

Q&A Sanum Investments – Lao Holdings N.V.: Three Legal Actions

Q1: What is the action announced on May 5, 2016?

A1: The parent company of Sanum Investments, Lao Holdings N.V., filed three legal actions in connection with the expropriation, devaluation and sale of Savan Vegas Hotel and Casino and two Savannakhet slot clubs in Laos.

- On April 26, 2016, Lao Holdings N.V. filed a material breach application against the Lao Government under the arbitration rules of the International Centre for the Settlement of Investment Disputes (ICSID).
- On May 2, 2016, Lao Holdings N.V. asked a new arbitral tribunal to investigate whether Lao Government actions undertaken since the settlement was concluded in 2014 breach the Netherlands-Laos Treaty.
- On May 2, 2016, in the United States District Court for the District of Delaware, a suit was filed against San Marco Capital Partners, LLC and its sole owner and president, Kelly Gass. The claims against these two parties relate to the alleged mismanagement of the operation and sale of the Savan Vegas Casino.

Q2: Why did you take three separate actions?

A2: All of these cases arise from the seizure and disposal of Lao Holdings' investments by Laos, therefore they are related; however, each of the three actions taken this week is in response to specific illegal actions by the Government of Laos and its agents. Lao Holdings and Sanum Investments will continue to vigorously defend themselves against any violations of their rights or the law.

Q3: What is the difference between the three legal actions filed? Can you explain?

A3:

- The first action relates to claims for approximately \$890 million that were filed in 2012 with ICSID under the Netherlands-Laos Agreement on the Protection and Promotion of Investments. Among other things, Lao Holdings brought that claim against Laos because the government had violated its investor agreements by assessing huge taxes on their investment, Savan Vegas, and was then threatening to seize the hotel and two slot clubs in Savannakhet as payment. Lao Holdings agreed to suspend (but not terminate) this claim in 2012, in exchange for certain promises made by Laos in a settlement agreement between the Government, Lao Holdings and Sanum, virtually all of which the government has breached. If the ICSID Tribunal finds that Laos has materially breached the Settlement agreement, the ICSID

Arbitration that Lao Holdings filed against Laos in 2012 will be restarted.

- The second action asks for a new arbitral tribunal to find that the Lao Government's actions undertaken since the settlement was concluded in 2014, breach the Netherlands-Laos Treaty. Those actions include, among other things, (1) the seizure of the casino and slot clubs in April 2015, which is a clear violation of international law and breaches agreements that the Lao Government made with Lao Holdings and Sanum Investments, and (2) the sale of that property to a third party for a fraction of its original value, none of which the government intends to share with Lao Holdings and Sanum Investments.
- The third action has been filed in the United States District Court, for the District of Delaware, in the United States against San Marco Capital Partners, LLC and its sole owner and its president, Kelly Gass. Despite being unilaterally appointed by the government to manage Savan Vegas and the slot clubs, Ms. Gass's own employment contract and an order issued by the SIAC Tribunal in June 2015 both confirm that she has a fiduciary obligation to Lao Holdings and Sanum Investments, which she has entirely breached.

Q4: What are you ultimately seeking by taking these three actions?

A4: Lao Holdings and Sanum Investments are asking the Lao Government and its representatives to uphold their obligations under the bilateral investment treaties and specific agreements they have signed.

Q5: Why are you taking these actions now?

A5: Since the settlement with the Lao Government was reached in 2014, Lao Holdings and Sanum Investments have wholeheartedly tried to complete their part of the agreements. Lao Holdings and Sanum Investments hoped that Laos would uphold its end of the deal, and have waited as long as they could for Laos to do so. Sadly, it has become clear that the Lao Government has no intention of abiding by its obligations. Therefore, Lao Holdings and Sanum Investments had no choice but to take legal action.

The currently contemplated sale of the Savan Vegas Casino and the slot clubs, does not comply with the settlement reached by the parties, nor with Ms. Gass's fiduciary responsibility to the owners. Among many other breaches, the government has sold the casino and slot clubs for nowhere near the maximum sales price required under the settlement, and has openly announced that it intends to keep all the money. Despite her acknowledged fiduciary responsibility to the investors, during her supervision of the same process and operation of the casino, Ms. Gass refused to even communicate with them. Both the government and Ms. Gass have deprived

Lao Holdings and Sanum Investments of any proceeds from the property for more than a year, refusing even to provide proper accounting for its operation. These and many other actions have left Lao Holdings and Sanum Investments with no choice but to seek legal remedies.

Q6: How would you describe the 2014 settlement agreement?

A6: In 2014 Lao Holdings and Sanum Investments agreed to suspend (but not to terminate) prosecution of its ICSID arbitral claims against Laos. In return, the Lao Government was obliged to take a number of actions, set out in the settlement agreement, that would allow Lao Holdings and Sanum Investments to sell the Gaming Assets, including Savan Vegas, for the maximum selling price. In addition, Laos agreed to drop certain alleged tax claims against the Lao Holdings and Sanum Investments. Among other valuable and material rights guaranteed by the settlement, are three essential key elements to attracting an investor willing to pay the maximum price: first, the three-province gambling business monopoly granted to Lao Holdings and Sanum Investments must be extended for 50 years; second, there must be a fair and reasonable flat tax agreement for 50 years; and third, the new owner must have the right to redevelop the airport in order to attract international customers. Among its many other breaches of the agreement, the Lao Government failed to guarantee any of the above three key ingredients to potential buyers, chilling the bidding. As a result, the value for which Savan Vegas is being sold for is nowhere close to the maximum selling price contemplated by the settlement. The Government has also stated that it will revive the tax claims it waived in the settlement to try to deprive Lao Holdings and Sanum Investments of any proceeds from the sale of their property.

Q7: Who is Kelly Gass and what is San Marco Capital Partners LLC?

A7: Kelly Gass is the owner and president of San Marco Capital Partners LLC. Gass and San Marco were hired in a unilateral decision by the Lao Government in April 2015, to operate and sell the Gaming Assets, and since that time have been paid nearly \$2 million of Sanum and Lao Holdings' money. Prior to being hired, Gass had no previous experience working in Laos, she had never served as a manager or operator of a casino or slot club and she had never been responsible for the marketing and sale of such assets.

Q8: Why was Kelly Gass and her company, San Marco, chosen to manage the casino operations and sale? Was there a (RFP?) competitive process?

A8: Under the settlement, Lao Holdings and Sanum Investments, and the Lao Government were to jointly select a qualified gaming operator to manage and sell Savan Vegas. Following the seizure the government refused to cooperate with Lao

Holdings and Sanum Investments, instead, upon seizing the properties, hired Gass and San Marco, who are totally unqualified to operate Savan Vegas. Lao Holdings and Sanum Investments have no idea why Laos chose Gass and San Marco. No RFP was held, and it appears that experience was not taken into consideration.

Q9: Have Sanum or Lao Holdings received any payments since the casino was seized in 2015?

A9: Since the seizure on April 22, 2015 Lao Holdings and Sanum Investments have received no payments and only very incomplete financial information from Savan Vegas and the slot clubs. Based on what we do know, it is clear that millions of dollars of Sanum and Lao Holdings' money have been disbursed by Gass and the Government without the approval of Lao Holdings and Sanum Investments.

Q10: What can you tell me about the sale of Savan Vegas to Macau Legend?

A10: On May 14, 2015, Macau Legend (an HSEX company) announced that it had entered an agreement to buy Savan Vegas for a payment of \$42 million which includes an unspecified amount towards retroactive taxes. Despite coming more than a week after Lao Holdings and Sanum Investments' announcement, the Macau Legend announcement failed to make any reference to ongoing litigation, which it was required to do under the rules of the Hong Kong Stock Exchange, under the "Risks" section of their filing with the Hong Kong Stock Exchange. The announcement references financial information, agreements with the government, and other important due diligence that have been withheld from Lao Holdings and Sanum Investments by Gass and the Government of Laos.

Q11: In what ways does the sale of Savan Vegas to Macau Legend not comply with the June 2014 agreement?

A11: The sale of Savan Vegas and the slot clubs violates the agreement signed in June 2014 by the Government, and Lao Holdings and Sanum Investments in many ways. Here are four of the most important violations:

- Under the agreement, the assets were to be sold for the maximum sales price, estimated by Sanum and Lao Holdings to be USD\$250 million. The sale to Macau Legend seems to require only a total payment of \$42 million, including an undisclosed amount for alleged taxes.
- The agreement contemplated a joint sales process with the participation of both Lao Holdings and Sanum Investments, and the Lao Government. Instead, the Lao Government and Ms. Gass have conducted the sales process in secret, even seeking a court order, which effort Laos abandoned when opposed, to forbid Lao Holdings and Sanum Investments from speaking to potential buyers before the sale.

- The agreement requires that the sales proceeds to be placed in a Singapore escrow account at TMF Holdings and the proceeds to be distributed 80% to Lao Holdings and 20% to the Lao government. Instead, Macau Legend has announced that it has already paid USD \$1 million to the Lao government, and the remainder of \$41 million will be paid to “an account designated by the Lao Government.”
- The agreement called for the sale of the Savan Vegas casino (which is 80% owned by Lao Holdings and Sanum Investments) and two slot clubs in Savannakhet (which are 60% owned by Lao Holdings). Instead, the government appears to have sold only the casino to Macau Legend, and appears to have given all of Lao Holdings’ interest in the slot clubs to the minority shareholder, and may be granting a participation in the slot club income to Macau Legend.

Q12: When were Lao Holdings and Sanum Investments informed about the sale of the Savan Vegas property to Macau Legend?

A12: The government and Kelly Gass have chosen to exclude Lao Holdings and Sanum Investments from the sale process, in violation of the 2014 Settlement Agreement. Lao Holdings and Sanum Investments were sent the Macao Legend press release by the Lao lawyers at the same time they released it to the public.

Q13: Does Sanum Investments and Lao Holdings agree to the sale of Savan Vegas to Macau Legend for \$42 million?

A13: No. Lao Holdings and Sanum Investments will support a sale that is for maximum value, estimated to be US\$250 million.

Q14: What steps will Lao Holdings and Sanum Investments take next?

A14: Lao Holdings and Sanum Investments are evaluating the situation and contemplating courses of action. We continue to hope that the Lao government and its agents will honor the agreements they have made with us. We are actively seeking an equitable resolution that sells Savan Vegas and the slot clubs for maximum value.

Q15: How would you describe Sanum and Lao Holdings experience as a foreign investor in the Lao PDR?

A15: Sanum and Lao Holdings invested in Laos in good faith, and but have not been treated fairly by the Lao Government. The Lao Government consistently failed to deliver on it's commitments to Lao Holdings and Sanum Investments. We continue to hope that Laos will honor the commitments it has made to us. Despite our differences with certain elements of the Lao government, we continue to stand with the Lao people in their pursuit of economic progress.