Exhibit VIII.B.11.a - Innovation Report Licensing Fee Analysis

Up-Front License Fees as Taxation

From a business perspective, these are nothing more than another way of taxing the industry. Typically, the license fee will be amortized over a period of time, as such they represent an additional annual burden on the operator inflated by the interest charged by banks and lending institutions. The cost to the operator of paying a license fee must be considered when assessing the viability of the annual effective tax rate ("ETR"). As shown in the table below, sizeable license fees can increase the effective tax rate significantly. In this example, we have assumed a facility generating $200 million in gaming win and a range of license fees to illustrate how the license fee increases the effective tax rate. We have assumed the license fee would be amortized over 8 years at an 11% interest rate. The table shows that as the license fee increases the effective tax rate on the operator will also increase. It is clear from this that the establishment of a license fee should be considered with regard to the effective tax rate and the ability of the operators to compete in the marketplace.

Effective Tax Rate for Property Grossing $200 Million with Various License Fees

Gross Revenues	License Fee	Annual Payment*	License Fee Impact on ETR
$200,000,000	$50,000,000	($9,716,053)	4.90%
$200,000,000	$100,000,000	($19,432,105)	9.70%
$200,000,000	$200,000,000	($38,864,211)	19.40%

*Over 8 Years, 11% interest

Upfront license fees reduce the amount of capital an operator can access to finance the construction of a new casino property, which ultimately will result in a lower quality asset brought to the market. Given the significant cash outflows for an upfront license payment, operators will strive to open a property as quickly as possible to start generating the cash flows needed to offset heavy financing costs; this can be accomplished by using pre-fabrication construction materials, which are cheaper and quicker to install than a first-class building. In addition, these license fees reduce the implied equity value of an existing property owner that may be eligible for a license given the need to come up with incremental capital for the fees; this can make financing more difficult.

License fees generally are being included as part of the overall casino construction and development budgets in new project financing transactions. The license fees cannot be financed separately from the related development, as lenders will require a fully-financed deal to ensure sufficient capital will be

available to construct the cash flow machine (the casino), which is the primary source of repayment. As a result, the overall financing for a new casino development with license fees will consist of equity equal to 20-25% of total project costs and the remainder in non-recourse debt financing up to a maximum total leverage ratio of approximately 5.0x-5.5x (Total Debt to projected year one EBITDA) depending on the market strength. Typically, this new debt financing will have maturities of 5-6 years for the senior components if completed in the bank and pro-rata markets and 7-8 years for subordinated components and/or for traditional high yield bond financings.

Therefore, if EBITDA is $40 million the operators can borrow up to $200 million. If the license fee is $100 million, the operator has only the ability to borrow $100 million for construction as opposed to $200 million in the absence of a license fee. This can make a significant difference in the quality of a development and the amenities it offers. The result will be a reduction in competitiveness and significantly reduced revenues and tax receipts. If however a license fee is to be considered a concomitant decrease in tax rate, at least for the period over which the license fee would be financed, (typically eight to nine years) should be strongly considered.

Decision makers must therefore account for this when establishing an effective tax rate that will ensure a healthy and thriving gaming industry and the maximization of revenues to the state.