Snake Eyes: Casino Bankruptcies

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Gaming Restructuring Issues in Maturing Markets

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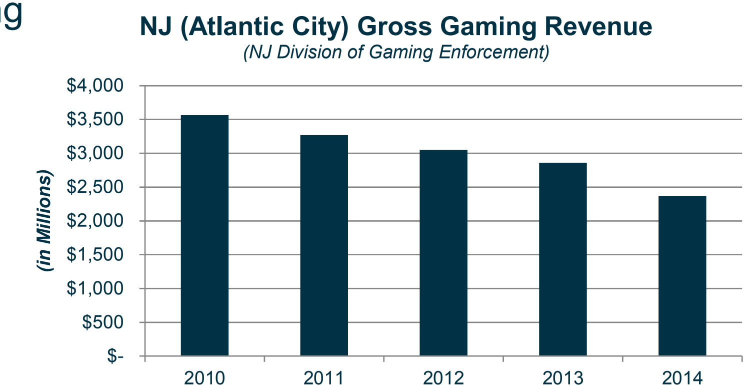
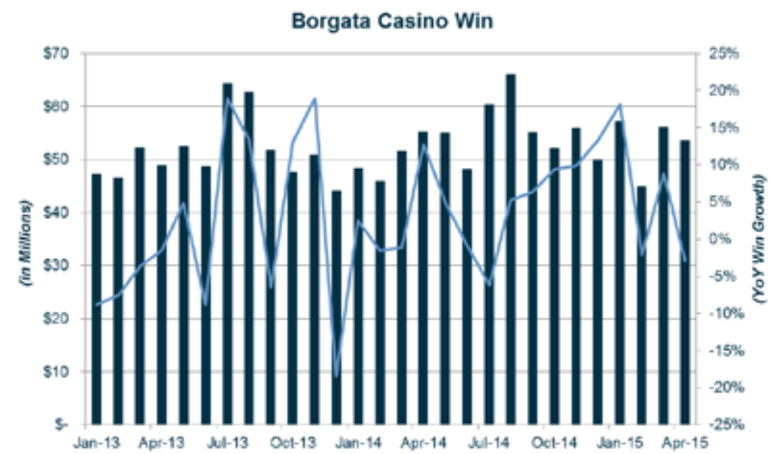
Overview

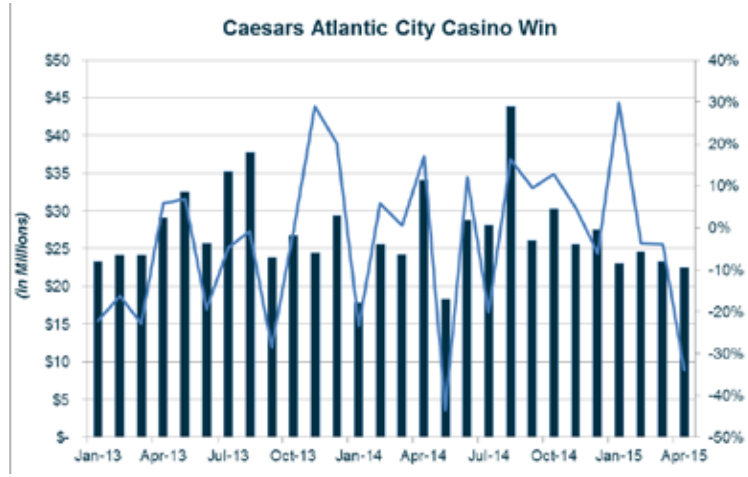
- Expansion of regional gaming is changing gaming restructurings:
  - Atlantic City, NJ gross gaming revenue down 17.3%
  - Tunica, MS gaming revenue down 2.8%
  - Las Vegas down 1.1%
  - Chicagoland down 5.7%
  - Connecticut down 6.8%
  - Florida market up 6.7%
- This trend is likely to continue as municipal governments expand gaming (e.g., Massachusetts) to retain tax revenues exported to neighboring states.
- Some still see gaming as the Panacea Cure – Expansion talks about Gaming in Alabama.
- Recent gaming restructurings now face with *unprofitable* operations.
- Atlantic City's latest restructurings (Trump Taj Mahal, Trump Plaza, Revel, and Caesars) now include shuttered and mothballed properties and have raised challenging legal and financial issues.



Recent Issues in Atlantic City Restructurings

- Shuttered properties
- Termination of Intangible Assets/Trademark and Licensing Agreements
- CBA Rejection Issues
- Dark Properties
  - Carrying Costs
  - Property Taxes
  - Maintenance
- Alternative Uses
  - Revel and Taj: University/Condo Redevelopment
  - Showboat as a college
  - Senior Citizens Center
  - Tunica: dark properties and sale as raw land
  - Transfer of Gaming License





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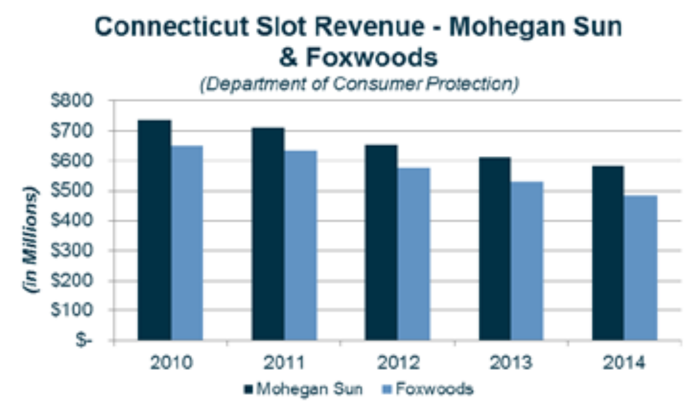
Restructuring Challenges

- Cash Collateral Strategies
  - Hoarding Cage/Floor Cash
- Securing DIP Financing in the wake of Revel
- Management: CRO vs Operator
- Operate as going concern vs. shutter
- Licensing
- External Management Companies and/or Marketing Consultants
- Permanent vs. Temporary enhancements
- CapEx

Other Markets

- Connecticut – once a destination market is now a just a strong “regional” player.
- Las Vegas remains the last true domestic destination market at it has not been as impacted by regional expansion
- Approximately 50% of LV revenue is “hospitality”
- Las Vegas and Las Vegas Locals
  - Penn Gaming – Just purchased Tropicana in Las Vegas.
  - PG making a big splash first property on the strip.
  - Airlines are expanding their runs in to Las Vegas
  - Las Vegas Convention Authority recently purchased the Riviera Property
- Caesars – Operational Restructuring vs. Pure Debt Restructuring.
- Nancy Rapport Professor at the University of Las Vegas – Chairs the Fee Committee on Caesar’s Bankruptcy
- Kentucky – Churchill Downs comes off record first quarter profits
- North Jersey will adversely affect South NJ
  - Remaining AC properties are performing better but is this temporary
  - Diversity and driving non gaming opportunities in Atlantic City.



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Future Opportunities

- Tribal
  - Without bankruptcy, Tribal restructurings will continue to be band-aids
  - Require professionals with both municipal and gaming experience
  - Tribe must retain equity position
- Stand – alone single operators in the regional markets
- Professionals need to make *meaningful* operational improvements in negative cash flow situations
  - Tax and Other Concessions from municipalities
  - Union concessions
  - Market infrastructure investments
  - True profit share growth
  - Cost reduction opportunities
  - Effective deployment of CapEx
- Identifying true “top-performers” in casino management is very challenging
  - Many operators grew up in a “build it and they will come” industry.
  - While this model still works in Las Vegas and at new regional properties, mature markets and facilities require nimble marketers.
  - Watch out for Ginger the Chicken
- Sources for cost/liquidity enhancements
  - EDR
  - Staff
  - Cages
  - Thin the floor
  - Unprofitable promotions