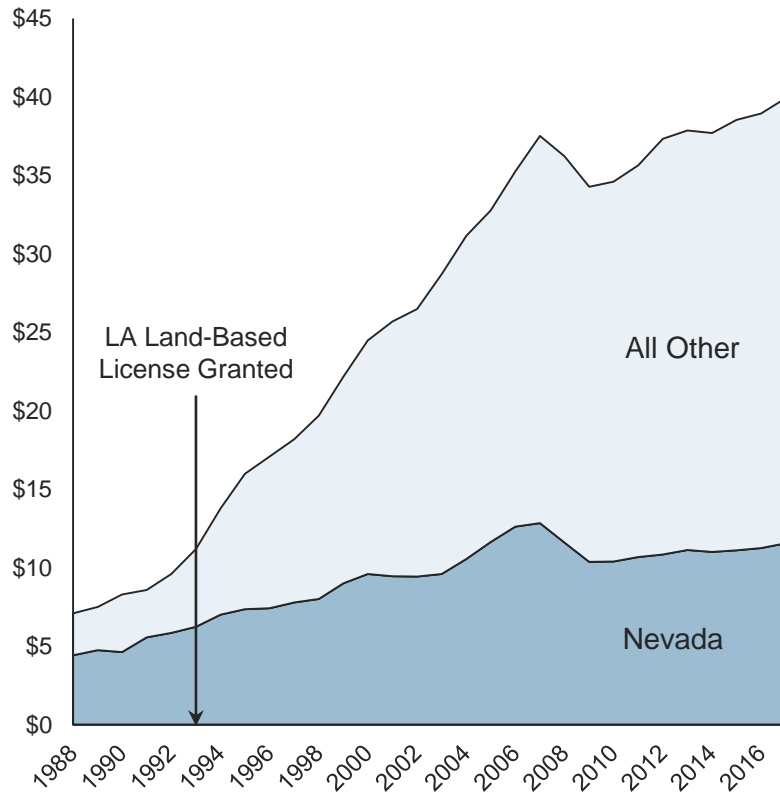


Note Excludes states with no commercial table gaming. MA's resort casinos will have a 25% tax when open.

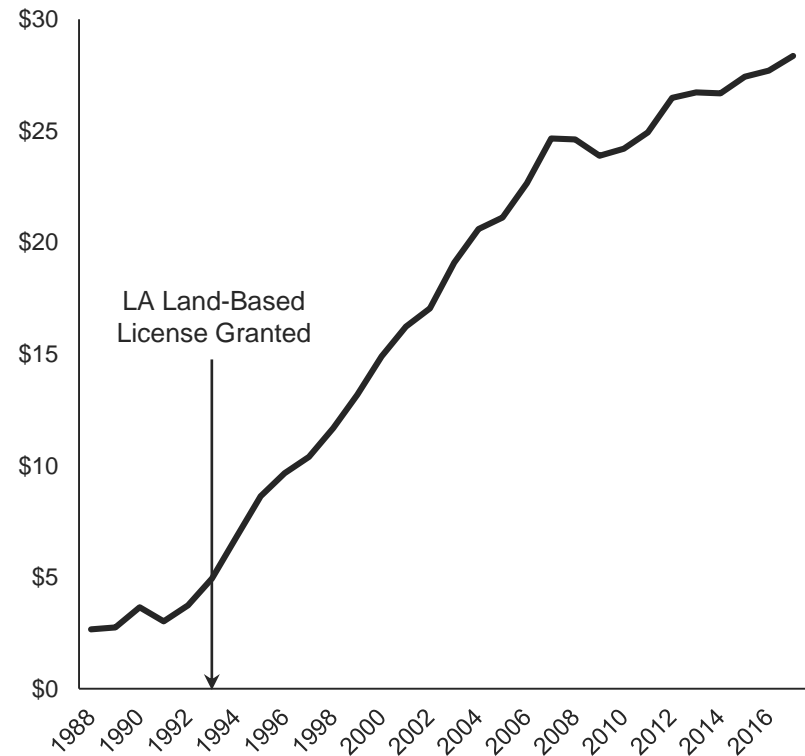
Source RubinBrown Gaming Stats 2018

The commercial casino industry has grown greatly since Louisiana granted its only land-based casino license in 1993

US Commercial Casino Gaming Revenues, \$Billion



US Commercial Casino Gaming Revenues (excluding Nevada) \$Billion



New Orleans Casino

History

Original Terms

Current Terms under Review

Louisiana collects tax from commercial casinos

All Casinos

Riverboat casinos

- 1991: vote for max 15 riverboat casinos statewide
- 2001: riverboat casinos allowed to remain dockside
- 2018: legislation to allow:
 - Casinos can move on land within 1200ft of original site
 - Maximum of 2,635 gambling machines per casino
- State tax 21.5% of AGR & local tax ~4.5% of AGR

Land-based casino

- 1992: allow for one land-based casino in Louisiana
- Gaming tax: greater of 21.5% of AGR or \$60 million
- Gaming area maximum 100,000 sqft

Racinos

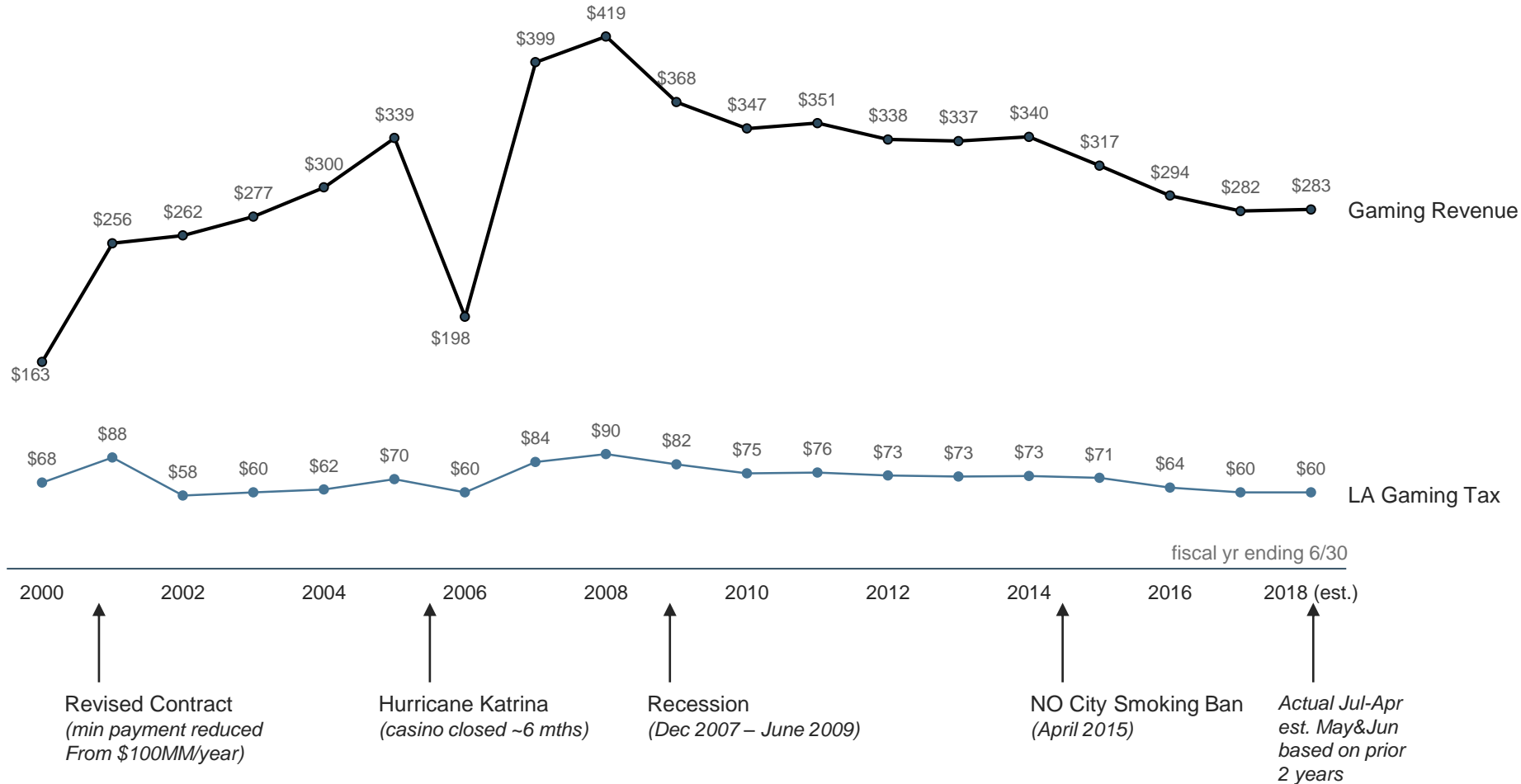
- 1997: authorized slots at live horseracing facilities
- First racino opened in 2002
- 18% of AGR to supplement live racing purses
- Post-purse balance is subject to state gaming tax of 18.5% and local taxes of up to 4%

Specific to New Orleans Casino (current)

- 30 year operating license to be the only land-based casino in New Orleans
- Initial bid of \$125MM for the license
- Minimum guaranteed tax payment from this casino
 - Initial contract: \$100MM per year (paid at \$273,973 per day)
 - Also “\$14 million annual minimum to the city, the \$2 million to city schools, and the \$200,000 a year earmarked to purchase aquarium tickets each year from the Audubon Institute. And on, and on.” – Fortune, 1998
- Temporary casino opened May 1995, but only generated gaming revenue of \$10MM/month – closed Nov 1995 and operator entered bankruptcy
- Emerged from bankruptcy and opened current permanent facility with lower revenue estimates (\$300MM vs \$1B) in October 1999
- Renegotiated minimum annual gaming tax payment to \$60MM per year beginning in 2002 after 1 year of \$50MM (paid at \$164,384 per day)

The New Orleans' casino's revenue peaked in 2008

Harrah's New Orleans Gaming Revenue Since Opening (Oct 26th 1999)
(\$ million)

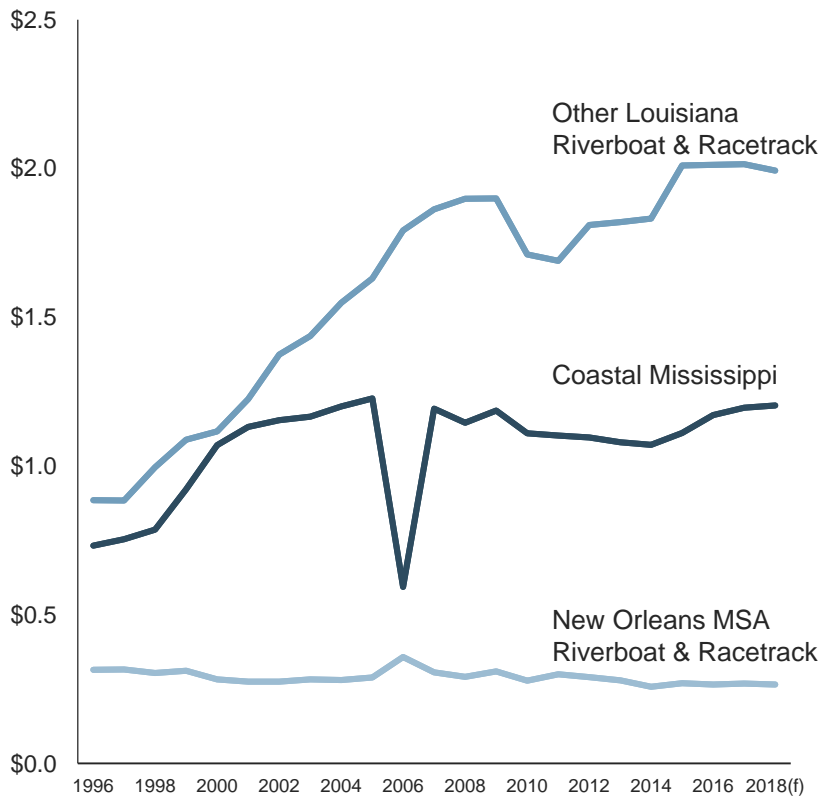


Other surrounding casinos have seen stable / growing revenues

The area market captures ~ \$3.5Billion

Local Casino Market Competition

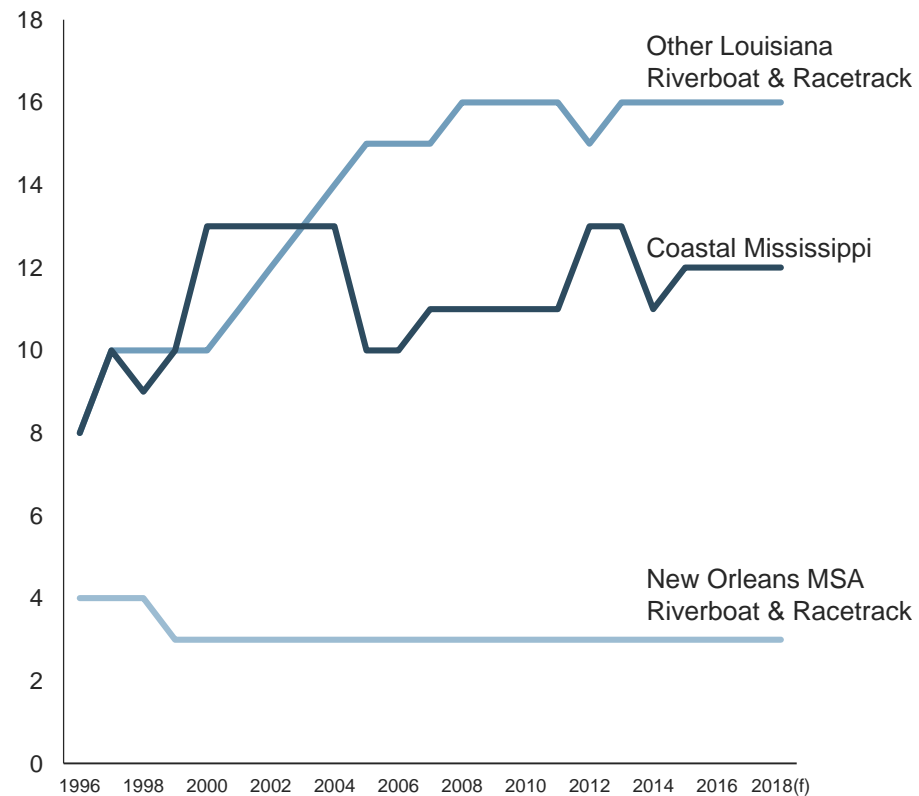
Annual Revenue (\$Bil) by Segment



Since 2010, the # of casinos has been stable

Local Casino Market Competition

Number of Casinos by Segment



Notes Includes riverboat and racetrack casinos in Louisiana, excludes tribal casinos

Source Mississippi Gaming Commission, Louisiana Gaming Control Board

Comparables

Data and Analysis

Benchmarking against other states

Examples of Comparable Licenses

| State | Initial Fee | License Length | Comments |
|-------|---------------|---------------------------|---|
| LA | \$125MM | 30 years | 1993 contract for New Orleans Also \$100MM tax minimum (reduced to \$60MM) |
| PA | \$50MM | 5 years | Recent auction for smaller casinos raised \$0-\$75MM. Expect rollover renewal |
| NY | \$20MM-\$50MM | 10 years | Recent expansion in upstate NY |
| MA | \$85MM | 15 years | For resorts in Boston & Springfield |
| MD | ~\$21MM | 15 years +10 year renewal | Fee depends on casino size (\$6,000 per slot machine) |
| OH | \$50MM | 3 years + 3 year renewals | \$1.5MM fee for each renewal |
| NV | Negligible | annual | |
| MS | Negligible | annual | |

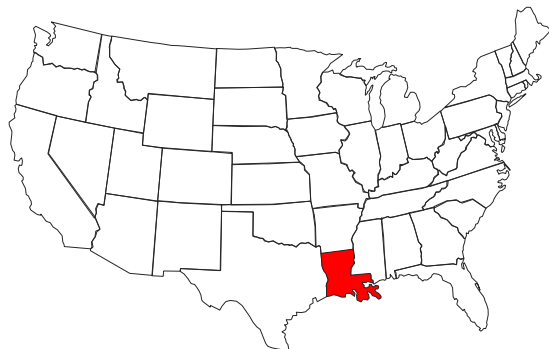
Notes on Analysis on Following Pages

- In our initial scan of the industry, we found no example of a license fee as high as that for the land-based license in Louisiana or any license duration as long
- Taxes, license fees and other required payments in combination comprise the regulatory costs to a casino
- To benchmark against casino deals in other states we used the ratio of:

$$\frac{\text{Present Value of all Taxes \& Fees}}{\text{Present Value of Casino Revenue (GGR)}}$$

- In comparing contracts, we use a discount rate of 4.5% (LA's cost of capital) to convert future revenues and costs to present value and OECD's forecast of 2% CPI inflation for the US. To illustrate:
 - The original 1993 New Orleans casino contract:
 $\$125\text{MM fee} + \100MM tax minimum
 given inflation of 2.23% since 1993 is, in 2018 \$, worth:
 $\$213\text{MM fee} + \173MM tax minimum
 - The present value of a fixed minimum annual tax payment decreases greatly over time:
 $\$100\text{MM in the last year of a 36 year is worth } \$21\text{MM of value today}$

Overview of Harrah's New Orleans, Louisiana (proposed deal)



Taxes & Fees / GGR¹ 26-31%

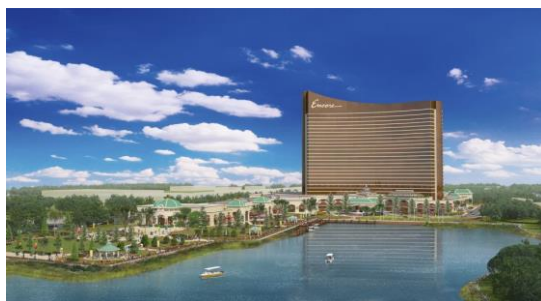
| | |
|---|--|
| Year license granted | • 1993 – current license expires 2024 |
| License duration | • Proposed 36 years: 6 remain + 20 yrs + 10 yr renewal option |
| License Conditions | • Capital Investment of \$350MM in hotel and facility expansion |
| Initial License Fee | • \$60MM upfront (\$20MM of which to be spread over 3 years) + \$40MM if VICI exercises REIT call option |
| Tax Rate | • 21.5% of GGR |
| Other Taxes / Regulatory Fees (per year per casino) | <ul style="list-style-type: none"> • \$5.25MM per year to city / parish (marketing fund, school board, city grants) • \$9.4MM per year to State (\$3.4MM: K-12 education) and City (\$6MM) |
| License Renewal Fee | • Yet to be determined |
| License Fee / Tax Considerations | • To be evaluated |
| Property Details | <ul style="list-style-type: none"> • Developer Harrah's (Caesars Entertainment) • Opening Date 1999 • Project Capex to date Initial \$345MM (~\$1B thru 2009) • Proposed Capex \$350MM • GGR \$280MM • GGR (projected after hotel expansion) \$330MM |

*450 room hotel
 (340 additional rooms proposed)
 >1,500 slots
 100 gaming tables
 25 poker tables*

Note ¹ Present value of all known taxes, fees and statutory payments / present value of expected GGR over the duration of the term of the license (assumes a 4% discount rate and 2% inflation for GGR and statutory payments)

Source: Louisiana Economic Development, Caesars Entertainment, press articles

Case Study 1: Boston Harbor, Massachusetts



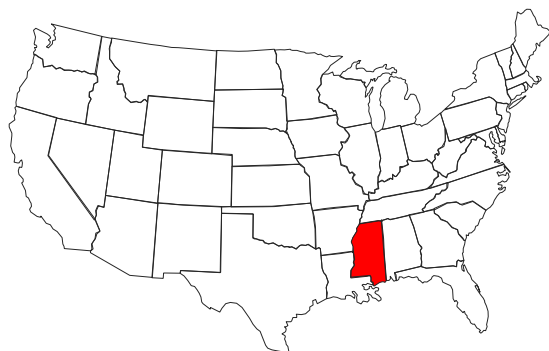
Taxes & Fees / GGR¹ 31%

| | |
|--|--|
| Year license granted | • 2014 |
| License Duration | • 15 years |
| License Conditions | <ul style="list-style-type: none"> • Minimum \$500MM Capital Investment [claim highest in US] • Facility maintenance 2-3% of capex / year |
| Initial License Fee | • \$85MM |
| Tax Rate | • 25% of GGR |
| Other Taxes / Regulatory Fees (per year per casino) | <ul style="list-style-type: none"> • Responsible Gaming Programs ~\$2MM • Gaming Commission operating costs \$5-10MM • Agreements w/ host & surrounding communities \$20-\$30MM |
| License Renewal Fee | • Yet to be determined |
| License Fee / Tax Considerations | <ul style="list-style-type: none"> • Set a level that is <i>“thoughtful and appropriate”</i> to achieve <i>“investment in a high quality product. If the license fee was more, the casinos would invest less elsewhere.”</i> • <i>“Competition [application evaluation, not fees] got the best deal”</i> |
| Example: Encore Boston Harbor | <ul style="list-style-type: none"> • Developer Wynn Resorts • Opening Date 2019 • Project Capex (projected) \$2.4B • GGR (projected) \$770 - 910MM • % GGR from local / regional area 73% • Property Profitability (projected EBITDA) 27.5 - 32.5% |
| <p>671 room hotel</p> <p>2,860 slots</p> <p>142 gaming tables</p> <p>95 poker tables</p> | |

Note ¹ Present value of all known taxes, fees and statutory payments / present value of expected GGR over the duration of the term of the license (assumes a 4% discount rate and 2% inflation for GGR and statutory payments)

Source: Chartic interview with Chairman of the Massachusetts Gaming Commission, Wynn Resorts Investor Conference (2016), Massachusetts Gaming Commission Presentation (2014), Chartic analysis 19

Case Study 2: Biloxi, Mississippi



Taxes & Fees / GGR¹ 12%

| | |
|--|---|
| Year licenses granted | • 1990 |
| License Duration | • Renewed annually |
| License Conditions | • Minimum Capital Investment – 300 room hotel • 'Open license': no limit on available number of licenses |
| Initial License Fee | • \$0 upfront • Annual license fee \$0.005MM |
| Tax Rate | • 12% of GGR (8% to State, 4% to Local Government) |
| Other Taxes / Regulatory Fees (per year per casino) | • Fee based on no. of games ~\$0.350MM • Payment to local community ~\$0.009MM |
| License Renewal Fee | • \$0.005MM |
| License Fee / Tax Considerations | • Based on the NV Statute • 'Open license' allows for competition among properties |
| Example: Beau Rivage, Biloxi | • Developer Mirage (now MGM) • Opening Date 1999 – rebuilt 2006 • Project Capex (est.) \$700MM + \$550MM rebuild • GGR (2016) ~\$300MM • Total Property Revenue (2017) \$371MM • Property Profitability (2017 EBITDA) \$88MM / 24% |
| 1,740 room hotel 2,818 slots 80 gaming tables 16 poker tables | |

Note ¹ Present value of all known taxes, fees and statutory payments / present value of expected GGR over the duration of the term of the license (assumes a 4% discount rate and 2% inflation for GGR and statutory payments)

Source: Chartic interview with Executive Director - MS Gaming Commission, MGM Resorts Quarterly Investor Presentations, MGM Resorts Press Releases, MGM Growth Properties Investment Case, Mississippi Gaming and Hospitality Association, Chartic analysis

Case Study 3: Florida, Seminole Tribe proposed deal



Taxes & Fees / GGR¹ 15%

| | |
|----------------------------------|--|
| Year casinos begun | <ul style="list-style-type: none"> 1988 (Indian Gaming Reg Act) New agreement with State of Florida being negotiated |
| Contract Duration | <ul style="list-style-type: none"> 20 years |
| Contract Conditions | <ul style="list-style-type: none"> Limits on facility expansion (max 24,500 slots and 1,050 tables across the 7 casinos) Agreement on degree of gaming exclusivity across the State – current area of dispute |
| Fees | <ul style="list-style-type: none"> None |
| Tax Rate | <ul style="list-style-type: none"> Guaranteed payments for first 7 years totaling \$3B (\$325MM in year 1, rising to \$550MM in year 7) Beyond year 7, tax rates based on revenue: 13% on first \$2B of GGR, 17.5% for GGR of \$2B-3.5B (2016 GGR = \$2.3B) |
| Other Taxes / Fees | <ul style="list-style-type: none"> Payments for oversight & problem gambling of \$2.2MM (<1% of tax) |
| Renewal Fee | <ul style="list-style-type: none"> Unknown |
| License Fee / Tax Considerations | <ul style="list-style-type: none"> Contract between Florida and tribal casinos for (voluntary) gaming tax payments in exchange for limits on competitive commercial casinos |
| Example: | <ul style="list-style-type: none"> Developer Opening Date Project Capex GGR (Fiscal 2016: 7/16-6/17) |
| Hard Rock, Hollywood | <ul style="list-style-type: none"> Seminole Tribe 2019 est. \$1.5B expansion \$579MM |
| 1,270 room hotel | |
| 3,267 slots | |
| 178 gaming tables | |

Note ¹ Present value of all known taxes, fees and statutory payments / present value of expected GGR over the duration of the term of the license (assumes a 4% discount rate and 2% inflation for GGR and statutory payments). This proposed agreement has not been finalized

Case Study 4: National Harbor, Maryland



Taxes & Fees / GGR¹ 39%

| | | | | | | | | | | | | | |
|---|--|-------------|-----|----------------|------|------------------------|--------|--------------|---------|---|---------|--|-----|
| Year licenses granted | <ul style="list-style-type: none"> • 2008 - 5 casinos with slots only • 2012 referendum added table games & 1 additional casino | | | | | | | | | | | | |
| License Duration | <ul style="list-style-type: none"> • 15 years + 10 year renewal option | | | | | | | | | | | | |
| License Conditions | <ul style="list-style-type: none"> • County requirements on Capex / hotel restrictions etc. • Max 1 casino per owner | | | | | | | | | | | | |
| Initial License Fee | <ul style="list-style-type: none"> • \$6,000 per slot machine (\$21.6MM for MGM Inner Harbor) | | | | | | | | | | | | |
| Tax Rate | <ul style="list-style-type: none"> • Table games: 20% [15% education / 5% local] • Slots varies by casino: 50%-67% (MGM=56%) [MGM: 41% education / 7% horseracing / 5.5% local / 3% other] | | | | | | | | | | | | |
| Other Taxes / Fees | <ul style="list-style-type: none"> • Annual responsible gaming fee: \$500/table, \$425/slot | | | | | | | | | | | | |
| License Renewal Fee | <ul style="list-style-type: none"> • Not yet determined: <i>"Within 1 year of the end of the initial 15-year license term, a video lottery operation licensee may reapply for a license that has a license term of 10 years and <u>a license fee to be established by statute.</u>"</i> | | | | | | | | | | | | |
| License Fee / Tax Considerations | <ul style="list-style-type: none"> • "You have to do what's right for the state. It's subjective." | | | | | | | | | | | | |
| Example: MGM National Harbor | <table> <tr> <td>• Developer</td><td>MGM</td></tr> <tr> <td>• Opening Date</td><td>2016</td></tr> <tr> <td>• Project Capex (est.)</td><td>\$1.4B</td></tr> <tr> <td>• GGR (2017)</td><td>\$609MM</td></tr> <tr> <td>• Property Profitability (2017 EBITDA \$)</td><td>\$134MM</td></tr> <tr> <td>• Property Profitability (2017 EBITDA %)</td><td>24%</td></tr> </table> <p>300 room hotel 3,300 slots 160 gaming tables (incl. poker)</p> | • Developer | MGM | • Opening Date | 2016 | • Project Capex (est.) | \$1.4B | • GGR (2017) | \$609MM | • Property Profitability (2017 EBITDA \$) | \$134MM | • Property Profitability (2017 EBITDA %) | 24% |
| • Developer | MGM | | | | | | | | | | | | |
| • Opening Date | 2016 | | | | | | | | | | | | |
| • Project Capex (est.) | \$1.4B | | | | | | | | | | | | |
| • GGR (2017) | \$609MM | | | | | | | | | | | | |
| • Property Profitability (2017 EBITDA \$) | \$134MM | | | | | | | | | | | | |
| • Property Profitability (2017 EBITDA %) | 24% | | | | | | | | | | | | |

Note ¹ Present value of all known taxes, fees and statutory payments / present value of expected GGR over the duration of the term of the license (assumes a 4% discount rate and 2% inflation for GGR and statutory payments)

Source: Chartic interview with Director of the Maryland Lottery & Gaming Control Agency, MGM Growth Properties Investor Presentation, Chartic analysis

Case Study 5: Schenectady, New York



Taxes & Fees / GGR¹ 38%

Year licenses granted • 2016

License Duration • 10 years (7 years of exclusivity)

License Conditions • Conditions on Capex – set by Gaming Commission
• Economic development impact criteria dominate selection

License Fees • \$50MM

Tax Rate • Table games : 10% / Slots: 37-45% (varies by region)
• *Proceeds: 80% statewide K-12 education & property tax relief, 20% local (5% muni/ 5% county/ 10% region),*

Other Taxes / Fees • Payments to subsidize horseracing industry – negotiated by casino (up to 10% of revenue)
• \$500/slot or table for problem gambling

License Renewal Fee • Unknown:
“Renewable for a period of at least 10 years”

License Fee / Tax Considerations • Unknown

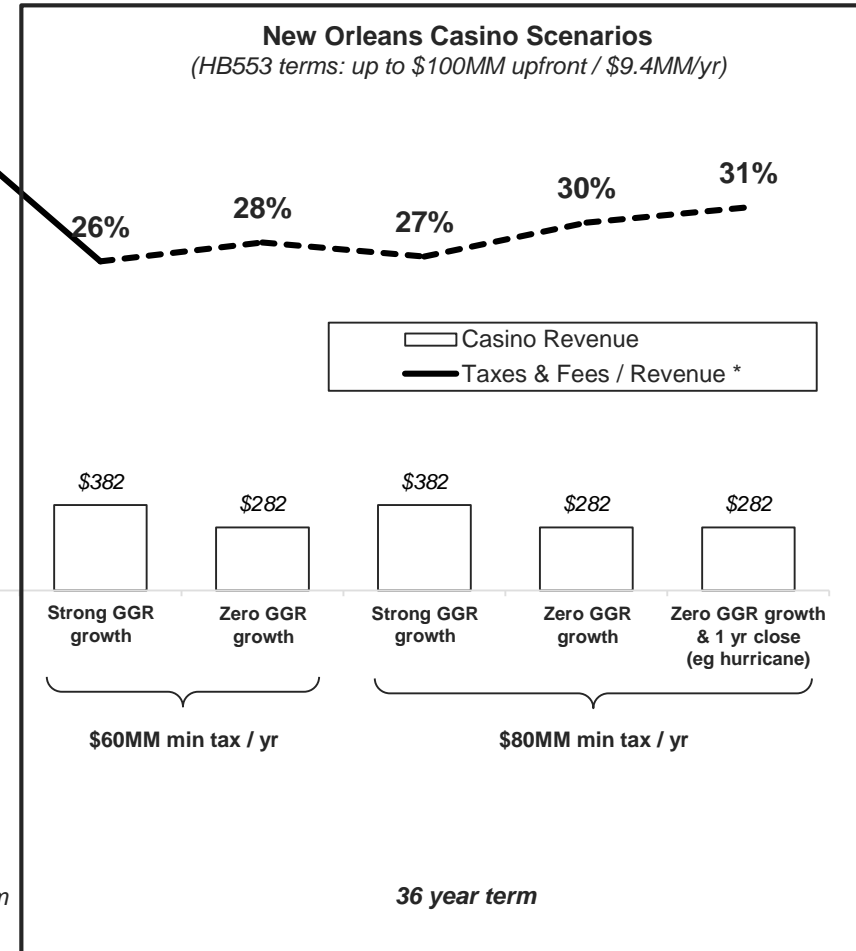
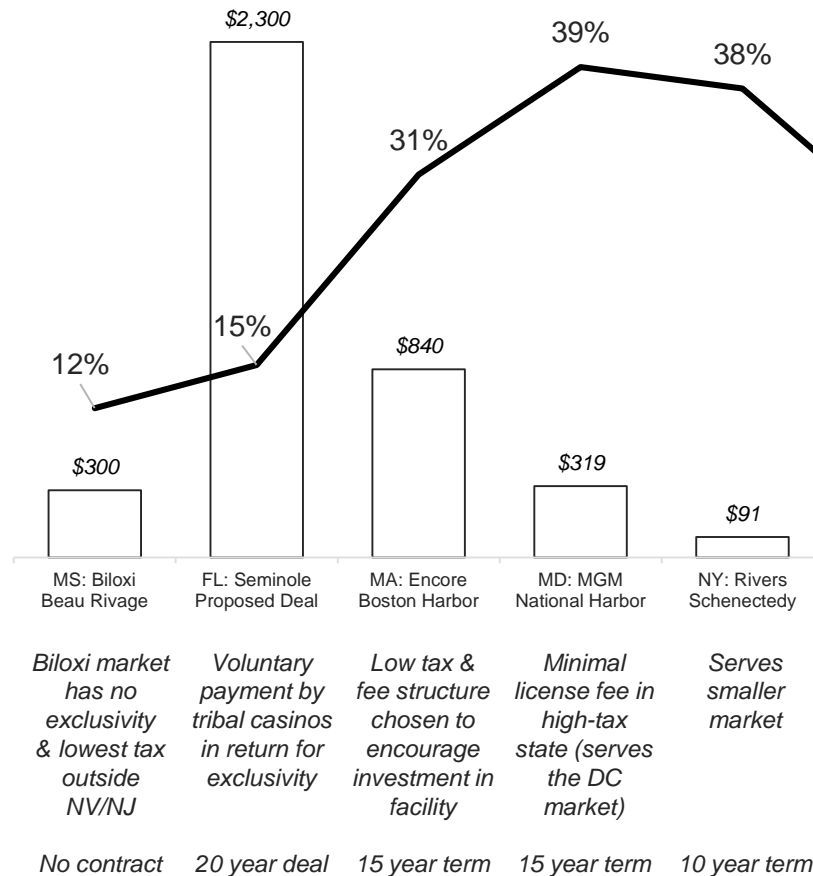
| | | |
|------------------|--------------------------------|----------|
| Example: | • Developer | Rivers |
| Rivers Casino, | • Opening Date | Feb 2017 |
| Schenectady | • Project Capex | \$330MM |
| | • GGR (Fiscal 2018: 4/17-3/18) | \$141MM |
| | • Predicted year1 GGR | ~\$200MM |
| 165 room hotel | | |
| 1,150 slots | | |
| 67 gaming tables | | |
| 16 poker tables | | |

Note ¹ Present value of all known taxes, fees and statutory payments / present value of expected GGR over the duration of the term of the license (assumes a 4% discount rate and 2% inflation for GGR and statutory payments). Excludes payments made to horseracing industry.

Source: New York Gaming Commission, New York State Press Release, Albany Business Review, Rivers Casino, Chartic analysis

Either proposed deal would result in an effective tax burden for Caesars that is higher than MS & FL but lower than other recent deals

Comparison of Selected State Casino Cost Benchmarks



Notes

*Present value of all known taxes, fees and statutory payments / present value of expected GGR over the duration of the term of the license

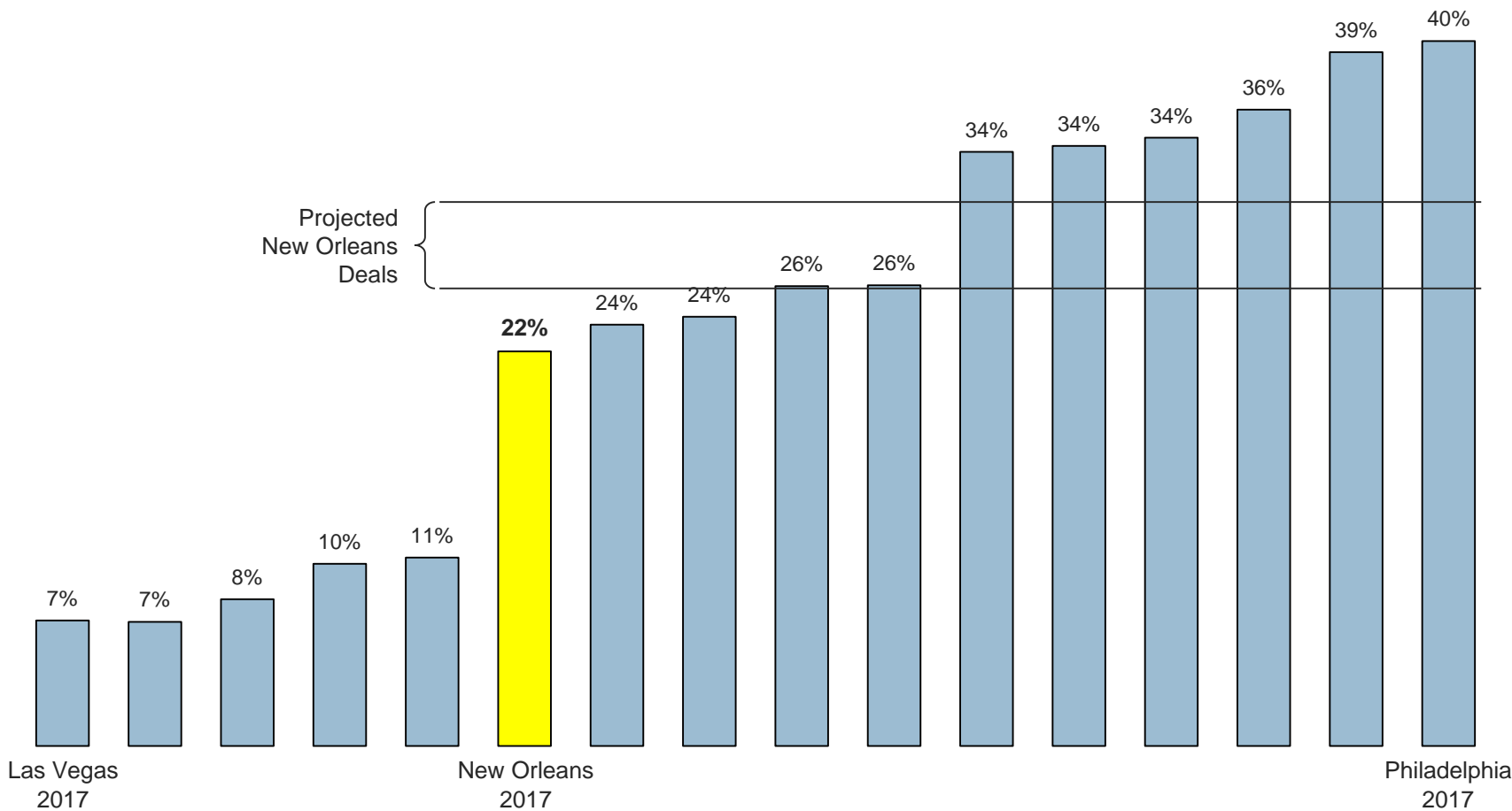
Assumes a 4.5% discount rate and 2% inflation for GGR and statutory payments where known

New Orleans model assumes VICI executes option in 2022 in each scenario, triggering \$40MM payment

Sources: see previous slides, Louisiana Economic Development, Chartic analysis

Within Caesars' portfolio, there is a wide range of tax burdens

Caesars Casino Portfolio by Market
Gaming Taxes & Fees / GGR



Other Considerations

Observations and Questions for Consideration

Framework for Evaluating Alternative Scenarios

- Our focus has been to provide the State of Louisiana contextual data that might help it evaluate the appropriateness of specific financial terms being negotiated with Harrah's.
- We recognize that the State may want to consider a much broader and more inclusive set of alternatives, including welcoming bids from additional applicants.
- Here, we have attempted to suggest a broader framework for evaluating alternative approaches.
- To the extent that the State becomes directly engaged in soliciting additional bids, we suggest developing this high level framework into a much more robust series of criteria and metrics to project the specific outcomes that would occur under different scenarios.

High Level Evaluation Framework

Suitability

Are bidding parties suitable considering financially viability, reliability, capabilities, resources, etc.?

Strategic Fit

Does the total package support Louisiana's overall gaming strategy?

Financial Benefits

Are the financial terms and benefits being offered fair and attractive?

Complexity / Executability

Are there complicating factors that might add time, cost or uncertainty?

Timing and Risk

Are there any risks that might add cost, defer or lessen benefits or otherwise negatively impact the value of the project or license?

Other Observations and Questions for Consideration

- License renewal period
 - **Observation:** Other states generally offer significantly shorter renewal periods.
 - **Question:** Is there a reason for the thirty year renewal period – and what advantages or drawbacks might this produce?
- Minimum annual payment
 - **Observation:** Minimum annual payments are significantly less common across states, which applies risk to casino operator
 - **Question:** While favorable to the State, would an alternative be to negotiate to increase the percent of GGR that State would receive in exchange for lowering or even eliminating the annual dollar minimum?
- Tax rates
 - **Observation:** Tax rates have been established for on-land and off-land casinos
 - **Question:** How would any change to the tax rate for the on-land license impact other licensees?
- Renewal Fees
 - **Observation:** Other states that we looked at do not have any meaningful renewal fee (MA still unclear)
 - **Question:** Going forward, is there an expectation that all licensees in Louisiana will be subject to a negotiated renewal fee?
- Other Fees
 - **Observation:** Some states assess a change in control fee (e.g. Pennsylvania assesses a fee of ~\$3MM)
 - **Question:** Would this be useful to include in the negotiation?

Other Observations and Questions for Consideration

- Issues and opportunities that may arise from a change in licensee
 - **Questions:** Who would likely be interested in the property, and would some be discouraged to participate for any reason (e.g. due to any potential legal or other battles with the current licensee, etc.)?

Are there any legal issues that might arise over who can claim what rights to what property and for what purposes over what period of time, etc., and are there any other potential sources of litigation?

What casino employee / staffing issues might make any change in licensees problematic (including how many current employees may not be rehired by the new licensee, or hired with less attractive salaries and benefits)?

Would an open bid attract superior terms for the State from a new licensee that would be sufficiently better to offset any potential downside complexity in terms of legal issues, delays / timing issues, etc.?
- Volatility and risks to revenues
 - **Observations** There are multiple risks to gaming revenues, including:
 - Market and Competitive Risks:
 - Regional competition including investments in Mississippi
 - Rise of alternate gaming technologies (e.g. Internet Gaming - iGaming)
 - The recent ruling on sports betting (which is to become legal in Mississippi, for example)
 - Economic Risks
 - Weakening in the overall health of the local economy (e.g. recession / decline in oil prices)
 - Regulatory Factors
 - Changes in various gaming and other regulations that may alter the relative attractiveness of any particular property (e.g. smoking ban, license extension for riverboat casinos, etc.)
 - Acts of God
 - Various climatic / weather-related disruptions (e.g. devastating storms such as Katrina, etc.)
 - **Questions:** Are there other risks that should be considered – and do financial projections adequately account for potential volatility?

What might Louisiana do, if anything, to counter these risks?

Notes on Potential VICI Deal

Text: VICI Offering Memorandum (2/2018)

The Call Right Agreements provide our Operating Partnership with the opportunity to acquire Harrah's Atlantic City, Harrah's New Orleans and Harrah's Laughlin from CERP or CGP, as applicable. Our Operating Partnership can exercise the call rights within five years from the Formation Date by delivering a request to the applicable owner of the property containing evidence of our ability to finance the call right. The purchase price for each property will be 10 multiplied by the initial property lease rent for the respective property, with the initial property lease rent for each property being the amount that causes the ratio of (x) EBITDAR of the property for the most recently ended four quarter period for which financial statements are available to (y) the initial property lease rent to equal 1.67.

Upon such election, if the owner of the property determines that (i) the sale of the property would not be permitted under a debt agreement under which at least \$100.0 million of indebtedness (individually or in the aggregate) is outstanding, (ii) the consummation of the call right would not be approved by the applicable gaming authorities or (iii) the property is not for any other reason deliverable to our Operating Partnership, the owner may propose one or more replacement properties and the material terms of the purchase and if such proposal is at least as economically beneficial to us as the exercise of the call right, the parties must proceed with the sale of that property and any dispute with respect to the same (including whether such proposal was a qualifying proposal) will be submitted to arbitration.

If the exercise of the call right is not permissible because a debt agreement does not permit the sale and such limitation is not resolved within one year from exercise of the right and the owner has not made an alternative proposal, or has made an alternative proposal that is not at least as economically beneficial to us as the exercise of the call right, the owner must pay us an amount equal to the value of our loss, which, as of the Formation Date, was equal to \$114.0 million, \$84.0 million and \$62.0 million for Harrah's Atlantic City, Harrah's New Orleans and Harrah's Laughlin, respectively. These amounts will increase at a rate of 8.5% per annum, with annual compounding for the period from the date of each agreement until the date on which payment of the value loss amount is made.

If the exercise of the call right is not permissible due to a reason other than because of a debt limitation (including that the sale was not approved by the gaming authorities or the failure to obtain the consent of a landlord) and the owner has not made an alternative proposal, or has made an alternative proposal that is not at least as economically beneficial to us as the exercise of the call right, then the parties must use commercially reasonable efforts to resolve the issue until the earlier of (A) one year from the date of the exercise of the call right or (B) the date on which the parties determine that there is no reasonable chance that the issue will be resolved. If the applicable issue making the transaction impermissible is not resolved by the foregoing described deadline, the owner must use commercially reasonable efforts to sell the property to an alternative purchaser for the fair market value of the property. Upon the closing of any such alternative transaction, the net cash proceeds of the sale of the property will be allocated (i) first, to owner in an amount not to exceed the purchase price that would otherwise be determined in accordance with the applicable Call Right Agreement and (ii) any excess of such amount, to us (subject to any necessary approvals from applicable gaming authorities required for owner to pay, and us to receive, such funds).

If the exercise of the call right is permissible, the parties will use good faith, commercially reasonable efforts, for a period of ninety days following the delivery of the election notice to negotiate and enter into a sale agreement and conveyance and ancillary documents with respect to the applicable property together with a leaseback agreement.

Notes

- Payment to Caesars = 10x Rent
- Rent will be set at 60% of EBITDAR
- VICI has 5 years to execute
- Call option is structured to be valuable to VICI (\$84MM value estimate) under these terms
- REIT contracts are now widely used among casino companies, with many other casinos – including some in LA – held under such arrangements