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Letter from the Executive Director of the Bermuda Casino Gaming Commission

17th April, 2017

To Whom It May Concern,

Re: Introduction to the Request for Proposal Process

The primary public policy goals of the Casino Gaming Act of 2014 ("Act") are to increase employment and investment within Bermuda, and to enhance the tourism product. The purpose of this Request for Proposal ("RFP") is to facilitate the identification of those integrated resort developments that can best allow Bermuda to realize these important goals.

The regulatory process to secure an operating integrated resort casino in Bermuda involves three stages. These stages are:

Stage 1

The Designated Site stage, where an existing resort or planned development is identified as being eligible to accommodate an integrated resort casino and a designated site order is granted.

Stage 2

The RFP stage, designed to screen the proposed developmental and operational plans of those qualified designated sites making an application for a casino licence, to ascertain that they satisfy the public policy goals of the Act, and to assess and rank the proposed business models as against other applicants and integrated resort casinos worldwide. This stage may result in the awarding of a provisional casino license(s) by the Bermuda Casino Gaming Commission ("Commission").

Stage 3

The Suitability stage, where a robust analysis is performed to help ensure that all individuals or entities involved with the project offer the highest standards of character, honesty, and integrity; and are free from any past or present inappropriate associations. It is only at the conclusion of this last stage that a casino licence may be granted permitting the offering of gaming to the public, subject to the final approval of the Commission to open and operate the casino.

The introduction of integrated resort casinos in Bermuda will be supervised by a robust regulatory regime. This regulation is essential to ensure the integrity of the gaming experience and of those operating the casino, and also to ensure that the industry is sustainable. To achieve this, the Commission will focus on the following five areas:

1. That all owners, operators, vendors, sources of finance and related parties are free of any inappropriate past or present behaviors and/or past or present associations, and demonstrate that they possess high standards of character, honesty, and integrity.
2. That the operators possess appropriate internal controls to safeguard all assets and to ensure that robust anti-money laundering controls are in place.
3. That the games offered are fair, honest, secure from manipulation and offer a high level of integrity and security.
4. That all fees, taxes and related payments are appropriately accounted for and paid.
5. That there are measures in place to protect the vulnerable.

Before any applicant embarks upon the significant undertaking of responding to the RFP and funding the Casino License Application Fee, they should satisfy themselves that they can meet the test of successfully fulfilling the five areas listed above. This is particularly true with respect to suitability. It needs to be clearly understood that the suitability examination is thorough, investigating all aspects of the entities and individuals associated with the application. This involves a complete investigation of the personal, business, criminal and civil history of the people and entities involved in the endeavour, as well as a rigorous examination of the financial history and circumstances of all individuals and entities. It is incumbent on applicants that they can provide a meaningful narrative of all past spending, and funds and assets within their possession and/or control. If the applicant has any doubts regarding suitability, it may prove prudent to enlist a qualified third-party to undertake an independent examination of all relevant participants. It is to be further understood that every effort must be made to be forthright and honest in all matters before the Commission. Failure in this area can be grounds for the immediate denial of an application, for a cornerstone of effective regulation of commercial gaming is for all participants to constantly demonstrate a high level of character, honesty and integrity. In addition, if mistakes are discovered it is recommended that these issues be immediately brought to the attention of the Commission, for failure to do so could be interpreted as an effort to conceal or deceive.

The Act allows for the Commission to grant up to three provisional licenses, in addition to the

legislatively approved provisional license granted to the Developer¹ of the site located in the parish of St. George's, yielding a potential of four licensed integrated resort casinos on the Island. It is to be clearly understood that the Commission is under no obligation to grant any licenses during this RFP process, and any decision will be determined by the Commission as assisted by the experts enlisted to counsel the Commission based upon the ability of each applicant to meet the public policy goals as established by the Act. The desired result is to allow for the introduction of integrated resort casinos on the Island that can increase employment, investment and enhance the tourism appeal of the Island, and in a manner which can be effectively regulated by the resources available to the Commission.

The burden of proving all answers or assertions made in an application for a casino licence is on the applicant, and all assumptions, methodologies, data, models and related items can be expected to be thoroughly tested and challenged to ensure the veracity of what is being proposed. Furthermore, any positions or commitments made within an application can result in conditions being attached to the license assuring those positions or commitments.

The Commission has been working with two separate internal *ad hoc* committees in preparing the RFP. One of these committees focuses on the training necessary for Bermudians to assume many of the employment opportunities created with the introduction of integrated resort casinos, and the second on ensuring there is a robust program in place to protect the vulnerable from the negative personal and social effects of problem gambling. In the area of training, the Commission has been working closely with Workforce Development, the Bermuda College, the Bermuda Hospitality Institute, the Bermuda Tourism Authority, and others, to offer a viable training environment. The response to the RFP should detail how an applicant's proposed plans and funding can work in concert with these efforts. In the area of problem gambling, each operator is expected to have a program of Responsible Gaming, which includes commitments to working with the Commission's Office of Problem Gambling to ensure a robust and integrated program.


In order to answer any questions that arise from an application for a casino licence the Commission has identified a point of contact, and this is Ms. Teresa Wilson. Ms. Wilson will work to provide timely and complete responses to all inquiries.

As a final point, the Commission is firmly committed to meeting the public policy goals of the Act, and one of the mission critical mandates of the public policy goals is to enhance the tourism product of Bermuda. While it is understood that the Island cannot support a large casino within an integrated resort facility, there is certainly no reason why it cannot support an impressive

¹ See section 32A(3) of the Act and the St. George's Resort Act 2015

facility. To put this into the language of Commission Chairman Alan Dunch, we are looking for a "wow" factor, and each applicant is expected to deliver such a facility.

Yours,

A handwritten signature in black ink, appearing to read "Richard Schuetz", is written over a circular stamp or seal. The signature is fluid and cursive.

Richard Schuetz

Executive Director of the Bermuda Casino Gaming Commission