

AGENDA

KANSAS LOTTERY GAMING FACILITY REVIEW BOARD

9 am, Thursday, July 24, 2008 and
9 am, Friday, July 25, 2008

Topeka Ramada Inn
420 SE 6th Street
Topeka, Kansas

A. CALL TO ORDER

B. APPROVAL OF THE AGENDA

C. BOARD ITEMS

1. Kansas Lottery Gaming Facility Review Board consultant information and presentations regarding the southeast gaming zone
 - a. William Eadington, Ph.D., University of Nevada-Reno, on economic principles and perspectives
 - b. Will Cummings, Cummings Associates, on revenue projections
 - c. Richard Wells, Wells Gaming Research, on revenue projections
 - d. John Mills, Ph.D., University of Nevada-Reno, on the financial status of the applicant
 - e. Chris Brogan and John Marz, Probe Strategic Solutions, on analysis of nongaming amenities
 - f. Matt Cunningham and Dan Houston, Civic Economics, on economic impacts
 - g. Candace Evert, Meridan Business Advisors, on fiscal impacts
2. Applicant response:
 - a. Kansas Penn Gaming LLC (45 minutes)
3. Kansas Lottery Gaming Facility Review Board consultant information and presentations regarding the south central gaming zone
 - a. William Eadington, Ph.D., University of Nevada-Reno, on economic principles and perspectives
 - b. Will Cummings, Cummings Associates, on revenue projections
 - c. Richard Wells, Wells Gaming Research, on revenue projections
 - d. John Mills, Ph.D., University of Nevada-Reno, on the financial status of the applicant
 - e. Chris Brogan and John Marz, Probe Strategic Solutions, on analysis of nongaming amenities

- f. Matt Cunningham and Dan Houston, Civic Economics, on economic impacts
 - g. Candace Evert, Meridan Business Advisors, on fiscal impacts
- 4. Applicant response:
 - a. Sumner Gaming Joint Venture LLC (45 minutes)
 - b. Penn Sumner LLC (45 minutes)
 - c. Marvel Gaming (45 minutes)

D. OTHER MOTIONS

E. PUBLIC COMMENTS

F. STAFF REPORTS

- 1. Executive Director
- 2. Chief Gaming Officer
- 3. Director of Administration

G. ADJOURNMENT

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GENERAL ECONOMIC PRINCIPLES TO GUIDE THE REVIEW BOARD IN THEIR DELIBERATIONS

William R. Eadington
July 24, 2008

I. INTRODUCTION

The purpose of these remarks is to focus the attention of the Review Board onto certain economic principles, realities, and hypotheses as they might apply to casinos in general, and to the various proposals that have been made in the Southeast Kansas and South Central Kansas Zones. Many of the following statements are both conceptual and empirical in nature, which suggests that underlying economic theory and principles can be used to indicate and forecast the implied directions of change or implied comparative differences of important variables under consideration, but that the actual magnitude of change or differences may be functions of consumer responses, or of strategic reactions and repositioning by business competitors. Thus, given the same set of facts and data, there may be differences in findings or projections among different experts with regard to the extent of differences or changes that might prevail for a particular scenario. In such cases, members of the Review Board may want to rely on the empirical evidence produced by experts retained on behalf of the State of Kansas or retained by the applicants to reinforce their judgments to pass judgment on the veracity of claims made in the various proposals.

In general, the Review Board has been charged with selecting projects that will maximize revenues for the State of Kansas, enhance tourism and economic development in Kansas or its geographic regions, and otherwise be in the best interests of the citizens of Kansas. The general approach that the various consultant reports have taken is to look at different dimensions of the applicant proposals. Some have developed their own “best estimates” of revenue generating capabilities of the proposed Lottery Gaming Facilities in each of the Zones (which may differ from the estimates provided by the applicants). Other reports have evaluated the implications of location, access, non-gaming amenities, the companies’ respective experiences in attracting both local and tourist visitors with their marketing strategies, in-house data bases, and applicants’ track records in other North American casino markets.

Other consultant reports address and evaluate the financial capabilities of the various applicants to “deliver” on the promises and proposals they have made within their submissions, and the likely economic and fiscal impacts their projects would have on the communities and regions where they are located, as well as on the State of Kansas in general. In all cases, the consultant reports represent the carefully deliberated findings and conclusions of the various consultants based on their experience, their expertise, the facts that have been presented to them in the various proposals, facts and data drawn from their own research, and the conceptual and empirical models they have applied to their analysis.

The first section of this report examines economic principles that apply to casinos in general. The second section deals with observations that are most relevant for the single applicant bid in the Southeast Kansas Zone. The third section deals with observations that are most relevant for the three applicant bids in the South Central Kansas Zone.

II. GENERAL ECONOMIC PRINCIPLES AND CASINO INDUSTRIES

1. With few exceptions, most casinos found in North America (and, for that matter, in many other countries throughout the world) generate the dominant portion of their customers from local and regional markets, typically within 100 miles of the casino venue. (The notable exceptions in North America are the casino markets in Las Vegas, and to a lesser extent Reno, Lake Tahoe, Atlantic City, Niagara Falls, Palm Springs, and Biloxi.) In these “exception locales,” there is a “critical mass” effect, where the clustering of a number of casinos or casino-hotels creates more of an attraction and therefore greater demand than would prevail if there were fewer casinos. Such clustering—and the expanded consumer choices implied—can encourage potential visitors to choose to travel greater distances and incur higher travel costs (measured in both money and time) to visit casino markets that are less convenient than other casinos or racinos to which they might have access. Furthermore, casino markets that can attract a substantial portion of their clientele from beyond 100 miles usually have significant non-gaming amenities (for example, in the form of outdoor recreation options, scenic attractions, entertainment offerings, or unusual retail, hotel and restaurant outlets) that also serve as magnets in attracting tourists to the venue. This is the case for all of the “exceptions” noted above.
2. As a relatively crude starting point in order to generate estimates of the gaming revenue potential of a casino market, one can expect a casino market to capture approximately one percent of the aggregate personal income in its catchment area. This starting point would then have to be adjusted for a number of other factors, such as:
 - a. Consumers who live closer to a casino are, on average, more likely to spend more on gambling per annum than those who live at greater distances from the casino, *ceteris paribus*. (Distance costs are perhaps best measured in terms of the travel time and monetary expense required to get to the casino venue rather than just noting miles traveled.) Lower distance costs may result in greater numbers of visits per year, longer stays per visit (because of less travel time), and greater market penetration into the potential visitor base;
 - b. If there are more than one casino in a catchment area, they may be able to generate more gaming spend from potential customers than would a single casino, *ceteris paribus*.

- c. Relative competitive strength and market shares accruing to individual casinos in a multiple casino market in a particular area will be driven by convenience factors (time and money costs necessary to get to the various casinos) as well as by other traditional discriminators, such as “price of gambling,”¹ the price and quality of complementary non-gaming offerings (such as food and beverage products, entertainment offerings, or hotel rooms), size and scale of the casino complex (casinos historically demonstrate strong “economies of scale”), and the relative customer loyalty that competing companies can generate through their various marketing strategies, such as their respective “complementary” policies, player club loyalty programs, hotel pricing policies, brand recognition, media advertising, and personal (hosting) relationships.
 - d. The closer a customer lives to a casino, the more likely it is that the customer is primarily interested in visiting a casino complex in order to gamble (i.e. customers tend to be more “gaming centric.”) In the same vein, the further away a customer lives from a casino, the more important non-gaming assets and amenities might be in influencing a decision to visit that particular casino rather than another casino in the region, or in visiting more distant destination resort gaming areas such as Las Vegas.
3. With respect to the primary gaming offerings (table games and slots, poker, etc.), there is a strong tendency for gambling products to become “commoditized” in the eyes of the consumer. This means that, as far as the customer is concerned, there is very little perceived difference in gaming products from one casino to another. To the extent that casinos offer the same slot machines from the same manufacturers, and the same table games (such as blackjack, roulette, and craps) with identical or similar rules, this statement is correct.
4. Casinos in competition with one another try to differentiate themselves in a number of ways, such as:
- a. **Pricing** (through “loose” versus “tight” slot machines, better odds or rules on the games, bonuses, etc.) Pricing on non-gaming amenities (restaurants, showroom or lounge entertainment, hotel rooms, etc.), which are complementary to the gaming products, may also be important in attracting consumers.
 - b. **Player loyalty programs**, often linked to player card programs. (These can provide rebates or discounts that the player “earns” through volume of prior play, and in many ways are similar to price cuts. Note the parallels to airline frequent flyer programs or supermarket membership card discount programs.)

¹ The “price of gambling” at table games or slot machines is best defined as the “house advantage,” which is the percentage of money wagered (“handle”) that is retained by the game or machine in the long run. Casino management can manipulate the price of table games by changing the rules, playing conditions, or pay-out schedules; management can alter the price of slot machines by changing the probabilities of winning events, or the payouts associated with them. Generally speaking, competitive gaming markets offer lower prices to consumers than do monopoly markets.

- c. **Friendliness and service levels of employees and casino management to their customers.** Customer relationship management is an important way of encouraging customers to become loyal to one particular casino when customers have a number of comparable choices with respect to where they choose to spend their gambling and entertainment outlays.
 - d. **Branding.** Branding may occur via name recognition of one's own primary brand (i.e. MGM Mirage, Wynn Resorts, Station Casinos) or through brands of other commodities that are cross-marketed or otherwise identified with the casino product (i.e. celebrity chef restaurants, movie star linkages (i.e. Planet Hollywood), sports star endorsements (i.e. Tiger Woods and Accenture), sponsorships of NASCAR events or golf tournaments, or exclusive arrangements with entertainers or entertainment companies (i.e. Cirque de Soliel and MGM Mirage)).
 - e. **Theming.** Theming can have considerable influence on the ambience and décor of a casino property, and may make a facility more attractive if successful. Las Vegas, for example, has seen extensive theming over the years with such themes as the desert (Desert Inn, the Dunes, Aladdin, the Sahara), the wild west (Frontier, Arizona Charlie's, the Golden Nugget), Polynesia (The Mirage), historic times or settings (Excalibur), exotic cities or other geographic venues (New York New York, the Orleans, Mandalay Bay, Luxor, the Riviera), etc. In recent years, there has been a trend away from heavy theming, and greater attention has been placed on catering to a particular desirable market segment (i.e. Wynn Las Vegas, MGM Grand, the Palms). Branding and theming are less important in monopoly (or restricted competition) markets than in competitive markets.
- 5. Casinos which are more gaming-centric will tend not to have as significant of spill-over benefits into neighboring cities or towns from their customer base. In general, customers to such casinos, especially since they are often predominantly "day trippers," will most likely visit the casinos directly, conduct their gaming and other spending activities within the casino facilities, and then return home upon completion of their visits. Since most casinos use food offerings as a strategic marketing tool and a loss leader, casinos often present significant competition for local restaurants and food outlets (that do not have the luxury of offering gaming products to their customers), so there are often negative impacts on some local businesses from casinos located nearby. These can be offset by spending by casino employees (depending on where such employees reside) who, in general, tend to be paid higher wages than other workers with similar skill sets in the region. Finally, depending on the size of a local labor pool and the prevailing wage rates and structure, development of a casino in a region can create upward pressure on local wage rates, which may work to the benefit of the workers but to the detriment of other local businesses that draw from the same labor pool.
- 6. Generation of spending from tourists, as defined in this process as spending by customers of Lottery Gaming Facilities whose residence is more than 100 miles

from the locales under consideration, is similar in its economic impact implications to “import substitution,” the substitution by local residents of spending at Lottery Gaming Facilities in Kansas that would otherwise have taken place in visits to casinos and entertainment venues in other jurisdictions (i.e. Las Vegas, Kansas City (Missouri), New Orleans, etc.) Thus, the tourism objective for the Lottery Gaming Facilities can be fulfilled either by attracting out-of-state visitors to Kansas, or by encouraging Kansans to remain within the State for their gaming oriented recreational activities rather than traveling to other states for gambling oriented vacations and excursions.

III. GENERAL ECONOMIC OBSERVATIONS ON THE SOUTHEAST ZONE

Since the original Kansas Expanded Lottery Act legislation was passed in 2007, a major American Indian casino, the Downstream Casino, has been built and opened by the Quapaw tribe of Oklahoma adjacent to the land that is the proposed site for the only company, Penn National, bidding in the Southeast Kansas Zone. (The site of the Quapaw’s Downstream Casino is on the Oklahoma side of the state line, though portions of the 2,200 space surface parking lot are in Kansas.)

According to press reports and press releases, the Downstream Casino represents a capital outlay of over \$300 million, with 2,000 slot machines, 45 table games, and 15 poker tables.² The facility has a 12 story, 226 room hotel that is scheduled to open later in 2008, and it will have moderate sized meeting room facilities, a number of restaurants and food outlets, as well as bars and other public areas and amenities. Merrill Lynch estimated Downstream Casino’s annual total revenues at about \$147 million, of which a high proportion would be gaming revenues. The tribe also owns a 36 hole golf course within a mile of the Downstream Casino, and the tribe’s press materials indicate that hotel guests and rated casino players would have privileged access to the golf course.

The effect of the construction and opening of this facility in July 2008 on the Southeast Zone’s potential has been to capture a significant amount of the potential capacity of the entire gaming marketplace. Had the Downstream Casino not been built, then the requirement for a \$250 capital investment in the Zone for potential bidders would be realistic in light of the catchment area and other existing competition in the region from Oklahoma tribal casinos. The compact restricts table games in Oklahoma to card games, but the style of play of those games as presently practiced at the Downstream Casino is virtually identical to a “Las Vegas” style of play.

As a result of this major development, the financial viability of a Lottery Gaming Facility that could be developed in Southeast Kansas under the Kansas Expanded Lottery Act comes under considerable speculation. This is reflected first by the comparative tax disadvantage that will prevail for any Kansas based facility against their tribal gaming competitor. A Lottery Gaming Facilities Manager in Kansas will have to pay at least

² See http://www.downstreamcasino.com/about_press.php and Chris Schroeder et al., Research Analysts, Merrill Lynch, “Initiating Coverage on QUAPAW with OW-70% Rating,” June 13, 2008.

27% of their gaming revenues to other parties as specified in the Act. However, the Quapaw tribe is obliged to pay no more than 6 percent of Class III slot win to the State of Oklahoma under their compact. Second, the fact that there was only one bidding company (Penn National) in the Southeast Zone, and the fact that Penn National subsequently negotiated a “phased in” structure to their required investment after the Downstream Casino was going to become a reality, points out the difficulty that gaming companies in general saw in the potential (and now real) competition in that region. Third, since the primary market within a 100 mile radius of the site of both the Penn National Cherokee location and the Downstream Casino is limited (with an approximate population of 1.8 million and aggregate personal income of \$49 billion³), and noting that there is already significant competition from tribal casinos in Oklahoma and commercial casinos in Northern Mississippi, the revenue potential for an additional casino at the Southeast corner of Kansas is limited.

Nonetheless, with respect to the objectives of the Kansas Expanded Lottery Act, a Lottery Gaming Facility of the size proposed by the applicant in the Southeast Kansas Zone would be highly beneficial for the State of Kansas if it were to be developed as described in the applicant’s proposal.

IV. GENERAL ECONOMIC OBSERVATIONS IN THE SOUTH CENTRAL ZONE

A Lottery Gaming Facility in Sumner County, whether in Wellington or in Mulvane, will have the benefit of being a regional monopoly casino, in the sense that the nearest competing (Oklahoma tribal) casinos will be at least fifty miles distance from a Sumner County Lottery Gaming Facility. Since the primary market for any casino in Sumner County will come from Sedgwick County (with a population of just under half a million), and the fact that any of the three proposed Sumner County Lottery Gaming Facilities would be the closest and most convenient casino facility for residents in the general Wichita metropolitan area, such a franchise would be highly desirable in light of the protected competitive status that the Kansas Expanded Lottery Act would provide. For the Wichita area (Sedgwick County), the estimated Aggregate Personal Income in 2006 was about \$18.2 billion (not even accounting for other counties or tourist visitors to the region.) Thus, the potential to operate a protected monopoly casino facility—which might generate gaming revenues of \$200 million or more per annum—is quite attractive for potential investors.

The following observations are relevant for consideration in the South Central Zone license allocation.

³ This includes 11 counties in Oklahoma (Adair, Cherokee, Craig, Delaware, Mayes, Muskogee, Notawa, Ottawa, Rogers, Wagoner and Washington), five counties in Arkansas (Benton, Carroll, Crawford, Madison and Washington), 11 counties in Missouri (Barry, Barton, Christian, Dade, Greene, Jasper, Lawrence, McDonald, Newton, Stone, and Taney), and 12 counties in Kansas (Allen, Bourbon, Chautauqua, Cherokee, Crawford, Elk, Greenwood, Labette, Montgomery, Neosho, Wilson, and Woodson)

1. With a monopoly casino license, the licensee will be able to earn monopoly profits for the duration of the monopoly protection period. In a competitive bidding process, companies will attempt to put forward proposals that preserve a portion of the monopoly profits for themselves, but with proposed attractions and amenities that will give them a (hopefully) comparative advantage over their competitors.
2. Distance of proposed casinos from the front doors of potential customers is an important consideration. Potential casino customers must deal with the realities of differential time and money costs when considering visits to local or regional casinos. For example, if it takes 15 minutes longer to go from the front door to the slot machine for a regular customer for casino option “A” versus casino option “B”, then that customer over a period of, say, a year, will probably visit venue “A” less frequently than “B”, and the customer will consequently spend less at “A” than “B” per annum. Furthermore, some customers who might visit “B” (if it existed) may decide to never visit “A” (if it existed.) The extent to which this logic translates into reasonable forecasts for revenue generation of casinos at locations “A” and “B” is really an issue of social science empiricism and modeling, which is not an exact science but which nonetheless can provide well-designed empirical studies that can generate important insights.
3. Local customers for Sumner County casinos are likely to be most influenced by those factors that make the gaming product under offer more attractive. This could include pricing dimensions such as “loose” slots, more generous complementaries, or better rewards associated with loyalty programs, or more favorable pricing on non-gaming complementary products such as food, beverage, or entertainment. Since a monopoly license will (likely) be granted, there is an issue of insuring the winning bidder will indeed adhere to the promises made in the context of their proposals. The Review Board should be sensitive to promises that cannot be enforced after such an exclusive franchise arrangement has been granted to a Lottery Gaming Facility manager.
4. Tourist visitors to a prospective Sumner County lottery gaming facility will be attracted by the quality and variety of non-gaming amenities and activities at the venue, as well as by the strength of the brand and the perceived unique characteristics of the facility itself. (This is especially true in comparison to the potential local visitors.) The non-gaming amenities are far more important to potential tourist visitors than they are to locals customers. The ability to attract tourist visitors is a function of both the non-gaming amenities offered for visitors to the complex, as well as the general reputation and drawing power of the brand of the company (or of the gaming facility) itself.

Cummings Associates

**Projections for Likely
Gaming Revenues in Kansas –
Update Regarding Methodology**

DRAFT

July 16, 2008

Update Regarding Methodology

In order to develop projections for the specific proposals now before the Kansas Lottery Gaming Facility Review Board, I have refined my analyses of the performance of other facilities across the Midwest. (I have also zeroed in on the specific sites, sizes, and features of the proposed facilities, as described in separate reports for each.)

Exhibit 1 presents an updated and resorted version of Exhibit 10 from my previous report regarding consumer spending on slot machines. Again, the figures for each facility/market represent the amount that the average adult who lives within ten miles spends on slot machines or similar gaming devices each year. At greater distances (and below-average per capita incomes), the average adult spends less.¹

To make it more readable, I have spread this exhibit over two pages. “Midwest Standard” is indicated in the lower middle of the first page by a bright yellow bar at \$700, with lighter yellow bars ten percent above and ten percent below this benchmark.

The three columns in this and the following exhibits now represent “large” urban markets on the left (500,000+ distance-adjusted adults, which typically means over a million population in the metropolitan area), smaller cities in the middle (Des Moines, Dubuque, and so forth, along with miscellaneous markets that don’t really fit either of the extremes), and “rural” facilities on the right – at least 20 miles from the nearest population center over 10,000, and often a much greater distance.

This information is translated into power ratings in **Exhibit 2**. Here I’ve put everything onto one page in order to better present the big picture: rural markets do better. Many urban markets do worse, but that part of the picture is clouded by many old-style riverboats and/or other cramped facilities. If you limit the analysis to “modern” facilities, the nine large urbans average 102, the five smaller cities average 101, and the three (non-Indian) rural markets average 111.

Since none of the smaller urban and rural facilities had more than \$170 million invested in them, I’m confident that the larger Kansas facilities, with much greater investment, will average slot power ratings of at least 102. (By the time we review Kansas City, I may raise that further.) Since there are many Harrah’s facilities above “Midwest Standard,” and Mulvane is at least a little bit rural, I have assumed 104 for Harrah’s at Mulvane. This equals the best of the (totally) new Iowa facilities, Riverside near Iowa City, which cost \$130 million, including a championship golf course. The Isle Waterloo cost more (\$170 million), but is not doing as well.

With increasing “rurality,” I assume 110 for the facilities at Wellington and 112 for Dodge City. The Penn National facility in Cherokee County would not, in my experience, be “rural,”

¹ A great deal of the debate regarding the likely performance of the facilities at Wellington versus Mulvane revolves around the *rate* at which spending declines with distance. I addressed this issue in my presentation of June 3, and will do so again on July 24.

but rather, close enough to Joplin to characterize as “small city.” In its Phase 1, it would also offer fewer amenities (and cost less) than the typical “new Midwest Standard” represented by Riverside and Waterloo. I therefore estimate its likely slot power rating, perhaps generously, at 102.

The pari-mutuel facilities will still suffer substantial deficits versus the “full” casinos of Kansas, due in part to their inability to offer table games, but more importantly to the very limited amounts that they will be able to invest in their facilities and players’ rewards because of the much greater share that goes to the state from the race tracks. I have left The Woodlands at 95, but now assume 104 for Camptown (rural!) until a casino opens in Southeast Kansas. With the additional competition from better table games, I then drop Camptown’s slot power rating to 102.

Exhibit 3 presents a similar analysis for table games, with **Exhibit 4** depicting the power ratings that correspond. There are two major differences from slots: (1) much lower spending overall, with Midwest Standard coming in at \$95 versus \$700 (I tried hard to justify \$100 for tables, but just couldn’t), and (2) large urbans now strong, with smaller urbans very weak. If, in fact, Metropolis and Upstate Wisconsin were considered “rural” rather than small urban/mixed, *none* of the smaller cities would demonstrate spending over \$95, and almost all come in rather far below that figure.

I am tentatively confident Kansas City Kansas’s tables will do all right (power rating 102+, which will dominate the 86 to 95 demonstrated by Missouri’s session-loss-limited casinos). With rural facilities all over the map, I’m also happy to assume a table rating of 100 for Dodge City. Joplin, too, is fairly clear: it is a small urban market. I’m perhaps somewhat optimistically assuming 90 for Penn Cherokee (which will still do well with tables due to the weak non-banked table games at its Oklahoma competition. Even its slots will do better, as I’m assuming a two-point [relative] drop in Oklahoma casinos’ slot power ratings when Penn Cherokee opens because it will offer better table games.)

The best assumption for table play near Wichita remains unclear to me. While technically a “small city” (total population just half a million, with distance-adjusted adults around 200,000), and blue-collar, I suspect that it contains enough Asians and upscale types to play bigger. Harrahs and Marvel (in its former incarnation Binion’s/Horseshoe) also have a track record of good performance with table games. I am therefore assuming 98 for the table games at Harrah’s Mulvane, 100 for the more rural Marvel at Wellington, and 95 for Penn National at Wellington. Due to my uncertainty, however, I am varying my “high” and “low” projections by eight power-rating points in the Wichita area rather than the five points by which I vary them elsewhere.²

These assumptions are summarized in **Exhibit 5**. My projections based on these assumptions are presented in separate reports for each proponent, with a summary for the South-Central Zone as a whole.

² A one-point change in a power rating typically affects gaming revenues by 2-3%. This is because the power rating affects three factors that contribute to win: (a) baseline spending, (b) market share, and (c) the “reach” of the facility.

I would emphasize several aspects of my methodology. First, it does not assume “generic” casinos or casino performance. It assumes performance similar to that of actual casinos in real-world markets: the Horseshoe at Bluffs Run, the Ameristar at Council Bluffs, Harrah’s at Joliet, Harrah’s North Kansas City, Riverside, the Isle at Waterloo, etc. These are (almost) all “brand” names, benefit from Total Rewards or similar players’ programs, are managed by experienced hands, and so forth. At the same time, however, *any* model is an abstraction from the real world. Neither my models nor anyone else’s can capture *all* the factors that contribute to the performance of casinos, including such important but difficult-to-quantify intangibles as Harrah’s Total Rewards program, Marvel executives’ expertise in promoting their “gaming” theme, nor the attractions of Penn National’s “Hollywood.” These would all represent additions to (or, less likely, subtractions from) the projections that I have developed based on the experience elsewhere.

Second, my gravity-model methodology focuses on the residents that surround each facility. I assume that the “reach” of each casino extends across several states, but beyond the immediate local market area (50 to 150 miles, depending upon the location and size of competitors), my models indeed become less specific and more “generic,” in that they reflect only the *typical* ability of most casinos to attract from greater distances. The extent to which proponents are willing and able to bring extraordinary numbers of distant customers to their facilities by bus, plane, train, and/or automobile would therefore also add to the projections that I present here.

Finally, physical appearance is only one element that contributes to my power ratings, and is, in my experience, not one of the most critical. There are *many* unprepossessing facilities near the tops of Exhibits 1 through 4 – but if you’re rural (easy to get to), easy to park at, and invest a lot in your players (which low- if not no-taxed Indian facilities find easy to do), you can be very “attractive.” For example, the Eastern Shawnee Travel Center, Peoria Gaming Center, and Little Turtle facilities in Oklahoma are ugly little “gasinos,” right next door (in two cases) to physically much more attractive full-scale casinos (and just down the road from one in the third case), yet the little gasinos are *packed*. They clearly offer the gaming experience that many customers desire. I am therefore cautious in discounting the ability of less-attractive casinos to compete against those with more glitz.

Cummings Associates

**Projections for Likely
Gaming Revenues in Kansas –
Update Regarding Methodology
Exhibits**

DRAFT

July 16, 2008

List of Exhibits

Exhibit

- 1 Gaming-Device Spending Ratios in Major US Markets (2 pages)
- 2 Gaming-Device "Power Ratings"
- 3 Table-Game Spending Ratios in Major US Markets (2 pages)
- 4 Table-Game "Power Ratings"
- 5 Assumptions for Kansas Projections

Exhibit 1: Gaming-Device Spending Ratios in Major US Markets

(Total Annual Spending on Slots and/or VLTs Per "Distance-Adjusted" Adult in 2007)

Large Urban Markets		Smaller Cities & Misc. Markets		Rural Markets	
				Deadwood, SD	\$909
				S Dakota Indian avg. (8)	\$873 e
				Upstate Michigan avg.	\$840 e
				Colorado (2)	\$840
				Kansas Natives avg.	\$818 e
		Mississippi / Louisiana	\$809		
Horseshoe / Bluffs Run, IA	\$791			Terribles Lakeside, IA	\$794
				Diamond Jo Worth, IA	\$791
Ameristar Council Bluffs, IA	\$779			Iowa Natives average	\$784 e
Midwest Standard +10%					
		Upstate Wisconsin avg.	\$770 e		
		Mt. Pleasant, MI	\$769 e		
		Metropolis, IL/KY	\$753 o		
Albuquerque, NM avg.	\$752				
		Dubuque Greyh Park, IA	\$748	IOC Marquette, IA	\$750 o
Harrahs Council Bluffs, IA	\$746				
Harrahs Joliet, IL	\$745 o			Emmetsburg, IA	\$744
		Other New Mexico avg.	\$740		
		IOC Boonville, MO	\$739 o		
		Atlantic City, NJ	\$730		
		Riverside, IA	\$729		
Harrahs NKCMO	\$724			Wisconsin Dells	\$715 e
				Mohegan Sun, CT	\$700 o
"Midwest Standard"					
		Prairie Meadows, IA	\$697		
		IOC Waterloo, IA	\$697		
Ameristar KCMO	\$690				
Michigan City, IN	\$685				
		Dubuque Riverboat, IA	\$682 o		
Harrahs W St Louis	\$680				
Argosy Riverside, MO	\$680				
		Argosy Sioux City, IA	\$674 o		
Elgin (Chicago) IL	\$672 o				
				Foxwoods, CT	\$669 o
Joliet Empress, IL	\$667 o	Niagara (NY) casino	\$662		
		IOC Bettendorf, IA	\$658 o		
East St Louis, IL	\$656 o				
		Southern Delaware	\$656		
Aurora (Chicago), IL	\$655 o				

Exhibit 1: Gaming-Device Spending Ratios in Major US Markets

(Total Annual Spending on Slots and/or VLTs Per "Distance-Adjusted" Adult in 2007)

Large Urban Markets		Smaller Cities & Misc. Markets		Rural Markets	
Ameristar St Chas, MO	\$641	Catfish Bend Burlington, IA	\$655		
		St Jo MO	\$640 o		
Hammond, IN	\$636 o				
Resorts, E Chicago IN	\$636 o				
Midwest Standard -10%					
		Green Bay, WI	\$627 e	Charles Town, WV	\$626
		Rhythm City, IA	\$621 o		
Detroit (avg / 3 facils)	\$609 o			Caruthersville, MO	\$615 o
		Mark Twain, MO	\$603 o	Salamanca, NY	\$608
		Clinton, IA	\$601 o	French Lick, IN	\$601
Cincinnati (avg), OH/IN	\$593 o	Jumers Rock Island, IL	\$593 o		
Louisville, KY/IN	\$581 o				
Majestic Star, Gary IN	\$576 o				
Milwaukee, WI	\$567 e o	Wheeling, WV	\$561		
		Peoria, IL	\$554 o		
IOC KCMO	\$552 o				
KCKS 7th St Casino	\$547 e o	South Dakota VLTs	\$541		
Delaware Park	\$541				
Admiral / downtown St Louis	\$515 o	Evansville, IN	\$499 o		
		Montana VLTs (2)	\$497		

e = estimated

o = old boat or capacity-constrained market

(1) Nevada local markets would be off this scale, somewhere north of \$1000/adult.

(2) Colorado and Montana statistics do not include Native American facilities

Exhibit 2: Gaming-Device "Power Ratings"

(Total Annual Spending versus benchmark of \$700)

Large Urban Markets		Smaller Cities & Misc. Markets		Rural Markets	
				Deadwood, SD	129.9
				S Dakota Indian avg. (8)	124.7 e
				Upstate Michigan avg.	120.0 e
				Colorado (2)	120.0
				Kansas Natives avg.	116.9 e
		Mississippi / Louisiana	115.5		
Horseshoe / Bluffs Run, IA	113.0			Terribles Lakeside, IA	113.4
				Diamond Jo Worth, IA	113.0
Ameristar Council Bluffs, IA	111.3			Iowa Natives average	112.0 e
Midwest Standard +10%					
		Upstate Wisconsin avg.	110.0 e		
		Mt. Pleasant, MI	109.9 e		
Albuquerque, NM avg.	107.4	Metropolis, IL/KY	107.6 o	IOC Marquette, IA	107.1 o
Harrahs Council Bluffs, IA	106.6	Dubuque Greyh Park, IA	106.9		
Harrahs Joliet, IL	106.4 o			Emmetsburg, IA	106.3
		Other New Mexico avg.	105.7		
		IOC Boonville, MO	105.6 o		
		Atlantic City, NJ	104.3		
		Riverside, IA	104.1		
Harrahs NKCMO	103.4			Wisconsin Dells	102.1 e
"Midwest Standard"					
		Prairie Meadows, IA	99.6	Mohegan Sun, CT	100.0 o
		IOC Waterloo, IA	99.6		
Ameristar KCMO	98.6				
Michigan City, IN	97.9	Dubuque Riverboat, IA	97.4 o		
Harrahs W St Louis	97.1				
Argosy Riverside, MO	97.1				
Elgin (Chicago) IL	96.0 o	Argosy Sioux City, IA	96.3 o		
Joliet Empress, IL	95.3 o			Foxwoods, CT	95.6 o
		Niagara (NY) casino	94.6		
		IOC Bettendorf, IA	94.0 o		
		Southern Delaware	93.7		
East St Louis, IL	93.7 o	Catfish Bend Burlington, IA	93.6		
Aurora (Chicago), IL	93.6 o				
Ameristar St Chas, MO	91.6	St Jo MO	91.4 o		
Hammond, IN	90.9 o				
Resorts, E Chicago IN	90.9 o				
Midwest Standard -10%					
		Green Bay, WI	89.6 e	Charles Town, WV	89.4
		Rhythm City, IA	88.7 o		
				Caruthersville, MO	87.9 o
Detroit (avg / 3 facils)	87.0 o			Salamanca, NY	86.9
		Mark Twain, MO	86.1 o		
		Clinton, IA	85.9 o		
Cincinnati (avg), OH/IN	84.7 o	Jumers Rock Island, IL	84.7 o	French Lick, IN	85.9
Louisville, KY/IN	83.0 o				
Majestic Star, Gary IN	82.3 o				
Milwaukee, WI	81.0 e o				
		Wheeling, WV	80.1		
IOC KCMO	78.9 o	Peoria, IL	79.1 o		
KCKS 7th St Casino	78.1 e o				
Delaware Park	77.3	South Dakota VLTs	77.3		
Admiral / downtown St Louis	73.6 o				
		Evansville, IN	71.3 o		
		Montana VLTs	71.0		

e = estimated

o = old boat or capacity-constrained market

Exhibit 3: Table-Game Spending Ratios in Major US Markets

(Total Annual Spending on Table Games Per "Distance-Adjusted" Adult in 2007)

Large Urban Markets		Smaller Cities & Misc. Markets		Rural Markets	
		Metropolis, IL/KY	\$113 o		
Hammond, IN	\$109 o			Iowa Natives average	\$108 e
Albuquerque, NM avg.	\$107 ±				
Resorts, E Chicago IN	\$107 o				
Harrahs Joliet, IL	\$105 o				
Elgin (Chicago) IL	\$105 o			Kansas Natives avg.	\$105 e
Midwest Standard +10%					
Michigan City, IN	\$103				
Louisville, KY/IN	\$103 o				
		Upstate Wisconsin avg.	\$100 e		
Aurora (Chicago), IL	\$99 o			Diamond Jo Worth, IA	\$99
Joliet Empress, IL	\$97 o				
Cincinnati (avg), OH/IN	\$97 o			Caruthersville, MO	\$97
Majestic Star, Gary IN	\$96 o				
Detroit (avg / 3 facils)	\$95 o			Terribles Lakeside. IA	\$95
Horseshoe / Bluffs Run, IA	\$95				
"Midwest Standard"					
				Wisconsin Dells	\$93 e
		Riverside, IA	\$93		
				Emmetsburg, IA	\$93
		Other New Mexico avg.	\$93 ±		
Ameristar Council Bluffs, IA	\$92				
				French Lick, IN	\$92
Harrahs NKCMO	\$90 b				
Harrahs W St Louis	\$87 b				

Exhibit 3: Table-Game Spending Ratios in Major US Markets

(Total Annual Spending on Table Games Per "Distance-Adjusted" Adult in 2007)

Large Urban Markets		Smaller Cities & Misc. Markets		Rural Markets	
		IOC Boonville, MO	\$87 b o		
Midwest Standard -10%					
East St Louis, IL	\$84 o				
Argosy Riverside, MO	\$83 b				
		Evansville, IN	\$83 o		
		Argosy Sioux City, IA	\$83 o		
Ameristar KCMO	\$82 b				
Harrahs Council Bluffs, IA	\$82				
		Dubuque Greyh Park, IA	\$81		
		Prairie Meadows, IA	\$79		
		IOC Waterloo, IA	\$79		
Ameristar St Chas, MO	\$77 b			IOC Marquette, IA	\$78 o
		Green Bay, WI	\$77 e		
		Catfish Bend Burlington, IA	\$75		
		St Jo MO	\$69 o		
Admiral / downtown St Louis	\$68 b o				
Milwaukee, WI	\$68 e o				
		Peoria, IL	\$68 o		
		Dubuque Riverboat, IA	\$67 o		
IOC KCMO	\$66 b o				
		IOC Bettendorf, IA	\$64 o		
		Mark Twain, MO	\$64 b o		
		Clinton, IA	\$64 o		
		Jumers Rock Island, IL	\$56 o	Deadwood, SD	\$61 b
		Rhythm City, IA	\$46 o	S Dakota Indian avg. (8)	\$55 e
				Colorado (2)	\$34 b

e = estimated

o = old boat or capacity-constrained market

b = betting limits

(1) Deadwood and Colorado suffer from \$5 bet limits, Missouri from \$500 session loss limit

(2) Colorado statistics do not include Native American facilities

(3) Mississippi (\$150±), East Coast (\$200±) and Nevada markets are off this scale.

Exhibit 4: Table-Game "Power Ratings"

(Total Annual Spending versus benchmark of \$95)

Large Urban Markets		Smaller Cities & Misc. Markets		Rural Markets	
Hammond, IN	114.7 o	Metropolis, IL/KY	118.9 o		
Albuquerque, NM avg.	113.1 ±			Iowa Natives average	113.7 e
Resorts, E Chicago IN	112.6 o				
Harrahs Joliet, IL	110.5 o				
Elgin (Chicago) IL	110.5 o			Kansas Natives avg.	110.5 e
Midwest Standard +10%					
Michigan City, IN	108.4				
Louisville, KY/IN	108.4 o				
		Upstate Wisconsin avg.	105.3 e		
Aurora (Chicago), IL	104.2 o			Diamond Jo Worth, IA	104.2
Joliet Empress, IL	102.1 o			Caruthersville, MO	102.1
Cincinnati (avg), OH/IN	101.8 o				
Majestic Star, Gary IN	101.1 o				
Detroit (avg / 3 facils)	100.0 o				
Horseshoe / Bluffs Run, IA	100.0			Terribles Lakeside. IA	100.0
"Midwest Standard"					
		Riverside, IA	97.9	Wisconsin Dells	97.9 e
		Other New Mexico avg.	97.4 ±	Emmetsburg, IA	97.9
Ameristar Council Bluffs, IA	96.8			French Lick, IN	96.8
Harrahs NKCMO	94.7 b				
Harrahs W St Louis	91.6 b	IOC Boonville, MO	91.6 b o		
Midwest Standard -10%					
East St Louis, IL	88.4 o				
Argosy Riverside, MO	87.4 b	Evansville, IN	87.4 o		
		Argosy Sioux City, IA	87.4 o		
Ameristar KCMO	86.3 b				
Harrahs Council Bluffs, IA	86.3	Dubuque Greyh Park, IA	85.3		
		Prairie Meadows, IA	83.2		
		IOC Waterloo, IA	83.2		
				IOC Marquette, IA	82.1 o
Ameristar St Chas, MO	81.1 b	Green Bay, WI	81.1 e		
		Catfish Bend Burlington, IA	78.9		
		St Jo MO	72.6 o		
Admiral / downtown St Louis	71.6 b o	Peoria, IL	71.6 o		
Milwaukee, WI	71.6 e o	Dubuque Riverboat, IA	70.5 o		
		IOC Bettendorf, IA	67.4 o		
IOC KCMO	69.5 b o	Mark Twain, MO	67.4 b o		
		Clinton, IA	67.4 o		
				Deadwood, SD	64.2 b
		Jumers Rock Island, IL	58.9 o	S Dakota Indian avg. (8)	57.9 e
		Rhythm City, IA	48.4 o		
				Colorado (2)	35.8 b

e = estimated

o = old boat or capacity-constrained market

b = betting limits

Exhibit 5: Assumptions for Kansas Projections

	Kansas City	Harrah's Mulvane	Marvel Wellington	Penn Wellington	Penn Cherokee	Dodge
Slot Performance						
High	107.0	110.0	116.0	116.0	107.0	117.0
Baseline	102.0	104.0	110.0	110.0	102.0	112.0
Low	97.0	98.0	104.0	104.0	97.0	107.0
Table Performance						
High	107.0	106.0	108.0	103.0	95.0	105.0
Baseline	102.0	98.0	100.0	95.0	90.0	100.0
Low	97.0	90.0	92.0	87.0	85.0	95.0

Note: 100 = "Midwest Standard." Higher slot baseline here typical of new facilities.

Cummings Associates

Projections for the Likely Gaming Revenues of Kansas Penn Gaming, LLC ("Penn Cherokee")

DRAFT

July 16, 2008

Projections for Likely Gaming Revenues of Kansas Penn Gaming, LLC (“Penn Cherokee”)

Exhibit 1 presents a full set of Baseline projections (“most likely future” scenario regarding competition, including other facilities in Kansas) with Penn National’s Cherokee property highlighted in light yellow. I have developed these projections assuming a *representative* selection of facilities in the other gaming zones so as to capture their (very modest) impacts on each property that I examine here. I have also assumed the specific location and configuration of the casino proposed by Penn National.

Under this scenario, Penn’s Cherokee County casino is projected to obtain total annual gaming revenues of \$32 million.

As in my previous report, these projections are presented as of “maturity,” a.k.a. “stabilized operations,” in terms of 2007 dollars. To get to then-year dollars, I would assume escalation of 2.5% per year. This reflects nominal income growth / inflation at two percent per annum plus adult population growth averaging 0.5% per year.

In 2011, for example, my projections would equate to \$35.4 million in gaming win. This compares with Penn National’s projection of \$57.4 million for that year.

A new addition to this type of exhibit is presented at the bottom. On the first line are my projections for the spending of all the residents of Kansas on gaming, first at Kansas casinos, then at casinos in other states, and finally in total. The second line indicates the estimated spending of the residents of other states *at* the gaming facilities of Kansas. Kansas’s “balance of trade” can be found by netting the diagonal entries: in this case, \$195.9 million spent by Kansans in nearby states versus \$188.9 million spent by others in Kansas, resulting in a net outflow of \$7 million from the State of Kansas.¹

Exhibit 2 presents detail for the sources of consumer spending *at* each facility in Kansas.

Exhibit 3 presents corresponding detail regarding visitation.

Exhibit 4 presents a graphic comparison of my projections versus those of the proponent. I have inflated my 2007-dollar projections by the aforesaid 2.5% per year, and ignored partial years of operation.

Exhibit 5 is similar except that my projections have been inflated at the rate that the proponent assumes for “organic” growth in the outyears. For Penn Cherokee, this appears to be

¹ Ignoring, as before, minor amounts spent in Nevada, Atlantic City, on cruise ships, etc. For these calculations I have also assumed that all the “drive-by” revenues at the facilities on Interstate Highways derive from the residents of other states, though some portion will indeed likely come from Kansans.

5%. (I have assumed that the substantial growth between 2011 and 2013 in Penn's projections is due to expansions of and enhancements to their facility, though this is not clear. The Morowitz study appears to assume 900 slot machines throughout this period.)

I have made this additional comparison in order to maximize comparability with the applicant by removing this source of difference between our projections. I believe, however, that the 2.5% rate is more appropriate. There are very few markets in the Midwest where total gaming receipts increased at a greater rate in the *good* years prior to 2007 without substantial additions to capacity or major renovations that improved quality. When everything else remained equal, most markets in the Midwest grew 2-3% per year in the early 00s, so I believe that is the most reasonable assumption for the future – *after* we recover from the current recession.

Section A then provides detail regarding my analyses and projections “as was” in 2007, i.e., with no change in competition from that year – aside from a representative selection of gaming facilities elsewhere in Kansas. I think most of the proponents would have assumed some such competition (which, however, likely had less impact on their projections than it does on mine).

For these projections, I have generally assumed that Camptown is in operation. With an assumption that its rural location would improve access, my projections for slot win have increased slightly from my previous estimates. With low margins at that facility, however, its viability remains in doubt. As before, however, Camptown's operation is projected to have very little impact on Penn National's Cherokee facility – compare Exhibits 1 and C-1.

Section B provides further detail regarding my Baseline projections. It is from this section that the leading Exhibits 1, 2 and 3 were extracted (duplicated here as B-3, B-3A, and B-3B, respectively).

Comparisons of various types are presented in **Section C**. As described above, I have examined a scenario without Camptown in operation, which has very little impact on Penn Cherokee. I have also developed a set of projections for Penn Cherokee's full Phase N project, with 1,400 slots, 50 table games ($\pm$), and a hotel. And for each proponent, I have matched their own projections with my model so as to determine the effective “power rating” that they implicitly assert. As of what looks to me like the first full year of stabilized operations, Harrahs' slot projections weigh in at 123, Penn Wellington's at 131, and Marvel's at 134. These are unusually high. Penn Cherokee is actually the least aggressive, at 116-126.

Section D presents my “low” projection, and **Section E** my “high” (formerly “downside” and “upside,” respectively. I changed the names so as to reduce impressions that they may represent either a floor or ceiling.)

I also present corresponding detail from the separate slot and table models that combine to yield my projections in total. The zone in which this disaggregation really matters is here in the Southeast: I'm projecting table revenues to be strong due to the absence of craps, roulette, and banked table games at the casinos of Oklahoma. These projections, however, are far less strong than my preliminary estimates, in which I assumed Oklahoma table players always had to pay an

ante. As we saw at Downstream, that's not necessarily the case. Downstream (and at least one other Oklahoma casino) appear to be foregoing the antes in order to build their business. Without antes, however, these table games truly are loss leaders.

I had also formerly assumed that the table situation in Oklahoma would reduce the power ratings of their slots by five points when "real" table games appeared in Kansas. I'm now assuming just two points for this effect.

In sum, my previous conclusions regarding the Southeastern Zone stand: the population in this area is not large, and there is simply too much competition from nearby casinos in Oklahoma – now including the Quapaw Downstream facility with roughly 2,000 slot machines – for substantial gaming revenues to be achieved with ease in Kansas.

Cummings Associates

**Projections for the
Likely Gaming Revenues of
Kansas Penn Gaming, LLC
("Penn Cherokee")**

Exhibits

DRAFT

July 16, 2008

List of Exhibits

Exhibit

- 1 Penn Cherokee Baseline
- 2 Detail for Sources of Consumer Spending
- 3 Detail for Visitation by Source
- 4 Penn's Cherokee Projections vs. Cummings's (2.5% escalation)
- 5 Penn's Cherokee Projections vs. Cummings's (5% escalation)

Section A: "As Was" Projections

- A-1 "As Was" 2007 -- Before Any New Facilities
- A-2 "As Was" 2007 -- w Potential New Kansas Facilities Elsewhere
- A-3 Penn Cherokee "As Was" 2007 (with New Kansas Facilities)

Section B: Baseline (Likely Future) Projections

- B-1 Likely Future / Baseline -- with New Facilities Elsewhere
- B-2 Likely Future / Baseline -- with New Facilities Elsewhere AND KS
- B-2A Detail for Sources of Consumer Spending
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Section C: Comparative Projections

- C-1 Penn Cherokee Without Camptown
- C-2 Penn Cherokee with 1,400 Slots (and Hotel etc.)
- C-3 Penn Cherokee's Slots and Tables Match Penn's Projections in 2011
- C-4 Penn Cherokee's Slots and Tables Match Penn's Projections in 2013 (Phase 1)
- C-5 Penn Cherokee's Slots and Tables Match Penn's Projections in 2013 (Phase N)

Section D: "Low" Projections

- D Penn Cherokee "Low"

Section E: "High" Projections

- E Penn Cherokee "High"

(Similar sets of exhibits follow for slots and tables)

Exhibit 1: Gaming Revenue Projections (\$mn / 2007\$)
Penn Cherokee Baseline

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.8	\$175	\$233.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
-----	-----		-----		-----
Subtotal Kansas Taxable	8,100		\$453.8	\$153	\$529.1
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.2
-----	-----		-----		-----
Total Kansas	11,843		\$613.0	\$142	\$706.0
memo: Northeast Zone	3,800		\$217.2	\$157	\$258.8
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.1
memo: South Central Zone	2,000		\$151.3	\$207	\$174.2
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.6
Sugar Creek					
-----	-----		-----		-----
Subtotal KCMO	8,094		\$473.8	\$160	\$527.6
Greater KC Total	12,344		\$704.7	\$156	\$800.1
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,632		\$231.4	\$96	\$257.1
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$517.2	\$195.9	\$713.1	
from Others (")		\$188.9			

Exhibit 2: Detail for Sources of Consumer Spending (\$000)
Penn Cherokee Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cherokee	Harrhs Mul	Penn Well's	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900	2,000			800
Power Rating		95	102			102	102	104			112
Win/Slot/Day		\$87	\$175			\$110	\$79	\$204			\$120
Kansas Tourists	\$15,580	\$376	\$4,565			\$594	\$758	\$5,640			\$3,647
Kansas Locals	382,137	\$15,915	152,768			\$16,647	4,533	159,710			32,564
Kansas Total	\$397,717	\$16,292	\$157,333	\$0	\$0	\$17,241	\$5,291	\$165,349	\$0	\$0	\$36,211
Missouri Tourists	\$12,867	\$663	\$8,300			\$1,140	\$1,619	\$1,086			\$58
Missouri Locals	93,042	\$8,157	62,456			\$4,853	17,575	0			0
Missouri Total	\$105,909	\$8,821	\$70,756	\$0	\$0	\$5,994	\$19,194	\$1,086	\$0	\$0	\$58
Okla + Ark Tourists	\$6,953	\$25	\$934			\$474	\$1,260	\$2,728			\$1,533
Okla + Ark Locals	5,876	\$0	0			\$360	3,790	1,231			496
Okla + Ark Total	\$12,829	\$25	\$934	\$0	\$0	\$833	\$5,050	\$3,958	\$0	\$0	\$2,029
Iowa	\$1,865	\$93	\$1,706	\$0	\$0	\$8	\$14	\$36	\$0	\$0	\$7
Nebraska	\$3,699	\$88	\$1,883	\$0	\$0	\$9	\$15	\$666	\$0	\$0	\$1,038
Other Near	\$1,762	\$28	\$845	\$0	\$0	\$20	\$54	\$146	\$0	\$0	\$668
Frontage Traffic	\$5,352						\$2,421	\$2,931			
Total All Sources	\$529,122	\$25,346	\$233,448	\$0	\$0	\$24,105	\$32,040	\$174,172	\$0	\$0	\$40,011
total Tourists	\$48,067	\$1,274	\$18,224			\$2,245	\$6,141	\$13,232			\$6,951
total locals	\$481,055	\$24,073	\$215,224			\$21,860	\$25,898	\$160,940			\$33,060

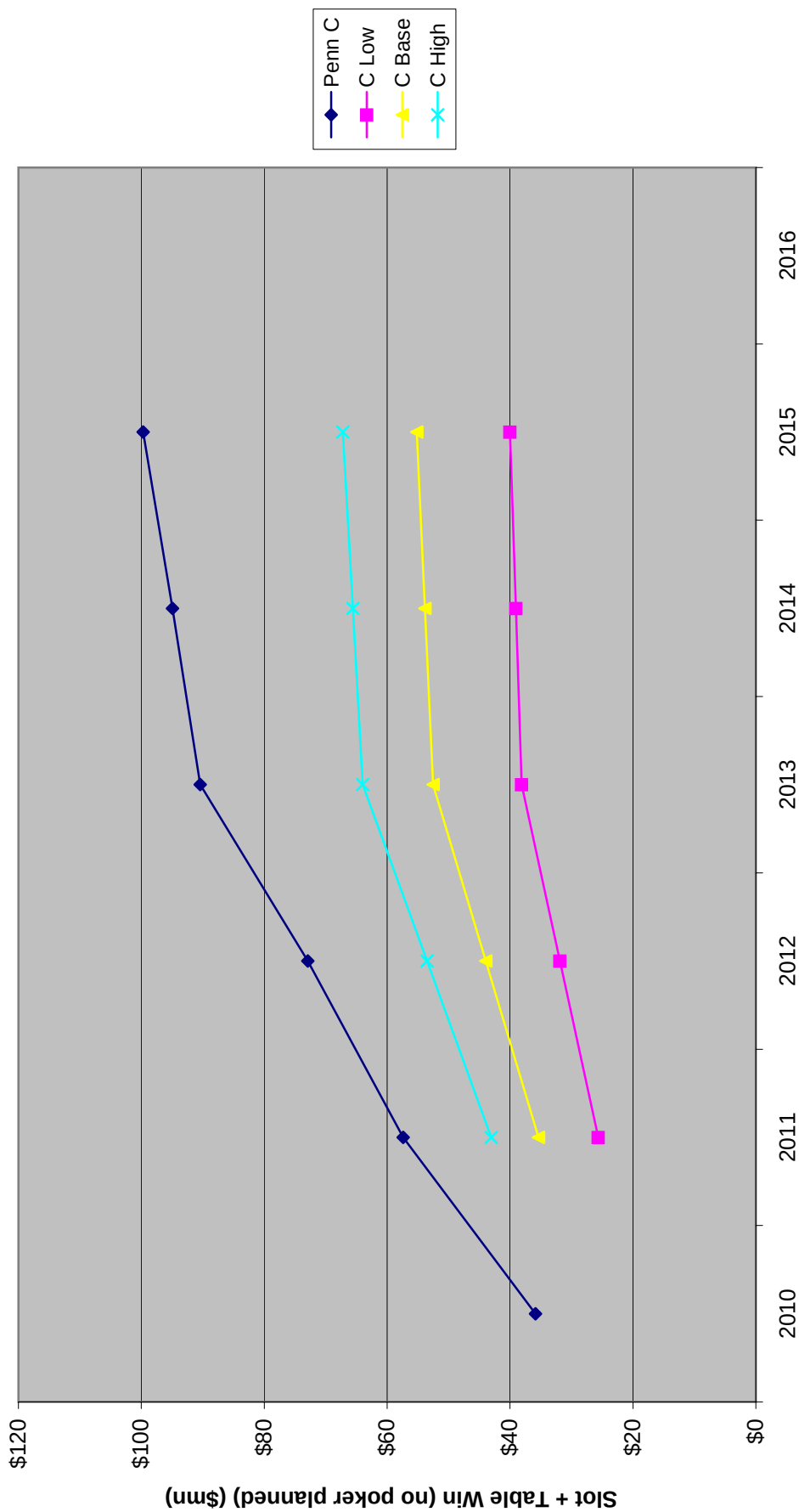
Note: Totals may not add due to rounding.

Exhibit 3: Detail for Visitation by Source Penn Cherokee Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cherokee	Harrhs Mul	Penn Well's	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900	2,000			800
Power Rating		95	102			102	102	104			112
Win/Slot/Day		\$87	\$175			\$110	\$79	\$204			\$120
Kansas Tourists	185,643	4,983	49,743			7,991	10,297	65,674			46,955
Kansas Locals	5,063,529	234,019	1,818,223	0	0	285,443	79,116	2,137,508	0	0	509,219
Kansas Total	5,249,172	239,002	1,867,966	0	0	293,434	89,414	2,203,182	0	0	556,174
Missouri Tourists	153,276	8,947	92,541			15,622	22,515	12,889			763
Missouri Locals	1,269,792	125,290	778,753	0	0	78,687	287,062	0	0	0	0
Missouri Total	1,423,068	134,237	871,294	0	0	94,309	309,577	12,889	0	0	763
Okla + Ark Tourists	89,976	350	10,751			6,755	17,965	33,227			20,928
Okla + Ark Locals	87,769	0	0	0	0	5,412	58,811	16,068	0	0	7,477
Oklahoma Total	177,745	350	10,751	0	0	12,167	76,776	49,295	0	0	28,405
Iowa	20,796	1,245	18,740	0	0	102	192	419	0	0	98
Nebraska	43,028	1,165	20,473	0	0	115	209	7,741	0	0	13,325
Other Near	18,474	341	8,601	0	0	253	678	1,503	0	0	7,098
Frontage Traffic	60,599	0	0			0	29,388	31,210			0
Total All Sources	6,992,881	376,340	2,797,825	0	0	400,381	506,234	2,306,238	0	0	605,863
total Tourists	571,792	17,031	200,849			30,839	81,244	152,663			89,166
total locals	6,421,089	359,308	2,596,976			369,543	424,990	2,153,576			516,697
Spending Per Visitor	\$76	\$67	\$83			\$60	\$63	\$76			\$66

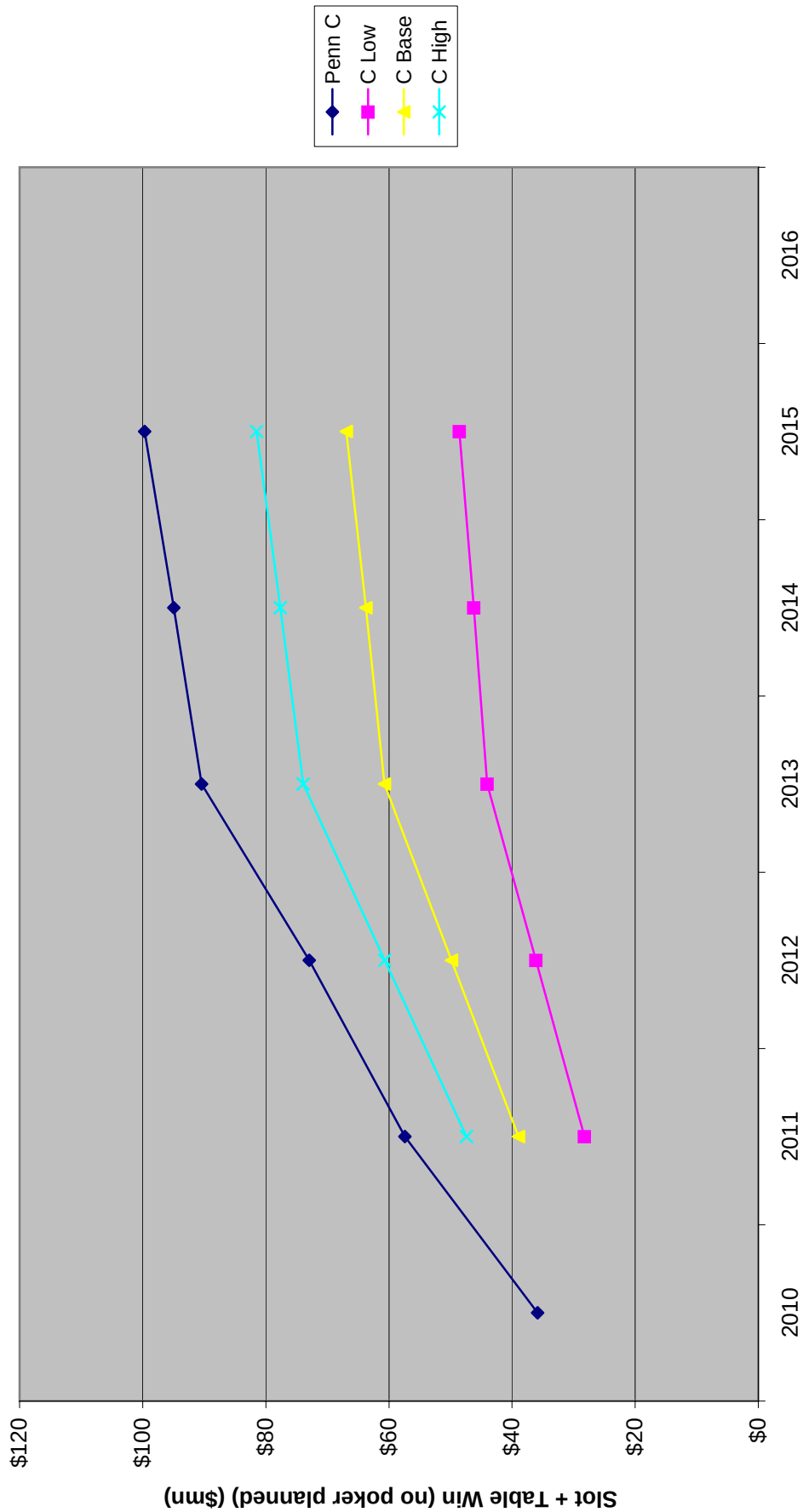
Note: Totals may not add due to rounding.

Exhibit 4: Penn's Cherokee Projections vs. Cummings's (2.5% escalation)



Note: Cummings projections for 2011 are for Phase One 900-slot facility -- for 2013 and later years, for Phase N 1400-slot facility (for 2012, intermediate)

Exhibit 5: Penn's Cherokee Projections vs. Cummings's (5% escalation)



Note: Cummings projections for 2011 are for Phase One 900-slot facility -- for 2013 and later years, for Phase N 1400-slot facility (for 2012, intermediate)

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A. "As Was" Projections

Penn Cherokee

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July 16, 2008

Exhibit A-1: Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Facilities

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
KCK Speedway					
KCK Stateline					
KCK Middle					
Camptown					
Penn Cherokee					
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City					
	-----		-----		-----
Subtotal Kansas Taxable	0		\$0.0		\$0.0
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$167.8	\$171	\$195.1
	-----		-----		-----
Total Kansas	2,693		\$167.8	\$171	\$195.1
memo: Northeast Zone					
memo: Southeast Zone					
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$164.2	\$228	\$182.0
IOC KC	1,523	78.9	\$77.3	\$139	\$83.8
Harrahs NKC	1,783	103.5	\$175.4	\$270	\$202.3
Ameristar KC	3,012	98.6	\$222.5	\$202	\$252.6
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,287		\$639.4	\$211	\$720.7
Greater KC Total	8,287		\$639.4	\$211	\$720.7
Greater Joplin Total	4,242		\$138.8	\$90	\$145.6
Greater Wichita Total	3,632		\$112.3	\$85	\$116.2
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$145.1	\$377.4	\$522.5	
from Others (")		\$50.0			

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**Exhibit A-2: Gaming Revenue Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$26.2	\$90	\$26.2
KCK Speedway	3,000	102	\$199.1	\$182	\$242.1
KCK Stateline					
KCK Middle					
Camptown	600	104	\$30.9	\$141	\$30.9
Penn Cherokee					
Harrahs Mulvane	2,000	104	\$158.1	\$217	\$182.3
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.7	\$122	\$40.7
	-----		-----		-----
Subtotal Kansas Taxable	7,200		\$450.0	\$171	\$522.2
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$138.3	\$141	\$156.6
	-----		-----		-----
Total Kansas	9,893		\$588.3	\$163	\$678.8
memo: Northeast Zone	3,800		\$225.3	\$162	\$268.4
memo: Southeast Zone	600		\$30.9	\$141	\$30.9
memo: South Central Zone	2,000		\$158.1	\$217	
Argosy Riverside	1,969	97.2	\$117.8	\$164	\$128.6
IOC KC	1,523	78.9	\$59.6	\$107	\$64.1
Harrahs NKC	1,783	103.5	\$135.7	\$209	\$154.0
Ameristar KC	3,012	98.6	\$178.0	\$162	\$199.6
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,287		\$491.1	\$162	\$546.3
Greater KC Total	12,087		\$716.4	\$162	\$814.7
Greater Joplin Total	4,842		\$157.9	\$89	\$164.1
Greater Wichita Total	5,632		\$234.3	\$114	\$261.0
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$518.9	\$193.5	\$712.4	
from Others (")		\$159.8			

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**Exhibit A-3: Gaming Revenue Projections (\$mn / 2007\$)
Penn Cherokee "As Was" 2007 (with New Kansas Facilities)**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$26.2	\$90	\$26.2
KCK Speedway	3,000	102	\$198.8	\$182	\$240.9
KCK Stateline					
KCK Middle					
Camptown	600	102	\$28.0	\$128	\$28.0
Penn Cherokee	900	102	\$41.3	\$126	\$49.9
Harrahs Mulvane	2,000	104	\$158.1	\$217	\$181.7
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.7	\$122	\$40.6
Subtotal Kansas Taxable	8,100		\$488.1	\$165	\$567.3
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$138.2	\$141	\$156.1
Total Kansas	10,793		\$626.3	\$159	\$723.4
memo: Northeast Zone	3,800		\$225.0	\$162	\$267.1
memo: Southeast Zone	1,500		\$69.4	\$127	\$77.9
memo: South Central Zone	2,000		\$158.1	\$217	\$181.7
Argosy Riverside	1,969	97.2	\$117.6	\$164	\$128.3
IOC KC	1,523	78.9	\$59.6	\$107	\$64.1
Harrahs NKC	1,783	103.5	\$135.6	\$208	\$153.5
Ameristar KC	3,012	98.6	\$177.7	\$162	\$198.9
Sugar Creek					
Subtotal KCMO	8,287		\$490.5	\$162	\$544.8
Greater KC Total	12,087		\$715.5	\$162	\$811.8
Greater Joplin Total	5,742		\$180.5	\$86	\$195.0
Greater Wichita Total	5,632		\$234.5	\$114	\$260.6
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$524.7	\$189.4	\$714.1	
from Others (")		\$198.7			

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B. Baseline (Likely Future) Projections
Penn Cherokee

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July 16, 2008

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**Exhibit B-1: Gaming Revenue Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
KCK Speedway					
KCK Stateline					
KCK Middle					
Camptown					
Penn Cherokee					
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City					
	-----		-----		-----
Subtotal Kansas Taxable	0		\$0.0		\$0.0
KCK 7th Street					
4 Northeast KS Natives	3,293	117	\$174.0	\$145	\$200.4
	-----		-----		-----
Total Kansas	3,293		\$174.0	\$145	\$200.4
memo: Northeast Zone					
memo: Southeast Zone					
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$162.2	\$226	\$179.8
IOC KC	1,330	80.9	\$75.1	\$155	\$81.6
Harrahs NKC	1,783	103.5	\$172.9	\$266	\$199.3
Ameristar KC	3,012	98.6	\$219.4	\$200	\$249.0
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,094		\$629.5	\$213	\$709.7
Greater KC Total	8,094		\$629.5	\$213	\$709.7
Greater Joplin Total	7,963		\$177.3	\$61	\$186.8
Greater Wichita Total	4,632		\$114.1	\$67	\$118.5
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$145.4	\$381.0	\$526.5	
from Others (")		\$55.0			

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**Exhibit B-2: Gaming Revenue Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere AND KS**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.4	\$87	\$25.4
KCK Speedway	3,000	102	\$191.9	\$175	\$234.4
KCK Stateline					
KCK Middle					
Camptown	600	104	\$26.1	\$119	\$26.1
Penn Cherokee					
Harrahs Mulvane	2,000	104	\$151.2	\$207	\$174.5
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
Subtotal Kansas Taxable	7,200		\$429.6	\$163	\$500.3
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.5
Total Kansas	10,943		\$588.9	\$147	\$677.6
memo: Northeast Zone	3,800		\$217.3	\$157	\$259.8
memo: Southeast Zone	600		\$26.1	\$119	\$26.1
memo: South Central Zone	2,000		\$151.2	\$207	
Argosy Riverside	1,969	97.2	\$113.8	\$158	\$124.5
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.3	\$202	\$149.4
Ameristar KC	3,012	98.6	\$172.7	\$157	\$194.1
Sugar Creek					
Subtotal KCMO	8,094		\$474.0	\$160	\$528.6
Greater KC Total	12,344		\$705.1	\$156	\$802.2
Greater Joplin Total	8,563		\$190.4	\$61	\$199.2
Greater Wichita Total	6,632		\$231.0	\$95	\$257.2

Total Casino Spending:

from Kansas (\$mn)

from Others (")

to Kansas

\$513.3

\$164.3

to Others

\$200.1

Total KS

\$713.5

Exhibit B-2A: Detail for Sources of Consumer Spending (\$000)
Baseline Before Penn Cherokee

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well'i	Marvel Wel	Dodge
Number of Slots	7,200	800	3,000			600		2,000			800
Power Rating		95	102			104		104			112
Win/Slot/Day		\$87	\$175			\$119		\$203			\$120
Kansas Tourists	\$15,129	\$376	\$4,726			\$668		\$5,710			\$3,649
Kansas Locals	378,638	\$15,919	152,860			\$17,569		159,727			32,563
Kansas Total	\$393,767	\$16,295	\$157,586	\$0	\$0	\$18,237	\$0	\$165,437	\$0	\$0	\$36,212
Missouri Tourists	\$12,037	\$669	\$8,815			\$1,291		\$1,202			\$61
Missouri Locals	76,260	\$8,161	62,504			\$5,595		0			0
Missouri Total	\$88,298	\$8,830	\$71,319	\$0	\$0	\$6,886	\$0	\$1,202	\$0	\$0	\$61
Okla + Ark Tourists	\$5,985	\$24	\$1,078			\$519		\$2,827			\$1,536
Okla + Ark Locals	2,124	\$0	0			\$387		1,242			495
Okla + Ark Total	\$8,109	\$24	\$1,078	\$0	\$0	\$907	\$0	\$4,068	\$0	\$0	\$2,031
Iowa	\$1,852	\$93	\$1,707	\$0	\$0	\$9	\$0	\$36	\$0	\$0	\$7
Nebraska	\$3,685	\$88	\$1,883	\$0	\$0	\$10	\$0	\$666	\$0	\$0	\$1,038
Other Near	\$1,711	\$28	\$845	\$0	\$0	\$23	\$0	\$146	\$0	\$0	\$668
Frontage Traffic	\$2,931							\$2,931			
Total All Sources	\$500,343	\$25,358	\$234,410	\$0	\$0	\$26,072	\$0	\$174,486	\$0	\$0	\$40,018
total Tourists	\$43,320	\$1,279	\$19,045			\$2,520		\$13,517			\$6,959
total locals	\$457,022	\$24,079	\$215,364			\$23,552		\$160,968			\$33,058

Note: Totals may not add due to rounding.

Exhibit B-2B: Detail for Visitation by Source
Baseline Before Penn Cherokee

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well's	Marvel Wel	Dodge
Number of Slots	7,200	800	3,000			600		2,000			800
Power Rating		95	102			104		104			112
Win/Slot/Day		\$87	\$175			\$119		\$203			\$120
Kansas Tourists	179,521	4,980	51,614			8,874		67,085			46,968
Kansas Locals	5,002,836	234,049	1,819,217	0	0	296,632	0	2,143,756	0	0	509,183
Kansas Total	5,182,357	239,029	1,870,831	0	0	305,506	0	2,210,841	0	0	556,151
Missouri Tourists	140,248	9,023	98,459			17,469		14,494			802
Missouri Locals	994,388	125,327	779,777	0	0	89,284	0	0	0	0	0
Missouri Total	1,134,636	134,350	878,236	0	0	106,753	0	14,494	0	0	802
Okla + Ark Tourists	78,326	343	12,966			7,310		36,558			21,149
Okla + Ark Locals	30,789	0	0	0	0	5,750	0	17,591	0	0	7,447
Oklahoma Total	109,115	343	12,966	0	0	13,060	0	54,149	0	0	28,596
Iowa	20,619	1,245	18,738	0	0	115	0	422	0	0	98
Nebraska	42,934	1,166	20,489	0	0	130	0	7,815	0	0	13,335
Other Near	17,864	341	8,597	0	0	287	0	1,539	0	0	7,099
Frontage Traffic	31,200	0	0			0		31,200			0
Total All Sources	6,538,725	376,474	2,809,857	0	0	425,851	0	2,320,461	0	0	606,082
total Tourists	510,712	17,097	210,864			34,186		159,115			89,451
total locals	6,028,013	359,377	2,598,993			391,666		2,161,347			516,630
Spending Per Visitor	\$77	\$67	\$83			\$61		\$75			\$66

Note: Totals may not add due to rounding.

**Exhibit B-3: Gaming Revenue Projections (\$mn / 2007\$)
Penn Cherokee Baseline**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.8	\$175	\$233.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
Subtotal Kansas Taxable	8,100		\$453.8	\$153	\$529.1
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.2
Total Kansas	11,843		\$613.0	\$142	\$706.0
memo: Northeast Zone	3,800		\$217.2	\$157	\$258.8
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.1
memo: South Central Zone	2,000		\$151.3	\$207	\$174.2
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.6
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.6
Greater KC Total	12,344		\$704.7	\$156	\$800.1
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,632		\$231.4	\$96	\$257.1
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$517.2	\$195.9	\$713.1	
from Others (")		\$188.9			

Exhibit B-3A: Detail for Sources of Consumer Spending (\$000)
Penn Cherokee Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cherokee	Harrhs Mul	Penn Well's	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900	2,000			800
Power Rating		95	102			102	102	104			112
Win/Slot/Day		\$87	\$175			\$110	\$79	\$204			\$120
Kansas Tourists	\$15,580	\$376	\$4,565			\$594	\$758	\$5,640			\$3,647
Kansas Locals	382,137	\$15,915	152,768			\$16,647	4,533	159,710			32,564
Kansas Total	\$397,717	\$16,292	\$157,333	\$0	\$0	\$17,241	\$5,291	\$165,349	\$0	\$0	\$36,211
Missouri Tourists	\$12,867	\$663	\$8,300			\$1,140	\$1,619	\$1,086			\$58
Missouri Locals	93,042	\$8,157	62,456			\$4,853	17,575	0			0
Missouri Total	\$105,909	\$8,821	\$70,756	\$0	\$0	\$5,994	\$19,194	\$1,086	\$0	\$0	\$58
Okla + Ark Tourists	\$6,953	\$25	\$934			\$474	\$1,260	\$2,728			\$1,533
Okla + Ark Locals	5,876	\$0	0			\$360	3,790	1,231			496
Okla + Ark Total	\$12,829	\$25	\$934	\$0	\$0	\$833	\$5,050	\$3,958	\$0	\$0	\$2,029
Iowa	\$1,865	\$93	\$1,706	\$0	\$0	\$8	\$14	\$36	\$0	\$0	\$7
Nebraska	\$3,699	\$88	\$1,883	\$0	\$0	\$9	\$15	\$666	\$0	\$0	\$1,038
Other Near	\$1,762	\$28	\$845	\$0	\$0	\$20	\$54	\$146	\$0	\$0	\$668
Frontage Traffic	\$5,352						\$2,421	\$2,931			
Total All Sources	\$529,122	\$25,346	\$233,448	\$0	\$0	\$24,105	\$32,040	\$174,172	\$0	\$0	\$40,011
total Tourists	\$48,067	\$1,274	\$18,224			\$2,245	\$6,141	\$13,232			\$6,951
total locals	\$481,055	\$24,073	\$215,224			\$21,860	\$25,898	\$160,940			\$33,060

Note: Totals may not add due to rounding.

**Exhibit B-3B: Detail for Visitation by Source
Penn Cherokee Baseline**

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well's	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900	2,000			800
Power Rating		95	102			102	102	104			112
Win/Slot/Day		\$87	\$175			\$110	\$79	\$204			\$120
Kansas Tourists	185,643	4,983	49,743			7,991	10,297	65,674			46,955
Kansas Locals	5,063,529	234,019	1,818,223	0	0	285,443	79,116	2,137,508	0	0	509,219
Kansas Total	5,249,172	239,002	1,867,966	0	0	293,434	89,414	2,203,182	0	0	556,174
Missouri Tourists	153,276	8,947	92,541			15,622	22,515	12,889			763
Missouri Locals	1,269,792	125,290	778,753	0	0	78,687	287,062	0	0	0	0
Missouri Total	1,423,068	134,237	871,294	0	0	94,309	309,577	12,889	0	0	763
Okla + Ark Tourists	89,976	350	10,751			6,755	17,965	33,227			20,928
Okla + Ark Locals	87,769	0	0	0	0	5,412	58,811	16,068	0	0	7,477
Oklahoma Total	177,745	350	10,751	0	0	12,167	76,776	49,295	0	0	28,405
Iowa	20,796	1,245	18,740	0	0	102	192	419	0	0	98
Nebraska	43,028	1,165	20,473	0	0	115	209	7,741	0	0	13,325
Other Near	18,474	341	8,601	0	0	253	678	1,503	0	0	7,098
Frontage Traffic	60,599	0	0			0	29,388	31,210			0
Total All Sources	6,992,881	376,340	2,797,825	0	0	400,381	506,234	2,306,238	0	0	605,863
total Tourists	571,792	17,031	200,849			30,839	81,244	152,663			89,166
total locals	6,421,089	359,308	2,596,976			369,543	424,990	2,153,576			516,697
Spending Per Visitor	\$76	\$67	\$83			\$60	\$63	\$76			\$66

Note: Totals may not add due to rounding.

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C. Comparative Projections

Penn Cherokee

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July 16, 2008

Exhibit C-1: Gaming Revenue Projections (\$mn / 2007\$)
Penn Cherokee Without Camptown

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.4	\$87	\$25.4
KCK Speedway	3,000	102	\$192.1	\$175	\$233.7
KCK Stateline					
KCK Middle					
Camptown					
Penn Cherokee	900	102	\$27.0	\$82	\$32.9
Harrahs Mulvane	2,000	104	\$151.5	\$208	\$174.4
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
	-----		-----		-----
Subtotal Kansas Taxable	7,500		\$431.1	\$157	\$506.4
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.6	\$121	\$163.3
	-----		-----		-----
Total Kansas	11,243		\$590.4	\$144	\$683.5
memo: Northeast Zone	3,800		\$217.5	\$157	\$259.1
memo: Southeast Zone	900		\$27.0	\$82	\$32.9
memo: South Central Zone	2,000		\$151.5	\$208	\$174.4
Argosy Riverside	1,969	97.2	\$113.8	\$158	\$124.4
IOC KC	1,330	80.9	\$56.3	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.4	\$202	\$149.1
Ameristar KC	3,012	98.6	\$172.8	\$157	\$193.9
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,094		\$474.3	\$161	\$528.1
Greater KC Total	12,344		\$705.6	\$157	\$801.0
Greater Joplin Total	8,863		\$176.4	\$55	\$190.9
Greater Wichita Total	6,632		\$231.6	\$96	\$257.3
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$501.0	\$198.4	\$699.4	
from Others (")		\$182.5			

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**Exhibit C-2: Gaming Revenue Projections (\$mn / 2007\$)
Penn Cherokee with 1,400 Slots (and Hotel etc.)**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.6	\$175	\$233.1
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.6	\$108	\$23.6
Penn Cherokee	1,400	102	\$37.0	\$72	\$45.3
Harrahs Mulvane	2,000	104	\$151.0	\$207	\$173.8
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.0	\$120	\$40.0
-----	-----		-----		-----
Subtotal Kansas Taxable	8,600		\$463.6	\$148	\$541.1
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.2	\$121	\$162.9
-----	-----		-----		-----
Total Kansas	12,343		\$622.6	\$138	\$717.7
memo: Northeast Zone	3,800		\$216.9	\$156	\$258.4
memo: Southeast Zone	2,000		\$60.6	\$83	\$68.9
memo: South Central Zone	2,000		\$151.0	\$207	\$173.8
Argosy Riverside	1,969	97.2	\$113.6	\$158	\$124.2
IOC KC	1,330	80.9	\$56.2	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$131.1	\$201	\$148.8
Ameristar KC	3,012	98.6	\$172.4	\$157	\$193.4
Sugar Creek					
-----	-----		-----		-----
Subtotal KCMO	8,094		\$473.2	\$160	\$526.9
Greater KC Total	12,344		\$703.9	\$156	\$799.1
Greater Joplin Total	9,963		\$200.9	\$55	\$217.1
Greater Wichita Total	6,632		\$230.9	\$95	\$256.5
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$518.5	\$194.6	\$713.1	
from Others (")		\$199.2			

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Exhibit C-3: Gaming Revenue Projections (\$mn / 2007\$)
Penn Cherokee's 900 Slots Match Penn's Projections in 2011
 (Phase 1)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.5	\$175	\$233.1
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.4	\$107	\$23.4
Penn Cherokee	900	116	\$45.5	\$138	\$52.0 *
Harrahs Mulvane	2,000	104	\$151.1	\$207	\$173.9
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
Subtotal Kansas Taxable	8,100		\$471.8	\$160	\$547.6
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.2	\$121	\$162.9
Total Kansas	11,843		\$630.7	\$146	\$724.3
memo: Northeast Zone	3,800		\$216.8	\$156	\$258.4
memo: Southeast Zone	1,500		\$68.9	\$126	\$75.4
memo: South Central Zone	2,000		\$151.1	\$207	\$173.9
Argosy Riverside	1,969	97.2	\$113.5	\$158	\$124.1
IOC KC	1,330	80.9	\$56.2	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$131.0	\$201	\$148.7
Ameristar KC	3,012	98.6	\$172.3	\$157	\$193.3
Sugar Creek					
Subtotal KCMO	8,094		\$473.0	\$160	\$526.8
Greater KC Total	12,344		\$703.5	\$156	\$798.9
Greater Joplin Total	9,463		\$207.4	\$60	\$222.4
Greater Wichita Total	6,632		\$231.0	\$95	\$256.6
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$519.4	\$194.6	\$714.0	
from Others (")		\$204.9			

* Equates to Penn's projection of \$57.4mn in 2011 in then-year dollars.

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Exhibit C-4: Gaming Revenue Projections (\$mn / 2007\$)
Penn Cherokee's 900 Slots (&c) Match Penn's Projections in 2013
 (Phase 1)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$86	\$25.3
KCK Speedway	3,000	102	\$191.0	\$174	\$232.5
KCK Stateline					
KCK Middle					
Camptown	600	102	\$22.6	\$103	\$22.6
Penn Cherokee	900	126	\$68.2	\$208	\$78.0 *
Harrahs Mulvane	2,000	104	\$150.7	\$206	\$173.5
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.0	\$120	\$40.0
Subtotal Kansas Taxable	8,100		\$492.9	\$167	\$571.8
KCK 7th Street	450	78	\$13.7	\$84	\$13.7
4 Northeast KS Natives	3,293	117	\$144.9	\$121	\$162.5
Total Kansas	11,843		\$651.5	\$151	\$748.0
memo: Northeast Zone	3,800		\$216.3	\$156	\$257.8
memo: Southeast Zone	1,500		\$90.8	\$166	\$100.6
memo: South Central Zone	2,000		\$150.7	\$206	\$173.5
Argosy Riverside	1,969	97.2	\$113.3	\$158	\$123.9
IOC KC	1,330	80.9	\$56.1	\$116	\$60.5
Harrahs NKC	1,783	103.5	\$130.7	\$201	\$148.4
Ameristar KC	3,012	98.6	\$171.9	\$156	\$192.9
Sugar Creek					
Subtotal KCMO	8,094		\$472.0	\$160	\$525.7
Greater KC Total	12,344		\$702.1	\$156	\$797.2
Greater Joplin Total	9,463		\$222.4	\$64	\$239.9
Greater Wichita Total	6,632		\$230.4	\$95	\$256.0
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$522.3	\$193.1	\$715.4	
from Others (")		\$225.7			

* Equates to Penn's projection of \$90.4mn in 2013 in then-year dollars.

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Exhibit C-5: Gaming Revenue Projections (\$mn / 2007\$)
Penn Cherokee's 1400 Slots (&c) Match Penn's Projections in 2013
 (Phase N)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.2	\$86	\$25.2
KCK Speedway	3,000	102	\$191.0	\$174	\$232.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$22.5	\$103	\$22.5
Penn Cherokee	1,400	117	\$68.2	\$133	\$78.0 *
Harrahs Mulvane	2,000	104	\$150.4	\$206	\$173.1
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.0	\$120	\$39.9
-----	-----		-----		-----
Subtotal Kansas Taxable	8,600		\$492.4	\$157	\$571.2
KCK 7th Street	450	78	\$13.7	\$84	\$13.7
4 Northeast KS Natives	3,293	117	\$144.7	\$120	\$162.3
-----	-----		-----		-----
Total Kansas	12,343		\$650.8	\$144	\$747.2
memo: Northeast Zone	3,800		\$216.2	\$156	\$257.7
memo: Southeast Zone	2,000		\$90.8	\$124	\$100.5
memo: South Central Zone	2,000		\$150.4	\$206	\$173.1
Argosy Riverside	1,969	97.2	\$113.3	\$158	\$123.9
IOC KC	1,330	80.9	\$56.1	\$116	\$60.5
Harrahs NKC	1,783	103.5	\$130.6	\$201	\$148.3
Ameristar KC	3,012	98.6	\$171.9	\$156	\$192.8
Sugar Creek					
-----	-----		-----		-----
Subtotal KCMO	8,094		\$471.9	\$160	\$525.6
Greater KC Total	12,344		\$701.9	\$156	\$797.0
Greater Joplin Total	9,963		\$221.0	\$61	\$238.4
Greater Wichita Total	6,632		\$230.0	\$95	\$255.5
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$522.0	\$192.6	\$714.6	
from Others (")		\$225.2			

* Equates to Penn's projection of \$90.4mn in 2013 in then-year dollars.

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D. "Low" Projections
Penn Cherokee

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Exhibit D: Gaming Revenue Projections (\$mn / 2007\$)
Penn Cherokee "Low"

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.1	\$175	\$232.6
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.1	\$106	\$23.1
Penn Cherokee	900	97	\$19.0	\$58	\$23.2
Harrahs Mulvane	2,000	104	\$144.5	\$198	\$166.6
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$34.5	\$118	\$39.4
Subtotal Kansas Taxable	8,100		\$437.5	\$148	\$510.3
KCK 7th Street	450	78	\$13.7	\$84	\$13.7
4 Northeast KS Natives	3,293	117	\$144.3	\$120	\$161.9
Total Kansas	11,843		\$595.6	\$138	\$685.9
memo: Northeast Zone	3,800		\$216.4	\$156	\$257.9
memo: Southeast Zone	1,500		\$42.1	\$77	\$46.4
memo: South Central Zone	2,000		\$144.5	\$198	\$166.6
Argosy Riverside	1,969	97.2	\$113.4	\$158	\$124.0
IOC KC	1,330	80.9	\$56.1	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$130.8	\$201	\$148.5
Ameristar KC	3,012	98.6	\$172.1	\$157	\$193.1
Sugar Creek					
Subtotal KCMO	8,094		\$472.4	\$160	\$526.1
Greater KC Total	12,344		\$702.5	\$156	\$797.7
Greater Joplin Total	9,963		\$195.9	\$54	\$209.8
Greater Wichita Total	8,332		\$235.1	\$77	\$260.9
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$506.3	\$206.1	\$712.5	
from Others (")		\$179.6			

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E. "High" Projections
Penn Cherokee

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July 16, 2008

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**Exhibit E: Gaming Revenue Projections (\$mn / 2007\$)
Penn Cherokee "High"**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.7	\$175	\$233.3
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.9	\$109	\$23.9
Penn Cherokee	900	107	\$31.8	\$97	\$39.0
Harrahs Mulvane	2,000	104	\$151.2	\$207	\$174.1
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
-----	-----		-----		-----
Subtotal Kansas Taxable	8,100		\$459.1	\$155	\$535.6
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.4	\$121	\$163.1
-----	-----		-----		-----
Total Kansas	11,843		\$618.2	\$143	\$712.4
memo: Northeast Zone	3,800		\$217.1	\$157	\$258.6
memo: Southeast Zone	1,500		\$55.7	\$102	\$62.9
memo: South Central Zone	2,000		\$151.2	\$207	\$174.1
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$131.1	\$202	\$148.9
Ameristar KC	3,012	98.6	\$172.5	\$157	\$193.5
Sugar Creek					
-----	-----		-----		-----
Subtotal KCMO	8,094		\$473.5	\$160	\$527.3
Greater KC Total	12,344		\$704.3	\$156	\$799.7
Greater Joplin Total	9,463		\$199.1	\$58	\$214.7
Greater Wichita Total	6,632		\$231.3	\$96	\$256.9
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$518.0	\$195.4	\$713.4	
from Others (")		\$194.5			

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Detail for Slots
Penn Cherokee

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A. "As Was" Projections / Slots

Penn Cherokee

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Exhibit A-1: Slot Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Casinos Anywhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$167.8	\$171
	-----		-----	
Total Kansas	2,693		\$167.8	\$171
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$164.2	\$228
IOC KC	1,523	78.9	\$77.3	\$139
Harrahs NKC	1,783	103.5	\$175.4	\$270
Ameristar KC	3,012	98.6	\$222.5	\$202
Sugar Creek				
	-----		-----	
Subtotal KCMO	8,287		\$639.4	\$211
Greater KC Total	8,287		\$639.4	\$211
Greater Joplin Total	4,242		\$138.8	\$90
Greater Wichita Total	3,632		\$112.3	\$85
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$124.5	\$338.8	\$463.3
from Others (")		\$43.3		

Exhibit A-2: Slot Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$26.2	\$90
KCK Speedway	3,000	102	\$199.1	\$182
KCK Stateline				
KCK Middle				
Camptown	600	104	\$30.9	\$141
Penn Cherokee				
Harrahs Mulvane	2,000	104	\$158.1	\$217
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.7	\$122
-----	-----	-----	-----	-----
Subtotal Kansas Taxable	7,200		\$450.0	\$171
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$138.3	\$141
-----	-----	-----	-----	-----
Total Kansas	9,893		\$588.3	\$163
memo: Northeast Zone	3,800		\$225.3	\$162
memo: Southeast Zone	600		\$30.9	\$141
memo: South Central Zone	2,000		\$158.1	\$217
Argosy Riverside	1,969	97.2	\$117.8	\$164
IOC KC	1,523	78.9	\$59.6	\$107
Harrahs NKC	1,783	103.5	\$135.7	\$209
Ameristar KC	3,012	98.6	\$178.0	\$162
Sugar Creek				
-----	-----	-----	-----	-----
Subtotal KCMO	8,287		\$491.1	\$162
Greater KC Total	12,087		\$716.4	\$162
Greater Joplin Total	4,842		\$157.9	\$89
Greater Wichita Total	5,632		\$234.3	\$114
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$454.3	\$178.0	\$632.3
from Others (")		\$134.0		

Exhibit A-3: Slot Projections (\$mn / 2007\$)
Penn Cherokee "As Was" 2007 (with New Kansas Facilities)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$26.2	\$90
KCK Speedway	3,000	102	\$198.8	\$182
KCK Stateline				
KCK Middle				
Camptown	600	102	\$28.0	\$128
Penn Cherokee	900	102	\$41.3	\$126
Harrahs Mulvane	2,000	104	\$158.1	\$217
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.7	\$122
Subtotal Kansas Taxable	8,100		\$488.1	\$165
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$138.2	\$141
Total Kansas	10,793		\$626.3	\$159
memo: Northeast Zone	3,800		\$225.0	\$162
memo: Southeast Zone	1,500		\$69.4	\$127
memo: South Central Zone	2,000		\$158.1	\$217
Argosy Riverside	1,969	97.2	\$117.6	\$164
IOC KC	1,523	78.9	\$59.6	\$107
Harrahs NKC	1,783	103.5	\$135.6	\$208
Ameristar KC	3,012	98.6	\$177.7	\$162
Sugar Creek				
Subtotal KCMO	8,287		\$490.5	\$162
Greater KC Total	12,087		\$715.5	\$162
Greater Joplin Total	5,742		\$180.5	\$86
Greater Wichita Total	5,632		\$234.5	\$114
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$459.2	\$174.5	\$633.7
from Others (")		\$167.1		

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B. Baseline (Likely Future) Projections

Penn Cherokee / Slots

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July 16, 2008

Exhibit B-1: Slot Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	3,293	117	\$174.0	\$145
	-----		-----	
Total Kansas	3,293		\$174.0	\$145
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$162.2	\$226
IOC KC	1,330	80.9	\$75.1	\$155
Harrahs NKC	1,783	103.5	\$172.9	\$266
Ameristar KC	3,012	98.6	\$219.4	\$200
Sugar Creek				
	-----		-----	
Subtotal KCMO	8,094		\$629.5	\$213
Greater KC Total	8,094		\$629.5	\$213
Greater Joplin Total	7,963		\$177.3	\$61
Greater Wichita Total	4,632		\$114.1	\$67
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$125.6	\$341.4	\$467.0
from Others (")		\$48.5		

Exhibit B-2: Slot Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere AND KS

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.4	\$87
KCK Speedway	3,000	102	\$191.9	\$175
KCK Stateline				
KCK Middle				
Camptown	600	104	\$26.1	\$119
Penn Cherokee				
Harrahs Mulvane	2,000	104	\$151.2	\$207
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.1	\$120
-----	-----	-----	-----	-----
Subtotal Kansas Taxable	7,200		\$429.6	\$163
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.5	\$121
-----	-----	-----	-----	-----
Total Kansas	10,943		\$588.9	\$147
memo: Northeast Zone	3,800		\$217.3	\$157
memo: Southeast Zone	600		\$26.1	\$119
memo: South Central Zone	2,000		\$151.2	\$207
Argosy Riverside	1,969	97.2	\$113.8	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.3	\$202
Ameristar KC	3,012	98.6	\$172.7	\$157
Sugar Creek				
-----	-----	-----	-----	-----
Subtotal KCMO	8,094		\$474.0	\$160
Greater KC Total	12,344		\$705.1	\$156
Greater Joplin Total	8,563		\$190.4	\$61
Greater Wichita Total	6,632		\$231.0	\$95
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$449.2	\$183.7	\$633.0
from Others (")		\$139.7		

Exhibit B-2A: Detail for Sources of Consumer Slot Spending (\$000)
Baseline Before Any Casinos in Southeastern Zone

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Slots	7,200	800	3,000			600		2,000			800
Power Rating		95	102			104		104			112
Win/Slot/Day		\$87	\$175			\$119		\$203			\$120
Kansas Tourists	\$12,526	\$376	\$3,464			\$668		\$4,831			\$3,187
Kansas Locals	329,528	\$15,919	\$127,693			\$17,569		\$139,434			\$28,913
Kansas Total	\$342,054	\$16,295	\$131,156	\$0	\$0	\$18,237	\$0	\$144,265	\$0	\$0	\$32,100
Missouri Tourists	\$9,427	\$669	\$6,469			\$1,291		\$946			\$53
Missouri Locals	64,097	\$8,161	\$50,341			\$5,595		\$0			\$0
Missouri Total	\$73,524	\$8,830	\$56,810	\$0	\$0	\$6,886	\$0	\$946	\$0	\$0	\$53
Okla + Ark Tourists	\$4,263	\$24	\$600			\$519		\$1,852			\$1,267
Okla + Ark Locals	1,627	\$0	\$0			\$387		\$798			\$442
Okla + Ark Total	\$5,890	\$24	\$600	\$0	\$0	\$907	\$0	\$2,649	\$0	\$0	\$1,710
Iowa	\$1,448	\$93	\$1,308	\$0	\$0	\$9	\$0	\$31	\$0	\$0	\$7
Nebraska	\$2,965	\$88	\$1,408	\$0	\$0	\$10	\$0	\$563	\$0	\$0	\$896
Other Near	\$1,106	\$28	\$662	\$0	\$0	\$23	\$0	\$87	\$0	\$0	\$306
Frontage Traffic	\$2,665							\$2,665			
Total All Sources	\$429,642	\$25,358	\$191,936	\$0	\$0	\$26,072	\$0	\$151,205	\$0	\$0	\$35,071
total Tourists	\$34,390	\$1,279	\$13,902			\$2,520		\$10,974			\$5,716
total locals	\$395,251	\$24,079	\$178,033			\$23,552		\$140,231			\$29,355

Note: Totals may not add due to rounding.

Exhibit B-3: Projection in Brief (\$mn / 2007\$)
Penn Cherokee Slots Baseline

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.8	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane	2,000	104	\$151.3	\$207
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.1	\$120
Subtotal Kansas Taxable	8,100		\$453.8	\$153
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.5	\$121
Total Kansas	11,843		\$613.0	\$142
memo: Northeast Zone	3,800		\$217.2	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$151.3	\$207
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.2	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.7	\$156
Greater Joplin Total	9,463		\$195.9	\$57
Greater Wichita Total	6,632		\$231.4	\$96
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$452.6	\$180.1	\$632.7
from Others (")		\$160.4		

Exhibit B-3A: Detail for Sources of Consumer Slot Spending (\$000)
Penn Cherokee Slots Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Chero	Harrhs Mul	Penn Well's	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900	2,000			800
Power Rating		95	102			102	102	104			112
Win/Slot/Day		\$87	\$175			\$110	\$79	\$204			\$120
Kansas Tourists	\$13,131	\$376	\$3,466			\$594	\$672	\$4,832			\$3,190
Kansas Locals	332,280	\$15,915	\$127,666			\$16,647	\$3,588	\$139,546			\$28,919
Kansas Total	\$345,411	\$16,292	\$131,131	\$0	\$0	\$17,241	\$4,260	\$144,378	\$0	\$0	\$32,109
Missouri Tourists	\$10,620	\$663	\$6,400			\$1,140	\$1,442	\$923			\$52
Missouri Locals	77,543	\$8,157	\$50,322			\$4,853	\$14,210	\$0			\$0
Missouri Total	\$88,163	\$8,821	\$56,722	\$0	\$0	\$5,994	\$15,652	\$923	\$0	\$0	\$52
Okla + Ark Tourists	\$5,258	\$25	\$613			\$474	\$999	\$1,877			\$1,271
Okla + Ark Locals	4,499	\$0	\$0			\$360	\$2,894	\$802			\$443
Okla + Ark Total	\$9,757	\$25	\$613	\$0	\$0	\$833	\$3,894	\$2,678	\$0	\$0	\$1,714
Iowa	\$1,459	\$93	\$1,308	\$0	\$0	\$8	\$12	\$31	\$0	\$0	\$7
Nebraska	\$2,976	\$88	\$1,408	\$0	\$0	\$9	\$13	\$563	\$0	\$0	\$896
Other Near	\$1,152	\$28	\$662	\$0	\$0	\$20	\$50	\$87	\$0	\$0	\$306
Frontage Traffic	\$4,866						\$2,201	\$2,665			
Total All Sources	\$453,775	\$25,346	\$191,835	\$0	\$0	\$24,105	\$26,082	\$151,324	\$0	\$0	\$35,083
total Tourists	\$39,453	\$1,274	\$13,847			\$2,245	\$5,389	\$10,976			\$5,721
total locals	\$414,322	\$24,073	\$177,988			\$21,860	\$20,693	\$140,347			\$29,361

Note: Totals may not add due to rounding.

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C. Comparative Projections / Slots

Penn Cherokee

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July 16, 2008

Exhibit C-1: Slot Projections (\$mn / 2007\$)
Penn Cherokee Without Camptown

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.4	\$87
KCK Speedway	3,000	102	\$192.1	\$175
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	900	102	\$27.0	\$82
Harrahs Mulvane	2,000	104	\$151.5	\$208
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.1	\$120
Subtotal Kansas Taxable	7,500		\$431.1	\$157
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.6	\$121
Total Kansas	11,243		\$590.4	\$144
memo: Northeast Zone	3,800		\$217.5	\$157
memo: Southeast Zone	900		\$27.0	\$82
memo: South Central Zone	2,000		\$151.5	\$208
Argosy Riverside	1,969	97.2	\$113.8	\$158
IOC KC	1,330	80.9	\$56.3	\$116
Harrahs NKC	1,783	103.5	\$131.4	\$202
Ameristar KC	3,012	98.6	\$172.8	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$474.3	\$161
Greater KC Total	12,344		\$705.6	\$157
Greater Joplin Total	8,863		\$176.4	\$55
Greater Wichita Total	6,632		\$231.6	\$96
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$436.4	\$182.6	\$619.0
from Others (")		\$154.0		

**Exhibit C-2: Slot Projections (\$mn / 2007\$)
Penn Cherokee with 1,400 Slots (and Hotel etc.)**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.6	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.6	\$108
Penn Cherokee	1,400	102	\$37.0	\$72
Harrahs Mulvane	2,000	104	\$151.0	\$207
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.0	\$120
Subtotal Kansas Taxable	8,600		\$463.6	\$148
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.2	\$121
Total Kansas	12,343		\$622.6	\$138
memo: Northeast Zone	3,800		\$216.9	\$156
memo: Southeast Zone	2,000		\$60.6	\$83
memo: South Central Zone	2,000		\$151.0	\$207
Argosy Riverside	1,969	97.2	\$113.6	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.1	\$201
Ameristar KC	3,012	98.6	\$172.4	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.2	\$160
Greater KC Total	12,344		\$703.9	\$156
Greater Joplin Total	9,963		\$200.9	\$55
Greater Wichita Total	6,632		\$230.9	\$95
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$453.7	\$179.0	\$632.7
from Others (")		\$168.9		

Exhibit C-3: Slot Projections (\$mn / 2007\$)
Penn Cherokee's 900 Slots Match Penn's Projections in 2011

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.5	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.4	\$107
Penn Cherokee	900	116	\$45.5 *	\$138
Harrahs Mulvane	2,000	104	\$151.1	\$207
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.1	\$120
Subtotal Kansas Taxable	8,100		\$471.8	\$160
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.2	\$121
Total Kansas	11,843		\$630.7	\$146
memo: Northeast Zone	3,800		\$216.8	\$156
memo: Southeast Zone	1,500		\$68.9	\$126
memo: South Central Zone	2,000		\$151.1	\$207
Argosy Riverside	1,969	97.2	\$113.5	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.0	\$201
Ameristar KC	3,012	98.6	\$172.3	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.0	\$160
Greater KC Total	12,344		\$703.5	\$156
Greater Joplin Total	9,463		\$207.4	\$60
Greater Wichita Total	6,632		\$231.0	\$95
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$454.8	\$178.8	\$633.6
from Others (")		\$176.0		

* Equates to Penn's projection of \$50.2mn in 2011 in then-year dollars.

Exhibit C-4: Slot Projections (\$mn / 2007\$)
Penn Cherokee's 900 Slots Match Penn's Projections in 2013

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$86
KCK Speedway	3,000	102	\$191.0	\$174
KCK Stateline				
KCK Middle				
Camptown	600	102	\$22.6	\$103
Penn Cherokee	900	126	\$68.2 *	\$208
Harrahs Mulvane	2,000	104	\$150.7	\$206
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.0	\$120
-----	-----	-----	-----	-----
Subtotal Kansas Taxable	8,100		\$492.9	\$167
KCK 7th Street	450	78	\$13.7	\$84
4 Northeast KS Natives	3,293	117	\$144.9	\$121
-----	-----	-----	-----	-----
Total Kansas	11,843		\$651.5	\$151
memo: Northeast Zone	3,800		\$216.3	\$156
memo: Southeast Zone	1,500		\$90.8	\$166
memo: South Central Zone	2,000		\$150.7	\$206
Argosy Riverside	1,969	97.2	\$113.3	\$158
IOC KC	1,330	80.9	\$56.1	\$116
Harrahs NKC	1,783	103.5	\$130.7	\$201
Ameristar KC	3,012	98.6	\$171.9	\$156
Sugar Creek				
-----	-----	-----	-----	-----
Subtotal KCMO	8,094		\$472.0	\$160
Greater KC Total	12,344		\$702.1	\$156
Greater Joplin Total	9,463		\$222.4	\$64
Greater Wichita Total	6,632		\$230.4	\$95
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$457.3	\$177.5	\$634.8
from Others (")		\$194.2		

* Equates to Penn's projection of \$79.1mn in 2013 in then-year dollars.

Exhibit C-5: Slot Projections (\$mn / 2007\$)
Penn Cherokee's 1400 Slots Match Penn's Projections in 2013

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.2	\$86
KCK Speedway	3,000	102	\$191.0	\$174
KCK Stateline				
KCK Middle				
Camptown	600	102	\$22.5	\$103
Penn Cherokee	1,400	117	\$68.2 *	\$133
Harrahs Mulvane	2,000	104	\$150.4	\$206
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.0	\$120
-----	-----	-----	-----	-----
Subtotal Kansas Taxable	8,600		\$492.4	\$157
KCK 7th Street	450	78	\$13.7	\$84
4 Northeast KS Natives	3,293	117	\$144.7	\$120
-----	-----	-----	-----	-----
Total Kansas	12,343		\$650.8	\$144
memo: Northeast Zone	3,800		\$216.2	\$156
memo: Southeast Zone	2,000		\$90.8	\$124
memo: South Central Zone	2,000		\$150.4	\$206
Argosy Riverside	1,969	97.2	\$113.3	\$158
IOC KC	1,330	80.9	\$56.1	\$116
Harrahs NKC	1,783	103.5	\$130.6	\$201
Ameristar KC	3,012	98.6	\$171.9	\$156
Sugar Creek				
-----	-----	-----	-----	-----
Subtotal KCMO	8,094		\$471.9	\$160
Greater KC Total	12,344		\$701.9	\$156
Greater Joplin Total	9,963		\$221.0	\$61
Greater Wichita Total	6,632		\$230.0	\$95
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$457.0	\$177.1	\$634.2
from Others (")		\$193.8		

* Equates to Penn's projection of \$79.1mn in 2013 in then-year dollars.

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D. "Low" Projections / Slots

Penn Cherokee

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Exhibit D: Projection in Brief (\$mn / 2007\$)
Penn Cherokee Slots "Low"

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.1	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.1	\$106
Penn Cherokee	900	97	\$19.0	\$58
Harrahs Mulvane	2,000	104	\$144.5	\$198
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$34.5	\$118
-----	-----	-----	-----	-----
Subtotal Kansas Taxable	8,100		\$437.5	\$148
KCK 7th Street	450	78	\$13.7	\$84
4 Northeast KS Natives	3,293	117	\$144.3	\$120
-----	-----	-----	-----	-----
Total Kansas	11,843		\$595.6	\$138
memo: Northeast Zone	3,800		\$216.4	\$156
memo: Southeast Zone	1,500		\$42.1	\$77
memo: South Central Zone	2,000		\$144.5	\$198
Argosy Riverside	1,969	97.2	\$113.4	\$158
IOC KC	1,330	80.9	\$56.1	\$116
Harrahs NKC	1,783	103.5	\$130.8	\$201
Ameristar KC	3,012	98.6	\$172.1	\$157
Sugar Creek				
-----	-----	-----	-----	-----
Subtotal KCMO	8,094		\$472.4	\$160
Greater KC Total	12,344		\$702.5	\$156
Greater Joplin Total	9,963		\$195.9	\$54
Greater Wichita Total	8,332		\$235.1	\$77
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$442.7	\$189.4	\$632.1
from Others (")		\$152.9		

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E. "High" Projections / Slots

Penn Cherokee

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**Exhibit E: Projection in Brief (\$mn / 2007\$)
Penn Cherokee Slots "High"**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.7	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.9	\$109
Penn Cherokee	900	107	\$31.8	\$97
Harrahs Mulvane	2,000	104	\$151.2	\$207
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.1	\$120
-----	-----	-----	-----	-----
Subtotal Kansas Taxable	8,100		\$459.1	\$155
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.4	\$121
-----	-----	-----	-----	-----
Total Kansas	11,843		\$618.2	\$143
memo: Northeast Zone	3,800		\$217.1	\$157
memo: Southeast Zone	1,500		\$55.7	\$102
memo: South Central Zone	2,000		\$151.2	\$207
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.1	\$202
Ameristar KC	3,012	98.6	\$172.5	\$157
Sugar Creek				
-----	-----	-----	-----	-----
Subtotal KCMO	8,094		\$473.5	\$160
Greater KC Total	12,344		\$704.3	\$156
Greater Joplin Total	9,463		\$199.1	\$58
Greater Wichita Total	6,632		\$231.3	\$96
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$453.3	\$179.7	\$633.0
from Others (")		\$165.0		

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Detail for Tables
Penn Cherokee

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A. "As Was" Projections / Tables

Penn Cherokee

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Exhibit A-1: Table Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Casinos Anywhere

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	59	111	\$27.3	\$1,269
	-----		-----	
Total Kansas	59		\$27.3	\$1,269
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	39	87.3	\$17.8	\$1,253
IOC KC	23	70.2	\$6.5	\$777
Harrahs NKC	48	95.3	\$26.9	\$1,534
Ameristar KC	90	86.5	\$30.1	\$916
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$81.3	\$1,114
Greater KC Total	200		\$81.3	\$1,114
Greater Joplin Total	49		\$6.9	\$384
Greater Wichita Total	21		\$3.9	\$511
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$20.6	\$38.5	\$59.2
from Others (")		\$6.7		

Exhibit A-2: Table Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$43.1	\$1,180
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane	50	98	\$24.1	\$1,322
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$5.0	\$682
	-----		-----	
Subtotal Kansas Taxable	170		\$72.2	\$1,163
KCK 7th Street				
4 Northeast KS Natives	59	111	\$18.2	\$847
	-----		-----	
Total Kansas	229		\$90.4	\$1,082
memo: Northeast Zone	100		\$43.1	\$1,180
memo: Southeast Zone				
memo: South Central Zone	50		\$24.1	\$1,322
Argosy Riverside	39	87.3	\$10.9	\$762
IOC KC	23	70.2	\$4.5	\$535
Harrahs NKC	48	95.3	\$18.3	\$1,043
Ameristar KC	90	86.5	\$21.6	\$657
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$55.2	\$756
Greater KC Total	300		\$98.3	\$898
Greater Joplin Total	49		\$6.3	\$351
Greater Wichita Total	71		\$26.7	\$1,031
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.6	\$15.5	\$80.1
from Others (")		\$25.8		

Exhibit A-3: Table Projections (\$mn / 2007\$)
Penn Cherokee "As Was" 2007 (with New Kansas Facilities)

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$42.1	\$1,153
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$8.6	\$782
Harrahs Mulvane	50	98	\$23.6	\$1,294
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$5.0	\$680
	-----		-----	
Subtotal Kansas Taxable	200		\$79.2	\$1,085
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.9	\$830
	-----		-----	
Total Kansas	259		\$97.1	\$1,027
memo: Northeast Zone	100		\$42.1	\$1,153
memo: Southeast Zone	30		\$8.6	\$782
memo: South Central Zone	50		\$23.6	\$1,294
Argosy Riverside	39	87.3	\$10.7	\$750
IOC KC	23	70.2	\$4.5	\$531
Harrahs NKC	48	95.3	\$17.9	\$1,022
Ameristar KC	90	86.5	\$21.2	\$646
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$54.3	\$743
Greater KC Total	300		\$96.3	\$880
Greater Joplin Total	79		\$14.5	\$502
Greater Wichita Total	71		\$26.1	\$1,007
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$65.5	\$14.9	\$80.3
from Others (")		\$31.6		

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B. Baseline (Likely Future) Projections
Penn Cherokee

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**Exhibit B-1: Table Projections (\$mn / 2007\$)
Baseline Before Any New Casinos in Kansas**

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	59	111	\$26.4	\$1,224
	-----		-----	
Total Kansas	59		\$26.4	\$1,224
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	39	87.3	\$17.6	\$1,238
IOC KC	23	70.2	\$6.5	\$773
Harrahs NKC	48	95.3	\$26.5	\$1,510
Ameristar KC	90	86.5	\$29.7	\$903
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$80.2	\$1,099
Greater KC Total	200		\$80.2	\$1,099
Greater Joplin Total	104		\$9.5	\$251
Greater Wichita Total	35		\$4.4	\$346
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$19.9	\$39.6	\$59.5
from Others (")		\$6.5		

Exhibit B-2: Table Projections (\$mn / 2007\$)
Baseline Before Any Casino in Southeastern Zone

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$42.5	\$1,164
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane	50	98	\$23.3	\$1,276
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$678
	-----		-----	
Subtotal Kansas Taxable	170		\$70.7	\$1,139
KCK 7th Street				
4 Northeast KS Natives	59	111	\$18.0	\$835
	-----		-----	
Total Kansas	229		\$88.7	\$1,061
memo: Northeast Zone	100		\$42.5	\$1,164
memo: Southeast Zone				
memo: South Central Zone	50		\$23.3	\$1,276
Argosy Riverside	39	87.3	\$10.7	\$755
IOC KC	23	70.2	\$4.5	\$533
Harrahs NKC	48	95.3	\$18.1	\$1,030
Ameristar KC	90	86.5	\$21.4	\$651
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$54.6	\$748
Greater KC Total	300		\$97.1	\$887
Greater Joplin Total	104		\$8.8	\$231
Greater Wichita Total	85		\$26.2	\$845
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.1	\$16.4	\$80.5
from Others (")		\$24.6		

Exhibit B-2A: Detail for Sources of Consumer Table Spending (\$000)
Baseline Before Any Casinos in Southeastern Zone

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Tables	170		100					50			20
Power Rating			102					98			100
Win/Table/Day			\$1,164					\$1,261			\$678
Kansas Tourists	\$2,603		\$1,262					\$879			\$462
Kansas Locals	49,110		\$25,167					\$20,293			\$3,650
Kansas Total	\$51,713	\$0	\$26,430	\$0	\$0	\$0	\$0	\$21,172	\$0	\$0	\$4,112
Missouri Tourists	\$2,610		\$2,346					\$256			\$8
Missouri Locals	12,164		\$12,164					\$0			\$0
Missouri Total	\$14,774	\$0	\$14,510	\$0	\$0	\$0	\$0	\$256	\$0	\$0	\$8
Okla + Ark Tourists	\$1,722		\$478					\$975			\$269
Okla + Ark Locals	497		\$0					\$444			\$53
Okla + Ark Total	\$2,219	\$0	\$478	\$0	\$0	\$0	\$0	\$1,419	\$0	\$0	\$322
Iowa	\$404	\$0	\$399	\$0	\$0	\$0	\$0	\$5	\$0	\$0	\$1
Nebraska	\$721	\$0	\$475	\$0	\$0	\$0	\$0	\$103	\$0	\$0	\$142
Other Near	\$606	\$0	\$184	\$0	\$0	\$0	\$0	\$59	\$0	\$0	\$362
Frontage Traffic	\$266							\$266			
Total All Sources	\$70,701	\$0	\$42,474	\$0	\$0	\$0	\$0	\$23,281	\$0	\$0	\$4,947
total Tourists	\$8,930		\$5,143					\$2,543			\$1,244
total locals	\$61,771		\$37,331					\$20,737			\$3,703

Note: Totals may not add due to rounding.

Exhibit B-3: Table Projections (\$mn / 2007\$)
Penn Cherokee Baseline

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,140
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$544
Harrahs Mulvane	50	98	\$22.8	\$1,252
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$675
	-----		-----	
Subtotal Kansas Taxable	200		\$75.3	\$1,032
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.7	\$821
	-----		-----	
Total Kansas	259		\$93.0	\$984
memo: Northeast Zone	100		\$41.6	\$1,140
memo: Southeast Zone	30		\$6.0	\$544
memo: South Central Zone	50		\$22.8	\$1,252
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,012
Ameristar KC	90	86.5	\$21.0	\$641
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.8	\$737
Greater KC Total	300		\$95.4	\$872
Greater Joplin Total	134		\$14.6	\$298
Greater Wichita Total	85		\$25.7	\$828
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.6	\$15.8	\$80.4
from Others (")		\$28.5		

Exhibit B-3A: Detail for Sources of Consumer Table Spending (\$000)
Penn Cherokee Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Chero	Harrhs Mul	Penn Well'i	Marvel Wel	Dodge
Number of Tables	200		100				30	50			20
Power Rating			102				90	98			100
Win/Table/Day			\$1,140				\$544	\$1,237			\$675
Kansas Tourists	\$2,449		\$1,099				\$85	\$807			\$457
Kansas Locals	49,857		\$25,102				\$945	\$20,164			\$3,646
Kansas Total	\$52,306	\$0	\$26,202	\$0	\$0	\$0	\$1,031	\$20,971	\$0	\$0	\$4,103
Missouri Tourists	\$2,248		\$1,900				\$178	\$164			\$5
Missouri Locals	15,498		\$12,134				\$3,365	\$0			\$0
Missouri Total	\$17,746	\$0	\$14,034	\$0	\$0	\$0	\$3,542	\$164	\$0	\$0	\$5
Okla + Ark Tourists	\$1,695		\$321				\$260	\$851			\$262
Okla + Ark Locals	1,378		\$0				\$896	\$429			\$53
Okla + Ark Total	\$3,072	\$0	\$321	\$0	\$0	\$0	\$1,156	\$1,280	\$0	\$0	\$315
Iowa	\$406	\$0	\$399	\$0	\$0	\$0	\$2	\$5	\$0	\$0	\$1
Nebraska	\$722	\$0	\$475	\$0	\$0	\$0	\$2	\$103	\$0	\$0	\$142
Other Near	\$610	\$0	\$184	\$0	\$0	\$0	\$4	\$59	\$0	\$0	\$362
Frontage Traffic	\$487						\$220	\$266			
Total All Sources	\$75,347	\$0	\$41,613	\$0	\$0	\$0	\$5,957	\$22,848	\$0	\$0	\$4,928
total Tourists	\$8,614		\$4,377				\$752	\$2,255			\$1,230
total locals	\$66,733		\$37,236				\$5,205	\$20,593			\$3,698

Note: Totals may not add due to rounding.

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C. Comparative Projections / Tables

Penn Cherokee

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Exhibit C-1: Table Projections (\$mn / 2007\$)
Penn Cherokee Without Camptown

(same as Baseline -- no impact on tables)

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,140
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$544
Harrahs Mulvane	50	98	\$22.8	\$1,252
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$675
	-----		-----	
Subtotal Kansas Taxable	200		\$75.3	\$1,032
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.7	\$821
	-----		-----	
Total Kansas	259		\$93.0	\$984
memo: Northeast Zone	100		\$41.6	\$1,140
memo: Southeast Zone	30		\$6.0	\$544
memo: South Central Zone	50		\$22.8	\$1,252
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,012
Ameristar KC	90	86.5	\$21.0	\$641
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.8	\$737
Greater KC Total	300		\$95.4	\$872
Greater Joplin Total	134		\$14.6	\$298
Greater Wichita Total	85		\$25.7	\$828
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.6	\$15.8	\$80.4
from Others (")		\$28.5		

Exhibit C-2: Table Projections (\$mn / 2007\$)
Penn Cherokee with 50 Tables (and Hotel etc.)

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.5	\$1,137
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	50	90	\$8.3	\$455
Harrahs Mulvane	50	98	\$22.8	\$1,247
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$674
	-----		-----	
Subtotal Kansas Taxable	220		\$77.5	\$965
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.6	\$818
	-----		-----	
Total Kansas	279		\$95.1	\$934
memo: Northeast Zone	100		\$41.5	\$1,137
memo: Southeast Zone	50		\$8.3	\$455
memo: South Central Zone	50		\$22.8	\$1,247
Argosy Riverside	39	87.3	\$10.6	\$743
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,010
Ameristar KC	90	86.5	\$21.0	\$639
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.7	\$736
Greater KC Total	300		\$95.2	\$869
Greater Joplin Total	154		\$16.2	\$288
Greater Wichita Total	85		\$25.6	\$824
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.8	\$15.6	\$80.3
from Others (")		\$30.3		

Exhibit C-3: Table Projections (\$mn / 2007\$)
Penn Cherokee's 30 Tables Match Penn's Projections for 2011

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,139
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	92	\$6.5 *	\$593
Harrahs Mulvane	50	98	\$22.8	\$1,251
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$675
	-----		-----	
Subtotal Kansas Taxable	200		\$75.9	\$1,039
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.7	\$821
	-----		-----	
Total Kansas	259		\$93.5	\$989
memo: Northeast Zone	100		\$41.6	\$1,139
memo: Southeast Zone	30		\$6.5	\$593
memo: South Central Zone	50		\$22.8	\$1,251
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,012
Ameristar KC	90	86.5	\$21.0	\$640
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.8	\$737
Greater KC Total	300		\$95.4	\$871
Greater Joplin Total	134		\$15.0	\$307
Greater Wichita Total	85		\$25.7	\$827
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.6	\$15.8	\$80.4
from Others (")		\$28.9		

* Equates to Penn's projection of \$7.2mn in 2011 in then-year dollars.

Exhibit C-4: Table Projections (\$mn / 2007\$)
Penn Cherokee's 30 Tables Match Penn's Projections for 2013

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.5	\$1,136
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	103	\$9.7 *	\$890
Harrahs Mulvane	50	98	\$22.8	\$1,248
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$674
	-----		-----	
Subtotal Kansas Taxable	200		\$78.9	\$1,081
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.6	\$819
	-----		-----	
Total Kansas	259		\$96.5	\$1,021
memo: Northeast Zone	100		\$41.5	\$1,136
memo: Southeast Zone	30		\$9.7	\$890
memo: South Central Zone	50		\$22.8	\$1,248
Argosy Riverside	39	87.3	\$10.6	\$742
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,009
Ameristar KC	90	86.5	\$21.0	\$639
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.7	\$735
Greater KC Total	300		\$95.1	\$869
Greater Joplin Total	134		\$17.6	\$359
Greater Wichita Total	85		\$25.6	\$825
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$65.0	\$15.6	\$80.5
from Others (")		\$31.5		

* Equates to Penn's projection of \$11.3mn in 2013 in then-year dollars.

Exhibit C-5: Table Projections (\$mn / 2007\$)
Penn Cherokee's 50 Tables Match Penn's Projections for 2013

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.4	\$1,135
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	50	94	\$9.7 *	\$534
Harrahs Mulvane	50	98	\$22.7	\$1,245
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$673
	-----		-----	
Subtotal Kansas Taxable	220		\$78.8	\$981
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.6	\$817
	-----		-----	
Total Kansas	279		\$96.4	\$947
memo: Northeast Zone	100		\$41.4	\$1,135
memo: Southeast Zone	50		\$9.7	\$534
memo: South Central Zone	50		\$22.7	\$1,245
Argosy Riverside	39	87.3	\$10.6	\$742
IOC KC	23	70.2	\$4.4	\$528
Harrahs NKC	48	95.3	\$17.7	\$1,008
Ameristar KC	90	86.5	\$21.0	\$638
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.6	\$735
Greater KC Total	300		\$95.1	\$868
Greater Joplin Total	154		\$17.3	\$308
Greater Wichita Total	85		\$25.5	\$823
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.9	\$15.5	\$80.4
from Others (")		\$31.5		

* Equates to Penn's projection of \$11.3mn in 2013 in then-year dollars.

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D. "Low" Projections / Tables
Penn Cherokee

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Exhibit D: Table Projections (\$mn / 2007\$)
Penn Cherokee "Low"

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.5	\$1,136
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	85	\$4.3	\$391
Harrahs Mulvane	50	98	\$22.1	\$1,213
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$666
	-----		-----	
Subtotal Kansas Taxable	200		\$72.8	\$997
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.6	\$816
	-----		-----	
Total Kansas	259		\$90.3	\$956
memo: Northeast Zone	100		\$41.5	\$1,136
memo: Southeast Zone	30		\$4.3	\$391
memo: South Central Zone	50		\$22.1	\$1,213
Argosy Riverside	39	87.3	\$10.6	\$743
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,010
Ameristar KC	90	86.5	\$21.0	\$639
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.7	\$736
Greater KC Total	300		\$95.2	\$869
Greater Joplin Total	144		\$13.9	\$265
Greater Wichita Total	113		\$25.8	\$625
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$63.6	\$16.7	\$80.4
from Others (")		\$26.7		

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E. "High" Projections / Tables

Penn Cherokee

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Exhibit E: Table Projections (\$mn / 2007\$)
Penn Cherokee "High"

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,139
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	95	\$7.2	\$659
Harrahs Mulvane	50	98	\$22.8	\$1,251
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$675
	-----		-----	
Subtotal Kansas Taxable	200		\$76.5	\$1,048
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.7	\$820
	-----		-----	
Total Kansas	259		\$94.2	\$996
memo: Northeast Zone	100		\$41.6	\$1,139
memo: Southeast Zone	30		\$7.2	\$659
memo: South Central Zone	50		\$22.8	\$1,251
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,011
Ameristar KC	90	86.5	\$21.0	\$640
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.8	\$737
Greater KC Total	300		\$95.3	\$871
Greater Joplin Total	134		\$15.5	\$318
Greater Wichita Total	85		\$25.7	\$827
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.7	\$15.7	\$80.4
from Others (")		\$29.5		

Task 4 – Project Specific Gaming Revenue Projections

Southeast Gaming Zone – Cherokee County, Kansas

Final Report



Prepared For:

Kansas Lottery Gaming Facility Review Board

July 15, 2008

Prepared By:

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Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

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Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Introduction

The State of Kansas has lost gaming revenues for many years to a number of surrounding states, particularly to Missouri and Oklahoma. The recent development of numerous tribal casinos in Oklahoma exacerbated the problem. In an effort to stem the flow of gaming revenues and related taxes, Kansas' legislators passed Senate Bill 66 (the Kansas Expanded Lottery Act), which legalized casino gaming. SB 66 was signed by the governor in 2007.

Key Provisions of Senate Bill 66

Some key provisions of SB 66 that pertain to this study include:

1. Establishment of four casino gaming zones:
 - Northeast (located in Wyandotte County)
 - Southeast (located in Crawford and Cherokee Counties)
 - South Central (located in Sumner and Sedgwick Counties)
 - Southwest (located in Ford County)
2. Building one state owned casino in each of the four Kansas gaming zones listed above.
3. Permitting an aggregate of 2,800 slot machines to be installed at the three existing racetracks.

Senate Bill 66 required the counties located within the four subject gaming zones to hold referendum elections for the purpose of either approving or disapproving casino gaming, or slot machines to be located at their respective racetracks. Three gaming zones have racetracks (northeast, southeast, and south central). However, Sedgwick County, located in the south central gaming zone, rejected gaming in their referendum election. As a result, slot machines will be limited to two Kansas racetracks: Woodlands Race Track located in the Kansas City, Kansas (northeast gaming zone), and Camptown Greyhound Park (closed since November 2000) located near Frontenac, Kansas (southeast gaming zone).

The Kansas Lottery Commission has appointed an independent Lottery Gaming Facility Review Board to review all of the gaming applications and select the best ones. The Board has engaged a number of outside consulting firms to help with the reviewing process. To date, five gaming applications have been approved for the northeast zone, one for the southeast zone, three for the south central zone, and two for the southwest zone. The applicants that are selected will be contract managers of the gaming facilities acting on behalf of the Kansas Lottery Commission. As planned, the state will own and/or control the gaming portion of the facilities. However, the lottery will select a contract manager who will manage the gaming. The contract managers that are selected will fund, build, and operate all of the facilities under contract with the state lottery.

The contract managers will also be required to pay the following taxes that are all based on a percentage of casino gaming revenues:

Task-4 Project Specific Gaming Revenue Projections

Southeast Gaming Zone of Kansas

- The lottery facility would pay a minimum of 22% of gaming revenues to the state plus an additional 2% to fund programs for problem gamblers and gaming addictions issues.
- If a lottery gaming facility were located in either the northeast or southwest gaming zones, but not in a city, the gaming facility would be required to pay an additional 3% of gaming revenues to the county where the gaming facility was located.
- If, on the other hand, the gaming facility were located in a city, the facility would pay 1.5% of gaming revenues to the city and 1.5% to the county.
- If the lottery gaming facility were located in either the southeast or the south central gaming zone, but not in a city, the gaming facility would pay 2% of gaming revenues to the county in which the facility were located, and an additional 1% to the other county in the gaming zone (each gaming zone has two counties).
- If a gaming facility were located in a city, a combined tax equal to 3% of gaming revenues would be paid to the city (1%), to the county in which the facility were located (1%), and to the second county in the gaming zone (1%).

These state owned casinos are unique and will be the first state owned casinos in the US.

Assessment of the Kansas Gaming Revenue Potential

Before enactment of Senate Bill 66 (the Kansas Expanded Lottery Act), the Kansas Lottery Commission engaged Christensen Capital to update their study addressing the gaming revenue potential for the four Kansas gaming zones. The updated study was released in March of 2008.

Task One

The Kansas Lottery Gaming Facility Review Board engaged a team of casino gaming consultants including Wells Gaming Research (WGR) and Cummings & Associates to assess the gaming revenue potential of the four authorized gaming zones in Kansas. In essence, Task-1 required a market analysis of each of the gaming zones. This involved estimating the gross gaming revenue potential for a generic casino (not associated with any of the proposals) to be located in each of the gaming zones, and projecting the potential revenue generation for the State of Kansas. The results of studies conducted by WGR and Cummings were compared with the Christensen Study that had been previously commissioned by the Lottery.

In compliance with the Kansas Lottery Gaming Facility Review Board's directive, WGR's Task-1 work was carried out independently and was not influenced by the work performed by either Cummings or Christensen. Moreover, the work that follows on Task-4 was also carried out independently.

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Research Methodology & Scope of Work

Kansas Penn Gaming, LLC. (Penn National Gaming, Inc.) submitted an application to the Kansas Lottery Gaming Facility Review Board requesting approval to build a casino entertainment property in Cherokee County, Kansas (southeastern gaming zone).

Trade Area for the Southeast Gaming Zone

The southeast trade area is shown on the map on page 1- 4. The trade area encompasses the 100-to-125-mile radius of the intersection of Kansas, Missouri, and Oklahoma (for quick reference, a circle has been drawn around the subject area). Included are 65 counties located in southeast Kansas, southwest Missouri, northeast Oklahoma, and northwest Arkansas. The boundaries extend from Miami County, Kansas on the north; to Sequoyah County, Oklahoma on the south; to Osage County, Oklahoma on the west; and to Douglas County, Missouri on the east.

The southeast gaming zone includes the Cherokee and Crawford Counties where Kansas Senate Bill 66 has authorized casinos.

Competitive Set

Even though the southeast trade area includes a 100-to-125 mile radius of the Cherokee casino site, the competitive set extends to include all existing and proposed casinos located within a 150-mile region surrounding the development site. Competitor casinos located up to 150 miles from the development site will have overlapping trade areas with the subject casino.

Key Research Components

The major focus of WGR's research and analyses included, but were not limited to, the following:

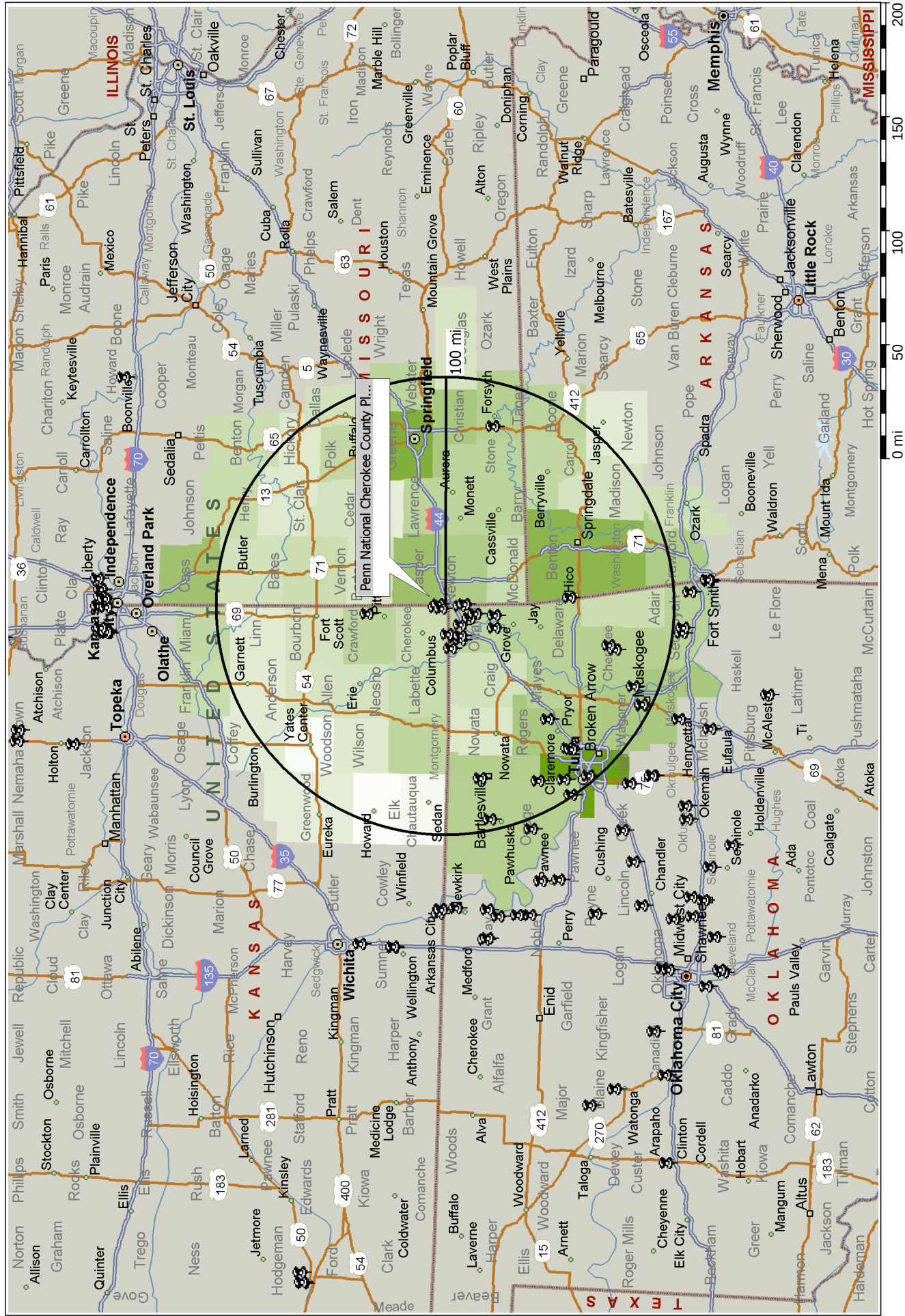
- **Site-Visits**

Richard Wells, president of WGR, conducted site visits to a majority of the competing casinos located in the southeast gaming zone's trade area. Two changes were made in the assumptions used in WGR's Task-1 report because of additional information gleaned from these on-site visits.

1. Five proposed new casinos that had been included in Task-1 are facing significant opposition and are not likely to be built in the foreseeable future. They were eliminated from the Task-4 analyses.
2. The attraction factors were reduced at seven existing southeast casinos in the Task-4 analyses.

- **Population Analyses**

Detailed population data was obtained from the Bureau of Business & Economic Research, University of Nevada, Reno at the census tract level for 2000 through 2012.



Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

- **Compilation of Casino Capacity & Amenities**

The casino gaming capacities and amenities for existing casinos, expansions, and proposed/planned casinos located within a 150-mile radius of the Cherokee development sites were compiled and incorporated into the gravity model.

- **Evaluation of the Pro Forma Feasibility**

In accordance with the requirements outlined in Task-4, WGR analyzed the feasibility of the gaming revenue projections made by Penn National Gaming, Inc. WGR's Task-4 assignment included evaluation of the applications based upon:

Achievability of the visits and the gaming revenue projections

Reasonability of the operational projections including departmental revenues, expenses, and projected incomes

Comparability with the financial performance of Nevada casinos

- **Pro Forma Comparability with Nevada Operators**

The Cherokee pro forma financial statements were compared and contrasted with three groups of Nevada casinos with annual gaming revenues of \$1 million and above:

Nevada Statewide

Wendover

South Lake Tahoe (Douglas County, Nevada).

Task-4 Project Specific Gaming Revenue Projections

Southeast Gaming Zone of Kansas

Gravity Model Analyses

WGR utilized its proprietary gravity modeling system to develop a custom gravity model for the Cherokee casino project. The gravity model was customized to reflect the exact location of the development site, the prevailing market conditions, and the nature and scope of the respective proposal.

Gaming Revenue Forecasts

Current gaming revenues were projected for the Cherokee. WGR analyzed the relevant variables within the context of two scenarios (Scenario 1 and 3).

Scenario-1 included the existing casinos and the Cherokee. It did not include casino expansions or other new casinos.

Scenario-3 included all competitors in the southeast gaming zone, i.e., existing casinos, the Cherokee, all planned/proposed expansions, and all new casinos. In Scenario-3, WGR included the “generic casinos” for Sumner and Wyandotte Counties (developed for Task-1), as well as the slot machines located at the Camptown Greyhound Racetrack.

Results

Three gaming revenue projections (low, mid, and high cases) were developed for each scenario for the 2007 through 2012 period (refer to Section 2 of this report for the details of WGR’s analyses). WGR believes that three projection cases encompass a reasonable performance range for casino gaming revenues. WGR prefers not to develop single point projections because forecasting casino revenues is far from an exact science. Many factors, both known and unknown can cause actual performance to vary significantly from the projections.

Background on the Gravity Model

By way of background, WGR has developed a custom, proprietary, gravity model for use in estimating gaming revenues at casinos, as well as for evaluating the impacts of increased competition on those revenues. WGR’s gravity modeling methodology has proven to be a flexible and effective tool for estimating gaming revenues for casino projects where the interplay with existing and/or proposed competing casinos could affect future gaming revenues.

The concept of gravity modeling is not new to the business world. William J. Reilly first advanced the concept of a gravity model in 1931 in his book entitled *Law of Retail Gravitation*. Gravity models use the principal of Isaac Newton’s law of gravity, wherein the attraction between two objects is proportional to their mass, and is inversely proportional to the square of their respective distances. Newton’s law of gravity dealt with planets, the

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amount of gravitational force that they exert on each other, and the effects that the forces of gravity have on their trajectory. This concept of gravitational force, or pull, can be applied to various types of problems, including business, retail, and traffic. Reilly applied the concept to retail shopping center trade area and customer attraction analysis.

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Information Used

No warranty is made for the accuracy of information furnished by others, the Client, his designee, or public records. The data relied upon in this report has been confirmed and/or sources thought reliable have been used. All sources and data are considered appropriate for inclusion to the best of our factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification of all data in all instances.

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Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Trade Area Summary

Trade Area

The southeast trade area includes the approximate 100-to-125-mile radius of the Penn National Cherokee development site located on US Highway 166 near the intersection of Kansas, Missouri, and Oklahoma. Included are 65 counties located in southeast Kansas, southwest Missouri, northeast Oklahoma, and northwest Arkansas. The boundaries extend from Miami County, Kansas on the north; to Sequoyah County, Oklahoma on the south; to Osage County, Oklahoma on the west; and to Douglas County, Missouri on the east (refer to the map on page 2-2).

Adult Population for the Surrounding Counties

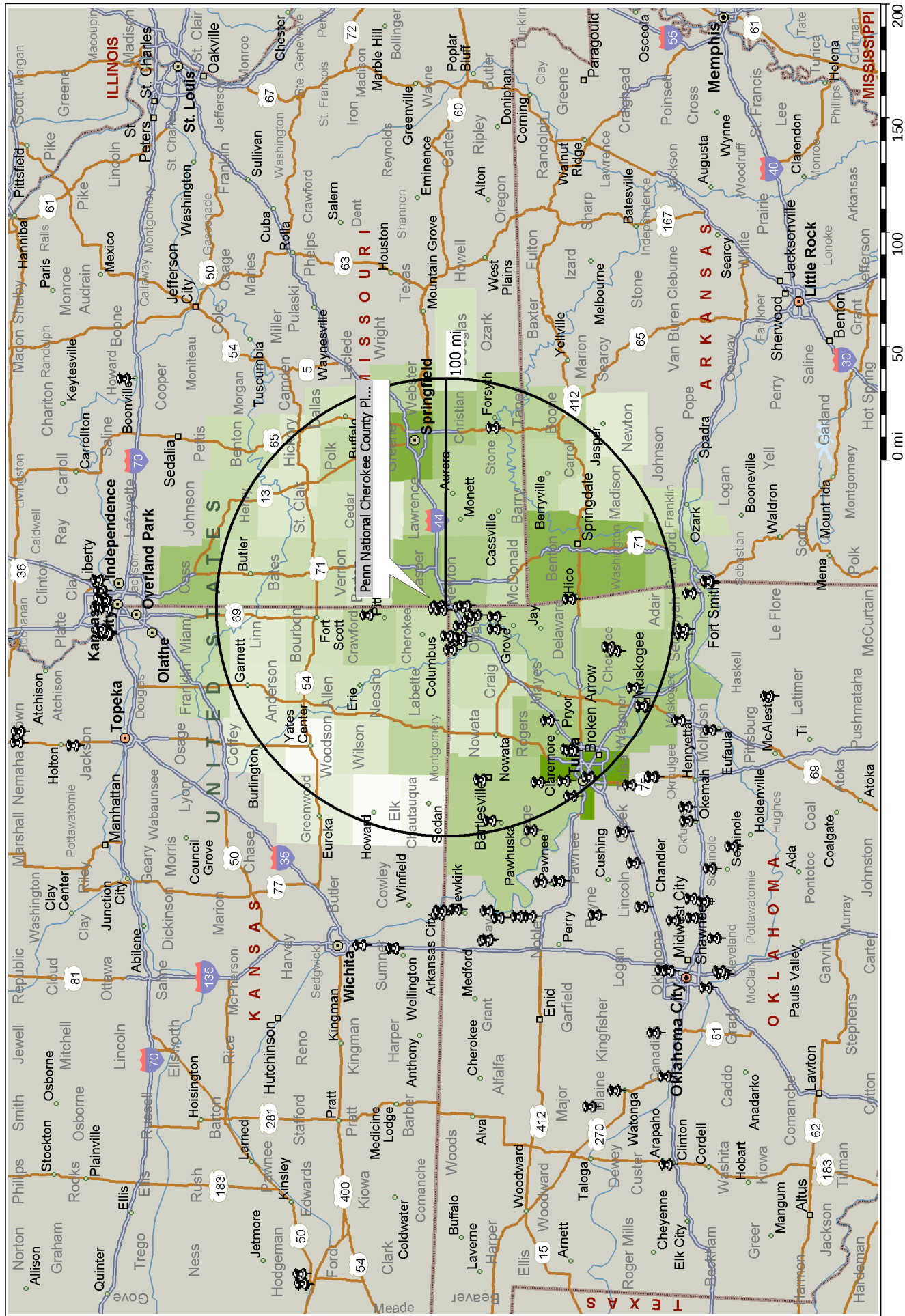
Exhibit 2-1 shows that in 2007 the adult population was 255 thousand for the counties surrounding the casino site. Projections indicate an increase to approximately 262 thousand by 2012. Jasper County, Missouri, had the highest adult population for a nearby county (79 thousand in 2007 with projections for 82 thousand by 2012). The average compound growth rate for the population located within the surrounding counties has been projected at 0.5%.

The adult population for the southeast trade area was approximately 2 million in 2007 with projections for 2.2 million by 2012. This reflects an average compound growth rate of 1.2%.

Exhibit 2-1 - Adult Population Statistics for the Southeast Trade Area

# of Co	Counties	2000	2006	2007	2008	2009	2010	2011	2012	ACGR 07 to 12	% Pop/ Co 2012
	Bourbon KS	10,617	10,516	10,509	10,501	10,495	10,486	10,479	10,472	-0.1%	4%
	Cherokee KS	15,708	14,815	14,770	14,729	14,683	14,640	14,595	14,553	-0.3%	6%
	Crawford KS	26,583	26,741	26,803	26,868	26,927	26,993	27,054	27,117	0.2%	10%
	Labette KS	15,943	15,497	15,482	15,464	15,445	15,430	15,413	15,396	-0.1%	6%
	Neosho KS	11,814	11,055	10,971	10,887	10,804	10,722	10,643	10,560	-0.8%	4%
	Barton MO	8,585	8,909	8,972	9,035	9,098	9,163	9,224	9,285	0.7%	4%
	Jasper MO	72,512	77,928	78,643	79,365	80,093	80,829	81,505	82,187	0.9%	31%
	Newton MO	36,546	38,914	39,270	39,629	39,992	40,358	40,709	41,064	0.9%	16%
	Vernon MO	14,016	14,017	14,058	14,100	14,141	14,183	14,222	14,260	0.3%	5%
	Craig OK	10,848	11,505	11,622	11,737	11,855	11,973	12,091	12,213	1.0%	5%
	Ottawa OK	22,965	23,644	23,768	23,895	24,020	24,146	24,272	24,399	0.5%	9%
11	Total Surrounding Counties	246,137	253,541	254,869	256,211	257,553	258,922	260,206	261,506	0.5%	100%
13	Total Kansas Counties - Excluding Surrounding Counties	111,836	111,808	111,728	111,653	111,585	111,529	111,485	111,440	-0.1%	
20	Total Missouri Counties - Excluding Surrounding Counties	507,877	555,911	563,300	570,821	578,470	586,258	592,988	599,818	1.3%	
13	Total Oklahoma Counties - Excluding Surrounding Counties	721,554	756,598	762,467	768,379	774,374	780,394	786,508	792,673	0.8%	
8	Total Arkansas Counties	315,597	370,689	380,290	390,175	400,370	410,853	421,680	432,831	2.6%	
65	Total Trade Area Population	1,903,001	2,048,547	2,072,654	2,097,239	2,122,352	2,147,956	2,172,867	2,198,269	1.2%	

Data Sources: Bureau of Business & Economics, University of Nevada, Reno & Wells Gaming Research, May 2008.



Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Current Casino Capacity

Exhibit 2-2, pages 2-3 and 2-4, shows that 58 casinos (four in Missouri and 54 in Oklahoma) are currently located within an approximate 150 miles distance of the Cherokee casino site. Total gaming capacity includes 31,167 slots, 425 pit table games and 182 poker tables for a total of 607 table games, 3,180 bingo seats, 6 race books, and 1,410,374 square feet of casino space. Other amenities include 74,620 square feet of convention/meeting space, 1,619 hotel rooms, 89 restaurants, 22 entertainment venues, and 35,843 parking spaces.

Exhibit 2-2 - Current Casino Capacity Statistics - SE Trade Area

# of Loc	Casino	# of Slots	# of Pit Tables	# of Poker Tables	# of Total Tables	# of Bingo Seats	Race Book	Casino S.F.	Con-vention S.F.	# of Rooms	# of Restau-rants	Enter-tain-ment	Park-ing
Missouri:													
1	Ameristar Casino Hotel - Kansas City	3,016	90	15	105	0	0	140,000	14,520	184	11	3	2,660
2	Argosy Riverside Casino Hotel & Spa	1,924	39	8	47	0	0	62,000	18,000	258	5	3	2,700
3	Harrah's North Kansas City Casino & Hotel	1,793	60	12	72	0	0	60,133	10,000	392	6	1	3,122
4	Isle of Capri Casino - Kansas City	1,525	26	6	32	0	0	40,000	0	0	5	1	1,618
Subtotal of Missouri		8,258	215	41	256	0	0	302,133	42,520	834	27	8	10,100
Oklahoma:													
1	7 Clans Paradise Casino	700	8	6	14	0	0	30,000	0	0	2	0	500
2	Blue Ribbon Downs	250	0	0	0	0	1	7,150	2,000	0	1	1	1,640
3	Blue Star Gaming and Casino	228	0	0	0	300	0	20,000	0	0	1	0	500
4	Bordertown Bingo & Casino	886	11	10	21	650	1	73,000	0	0	2	0	400
5	Buffalo Run Casino	1,300	20	9	29	0	0	70,000	10,000	0	3	1	1,300
6	Checotah Indian Community Bingo	158	0	0	0	400	0	9,000	0	0	1	0	250
7	Cherokee Casino - Fort Gibson	298	0	0	0	0	0	7,430	0	0	0	0	182
8	Cherokee Casino - Roland	614	6	6	12	0	0	34,375	0	44	1	0	594
9	Cherokee Casino - Sallisaw	251	4	2	6	0	0	27,500	0	0	1	1	250
10	Cherokee Casino - Tahlequah	405	6	3	9	0	0	20,000	0	0	1	0	433
11	Cherokee Casino - West Siloam Springs	1,014	12	12	24	0	0	50,000	0	0	2	1	1,174
12	Cherokee Casino - Will Rogers Downs	250	0	0	0	0	1	18,277	11,000	450	1	1	150
13	Cherokee Casino Resort	1,522	37	35	72	0	0	95,000	7,500	263	8	4	3,100
14	Cherokee Nation Outpost Tobacco Shop	81	0	0	0	0	0	1,728	0	0	0	0	42
15	Choctaw Casino - Pocola	1,152	9	0	9	0	1	87,573	0	0	3	1	890
16	Choctaw Travel Plaza - Wilburton	32	0	0	0	0	0	0	0	0	0	0	15
17	Cimarron Bingo Casino	363	0	0	0	0	1	9,600	0	0	1	0	400
18	Creek Nation Casino Bristow	95	0	0	0	0	0	8,500	0	0	1	0	150
19	Creek Nation Casino Eufaula	240	0	0	0	0	0	7,400	0	0	0	0	200
20	Creek Nation Casino Muscogee	584	7	10	17	300	0	30,000	0	0	1	1	800
21	Creek Nation Casino Okemah	132	0	3	3	110	0	1,800	0	0	0	0	200
22	Creek Nation Casino Okmulgee	334	2	3	5	0	0	11,000	0	0	1	0	600
23	Creek Nation Casino Tulsa	1,512	16	11	27	0	0	38,000	0	0	1	0	2,000
24	Creek Nation Travel Plaza	43	0	0	0	0	0	920	0	0	1	0	50
25	Duck Creek Casino	268	0	0	0	120	0	5,000	0	0	1	0	300
26	Eastern Shawnee Travel Plaza	186	0	0	0	0	0	3,000	0	0	0	0	150
27	Golden Pony Casino	400	0	0	0	0	0	10,000	0	0	1	0	500
28	Grand Lake Casino	879	10	6	16	0	0	45,000	0	0	1	1	1,000
29	High Winds Casino	500	8	0	8	0	0	35,000	0	0	2	0	450
30	Kaw Southwind Casino	1,078	3	4	7	700	0	55,000	0	0	2	0	1,000
31	Keetoowah Cherokee Casino	500	0	0	0	0	0	18,000	0	0	1	0	300
32	Lil' Bit of Paradise Casino 1	100	0	0	0	0	0	0	0	0	0	0	60
33	Lil' Bit of Paradise Casino 2	50	0	0	0	0	0	0	0	0	0	0	30
34	Lucky Turtle Casino	101	0	0	0	0	0	3,000	0	0	1	0	200

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Exhibit 2-2 (Continued) - Current Casino Capacity Statistics for the SE Trade Area

# of Loc	Casino	# of Slots	# of Pit Tables	# of Poker Tables	# of Total Tables	# of Bingo Seats	Race Book	Casino S.F.	Con-vention S.F.	# of Rooms	# of Restau-rants	Enter-tain-ment	Park-ing
35	Miami Tribe Entertainment	107	0	0	0	0	0	0	0	0	0	0	75
36	Muscogee Travel Plaza	129	0	0	0	0	0	3,000	0	0	0	0	50
37	Native Lights Casino	612	6	0	6	0	0	22,500	0	0	2	0	405
38	Osage Million Dollar Elm Casino - Bartlesville	575	6	6	12	0	0	42,000	0	0	0	0	700
39	Osage Million Dollar Elm Casino - Hominy	273	1	2	3	0	0	0	0	0	1	0	250
40	Osage Million Dollar Elm Casino - Pawhuska	135	0	0	0	0	0	0	0	0	1	0	50
41	Osage Million Dollar Elm Casino - Ponca City	222	0	0	0	0	0	7,700	0	0	1	0	150
42	Osage Million Dollar Elm Casino - Sand Springs	601	4	0	4	0	0	25,000	0	0	1	0	500
43	Osage Million Dollar Elm Casino - Skiatook	152	0	0	0	0	0	0	0	28	1	0	200
44	Osage Million Dollar Elm Casino - Tulsa	1,267	10	7	17	600	0	47,000	1,600	0	3	1	800
45	Pawnee Trading Post	130	0	0	0	0	0	3,500	0	0	2	0	250
46	Pawnee Travel Plaza	35	0	0	0	0	0	0	0	0	0	0	15
47	Peoria Gaming Center	200	0	0	0	0	0	4,200	0	0	1	0	250
48	Pocola Travel and Smoke Shop	15	0	0	0	0	0	1,666	0	0	0	0	6
49	Quapaw Casino	483	8	1	9	0	0	27,000	0	0	1	1	700
50	Sac and Fox Casino - Stroud	49	0	0	0	0	0	825	0	0	0	0	34
51	The Stables Casino	500	4	0	4	0	1	25,000	0	0	2	0	260
52	Tonkawa Casino	374	4	0	4	0	0	14,437	0	0	1	0	400
53	West Siloam Springs Smoke Shop	44	0	0	0	0	0	2,160	0	0	0	0	88
54	Wyandotte Nation Casino	500	8	5	13	0	0	50,000	0	0	3	0	750
	Subtotal of Oklahoma	22,909	210	141	351	3,180	6	1,108,241	32,100	785	62	14	25,743
	58 Total Existing Casinos	31,167	425	182	607	3,180	6	1,410,374	74,620	1,619	89	22	35,843

Data Source: Wells Gaming Research, June 2008.

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Gravity Model Projections

Statistics for the key variables used in the custom gravity model build for the Cherokee casino project were based on WGR's proprietary databases, specific data received from Penn National Gaming, Inc. in the application filed with the Kansas Lottery Gaming Facility Review Board, and first-hand information obtained by Richard Wells from on-site casino visits. Wells visited a significant number of casinos located in Oklahoma, Kansas, and Missouri in June 2008.

The gaming revenue projections developed for the Task-1 analyses were fined-tuned in the Task-4 analyses to reflect the addition of the applicant's statistics and Wells' on-site information and impressions. Some major changes that were made included:

- **Eliminating five proposed casinos from the competitor mix** - two of these casinos were proposed for Missouri and three for Oklahoma. Even though some of these facilities might be developed, their future is uncertain at this time. Having said that, if they were developed, they could have negative impacts on competing casinos located in Kansas.
- **Reducing the attraction factors for seven competitor casinos** - these adjustments were based on information gained from Wells' on-site inspections of the casino entertainment properties. One casino was located in Kansas and six were in Oklahoma.

The impact to the Cherokee gravity model developed for Task-4 resulting from the foregoing changes were:

- The number of casino visits was increased in Task-4 over Task-1
- Gaming revenue projections were higher in Task-4 than in Task-1

Inflation Factors Used to Adjust Gaming Revenue Projections

A 2% annual inflation rate was used for casino revenues. Two percent is comparable to the five-year average CPI if food and fuel were excluded.

Scenarios Developed for Task-4

- **Scenario 1** - includes only the existing casinos located within 150-mile radius of the applicant's development site.
- **Scenario 2** – was used in the Task-1 analyses because it included the casino expansions. In the Task-4 analyses, the expansions have been incorporated into scenario 3, thereby eliminating the need for the scenario 2.
- **Scenario 3** - includes the existing casinos, expansions, the applicant's facility, and all other proposed new casinos located within a 150-mile radius of the proposed site.

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Application for Penn National Gaming, Inc.

Kansas Penn Gaming, LLC. (Penn National Gaming, Inc.) submitted an application to the Kansas Lottery Gaming Facility Review Board seeking to build a casino entertainment property in Cherokee County, Kansas (southeastern gaming zone).

WGR has been engaged to evaluate the feasibility of the pro forma financial statements (balance sheet and income statement) submitted by Kansas Penn Gaming, LLC (hereinafter referred to as Penn). WGR's Task-4 assignment included evaluation of the applications based on:

- **Achievability** of the gaming revenue projections
- **Reasonability** of the operational projections including departmental revenues, expenses, and projected incomes
- **Comparability** with the financial performance of Nevada casinos

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Penn National's Cherokee Casino Project

Casino Name

Hollywood Casino Cherokee

Construction Time / Opening

Penn estimates that it will take 20 months from issuance of license to opening a gaming facility.

Capital Investment

The total proposed investment is \$225 million. An initial investment of \$125 million would be required to get the facility open. Approximately \$100 million in additional amenities would be added over the life of the management contract (refer to page 2-9 for a list of the proposed additions).

The following amenities would be included in Phase-1:

Casino with 30,000 square feet of gaming space equipped with 900 slot machines and 30 table games (14 Blackjack and two each of Craps, Roulette, and Pai Gow Poker). The casino would also have ten tables for other types of games (specific game names were not identified).

Hotel would be added as specified in the management agreement.

Restaurant

- Epic Buffet would feature a broad assortment of menu items including salad bar, carving station, and desert bar. Seating capacity for 225 guests would be provided.

Coffee & Pastry

- Creamery, featuring coffee and pastries, would provide seating capacity for 30 guests.

Bar & Entertainment Venue

- Sports bar and entertainment lounge would provide seating capacity for 75 guests.

Retail Outlet

- 550 square feet of space would be allocated to a small retail outlet/Hollywood Memorabilia Museum.

Parking

- Paved surface parking would be provided for 1,100 cars
- 125 valet parking spaces would be available (adjustable, based on demand)
- Supplemental back lot parking for up to 250 vehicles would be available during peak hours
- 40 additional spaces would be provided for truck and/or RV parking

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Capacity Recap w/ the Cherokee Casino (Phase 1) Added

Exhibit 2-3 shows that the current casino capacity in the southeast trade area includes over 31 thousand slot machines and a total of 607 table games. Also included are 3,180 bingo seats, 6 race books, 1.4 million square feet of casino space, 75 thousand square feet of convention space, 1,619 hotel rooms, 89 restaurants, 22 entertainment venues, and approximately 36 thousand parking spaces.

Exhibit 2-3 - Current Gaming Capacity & Phase 1 of Penn's Cherokee Casino

# of Loc	Casinos	# of Slots	# of Pit Tables	# of Poker Tables	# of Total Tables	# of Bingo Seats	Race Book	Casino S.F.	Con-vention S.F.	# of Rooms	# of Restau-rants	Enter-tain-ment	Park-ing
Current Capacity for Existing Casinos													
1	Existing 58 Casinos	31,167	425	182	607	3,180	6	1,410,374	74,620	1,619	89	22	35,843
Scenario 1 - Penn National Phase 1													
1	Penn National Cherokee Co. Planned (Phase 1)	900	30	0	30	0	0	6,070	0	0	2	1	1,140
	Subtotal Of Scenario 1	900	30	0	30	0	0	6,070	0	0	2	1	1,140
Scenario 3 - Expansions & Other Proposed													
Expansions													
1	Buffalo Run Casino	0	0	0	0	0	0	0	0	103	0	0	0
2	Cherokee Casino - W. Siloam Springs	486	10	0	10	0	0	10,000	20,000	140	1	1	0
3	Cherokee Casino Resort	732	34	0	34	0	0	30,000	0	350	2	0	0
4	Creek Nation Casino Tulsa	1,788	34	0	34	0	0	0	0	0	0	0	0
Proposed													
1	Camptown Greyhound Park	600	0	0	0	0	1	0	0	0	2		700
2	Downstream Casino Resort (open)	2,000	30	15	45	0	1	70,000	8,000	226	2	2	2,200
3	First Council Casino (open)	900	8	8	16	0	0	40,000	0	0	2	1	950
4	Sumner County Planned	2,000	50	0	50	0	0	0	30,000	275	4	3	3,700
5	The Woodlands	800	0	0	0	0	1	0	0	0	4	0	1,100
6	Wyandotte 7th Street Casino (open)	450	0	0	0	0	0	20,000	0	0	1	0	0
7	Wyandotte County Planned	3,000	100	0	100	0	0	0	100,000	500	6	5	7,000
	Subtotal of Scenario 3	12,756	266	23	289	0	3	170,000	158,000	1,594	24	12	15,650
	Total Existing, Expansions & New	44,823	721	205	926	3,180	9	1,586,444	232,620	3,213	115	35	52,633
	% Increase Over Current	44%	70%	13%	53%	0%	50%	12%	212%	98%	29%	59%	47%

Data Source: Wells Gaming Research, June 2008.

Phase 1 of the Cherokee Casino would increase slot capacity by 900 machines and table games by 30. Other increases would include six thousand square feet of convention/meeting space, two restaurants, one entertainment venue, and over 1,100 parking spaces.

In total, the Cherokee (Phase 1), the expansions, and the other proposed casinos would increase slots from 31 thousand to 45 thousand (44%), and total table games from 607 to 926 (53%).

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Cherokee Project w/ Full Build-Out

Penn plans to add amenities over the life of the management contract. The list provided in the application submitted to the Kansas Lottery Gaming Facility Review Board includes:

- Expanded gaming (up to 20,000 square feet with 600 additional positions)
- Hotel with up to 200 rooms
- Added food and beverage amenities (for example, 125 seat mid-priced restaurant)
- Pool, fitness and spa facilities
- Car museum (for approximately 300 vintage automobiles)
- Additional meeting/conference space
- Multi-function/events center with up to 1,750 seats
- Additional third party retail outlets for food and beverages
- Expanded parking

Capacity Recap for the Cherokee Casino w/ Full Build-Out

Exhibit 2-4 shows the cumulative capacity increases from Phase 1 and the Final Phase for the Cherokee project. For example, the southeast trade area currently has 31,167 slot machines.

Exhibit 2-4 - Gaming Capacity w/ Penn's Full Cherokee Build Out, the Expansions, & Other Proposed Casinos – SE Trade Area

# of Loc	Casinos	# of Slots	# of Pit Tables	# of Poker Tables	# of Total Tables	# of Bingo Seats	Race Book	Casino S.F.	Con-vention S.F.	# of Rooms	# of Restau-rants	Enter-tain-ment	Park-ing
Current Capacity for Existing Casinos													
1	Existing 58 Casinos	31,167	425	182	607	3,180	6	1,410,374	74,620	1,619	89	22	35,843
Scenario 1 - Penn National Final													
1	Penn National Cherokee County Planned (Phase Final)	1,435	40		40	0	0	26,070	38,000	200	4	3	2,340
	Subtotal Of Scenario 1	1,435	40	0	40	0	0	26,070	38,000	200	4	3	2,340
Scenario 3 - Expansions & Other Proposed													
	Expansions												
1	Buffalo Run Casino	0	0	0	0	0	0	0	0	103	0	0	0
2	Cherokee Casino - West Siloam Springs	486	10	0	10	0	0	10,000	20,000	140	1	1	0
3	Cherokee Casino Resort	732	34	0	34	0	0	30,000	0	350	2	0	0
4	Creek Nation Casino Tulsa	1,788	34	0	34	0	0	0	0	0	0	0	0
	Proposed												
1	Camptown Greyhound Park	600	0	0	0	0	1	0	0	0	2		700
2	Downstream Casino Resort	2,000	30	15	45	0	1	70,000	8,000	226	2	2	2,200
3	First Council Casino	900	8	8	16	0	0	40,000	0	0	2	1	950
4	Sumner County Planned	2,000	50	0	50	0	0	0	30,000	275	4	3	3,700
5	The Woodlands	800	0	0	0	0	1	0	0	0	4	0	1,100
6	Wyandotte 7th Street Casino	450	0	0	0	0	0	20,000	0	0	1	0	0
7	Wyandotte County Planned	3,000	100	0	100	0	0	0	100,000	500	6	5	7,000
	Subtotal of Scenario 3	12,756	266	23	289	0	3	170,000	158,000	1,594	24	12	15,650
	Total Existing, Expansions & New	45,358	731	205	936	3,180	9	1,606,444	270,620	3,413	117	37	53,833
	% Increase Over Current	46%	72%	13%	54%	0%	50%	14%	263%	111%	31%	68%	50%

Data Source: Wells Gaming Research, June 2008.

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

The full build-out of the Cherokee, the expansions, and other proposed new casinos listed in Exhibit 2-4, would result in some major increases in casino gaming capacity and customer amenities. Key increases are targeted for slot capacity, up from 31,167 machines to 45,358 machines (46% for the trade area). The total number of table games has been estimated to increase from 607 to 936 (54%). Casino capacity would increase from 1.4 million square feet to 1.6 million (14%). Convention capacity would increase from 75 thousand square feet to 271 thousand (263%). Hotel rooms have also been targeted for major increases, up from 1,619 to 3,413 (111%).

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Gravity Model Forecasts **Compared with Penn's Pro Forma Projections**

A comparison and contrast of the casino visits and gaming revenues for WGR's Task-4 follows (Task-4 has been abbreviated to T-4 in the text that follows).

When comparing the casino visit and gaming revenue statistics for WGR's T-4 with those for Task-1 (the "generic casino"), it is important to keep in mind that five new proposed casinos were eliminated from the T-4 analyses because they face strong opposition and are not likely to happen any time soon. Moreover, the attraction factors at seven of the remaining casinos were reduced after WGR's on-site inspections. As a result, the T-4 projections tended to have a higher number of casino visits and gaming revenues than those developed for the Task-1.

By way of additional information, the new Downstream Casino that opened on July 6, 2008, is located on property adjacent to Penn National's Cherokee development site.

Casino Visits

Penn's forecasted casino visit statistics are displayed in red in the upper section (top row of data) of Exhibit 2-5, page 2-12. Penn compiled the visit statistics for both the residential population (732,376) and for the tourists (130,240). The combined total was 862,616.

- **Scenario 1** includes the Cherokee and the existing casinos (no other new casinos or expansions were added). The T-4 visit estimates made by WGR are shown in red in the mid section of Exhibit 2-5. WGR's data has been presented in a low, mid, and high case format.

Penn forecasted a total 863 thousand casino visits per year for the Cherokee. WGR's T-4 projections for scenario 1 are for a low of 359 thousand visits, a mid level of 618 thousand, and a high of 828 thousand visits. The respective variances between the forecasts made by Penn and WGR's T-4 projections show a difference of 504 thousand (140.5%) in the low case, 245 thousand (39.6%) in the mid case, and 35 thousand (4.2%) in the high case.

- **Scenario 3** includes the existing casinos, the Cherokee, all planned expansions, and the other new proposed casinos. Comparison of Penn's forecast of 863 thousand visits with WGR's T-4 projections made for scenario 3 shows that Penn's visits run 653 thousand visits higher (310.9%) than the T-4 low case estimates of 210 thousand. Penn is 472 thousand visits (120.6%) higher than WGR's T-4 mid case estimates of 391 thousand, and 311 thousand (56.3%) higher than WGR's T-4 high case of 552 thousand visits.

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Exhibit 2-5 - Casino Visit Projections for the Cherokee Casino for 2011
Southeast Gaming Zone

Penn Cherokee Projections for the Number of Visits - Southeast Gaming Zone			
Casino Visits	Residential	Tourist	Total
Penn Cherokee's Application - Phase I	732,376	130,240	862,616
Scenario 1 - WGR's projections includes Penn Cherokee & all existing casinos, but no new casinos			
Casino Visits	Low	Mid	High
WGR's Penn Cherokee:			
Phase I (Task 4)	358,721	617,762	827,952
Final Phase (Task 4)	732,492	1,175,186	1,515,623
WGR's Generic Cherokee (Task 1)	627,713	1,018,447	1,322,725
Difference in WGR Projections - Final Phase vs Generic	104,779	156,739	192,898
Scenario 1 - Variance in Casino Visits	Low	Mid	High
Penn Cherokee's Application vs. WGR Penn Cherokee - Phase I	503,895	244,854	34,664
Scenario 3 - WGR's projections includes Penn Cherokee plus all existing, expanding, & new casinos			
Casino Visits	Low	Mid	High
WGR's Penn Cherokee:			
Phase I (Task 4)	209,929	391,078	551,727
Final Phase (Task 4)	477,472	836,139	1,130,768
WGR's Generic Cherokee (Task 1)	407,084	728,705	1,001,896
Difference in WGR projections - final phase vs generic	70,388	107,434	128,872
Scenario 3 - Variance in Casino Visits	Low	Mid	High
Phase 1 - Penn Cherokee's Application vs. WGR Penn Cherokee	652,687	471,538	310,889
Source: Penn Cherokee's Application and Wells Gaming Research			

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Gaming Revenue Comparisons

Penn's application included gaming revenue forecasts for residential players (\$45,816,079) and for tourists (\$11,577,139). The combined gaming revenue total was \$57,393,218. Refer to the top row of data included in Exhibit 2-6. The results of the T-4 projections with inflation versus Penn's forecasts are summarized below.

Exhibit 2-6 - Gaming Revenue Projections for the Cherokee Casino for 2011

Penn Cherokee's 2011 Revenue Projections for the Southeast Gaming Zone			
Casino Revenues	Residential	Tourist	Total
Penn Cherokee's Application - Phase I	\$45,816,079	\$11,577,139	\$57,393,218
Scenario 1 - WGR's Projections includes Penn Cherokee & all existing casinos, but no new casinos			
Casino Revenues	Low	Mid	High
WGR's Penn Cherokee - Phase 1 (Task 4):			
w/o Inflation	\$23,618,000	\$41,256,000	\$55,874,000
w/ Inflation	\$25,554,676	\$44,638,992	\$60,455,668
WGR's Penn Cherokee - Final Phase (Task 4):			
w/o Inflation	\$49,204,000	\$80,495,000	\$105,035,000
w/ Inflation	\$53,238,728	\$87,095,590	\$113,647,870
WGR's Generic Cherokee (Task 1):			
w/o Inflation	\$41,524,000	\$68,676,000	\$90,290,000
w/ Inflation	\$44,928,968	\$74,307,432	\$97,693,780
Difference in WGR's Final Phase vs Generic w/ Inflation	\$8,309,760	\$12,788,158	\$15,954,090
Scenario 1 - Variance in Casino Revenues w/ Inflation	Low	Mid	High
Phase I - Penn Cherokee's Application vs. WGR (Difference)	\$31,838,542	\$12,754,226	-\$3,062,450
Scenario 3 - WGR's Projections Includes Penn Cherokee plus all existing, expanding, & new casinos			
Casino Revenues	Low	Mid	High
WGR's Penn Cherokee - Phase 1 (Task 4):			
w/o Inflation	\$13,989,000	\$26,222,000	\$37,186,000
w/ Inflation	\$15,136,098	\$28,372,204	\$40,235,252
WGR's Penn Cherokee - Final Phase (Task 4):			
w/o Inflation	\$32,105,000	\$56,828,000	\$77,433,000
w/ Inflation	\$34,737,610	\$61,487,896	\$83,782,506
WGR's Generic Cherokee (Task 1):			
w/o Inflation	\$26,296,000	\$47,451,000	\$65,625,000
w/ Inflation	\$28,452,272	\$51,341,982	\$71,006,250
WGR's Final Phase vs Generic w/ Inflation (Difference)	\$6,285,338	\$10,145,914	\$12,776,256
Scenario 3 - Variance in Casino Revenues w/ Inflation	Low	Mid	High
Phase I - Penn Cherokee's Application vs. WGR (Difference)	\$42,257,120	\$29,021,014	\$17,157,966
Source: Penn Cherokee's Application and Wells Gaming Research			

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

- **Scenario 1** estimates assume that Penn would be located in a market with the existing casinos only (no other new casinos or casino expansions would be added). WGR's gaming revenue estimates for T-4 with inflation are shown in red in the mid-section of Exhibit 2-6. The variances between Penn's projections and WGR's T-4 forecasts are also shown. WGR's T-4 gaming revenue data is presented in a low, mid, and high case format.

A comparison of Penn's gaming revenue forecasts with the T-4 projections with inflation shows that Penn's estimate of approximately \$57 million compares with a T-4 low of \$26 million, the T-4 mid case of \$45 million, and the T-4 high of \$60.5 million. Thus, Penn's projections are \$32 million higher (124.6%) than WGR's T-4 low, \$13 million (28.6%) higher than WGR's T-4 mid case, and \$3 million (5.1%) lower than WGR's T-4 high.

- **Scenario 3** includes the addition of the Cherokee, all existing casinos, the expansions, and all other new casinos. The variance between the \$57 million shown in Penn's application and WGR's T-4 forecasts with inflation for scenario 3 show that Penn is \$42 million higher (279.2%) than the T-4 low of \$15 million, \$29 million (102.3%) above the T-4 mid case estimate of \$28 million, and \$17 million (42.6%) higher than the T-4 high case of \$40 million.

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Financial Statement Analyses

Following is a comparison of Penn National's pro forma financial statements (balance sheets and income statements) with comparable financial statement data for three groups of casinos in Nevada.

Research Methodology & Analyses

Background

All Nevada casinos are required to file annual *NGC-17 Reports* with the Nevada Gaming Control Board (NGCB). The *NGC-17 Reports* contain detailed financial data and operating statistics for each reporting casino. These reports are the primary source of information used by the NGCB to compile the *Nevada Gaming Abstracts*. The *Abstracts* contain consolidated balance sheets and income statements for casinos that have annual gross gaming revenues of a million dollars or more. Nevada statutes prohibit disclosure of financial information for individual casinos. As a result, all financial data were reported by market groups (for example, \$72 million and above for casinos with hotel rooms).

The 2007 fiscal year *Abstract* data (the most current available) were used as benchmarks for comparing each applicant's pro forma balance sheet and income statement.

Cherokee Penn National

The pro forma balance sheet and income statement line items for the year 2011 (the first full year of operation) were compared with equivalent percentages developed for the Nevada casino groups listed below:

- Statewide \$1 Million and Over with Rooms (data average for 149 casinos)
- Wendover \$1 Million and Over (data average for six casinos)
- Douglas (County) South Lake Tahoe \$1 Million and Over (data average for four casinos)

Balance Sheet

Refer to Exhibit 2-7, pages 2-17 to 2-18, for the balance sheet that correspond with the discussion that follows. The data shows that the current assets and the fixed assets were evaluated as a percent of total assets. The pro forma percentages for Penn were compared with corresponding percentages developed for the three foregoing Nevada casino groups.

Cash was projected at \$10 million (3.4% of total assets) for the Cherokee. This compares with:

- \$22.3 million in cash (6.6% of total assets) for the casinos in the Nevada group *Statewide \$1+ Million with Rooms*
- \$4.8 million in cash (9.1% of total assets) for casinos in the *Wendover \$1+ Million*

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

- \$5.9 million in cash (3.6% for casinos in the *Douglas (County), South Lake Tahoe \$1+ Million*)

Cash as a percent of total assets for the Cherokee was 5.7% lower than the highest Nevada casino group and 0.2% below the lowest Nevada group. Thus, the cash position of the Cherokee was weaker than for the three comparative Nevada casino groups.

The remaining analyses focus on the line item percentage differences between the Cherokee and the selected Nevada groups in terms of the highs and lows. For example, the Cherokee percentage will be compared with the Nevada group with the highest percentage of a particular line item, as well as the Nevada group with the lowest percentage.

Other Current Assets were \$5 million (1.7% of total assets) for the Cherokee. This was 0.2% above the comparative high and 1.0% higher than the low.

Total Current Assets were \$15 million (5.1% of total assets for the Cherokee). This was 7.5% below the comparative Nevada high and 3.2% less than the low.

Total Fixed Assets were \$278 million for the Cherokee (94.9% of total assets). This is 7.9% above the comparative high and 31.5% above the low.

Liabilities and Capital

The current liabilities, long-term debt, and capital were evaluated in terms of the percent of total liabilities and capital.

Total Current Liabilities were \$5 million for the Cherokee (1.7% of total current liabilities). This is 11.5% lower than the highest comparative Nevada group and 3.1% below the lowest.

Total Long-Term Debt (Notes) at \$282 million (96.2% of total long term debt) was significantly higher than the three Nevada groups (71.8% above the highest and 96.1% above the lowest).

Retained Earnings were negative at approximately \$14 million (4.8% of total liabilities and capital). This was 116.7% below than the highest Nevada group and 17.4% less than the lowest.

Total Capital of \$6 million for the Cherokee equaled 2.1% of total liabilities and capital. This was 128.3% below the highest comparative group and 27.4% less than the lowest.

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Exhibit 2-7 Balance Sheet Comparison Cherokee Versus Three Nevada Casino Groups										
Description	Statewide \$1M+ w/ Hotel Rooms FY @ June 30, 2007		Elko County Wendover \$1M+ FY @ June 30, 2007		Douglas County SLT \$1M+ FY @ June 30, 2007		Cherokee Penn National Gaming Pro Forma for		% Differences	
	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	% High (Dif)	%Low (Dif)
ASSETS										
Current Assets										
Cash	\$22,320,648	6.6%	\$4,842,868	9.1%	\$5,936,348	3.6%	\$10,000,000	3.4%	-5.7%	-0.2%
Receivables:										
Casino	\$2,875,917	0.8%	\$104,804	0.2%	\$3,051,497	1.9%	\$0	0.0%		
Trade	\$2,752,837	0.8%	\$8,309	0.0%	\$728,453	0.4%	\$0	0.0%		
Sundry	\$1,343,910	0.4%	\$142,627	0.3%	\$407,332	0.2%	\$0	0.0%		
Notes	\$1,783,360	0.5%	\$5,313	0.0%	\$3,625	0.0%	\$0	0.0%		
Prepaid Expenses	\$2,471,893	0.7%	\$1,075,396	2.0%	\$2,166,356	1.3%	\$0	0.0%		
Other Current Assets	\$5,225,513	1.5%	\$538,071	1.0%	\$1,214,071	0.7%	\$5,000,000	1.7%	0.2%	1.0%
Total Current Assets	\$38,774,079	11.4%	\$6,717,386	12.6%	\$13,507,681	8.3%	\$15,000,000	5.1%	-7.5%	-3.2%
Fixed Assets										
Land	\$75,773,012	22.2%	\$2,777,593	5.2%	\$13,035,928	8.0%	\$0	0.0%		
Land Improvements	\$3,378,053	1.0%	\$437,138	0.8%	\$86,967	0.1%	\$0	0.0%		
Buildings & Improvements	\$119,858,889	35.2%	\$29,289,482	55.0%	\$64,229,683	39.4%	\$208,218,000	71.2%	16.1%	36.0%
Furniture & Equipment	\$22,034,105	6.5%	\$9,810,689	18.4%	\$14,176,748	8.7%	\$69,406,000	23.7%	5.3%	17.3%
Lease Improvements	\$1,125,805	0.3%	\$1,062,194	2.0%	\$4,989,295	3.1%	\$0	0.0%		
Construction in Progress	\$17,436,141	5.1%	\$2,914,011	5.5%	\$6,784,876	4.2%	\$0	0.0%		
Total Fixed Assets	\$239,606,004	70.3%	\$46,291,108	87.0%	\$103,303,497	63.3%	\$277,624,000	94.9%	7.9%	31.5%
Other Assets	\$62,292,263	18.3%	\$207,076	0.4%	\$46,314,553	28.4%	\$0	0.0%		
Total Assets	\$340,672,345	100.0%	\$53,215,570	32.6%	\$163,125,730	100.0%	\$292,624,000	100.0%		

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Exhibit 2-7 Balance Sheet Comparison Cherokee Versus Three Nevada Casino Groups										
Description	Statewide \$1M+ w/ Hotel Rooms FY @ June 30, 2007		Elko County Wendover \$1M+ FY @ June 30, 2007		Douglas County SLT \$1M+ FY @ June 30, 2007		Cherokee Penn National Gaming Pro Forma for		% Differences	
	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	% High (Dif)	%Low (Dif)
LIABILITIES & CAPITAL										
<u>Current Liabilities</u>										
Accounts Payable - Trade	\$2,489,155	0.7%	\$373,653	0.7%	\$2,159,688	1.3%	\$5,000,000	1.7%	0.4%	1.0%
Accounts Payable - Other	\$10,780,916	3.2%	\$6,012	0.0%	\$1,362,478	0.8%	\$0	0.0%		
Current Portion of LT Debt	\$2,104,106	0.6%	\$283,206	0.5%	\$352,575	0.2%	\$0	0.0%		
Accrued Expenses	\$15,451,522	4.5%	\$1,673,542	3.1%	\$5,367,561	3.3%	\$0	0.0%		
Other Current Liabilities	\$14,213,502	4.2%	\$229,522	0.4%	\$1,156,832	0.7%	\$0	0.0%		
Total Current Liabilities	\$45,039,200	13.2%	\$2,565,934	4.8%	\$10,399,133	6.4%	\$5,000,000	1.7%	-11.5%	-3.1%
<u>Long-Term Debt</u>										
Mortgages	\$14,071,887	4.1%	\$741,875	1.4%	\$651,718	0.4%	\$0	0.0%		
Debentures & Bonds	\$4,796,181	1.4%	\$0	0.0%	\$0	0.0%	\$0	0.0%		
Notes	\$46,774,143	13.7%	\$13,006,545	24.4%	\$206,873	0.1%	\$281,585,000	96.2%	71.8%	96.1%
Contracts	\$51,833	0.0%	\$26,137	0.0%	\$0	0.0%	\$0	0.0%		
Other	\$47,050,776	13.8%	\$20,652,715	38.8%	\$74,065,500	45.4%	\$0	0.0%		
Total Long-Term Debt	\$112,744,821	33.1%	\$34,427,272	64.7%	\$74,924,091	45.9%	\$281,585,000	96.2%	31.5%	63.1%
Other Liabilities	\$948,400	0.3%	\$554,238	1.0%	(\$134,807,155)	-82.6%	\$0	0.0%		
Total Liabilities	\$158,732,421	46.6%	\$37,547,444	70.6%	-\$49,483,931	-30.3%	\$286,585,000	97.9%	27.4%	128.3%
<u>Capital</u>										
Owners Capital Accounts	\$33,888,943	9.9%	\$109,147	0.2%	\$21,093,428	12.9%	\$20,000,000	6.8%	-3.1%	-6.1%
Capital Stock & Other Cap.	\$64,149,383	18.8%	\$8,842,398	16.6%	\$8,990,061	5.5%	\$0	0.0%		
Retained Earnings	\$83,901,598	24.6%	\$6,716,581	12.6%	\$182,526,173	111.9%	-\$13,962,000	-4.8%	-116.7%	-17.4%
Total Capital	\$181,939,924	53.4%	\$15,668,126	29.4%	\$212,609,661	130.3%	\$6,038,000	2.1%	-128.3%	-27.4%
Total Liabilities & Capital	\$340,672,345	100.0%	\$53,215,570	100.0%	\$163,125,730	100.0%	\$292,624,000	100.0%		

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Income Statement

Refer to Exhibit 2-8, pages 2-22 through 2-25, for the income statement comparisons that correspond with the following financial statement discussions.

Revenue

The most notable difference was in gaming revenues. The Cherokee projected \$57.4 million in gaming revenues (93.5% of total revenues). This is 20.5% higher than Nevada's top group percentage and 45.0% higher than the Nevada's bottom group percentage.

General & Administrative Expenses

Key differences in general & administrative expenses include:

Advertising and Promotion for the Cherokee was projected at \$7.5 million (12.1% of the total). This is 7.5% greater than the comparative high and 10.5% above the low.

Building Depreciation was projected at \$3.6 million (5.8% of the total). This was 2.8% more than the comparative high and 3.7% above the low.

Interest Expense was projected at \$13.5 million (22% of the total for G & A). This was 15.2% above the comparative high and 18.1% more than the low.

The Cherokee's pro forma income statement did not include expense for bad debts or comps.

EBITDAR for the Cherokee was projected at \$11 million (17.9%). This was 7.9% below the comparative high and 0.5% less than the low.

Casino Department

Table Game revenue has been forecasted at \$7.2 million (12.5% of the total). This is 18.3% below the comparative Nevada high and 8.1% less than the low.

Slot Machine revenue has been estimated at \$50.2 million (87.5% of the total). This is 10.7% above the high and 22.3% greater than the low.

Complimentary Expenses were projected at \$2 million (3.5% of the total). This was 22.7% below the comparative Nevada high and 9.9% below the low.

Gaming Taxes and Licenses at \$15.5 million (27% of the total revenues) are considerably higher than for the comparative Nevada groups (18.7% above the comparative high and 19.5% above the low).

Departmental Income at \$25.9 million was 45.1% of total revenues (20.0% less than the comparative Nevada high and 7.8% above the low).

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Hotel Department

Hotel was not included in Penn's pro forma income statement for the Cherokee, phase-1.

Food Department

Revenues for the food department were projected at approximately \$2.8 million. A 50-50 split between food sales and comps was shown in the pro forma income statement.

Food Sales of \$1.4 million were 29.1% below the high and 2.0% below the low.

Food Comps at \$1.4 million were 2.0% greater than the high and 29.1% above the low.

Bad Debts & Comp Expenses for the food department were not included in the pro forma income statement.

Payroll Taxes were one of the primary differences between the Cherokee and the three Nevada casino groups used for the comparisons. Payroll taxes were projected at \$447 thousand (16.2% of revenues). This was 11.9% greater than the comparative high and 12.8% above the low.

Payroll – Other Employees at \$1.7 million was 60.6% of revenues (22.2% above than the comparative Nevada's high and 27.2% higher than the low).

Total Departmental Expenses were projected at \$2.4 million (85.6% of total revenues). This is 21.8% more than the high and 36.6% above the low.

Beverage Department

A 50-50 split between beverage sales and comps was shown in the pro forma income statement.

Beverage Sales of \$344 thousand (50% of the total of \$688 thousand) were 5.6% below the high and 27.6% above the low.

Beverage Comps at \$344 thousand were 27.6% below the high and 5.6% above the low.

Payroll Taxes were projected at \$112 thousand (16.3% of revenue). This was 13.2% above the high and 14.5% higher than the low.

Other Departmental Expenses were projected at \$417 thousand (60.6% of revenue). This was 51.7% above the high and 56.5% higher the low.

Departmental Income (Loss) showed a loss of \$108 thousand (a negative 15.7% of the total revenue). This was 62.2% below the comparative high and 48.7% below the low.

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Other Departments

The Cherokee pro forma included revenues and expenses for a small *Retail Department*. The category, *Other Departmental Income*, was also included). To compare with Nevada, these were combined and classified as *Other Operating and Non-Operating*.

Revenue

The total \$574 thousand in revenues included for the retail department was split 50-50 between sales and comps. Sales at \$287 thousand (50%) were 44.4% below the high and 10.5% less than the low. Comps at \$287 thousand were 10.5% above the comparative Nevada groups and 44.4% more than the low.

Expenses

There were no bad debt expense or complimentary expense reported in the pro forma income statement.

Key percentage differences include payroll taxes, payroll-employee benefits, and payroll-other employees. *Payroll Taxes* were projected at \$587 thousand (102.3% of total revenues), which were 99.9% above the comparative high and 101.8% more than the low.

Payroll-Employee Benefits were projected at \$317 thousand (55.2% of departmental revenue). This was 49.8% more than the comparative high and 55.0% more than the low.

The *Payroll-Other Employees* category was projected at \$2.2 million (382.1% of departmental revenues). This was 359.0% above the comparative high and 377.1% higher than the low).

Employees (Full Time Equivalents – FTEs)

An average of 510 FTEs were proposed for the Cherokee. Key departmental assignments included:

Casino Department – 355 FTEs projected (69.6% of the total). This was 31.2% above the highest percent in selected groups from Nevada, and it was 44.3% higher than the low.

Food & Beverage Departments – 74 FTEs specified for the food and beverage combined. This was 14.5% of the total and was 12.7% below the comparative high and 7.6% less than the low.

General and Administrative Department – 6 FTEs projected (1.2% of the total). This was 22.9% below the comparative high and 8.3% less the comparative low.

Other Departments – 75 FTEs were allocated (14.7% of the total). This was 5.9% above the comparative Nevada high and 12.9% greater than the low.

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Exhibit 2-8 Profit & Loss Comparison Cherokee Versus Three Nevada Casino Groups										
Description	Statewide \$1M+ w/ Hotel Rooms FY @ June 30, 2007		Elko County Wendover \$1M+ FY @ June 30, 2007		Douglas County SLT \$1M+ FY @ June 30, 2007		Cherokee Penn National Gaming Pro Forma for 2011		% Differences	
	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	% High (Dif)	%Low (Dif)
REVENUE										
Gaming	\$79,014,048	48.5%	\$29,880,279	73.0%	\$81,031,947	61.4%	\$57,393,000	93.5%	20.5%	45.0%
Rooms	\$34,314,791	21.1%	\$2,754,115	6.7%	\$18,198,796	13.8%	\$0	0.0%		
Food	\$22,090,792	13.6%	\$4,825,698	11.8%	\$15,099,634	11.4%	\$2,754,874	4.5%	-9.1%	-7.0%
Beverage	\$8,962,519	5.5%	\$1,751,018	4.3%	\$10,650,793	8.1%	\$688,719	1.1%	-6.9%	-3.2%
Other (Include Retail)	\$18,547,184	11.4%	\$1,729,314	4.2%	\$6,982,320	5.3%	\$573,932	0.9%	-10.4%	-3.3%
Total Revenue	\$162,929,333	100.0%	\$40,940,423	100.0%	\$131,963,491	100.0%	\$61,410,525	100.0%		
Cost of Sales	\$12,462,828	7.6%	\$3,404,542	8.3%	\$8,560,267	6.5%	\$1,708,763	2.8%	-5.5%	-3.7%
Gross Margin	\$150,466,505	92.4%	\$37,535,881	91.7%	\$123,403,224	93.5%	\$59,701,763	97.2%	3.7%	5.5%
Departmental Expenses	\$79,891,205	49.0%	\$15,664,060	38.3%	\$74,048,463	56.1%	\$37,527,000	61.1%	5.0%	22.8%
Departmental Income (Loss)	\$70,575,300	43.3%	\$21,871,821	53.4%	\$49,354,761	37.4%	\$22,174,763	36.1%	-17.3%	-1.3%
GENERAL & ADMINISTRATIVE EXPENSES										
Advertising & Promotion	\$2,710,134	1.7%	\$1,888,840	4.6%	\$4,146,803	3.1%	\$7,461,000	12.1%	7.5%	10.5%
Bad Debt Expense	\$19,741	0.0%	\$0	0.0%	\$17,652	0.0%	\$0	0.0%		
Complimentary Expense	\$1,448,880	0.9%	\$882,773	2.2%	\$667,982	0.5%	\$0	0.0%		
Depreciation - Buildings	\$4,834,473	3.0%	\$889,596	2.2%	\$2,783,008	2.1%	\$3,568,000	5.8%	2.8%	3.7%
Depreciation & Amort. - Other	\$6,859,248	4.2%	\$3,788,498	9.3%	\$6,364,619	4.8%	\$6,334,000	10.3%	1.1%	6.1%
Energy Expense (elect., gas, etc.)	\$2,849,618	1.7%	\$976,527	2.4%	\$3,497,446	2.7%	\$0	0.0%		
Equipment Rental or Lease	\$264,693	0.2%	\$60,435	0.1%	\$268,198	0.2%	\$0	0.0%		
Interest Expense	\$11,090,580	6.8%	\$2,178,273	5.3%	\$5,064,123	3.8%	\$13,500,000	22.0%	15.2%	18.1%
Music & Entertainment	\$782,554	0.5%	\$501,793	1.2%	\$47,436	0.0%	\$0	0.0%		
Payroll Taxes	\$698,556	0.4%	\$274,451	0.7%	\$344,533	0.3%	\$129,000	0.2%	-0.5%	-0.1%
Payroll - Employee Benefits	\$2,174,684	1.3%	\$232,826	0.6%	\$827,409	0.6%	\$70,000	0.1%	-1.2%	-0.5%
Payroll - Officers	\$325,794	0.2%	\$260,168	0.6%	\$99,687	0.1%	\$480,000	0.8%	0.1%	0.7%
Payroll - Other Employees	\$7,931,553	4.9%	\$3,272,240	8.0%	\$3,621,656	2.7%	\$0	0.0%		
Rent of Premises	\$794,178	0.5%	\$60,609	0.1%	\$3,446,236	2.6%	\$0	0.0%		
Taxes - Real Estate	\$1,605,463	1.0%	\$343,279	0.8%	\$1,378,236	1.0%	\$1,500,000	2.4%	1.4%	1.6%
Taxes & Licenses - Other	\$315,875	0.2%	\$408,036	1.0%	\$165,113	0.1%	-\$984,000	-1.6%	-2.6%	-1.7%
Utilities (Other than Energy Exp.)	\$844,945	0.5%	\$253,204	0.6%	\$419,844	0.3%	\$192,000	0.3%	-0.3%	0.0%
Other General & Admin. Exp.	\$10,141,202	6.2%	\$1,939,436	4.7%	\$9,573,184	7.3%	\$2,326,000	3.8%	-3.5%	-0.9%
Total G&A Expenses	\$55,692,173	34.2%	\$18,210,982	44.5%	\$42,733,164	32.4%	\$34,576,000	56.3%	11.8%	23.9%
Net Income (Loss) Before Federal Income Taxes & Extraordinary Items	\$14,883,127	9.1%	\$3,660,839	8.9%	\$6,621,597	5.0%	-\$12,401,237	-20.2%	-29.3%	-25.2%
EBITDAR	\$38,461,607	23.6%	\$10,577,815	25.8%	\$24,279,584	18.4%	\$11,000,763	17.9%	-7.9%	-0.5%

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Exhibit 2-8 Profit & Loss Comparison Cherokee Versus Three Nevada Casino Groups										
Description	Statewide \$1M+ w/ Hotel Rooms FY @ June 30, 2007		Elko County Wendover \$1M+ FY @ June 30, 2007		Douglas County SLT \$1M+ FY @ June 30, 2007		Cherokee Penn National Gaming Pro Forma for 2011		% Differences	
	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	% High (Dif)	%Low (Dif)
CASINO DEPARTMENT										
Revenue										
Pit Revenue (Inc. Keno & Bingo)	\$24,368,448	30.8%	\$6,143,853	20.6%	\$22,112,005	27.3%	\$7,174,000	12.5%	-18.3%	-8.1%
Coin Operated Devices	\$51,533,041	65.2%	\$22,951,868	76.8%	\$56,253,795	69.4%	\$50,219,000	87.5%	10.7%	22.3%
Poker and Pan	\$1,350,006	1.7%	\$471,051	1.6%	\$1,008,022	1.2%	\$0	0.0%		
Race Book	\$737,466	0.9%	\$87,893	0.3%	\$654,867	0.8%	\$0	0.0%		
Sports Pool	\$1,025,086	1.3%	\$225,615	0.8%	\$1,003,259	1.2%	\$0	0.0%		
Total Revenue	\$79,014,048	100.0%	\$29,880,279	100.0%	\$81,031,947	100.0%	\$57,393,000	100%		
Departmental Expenses										
Bad Debt Expense	\$822,377	1.0%	\$13,996	0.0%	\$211,063	0.3%	\$0	0.0%		
Commissions	\$600,531	0.8%	\$143,706	0.5%	\$662,740	0.8%	\$0	0.0%		
Complimentary Expense	\$13,862,944	17.5%	\$3,997,079	13.4%	\$21,262,602	26.2%	\$2,009,000	3.5%	-22.7%	-9.9%
Gaming Taxes and Licenses	\$6,094,818	7.7%	\$2,484,886	8.3%	\$6,085,713	7.5%	\$15,496,000	27.0%	18.7%	19.5%
Preferred Guest Expenses	\$1,670,080	2.1%	\$0	0.0%	(\$4,614)	0.0%	\$0	0.0%		
Payroll Taxes	\$1,205,396	1.5%	\$334,444	1.1%	\$1,493,130	1.8%	\$2,593,000	4.5%	2.7%	3.4%
Payroll - Employee Benefits	\$2,573,727	3.3%	\$265,579	0.9%	\$2,783,086	3.4%	\$1,402,000	2.4%	-1.0%	1.6%
Payroll - Officers	\$133,625	0.2%	\$0	0.0%	\$0	0.0%	\$0	0.0%		
Payroll - Other Employees	\$8,349,661	10.6%	\$2,037,826	6.8%	\$10,489,204	12.9%	\$9,683,000	16.9%	3.9%	10.1%
Race Wire Fees	\$121,188	0.2%	\$14,929	0.0%	\$113,431	0.1%	\$0	0.0%		
Other Departmental Expenses	\$5,878,327	7.4%	\$1,127,826	3.8%	\$7,667,586	9.5%	\$300,000	0.5%	-8.9%	-3.3%
Total Departmental Expenses	\$41,312,674	52.3%	\$10,420,270	34.9%	\$50,763,939	62.6%	\$31,483,000	54.9%	-7.8%	20.0%
Departmental Income (Loss)	\$37,701,373	47.7%	\$19,460,010	65.1%	\$30,268,008	37.4%	\$25,910,000	45.1%	-20.0%	7.8%
ROOMS DEPARTMENT										
Revenue										
Room Sales	\$28,643,975	83.5%	\$2,125,042	77.2%	\$11,092,642	61.0%				
Complimentary Rooms	\$5,670,816	16.5%	\$629,073	22.8%	\$7,106,154	39.0%				
Total Revenue	\$34,314,791	100.0%	\$2,754,115	100.0%	\$18,198,796	100.0%				
Departmental Expenses										
Bad Debt Expense	\$49,202	0.1%	\$0	0.0%	\$38,228	0.2%				
Complimentary Expense	\$427,277	1.2%	\$13,168	0.5%	\$81,875	0.4%				
Payroll - Taxes	\$518,703	1.5%	\$112,827	4.1%	\$385,236	2.1%				
Payroll - Employee Benefits	\$1,831,643	5.3%	\$78,130	2.8%	\$821,842	4.5%				
Payroll - Officers	\$36,256	0.1%	\$0	0.0%	\$0	0.0%				
Payroll - Other Employees	\$5,227,930	15.2%	\$1,228,793	44.6%	\$3,645,902	20.0%				
Other Departmental Expenses	\$3,611,842	10.5%	\$514,834	18.7%	\$1,874,629	10.3%				
Total Departmental Expenses	\$11,702,852	34.1%	\$1,947,752	70.7%	\$6,847,712	37.6%				
Departmental Income (Loss)	\$22,611,939	65.9%	\$806,363	29.3%	\$11,351,084	62.4%				

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Exhibit 2-8 Profit & Loss Comparison Cherokee Versus Three Nevada Casino Groups										
Description	Statewide \$1M+ w/ Hotel Rooms FY @ June 30, 2007		Elko County Wendover \$1M+ FY @ June 30, 2007		Douglas County SLT \$1M+ FY @ June 30, 2007		Cherokee Penn National Gaming Pro Forma for 2011		% Differences	
	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	% High (Dif)	% Low (Dif)
FOOD DEPARTMENT										
Revenue										
Food Sales	\$17,480,259	79.1%	\$2,508,814	52.0%	\$11,030,606	73.1%	\$1,377,000	50.0%	-29.1%	-2.0%
Complimentary Food Sales	\$4,610,533	20.9%	\$2,316,884	48.0%	\$4,069,028	26.9%	\$1,377,000	50.0%	2.0%	29.1%
Total Revenue	\$22,090,792	100.0%	\$4,825,698	100.0%	\$15,099,634	100.0%	\$2,754,000	100.0%		
Cost of Sales	\$7,432,601	33.6%	\$2,256,660	46.8%	\$4,795,224	31.8%	\$1,215,000	44.1%	-2.6%	12.4%
Gross Margin	\$14,658,190	66.4%	\$2,569,038	53.2%	\$10,304,410	68.2%	\$1,539,000	55.9%	-12.4%	2.6%
Departmental Expenses										
Bad Debt Expense	\$8,221	0.0%	\$0	0.0%	\$336	0.0%	\$0	0.0%		
Complimentary Expense	\$162,434	0.7%	\$150,221	3.1%	\$33,651	0.2%	\$0	0.0%		
Payroll - Taxes	\$959,573	4.3%	\$163,201	3.4%	\$570,792	3.8%	\$447,000	16.2%	11.9%	12.8%
Payroll - Employee Benefits	\$2,810,534	12.7%	\$100,451	2.1%	\$1,267,609	8.4%	\$242,000	8.8%	-3.9%	6.7%
Payroll - Officers	\$82,282	0.4%	\$0	0.0%	\$0	0.0%	\$0	0.0%		
Payroll - Other Employees	\$8,473,131	38.4%	\$1,615,345	33.5%	\$5,032,195	33.3%	\$1,668,000	60.6%	22.2%	27.2%
Other Departmental Expenses	\$1,587,938	7.2%	\$332,447	6.9%	\$1,185,225	7.8%	\$0	0.0%		
Total Departmental Expenses	\$14,084,114	63.8%	\$2,361,664	48.9%	\$8,089,807	53.6%	\$2,357,000	85.6%	21.8%	36.6%
Departmental Income (Loss)	\$574,077	2.6%	\$207,374	4.3%	\$2,214,603	14.7%	-\$818,000	-29.7%	-44.4%	-32.3%
BEVERAGE DEPARTMENT										
Revenue										
Beverage Sales	\$4,981,327	55.6%	\$392,310	22.4%	\$5,665,099	53.2%	\$344,000	50.0%	-5.6%	27.6%
Complimentary Beverage Sales	\$3,981,192	44.4%	\$1,358,708	77.6%	\$4,985,694	46.8%	\$344,000	50.0%	-27.6%	5.6%
Total Revenue	\$8,962,519	100.0%	\$1,751,018	100.0%	\$10,650,793	100.0%	\$688,000	100.0%		
Cost of Sales	\$2,027,205	22.6%	\$643,664	36.8%	\$2,609,749	24.5%	\$207,000	30.1%	-6.7%	7.5%
Gross Margin	\$6,935,314	77.4%	\$1,107,354	63.2%	\$8,041,045	75.5%	\$481,000	69.9%	-7.5%	6.7%
Departmental Expenses										
Bad Debt Expense	\$337	0.0%	\$0	0.0%	\$472	0.0%	\$0	0.0%		
Complimentary Expense	\$73,197	0.8%	\$1,804	0.1%	\$9,447	0.1%	\$0	0.0%		
Payroll - Taxes	\$219,838	2.5%	\$53,581	3.1%	\$194,512	1.8%	\$112,000	16.3%	13.2%	14.5%
Payroll - Employee Benefits	\$616,144	6.9%	\$62,978	3.6%	\$437,025	4.1%	\$60,000	8.7%	1.8%	5.1%
Payroll - Officers	\$12,191	0.1%	\$0	0.0%	\$0	0.0%	\$0	0.0%		
Payroll - Other Employees	\$1,691,318	18.9%	\$338,653	19.3%	\$1,499,698	14.1%	\$0	0.0%		
Other Departmental Expenses	\$752,660	8.4%	\$71,660	4.1%	\$947,499	8.9%	\$417,000	60.6%	51.7%	56.5%
Total Departmental Expenses	\$3,365,686	37.6%	\$528,676	30.2%	\$3,088,653	29.0%	\$589,000	85.6%	48.1%	56.6%
Departmental Income (Loss)	\$3,569,628	39.8%	\$578,678	33.0%	\$4,952,392	46.5%	-\$108,000	-15.7%	-62.2%	-48.7%

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Exhibit 2-8 Profit & Loss Comparison Cherokee Versus Three Nevada Casino Groups										
Description	Statewide \$1M+ w/ Hotel Rooms FY @ June 30, 2007		Elko County Wendover \$1M+ FY @ June 30, 2007		Douglas County SLT \$1M+ FY @ June 30, 2007		Cherokee Penn National Gaming Pro Forma for 2011		% Differences	
	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	Average Per Casino	%	% High (Dif)	% Low (Dif)
OTHER INCOME										
Revenue										
Other Op. and Non-Op. Income	\$17,505,088	94.4%	\$1,045,532	60.5%	\$6,077,430	87.0%	\$287,000	50.0%	-44.4%	-10.5%
Other Complimentary Items	\$1,042,097	5.6%	\$683,782	39.5%	\$904,890	13.0%	\$287,000	50.0%	10.5%	44.4%
Total Revenue	\$18,547,184	100.0%	\$1,729,314	100.0%	\$6,982,320	100.0%	\$574,000	100.0%		
Cost of Sales	\$3,003,022	16.2%	\$504,218	29.2%	\$1,155,295	16.5%	\$287,000	50.0%	20.8%	33.8%
Gross Margin	\$15,544,162	83.8%	\$1,225,096	70.8%	\$5,827,026	83.5%	\$287,000	50.0%	-33.8%	-20.8%
Departmental Expenses										
Bad Debt Expense	\$21,643	0.1%	\$0	0.0%	\$166	0.0%	\$0	0.0%		
Complimentary Expense	\$310,666	1.7%	\$3,015	0.2%	\$222,979	3.2%	\$0	0.0%		
Payroll - Taxes	\$300,282	1.6%	\$8,705	0.5%	\$166,726	2.4%	\$587,000	102.3%	99.9%	101.8%
Payroll - Employee Benefits	\$725,919	3.9%	\$4,621	0.3%	\$377,820	5.4%	\$317,000	55.2%	49.8%	55.0%
Payroll - Officers	\$26,032	0.1%	\$0	0.0%	\$0	0.0%	\$0	0.0%		
Payroll - Other Employees	\$3,066,507	16.5%	\$83,812	4.8%	\$1,608,639	23.0%	\$2,193,000	382.1%	359.0%	377.2%
Other Departmental Expenses	\$4,974,831	26.8%	\$305,547	17.7%	\$2,882,022	41.3%		0.0%		
Total Departmental Expenses	\$9,425,880	50.8%	\$405,700	23.5%	\$5,258,352	75.3%	\$3,097,000	539.5%	464.2%	516.1%
Departmental Income (Loss)	\$6,118,282	33.0%	\$819,396	47.4%	\$568,674	8.1%	-\$2,810,000	-489.5%	-536.9%	-497.7%

AVERAGE NUMBER OF EMPLOYEES FOR THE YEAR										
Casino Department	326	25.3%	135	29.3%	474	38.4%	355	69.6%	31.2%	44.3%
Rooms Department	207	16.1%	76	16.6%	170	13.8%	0	0.0%		
Food Department	350	27.2%	101	22.1%	301	24.4%	74	14.5%	-12.7%	-7.6%
Beverage Department	88	6.8%	28	6.1%	98	7.9%	0	0.0%		
G&A Department	203	15.8%	110	24.0%	117	9.4%	6	1.2%	-22.9%	-8.3%
Other Departments	113	8.8%	8	1.8%	76	6.2%	75	14.7%	5.9%	12.9%
Total FTEs	1,285	100.0%	459	100.0%	1,236	100.0%	510	100.0%		

AVERAGE NUMBER OF ROOMS AVAILABLE PER DAY										
Available Rooms	909		289		588		200 Planned			

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Information on Wells Gaming Research & Richard H. Wells

Following is detailed information regarding Wells Gaming Research's many services, as well as personal information about Richard H. Wells, WGR's president:

- Professional Services Offered (**page 3-2**)
- Casino Feasibility Studies (**page 3-3**)
- Casino Gaming Market Studies (**page 3-3**)
- Competitive Gaming Equipment Inventories (**page 3-4**)
- Litigation & Legislative Support (**page 3-4**)
- Marketing Research (**page 3-4**)
- Marketing Surveys (**page 3-5**)
- Market & Financial Due Diligence (**page 3-5**)
- Financial Benchmark Studies (**page 3-5**)
- Special Projects (**page 3-5**)
- Other Casino Gaming Services (**page 3-6**)
- Corporate Background (**page 3-6**)
- Online Casino Player Count Service™ (**page 3-7**)
- Richard H. Wells, Experience and Qualifications (**page 3-8**)
- Client List, including current and previous WGR clients (**page 3-9**)

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Professional Services Offered:

Wells Gaming Research (hereinafter referred to as WGR) is a highly respected provider of a wide-range of research and advisory services for the casino gaming industry.

Casino Player Count Service™:

WGR's Casino Player Count Service™ has become the standard for measuring relative player count performance within the casino gaming industry. Our player count service is widely used by casinos, as well as by equity analysts who track public gaming companies. WGR's weekly online player count reports are accompanied by a host of powerful, user friendly analytical tools that make it quick and easy for a client casino to monitor the competition. Client casinos can log on to WGR's website and evaluate their competitors using the following performance criteria:

- Casino rankings based on player count volume
- Number of table game and/or slot machine players
- Percent distribution of players
- Gaming capacity inventory for both table games and slot machines
- Percent distribution of market capacity
- Percent of capacity utilized
- User defined market fair share percentages

Fair Share Goal Setting Targets for User Defined Markets

One of the newest and most exciting features of WGR's Casino Player Count Service™ is fair share goal setting for user-defined markets. WGR's online player count service automatically calculates the number of players required for a casino to reach a series of fair market share targets (for example, 100%, 105%, and 110%).

Gaming Capacity Inventories

WGR updates the gaming capacity inventory statistics for the player count service on a quarterly basis. Client casinos can easily monitor capacity adjustments for both table games and slot machines for their casino, as well as for their competitors. WGR's website also provides a capacity trend analysis feature.

Equity Analysts

Equity analysts use WGR's Casino Player Count Service™ reports to monitor player counts for individual casinos owned by public companies, and to track entire market areas. WGR's player count statistics are also given consideration by equity analysts when forecasting quarterly casino revenues.

Data Collection for WGR's Casino Player Count Service

WGR's field representatives physically count casino players five or more times per week in 164 casinos located throughout the U.S. WGR's current player count service areas include California, Louisiana, Mississippi, Nevada, and New Mexico.

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Casino Feasibility Studies

WGR's databases contain a detailed history of casino player counts collected in eleven major gaming markets located throughout the U.S. This exclusive player count information provides WGR with a proprietary resource that is unmatched for projecting player volume, which is a key variable in the revenue function.

WGR has conducted casino feasibility studies and financial projections for a number of new casinos, including those proposed in:

- **Mississippi** – Tunica.
- **Nevada** - Las Vegas (the Strip, the Offstrip, and North Las Vegas), as well as for Reno, Henderson, and Jackpot.
- **Nova Scotia** - Halifax and Sydney.

Casino Gaming Market Studies

WGR's databases contain over 350,000 casino player counts collected between 1990 and 2007. Capacity information is collected and updated regularly on each casino's inventory capacity mix of slot machines and table games. The player count data allows WGR to track individual casinos, groups of casinos, and casino markets more closely and accurately than any other organization except the state gaming regulatory authorities.

WGR has developed a custom casino gravity modeling system designed to forecast casino revenues while taking into account the impacts that new or expanded competing casinos could have on the project. The model is customized to include the appropriate trade area and competitive casinos for each project.

Major market studies include:

- Las Vegas, Nevada area (Strip, Offstrip, North Las Vegas, & Henderson)
- Reno & Sparks, Nevada
- Minden/Gardnerville, Nevada
- Carson City, Nevada
- Northern California
- South Lake Tahoe
- Mississippi (Tunica, Natchez, & Vicksburg)
- Shreveport, Louisiana
- Iowa (Spencer, Ottumwa, Emmetsburg, Waterloo, Davenport, & Bettendorf)
- Sugar Creek, Missouri
- Southern Kansas
- Southern Indiana
- North-East Kentucky

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Competitive Gaming Equipment Inventories

WGR conducts capacity inventories of slot machines, electronic player tracking systems, and other gaming equipment located in casinos throughout the U.S. The client selects the casinos to be inventoried. Then, WGR conducts the equipment inventories and does the comparative analyses. WGR's clients include both casinos and major slot machine manufacturers. Slot machine inventory projects include:

- 38 Tribal casinos in California.
- 108,000 slot machines located in 50 U.S. casinos, as well as five Canadian casinos (inventories are conducted twice each year).
- 18,000 slot machines located in eight large Las Vegas casinos.

Litigation & Legislative Support

WGR provides a host of gaming related services to attorneys in the form of:

- Financial and market analyses
- Expert testimony and depositions
- Analyses of opposing expert reports
- Development of questions for depositions
- Development of exhibits for use in court
- Competitive analyses for anti-trust issues
- Exhibits, documents, and expert testimony for legislative issues

Marketing Research

WGR has conducted a wide variety of gaming related marketing research studies for casino clients, as well as for proprietary internal use. For example, WGR has analyzed:

- The demographics and gambling characteristics of golfers on a nationwide basis.
- The gambling and demographic characteristics of local residents in both Reno and Las Vegas.
- The growth of various forms of gaming in Reno's four major feeder markets (California, Oregon, Washington, and British Columbia).

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Marketing Surveys

Recent market research surveys include:

- 600 Las Vegas Strip visitors for a casino client
- 465 slot directors for a slot manufacturer
- 900 gaming establishments for a slot manufacturer
- 600 telephone inquiries to casino slot departments regarding online slot machine systems

Market & Financial Due Diligence

WGR is well positioned to assist casino buyers in evaluating gaming markets in terms of:

- Competition
- Financial and operating performance
- Improvement potential of casino acquisition candidates

Financial Benchmark Studies

WGR conducts financial benchmark studies for existing casinos. Both revenue and expense line items are compared with a casino's peer group of competitors. Differences are flagged. One such study greatly aided the Client in improving its financial performance and in turning losses into profits.

Special Projects

WGR conducts special projects on an ongoing basis. Some examples include:

- Casino market supply and demand analyses
- Slot and table game trends
- Casino player trend analyses
- Utilization analyses (table games including Caribbean Stud and Let-It-Ride, as well as slot machines and automatic shuffler)
- Competitive analyses of slot machine inventories and utilization
- Table game instruction programs
- Average bets by table minimums for blackjack and craps
- Player counts by ethnic groups

Task-4 Project Specific Gaming Revenue Projections **Southeast Gaming Zone of Kansas**

Other Casino Gaming Services

Slot Payback Certification

WGR provides verification and certification of win percentages for slot machines and video poker machines. Casinos have successfully used the win percentages in advertising campaigns.

Pedestrian Traffic Counts

WGR has conducted pedestrian traffic studies to determine pedestrian volumes, directions, and other characteristics of pedestrian traffic behavior in targeted areas in Las Vegas and Reno. Two specific locations were the intersection of Las Vegas Boulevard and Tropicana Avenue in Las Vegas and on Virginia Street in downtown Reno.

Special Event Attendance

WGR conducts attendance counts at special events, primarily in Nevada (Reno, Las Vegas, and Laughlin) for convention authorities and other clients. WGR has conducted attendance counts at most of Reno's special events.

Corporate Background

WGR was established in 1990. In 1995, WGR was incorporated under the laws of the State of Nevada.

WGR is a privately held corporation. The principal officers include Richard H. Wells, President and Peggy P. Wells, Vice President and Secretary/Treasurer.

WGR's president, Richard H. Wells, has over thirty years of experience in conducting financial and market feasibility studies for the casino, hotel, banking, and oil and gas industries. Wells is supported by a well-trained staff with experience and expertise in computer programming, finance, economics, and market analyses.

In addition to the staff, WGR subcontracts, on an as-needed basis, with highly qualified and respected professionals who specialize in a wide-range of technical disciplines including marketing research, statistics, demographic statistics and data analyses, economic and social impact analyses, and legal counsel.

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Online Casino Player Count Service™

WGR has converted its player count reporting system from a weekly hard copy report to a suite of powerful, online, easy-to-use reporting and analysis tools. The Internet now makes it possible for WGR to share these tools with our clients.

WGR not only provides the Casino Player Count Service™ Reports online via the Internet, we also provide our clients with a host of online analytical tools. For example, WGR's clients can now select a specific set of competitive casinos and time periods to conduct custom analyses.

A total of seven (7) online reporting menu options are offered:

1. Monthly
2. Weekly
3. Daily
4. Multi-Month Trend Analysis
5. User Defined Two-Period Comparisons
6. Capacity Trend Analysis
7. Average Counts by Day-of-Week or Time-of-Day

Four (4) options are provided for viewing, downloading, and printing the user defined reports:

1. Web Browser,
2. Tab Delimited Download (Excel or other spreadsheet compatible)
3. PDF file uncompressed
4. PDF file compressed (ZIP)

Weekend player counts are now available to our clients by Monday afternoon, 5PM Pacific Time. All weekly player count data is audited and finalized by Thursday afternoon, 5PM Pacific Time. This puts the player count data in the clients hands several days earlier than the hard copy reports.

Online Access & Client Training:

Each person in our Client's organization who needs access to WGR online service will be assigned a username and password for secure website access. WGR's clients are allowed an unlimited number of users, at no additional cost.

WGR will conduct a training session to acquaint Client users with the new online system. WGR's new online reporting system is easy-to-use and quick at creating user defined custom player count reports. A half-hour training/orientation session is all that is needed for a user to get started with WGR's new online reporting system.

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Richard H. Wells, Experience & Qualifications

Wells is founder and president of **Wells Gaming Research**, a Nevada Corporation that provides Casino Player Count Service™, a market share tracking service, to over 160 casino clients in Nevada, Mississippi, Louisiana, New Mexico, and California.

Wells Gaming Research also performs a wide range of consulting and gaming research assignments including casino market studies, financial feasibility studies, financial projections, due diligence, litigation support, legislative issue support, and gaming industry expert witness services for the gaming industry.



Wells has fifteen years experience as a senior executive in the casino-hotel industry with Holiday Inns, Harrah's, and Bally's. Wells has also held positions in management, planning, and financial analysis for a large regional bank and a major international oil company.

Wells has a B.S. degree in business from Oklahoma State University and completed a post-graduate program in Systems Dynamics at M.I.T. Wells has participated in a wide range of community service activities and is listed in Marquis Who's Who in Finance and Industry and Marquis Who's Who in America.

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Wells Gaming Research Client List
(Current and/or Prior Customers)

Aladdin Gaming, LLC:

Aladdin Resort & Casino ~ Las Vegas, Nevada

Ameristar Casinos, Inc. ~ Las Vegas, Nevada

Alamo Travel Center ~ Sparks, Nevada

Aristocrat Technologies, Inc. ~ Las Vegas, Nevada

Arizona Charlie's Casino Hotel ~ Las Vegas, Nevada

Arizona Charlie's East Casino Hotel ~ Las Vegas, Nevada

Avi Resort & Casino ~ Laughlin, Nevada

Baldini's Sports Casino ~ Reno, Nevada

Bear Stearns Companies, Inc.

Binion's Horseshoe ~ Tunica, Mississippi

Boyd Gaming Corporation:

California Hotel & Casino ~ Las Vegas, Nevada

Fremont Hotel & Casino ~ Las Vegas, Nevada

Main Street Station Hotel Casino ~ Las Vegas, Nevada

Sam's Town Hotel & Gambling Hall ~ Las Vegas, NV

Sam's Town Tunica Hotel & Gambling Hall ~ Tunica, MS

Stardust Resort & Casino ~ Las Vegas, Nevada

Bronco Billy's Sports Bar & Casino ~ Cripple Creek, CO

Caesars Palace Hotel & Casino ~ Las Vegas, Nevada

Cannery Casino Hotel ~ Las Vegas, Nevada

Clay County Gaming Initiative, Inc. ~ Clay Co, Iowa

Club Cal-Neva/Virginian Hotel Casino ~ Reno, Nevada

Coast Hotel & Casinos, Inc.:

Gold Coast Hotel Casino ~ Las Vegas, Nevada

Suncoast Hotel & Casino ~ Las Vegas, Nevada

The Orleans Hotel & Casino ~ Las Vegas, Nevada

Copa Casino ~ Gulfport, Mississippi

DRKW - Grantchester, Inc. ~ New York, New York

Eldorado Hotel Casino ~ Reno, Nevada

Fallon Paiute-Shoshone Tribe ~ Fallon, Nevada

Fidelity Investments ~ Boston

Fitzgeralds Hotel Casino ~ Reno, Nevada

Four Queens Hotel Casino ~ Las Vegas, Nevada

Greenspun Corporation ~ Las Vegas, Nevada

Guild, Russell, Gallagher, & Fuller, LTD ~ Reno, Nevada

Galleria Associates ~ Henderson, Nevada

Golden Phoenix Hotel Casino ~ Reno, Nevada

GEM, LLC ~ Reno, Nevada

Harrah's Casino Hotel ~ Lake Tahoe, Nevada

Harrah's Casino Hotel ~ Laughlin, Nevada

Harrah's Hotel Casino ~ Reno, Nevada

Harrah's Hotel Casino ~ Tunica, Mississippi

Hollywood Casino ~ Tunica, Mississippi

Horseshoe Casino & Hotel ~ Bossier City, Louisiana

Innovative Gaming Corporation of America

International Gaming Technology

Isle of Capri Casinos, Inc.:

Isle of Capri Casino ~ Bossier City, Louisiana

Isle of Capri Casino ~ Biloxi, Mississippi

Isle of Capri Casino - Lula, Mississippi

Isle of Capri Casino - Vicksburg, Mississippi

Isleta Casino & Resort - Albuquerque, New Mexico

ITT Sheraton Gaming Division

John Ascuaga's Nugget ~ Reno, Nevada

Lady Luck Hotel Casino ~ Las Vegas, Nevada

Little Creek Casino ~ Shelton, Washington

Majestic Star Casinos:

Fitzgeralds Hotel Casino ~ Las Vegas, Nevada

Fitzgeralds Hotel Casino ~ Tunica, Mississippi

Mandalay Resort Group:

Circus Circus Hotel Casino ~ Reno, Nevada

Circus Circus Hotel Resort & Casino ~ Las Vegas, NV

Colorado Belle Hotel & Casino ~ Laughlin, Nevada

Edgewater Hotel & Casino ~ Laughlin, Nevada

Excalibur Resort Hotel & Casino ~ Las Vegas, Nevada

Gold Strike Casino & Resort ~ Tunica, Mississippi

Luxor Resort Hotel & Casino ~ Las Vegas, Nevada

Mandalay Bay Resort & Casino ~ Las Vegas, Nevada

Monte Carlo Resort & Casino ~ Las Vegas, Nevada

Silver City ~ Las Vegas, Nevada

Silver Legacy Resort & Casino ~ Reno, Nevada

Slots-A-Fun ~ Las Vegas, Nevada

Monarch Casino & Resort, Inc.:

Atlantis Casino Resort ~ Reno, Nevada

Task-4 Project Specific Gaming Revenue Projections
Southeast Gaming Zone of Kansas

Wells Gaming Research Client List (Continued)
(Current and/or Prior Customers)

Mikhon Gaming Corporation	Ramada Inn Speakeasy Casino ~ Reno, Nevada
Nevada Resort Association ~ Las Vegas, Nevada	Rampart Casino ~ Las Vegas, Nevada
MGM • Mirage:	Reno/Sparks Convention & Visitor's Authority
Beau Rivage Hotel & Casino ~ Biloxi, Mississippi	Rio Suite Hotel Casino ~ Las Vegas, Nevada
Bellagio Hotel & Casino ~ Las Vegas, Nevada	River Palms Resort Casino ~ Laughlin, Nevada
Golden Nugget Hotel & Casino ~ Laughlin, Nevada	Riverside Resort Hotel Casino ~ Laughlin, Nevada
MGM Grand Hotel Casino ~ Las Vegas, Nevada	Riviera Hotel & Casino ~ Las Vegas, Nevada
New York New York Hotel & Casino ~ Las Vegas, NV	Sands Regency Hotel Casino ~ Reno, Nevada
The Mirage Hotel & Casino ~ Las Vegas, Nevada	Seven Circle Resorts, Inc.
Treasure Island at the Mirage ~ Las Vegas, Nevada	Sheraton Casino ~ Halifax, Nova Scotia
Palms Casino Hotel ~ Las Vegas, Nevada	Sheraton Hotel Casino ~ Tunica, Mississippi
Park Place Entertainment:	Showboat Hotel Casino ~ Las Vegas, Nevada
Bally's Casino Las Vegas ~ Las Vegas, Nevada	Si Redd's Oasis Hotel & Casino ~ Mesquite, Nevada
Bally's Casino Tunica ~ Tunica, Mississippi	Silicon Gaming, Inc.
Flamingo Las Vegas ~ Las Vegas, Nevada	Silver Club Hotel Casino ~ Sparks, Nevada
Flamingo Laughlin ~ Laughlin, Nevada	Silverton Hotel & Casino ~ Las Vegas, Nevada
Grand Casino Biloxi ~ Biloxi, Mississippi	Station Casinos, Inc.:
Grand Casino Gulfport ~ Gulfport, Mississippi	Boulder Station Hotel & Casino ~ Las Vegas, NV
Grand Casino Tunica ~ Tunica, Mississippi	Fiesta Henderson ~ Las Vegas, Nevada
Las Vegas Hilton ~ Las Vegas, Nevada	Fiesta Rancho Casino Hotel ~ Las Vegas, Nevada
Oshea's ~ Las Vegas, Nevada	Green Valley Ranch Resort & Spa ~ Las Vegas, NV
Paris Las Vegas ~ Las Vegas, Nevada	Palace Station Hotel & Casino ~ Las Vegas, Nevada
Reno Hilton ~ Reno, Nevada	Santa Fe Station Hotel Casino ~ Las Vegas, Nevada
Sheraton Casino ~ Tunica, Mississippi	Sunset Station Hotel & Casino ~ Las Vegas, Nevada
Peppermill, Inc.:	Texas Station Gambling Hall & Hotel ~ Las Vegas, NV
Peppermill Hotel Casino ~ Reno, Nevada	Stratosphere Casino Hotel & Tower ~ Las Vegas, Nevada
Western Village Inn & Casino ~ Sparks, Nevada	Terrible's Casino Hotel ~ Las Vegas, Nevada
Penn National Gaming, Inc.	Thunder Valley Casino ~ Lincoln, California
Boomtown Casino ~ Biloxi, Mississippi	Treasure Bay Casino Resort ~ Biloxi, Mississippi
Casino Magic ~ Bay St. Louis, Mississippi	Tropicana Hotel Casino ~ Las Vegas, Nevada
Pinnacle Entertainment, Inc.:	Tuscany Hotel & Casino ~ Las Vegas, Nevada
Boomtown Hotel • Casino • RV Park ~ Reno, Nevada	Venetian Resort Hotel Casino ~ Las Vegas, Nevada
Casino Magic ~ Biloxi, Mississippi	WMS Gaming Inc. ~ Waukegan, Illinois
Boomtown Casino ~ Bossier City, Louisiana	Wild Game NG:
R&R Advertising	Siena Hotel Spa & Casino ~ Reno, Nevada
Rail City Casino ~ Sparks	Wynne Resorts, LTD ~ Las Vegas, Nevada
Ramada Express Hotel & Casino ~ Laughlin, Nevada	Zeh Saint-Aubin Spoo ~ Reno, Nevada

Proposal for Cherokee and Crawford County

My Function in this review process is to:

- 1) Evaluate financial stability based on current corporate structure
- 2) Evaluate financial stability based on :
 - a. Financial liquidity
 - b. Financial solvency
 - c. Future commitments

Any financial analysis needs a comparative peer group base for the evaluation process. All current gaming jurisdictions provide analysis on a property basis, size or gaming revenues. Evaluation on a corporate level does not provide the same segmentation. There are a wider range of sizes and industry segments. It is more difficult to define peer groups.

Peer group composite

Different investment bankers and analysts create different peer groups. Casino type businesses could fall into the service industry, the entertainment industry, or the hospitality industry. Within these groups can be different sub-groups. One of the common groups used by gaming analysts is the “service industry” with a “Casino and Gaming” subgroup.

This subgroup currently consists of 60 different companies.¹ The top 20 of these corporations have market capitalization of \$100 million or more². The top corporations include several corporations who have submitted proposals: (June 11, 2008)

	Millions
1. Las Vegas Sands Corp. (LVS)	\$19,111
2. MGM Mirage (MGM)	11,797
3. Wynn Resorts, Limited (WYNN)	9,898
4. International Gaming Technology (IGT)	9,712
5. Melco PBL (MPEL)	4,359
6. Penn National Gaming (PENN)	3,729
13. Pinnacle Entertainment, Inc (PNK)	736

One of the largest casino companies in the world, Harrah's, is missing because it has been bought out by a private group of Investors (Hamlet Holdings) for a sum over \$29 billion. Before the takeover by Hamlet Holdings, Harrah's spent the last five years, buying up other well known major casino properties such as Bally's, Caesars, The Flamingo, Harvey's, Imperial Palace, Rio, and Showboat. It currently has over 51 properties around the world with the majority of them in the United States and England.

¹ I use information provided by Reuters Research, which is based on this composite of 60 firms. It also appears that Standard & Poor's also uses this composite. Note that these composites can be different for other financial research.

² Market capitalization represents the current market price times the total number of shares outstanding. The Casino and Gaming market price has decreased by 41% compared to S&P 1500 which declined by 13%.

The MGM Mirage is considered Harrah's major competitor. They have 23 wholly owned casino properties plus 3 other joint ventures. Included in the group of properties are the casinos once owned by Wynn and Circus Circus.

The composition of this group includes International Gaming Technology (IGT) (\$7.9 b), a company that does not own one single casino. Other companies include Great American Financial Corp. and Medical Institutional Services Corporation. Great American Financial Corp., formerly known as Interactive Gaming and Communications Corp., is a holding company that conducts business in the gaming industry through Intersphere Communications, Ltd. (PA), a software development, marketing and Internet communications company specializing in the Internet market. Medical Institutional Services Corp, formerly Go Call, Inc., together with its wholly owned subsidiaries, Go Cash, Ltd. and Go Call Canada, Inc.(\$290,000), is principally a provider of services to businesses engaged in electronic commerce on the Internet (e-commerce).

A analysis of corporations who have submitted Kansas proposals provide a sense of the diversity of the corporations and the problem with using any type of industry norms for comparative analysis.

Comparative Financial Information

	In 000's				
	Harrah's	Sands	Penn	Pinnacle	Butler Nat. Co.
Total Assets	23,357,700	11,466,517	4,967,032	2,193,544	20,444
Total Equity	6,626,900	2,260,274	1,120,962	1,052,359	10,648
Total Cld + ltd	12,440,400	7,572,330	2,974,922	841,301	6,971
Market Capitalization 7-14		14,280,900	2,117,000	562,370	25,850
Sales	10,825,200	2,950,567	2,565,737	1,068,790	14,681
Net income before Taxes	892,500	138,279	292,240	(1,851)	717
Return on Income	8.24%	4.69%	11.39%	-0.17%	4.88%
Return on Assets	3.82%	1.21%	5.88%	-0.08%	3.51%
Return on Equity	13.47%	6.12%	26.07%	-0.18%	6.73%
Current Ratio	93.01%	92.35%	61.29%	132.77%	203.12%
Debt/Equity	187.73%	335.02%	265.39%	79.94%	65.47%

As shown from the above table, the proposals have come from Harrah's, the giant in the industry with total assets exceeding \$23 billion, compared to Butler national with only \$20 million in assets. Comparison of other financial strengths shows complete disparity in all categories of corporations. A substantial amount of the growth in the industry has

been financed by way of debt.³ The industry norm is sitting at 2.4 times. As can be seen, many of the current proposals come from companies that are highly leveraged. In the current economic environment, this could be a real deal breaker.

Needless to say, with all the mergers and takeovers, and developments within the industry, there are many highly leveraged corporations that are susceptible to the current downturn of the economy. Current headlines include the following.

- 1) NEW YORK, June 10 (AP) - Shares of Las Vegas Sands Corp. fell to its lowest point in two years Tuesday after two analysts raised concerns about the health of the casino operators' key markets, Las Vegas and Macau.
- 2) CHICAGO, June 16 (Market Watch) Airfare hikes, capacity cuts start to pinch Las Vegas. Soaring fuel prices are starting to hit home in Las Vegas as cash-strapped airlines hike fares and cut capacity at McCarran International Airport - Sin City's tourism lifeline - leading to pressure on room rates and lower spending levels by visitors.
- 3) NEW YORK, June 17 (Reuters) - Harrah's Entertainment Inc's debt may weaken from already distressed levels as heavy capital spending and interest payments absorb cash flows at a time when the casino operator is also facing declining gambling revenues.

3

Debt-Laden Casinos Squeezed by Slowdown By TAMARA AUDI and JEFFREY MCCracken
July 1, 2008; Page A1: Wall Street Journal

Corporate Structure

Gaming Zone: Southeast
County: Cherokee and Crawford County
Property Name: Hollywood Casino
Company Name: Kansas Penn Gaming LLC
Parent Company: Penn National Gaming, Inc.
Ownership Interest: 100%

Overview of Penn National Gaming, Inc.

Penn National Gaming, Inc. ("Penn") and subsidiaries (collectively, the "Company") is a diversified, multi-jurisdictional owner and operator of gaming and pari-mutuel properties. Penn is the successor to several businesses that have operated as Penn National Race Course since 1972. Penn was incorporated in Pennsylvania in 1982 as PNR Corp. and adopted its current name in 1994, when the Company became a public company. In 1997, the Company began its transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, the Company has continued to expand its gaming operations through strategic acquisitions, including the acquisitions of Hollywood Casino Corporation in March 2003, Argosy Gaming Company ("Argosy") in October 2005, Black Gold Casino at Zia Park in April 2007, and Sanford-Orlando Kennel Club in October 2007.

Penn National Gaming is one of the leading companies in the Casino and Gaming sub-industry of the service industry. It represents one of 60 companies in the casino and gaming sector. Based on market capitalization, the Las Vegas Sands (\$23.5 billion) is ranked number one with the MGM Mirage (\$13.1 billion) in second place. Penn National follows in sixth place with a market capitalization of \$3.9 B. (It has currently dropped to \$2.67 B.)

The Company now owns or operates nineteen facilities in fifteen jurisdictions, including Colorado, Florida, Illinois, Indiana, Iowa, Louisiana, Maine, Mississippi, Missouri, New Jersey, New Mexico, Ohio, Pennsylvania, West Virginia, and Ontario.

Financial Position at 12/31/2007 and 3/31/2008

Penn National Gaming Corporate Earnings

The financial strength of any corporation is the ability to generate positive earnings and cash flows to meet its current and long term obligations. Exhibit 1 shows that Penn has been able to generate a steady growth in revenues for all years including the first quarter of this year despite the downturn of the economy. Exhibit 1 shows that Penn has had an

average revenue growth rate of 28% per year between 2004 and 2007. Penn acknowledges that most of the properties operate in mature competitive markets and as a result, they expect future growth to come from prudent acquisitions of gaming properties, jurisdictional expansions (such as in Pennsylvania, Maine and Kansas) and property expansion in under-penetrated markets (Lawrenceburg property).

A higher cost of goods along with an increase in interest expenses has resulted in decreased earnings in 2007 and the first quarter of 2008. Compared with the casino and gaming industry average pre-tax return on revenues of 7.9%, Penn National has been able to maintain an 11% return since 2004.

Exhibit 1: Revenues	1 st Q 2008	1 st Q 2007	2007	2006	2005	2004
Revenues	646,146	626,337	2,565,737	2,351,463	1,486,406	1,205,515
Income before Tax	72,726	77,121	292,240	369,932	141,770	137,628
Before Tax Return %	.11	.12	.11	.16	.10	.11

But, all is not rosy with Penn National. A closer look at the properties shows that many of them are having declines in revenue. This has been offset by the new acquisitions and new openings of properties. Exhibit 2 shows that while net revenues increased \$17.2 million (from \$596 m to \$613 m), or 2.9%, for the three months ended March 31, 2008, as compared to the three months ended March 31, 2007, it was primarily due to the opening of the casino at Hollywood Casino at Penn National Race Course, the acquisition of Black Gold Casino at Zia Park and Sanford-Orlando Kennel Club, and the opening of the Argosy Casino Riverside hotel. These increases were offset by decreases in net revenues at 8 of the 13 older properties. This included big declines at Empress Casino Hotel, Hollywood Casino Aurora and Argosy Casino Alton. Penn suggests that the decreases were due to competitive pressures and the impact of the Illinois smoking ban that became effective on January 1, 2008. The firm also believes that the current economic conditions also played a role. Income from operations was even worse as 12 properties showed reduced earnings.

Exhibit 2: The results of operations by property for the three months ended March 31, 2008 and 2007

Three Months Ended March 31,	Net Revenues		Income (loss) from Operations	
	2008	2007	2008	2007
	(in thousands)			
Charles Town Entertainment Complex	\$ 122,512	\$ 119,596	\$ 29,645	\$ 30,723
Argosy Casino Lawrenceburg	118,244	121,858	34,889	37,414
Hollywood Casino Aurora	53,626	64,500	14,072	18,332
Empress Casino Hotel	44,644	59,613	6,380	10,601
Argosy Casino Riverside	46,801	41,715	12,353	10,007
Hollywood Casino Baton Rouge	34,766	34,881	11,986	12,587
Argosy Casino Alton	22,697	30,863	3,607	6,756
Hollywood Casino Tunica	24,562	26,596	4,556	5,004
Hollywood Casino Bay St. Louis	25,441	23,484	2,161	1,239
Argosy Casino Sioux City	14,271	14,117	3,736	3,522
Boomtown Biloxi	20,648	24,067	4,090	5,558
Hollywood Slots at Bangor	10,700	10,976	1,774	2,058
Bullwhackers	5,744	7,131	(459)	136
Black Gold Casino at Zia Park (1)	21,915	—	7,129	—
Casino Rama management service contract	3,985	3,474	3,595	3,188
Hollywood Casino at Penn National Race Course (2)	39,449	11,854	(1,379)	(2,115)
Raceway Park	1,587	1,533	(303)	(247)
Sanford-Orlando Kennel Club (3)	1,902	—	91	—
Earnings from Pennwood Racing, Inc.	—	—	—	—
Corporate overhead	—	—	(19,364)	(19,983)
Total	\$ 613,494	\$ 596,258	\$ 118,559	\$ 124,780

Financial Viability

An analysis of the balance sheet and the cash flow statement provides evidence of possible trends and the ability to maintain a going concern. Liquidity ratios are used to measure the firm's ability to meet current obligations whereas solvency ratios tend to provide an indication of possible future cash flow problems.

Liquidity

The most common measure of a firm's ability to meet its current commitments is the current ratio. It compares current assets to current liabilities. The casino and gaming industry current ratio norm is 1.6. A look at Exhibit 3 shows that Penn National is way below the norm at 0.61 and that this ratio has been decreasing over the last four years. A closer look at the balance sheet shows that current assets as a percentage of total assets have been declining while at the same time current liabilities have been increasing.

On the other hand, the cash flow statement provides evidence that Penn National has been able to meet its current operational needs and have plenty of cash left over to meet other commitments. Exhibit 3 provides evidence that Penn National has doubled its cash flows from operations (CFO) between 2004 and 2007. Yet, the cash flow from operations needs watching after showing a major decline for the first quarter of 2008.

Exhibit 3 also provides information on the cash interest charge ratio. It indicates the number of times that CFO can meet current interest expenses. Once again, Penn National is below the industry norm of 3.6.

Exhibit 3

Liquidity Ratios	1stQt2008	1stqt2007	2007	2006	2005	2004
Current Ratio	0.61	0.79	0.61	0.97	0.90	1.04
CFO	86,632	168,739	431,219	281,809	150,475	197,164
CFO/NI	1.19	2.19	1.48	0.76	1.06	1.43
CFO/ CL	0.18	0.47	0.87	0.68	0.44	1.18
Cash Interest Charge	2.56	2.62	2.51	2.92	2.66	2.87

Solvency Ratios

Exhibit 4 provides a series of ratios that address the firm's ability to maintain financial flexibility in the future. An increasing amount of debt by a firm results in higher risk of not meeting future commitments when the economy turns sour. It also means that a firm has less flexibility in financing choices. In the long run, a firm must be able to generate enough excess cash to not only run its operations but to also meet investment and financing commitments. The debt/equity Casino and Gaming industry norm is 2.4 whereas the norm for the service industry is only 1.2 and that for the S&P 500 is 0.8. This vast difference in norms would indicate that the casino industry has grown by way of financing its acquisitions with debt instead of equity and that they are highly leveraged. Penn National's ratio of 2.65 for 2007 provides evidence they have also taken this road to growth. It has a debt to assets ratio of .60. Analysts note that companies with debt/assets greater than 0.60 are also risky.

Exhibit 4

Solvency Ratios	1stQt2008	1stqt2007	2007	2006	2005	2004
Debt/Equity	2.62	2.90	2.65	3.07	5.10	2.16
Debt/Assets	0.60	0.62	0.60	0.63	0.66	0.53
CFO/LT Debt	0.03	0.06	0.14	0.10	0.05	0.23
CFO/Capital Expend	0.72	2.27	1.19	0.69	1.24	2.86
Free Cash Flow	-33,758	94,554	70,064	-127,074	29,340	128,207

When looking at the long term, can Penn generate enough cash to meet future commitments? The CFO/LT Debt ratio has been increasing but is still far from being able to pay off long term debt in the future. The CFO/Capital expenditure ratio indicates that the excess cash being generated can barely meet current investment needs, let alone the payment of long term debt. On the other hand, there was only one year that Penn was not able to cover its capital expenditures from operating cash flows (free cash flow).

Take-over Bid

On June 15, 2007, the Company announced that it had entered into a merger agreement that, at the effective time of the transactions contemplated thereby, would result in the Company's shareholders receiving \$67.00 per share. Specifically, the Company, PNG Acquisition Company Inc. ("Parent") and PNG Merger Sub Inc., a wholly-owned subsidiary of Parent ("Merger Sub"), announced that they had entered into an Agreement and Plan of Merger, dated as of June 15, 2007 (the "Merger Agreement"), that provides, among other things, for Merger Sub to be merged with and into the Company (the "Merger"), as a result of which the Company will continue as the surviving corporation and will become a wholly-owned subsidiary of Parent. Parent is indirectly owned by certain funds (the "Funds") managed by affiliates of Fortress Investment Group LLC ("Fortress") and Centerbridge Partners, L.P. ("Centerbridge").

Termination of Takeover Bid⁴

More than a year later (July 3, 2008), Penn announced that the \$6.1 billion takeover bid by Fortress Investment Group and Centerbridge Partners has been terminated. The end of the takeover bid could be a blessing for Penn. Under the termination agreement, Penn will receive \$1.475 billion in cash. It will consist of a break-up fee of \$225 million and a seven-year interest free loan of \$1.25 billion from the combined group of Fortress, Centerbridge, Wachovia Corp. and Deutsche Bank.

The \$1.25 billion debt will be classified as "redeemable preferred equity with a repurchase date in 2015. It can be paid off with cash, its own common stock, or a combination of the two. Preferred equity allows Penn to forgo any interest or dividend payments and if Penn uses the money to repay its debt, greatly reduces future required interest payments.

This infusion of cash will allow Penn to make a huge dent in its overleveraged debt structure of \$2.97 billion. Penn has stated that it will use the \$1.475 cash infusion to repay its existing debt and to acquire or develop additional gaming properties.

⁴ <http://www.reuters.com/articlePrint?articleId=USWNAS024420080703>; Penn National says takeover deal terminated Thu Jul 3, 2008 12:15pm EDT

Change in Balance Sheet

At 7/15/2008	3/31/2008	Addition	Pay \$1 b	Ending
New Cash from term.		1,475,000	1,000,000	475,000
cash	170,822	170,822		170,822
other current assets	115,463	115,463		115,463
total current assets	286,285	1,761,285		761,285
total fixed assets	140,740	1,404,740		1,404,740
Total other Assets	2,818,794	2,818,794		2,818,794
Total Assets	4,509,819	5,984,819		4,984,819
Total current				
Liabilities	361,243	361,243		361,243
Total long term debt	2,737,012	2,737,012	1,000,000	1,737,012
Total other liabilities	447,193	447,193		447,193
Total liabilities	3,545,448	3,545,448	1,000,000	2,545,448
Equity Debt		1,275,000		1,275,000
Equity	964,371	1,164,371		1,164,371
Total Equity		2,439,371		2,439,371
Total liab & Equity	4,509,819	5,984,819		4,984,819

Change in Ratios

	Prior Bal 3/31/2008	Addition 7/14/2008	Debt payment 7/14/2008
Current Ratio	0.61	4.88	2.11
Debt/Equity	2.62	1.12	0.71

The above charts provide possible options available to Penn management. The options are to bank the cash and then use it for possible new projects or to pay down a large portion of the debt. Either approach provides the company with major improvements in its balance sheet. The payoff of debt would also help increase earnings with reductions of interest payments. The weighted average interest rate on Penn's current debt is around 4.71%, thus a payoff of \$1 billion would reduce interest payments by \$47 million.

Needless to say, from the perspective of the Kansas Lottery Gaming Facility Review Board, the Penn proposals should now be more favorably considered. Reducing the debt will result in favorable debt/equity ratios as well as reasonable interest charges ratios.

Penn National Proposal for Cherokee County

1. Cost of Project \$150,000,000
2. Funding of project \$150,000,000
3. Equity funding \$ 37,500,000 parent contribution
4. Debt funding \$112,500,000 Loan from Parent line of credit.

The Cherokee county proposal is for a 30,000 square foot casino that will have 900 slot machines and 30 gaming tables. Including the submission fee, the project has a cost of \$150 million. Penn has put up the initial submission fee (\$25 million) and expects to contribute an additional \$12.5 million from Penn National cash flow. This equates to a 25% equity investment. The remainder \$112.5 million is expected to come from Penn National (parent) line of credit. The Penn submitted Exhibit IV (F), suggests that Penn National expects that they will be capable of handling all the investment needs from cash flows coming from the parent company. Obviously, the infusion of the money from the failed merger provides the needed cash to cover the cost of the total Cherokee project, let alone the equity contribution.

Additional Considerations

Penn National currently has \$3 billion in long term debt. It will have over \$940 million that is due within 3 years. Given the new infusion of cash from its failed merger, it should not need to worry much about meeting these future commitments.

Exhibit 5: Long-term Debt

Long-term debt, net of current maturities, is as follows:

	March 31, 2008	December 31, 2007
	(in thousands)	
Senior secured credit facility	\$ 2,531,250	\$ 2,496,625
\$200 million 6 ⁷ / ₈ % senior subordinated notes	200,000	200,000
\$250 million 6 ³ / ₄ % senior subordinated notes	250,000	250,000
Other long-term obligations	20,158	19,810
Capital leases	8,155	8,487
	3,009,563	2,974,922
Less current maturities of long-term debt	(97,629)	(93,452)
	<u>\$ 2,911,934</u>	<u>\$ 2,881,470</u>

The following is a schedule of future minimum repayments of long-term debt as of March 31, 2008 (in thousands):

Within one year	\$	97,629
1-3 years		847,490
3-5 years		1,812,544
Over 5 years		251,900
Total minimum payments	\$	<u>3,009,563</u>

Possible write downs of goodwill and intangible assets.

An analysis of the asset side of the balance sheet shows that Penn National has assets in excess of \$5 billion. A closer look finds that fixed assets total \$1.7 billion (35% of total assets). Close to 59% of the assets are classified as goodwill (\$2 billion) and intangible assets (\$818 million).⁵ If earnings continue to decline for certain properties, there is a good possibility that these goodwill and intangible assets would warrant possible write downs. Companies loaded with goodwill and intangible assets tend to raise red flags to the credit community. Creditors are looking for tangible assets that can be used as collateral. Penn National may have problems in the current economy in getting an increase in its lines of credit.

Additional Projects

The following table summarizes the expected capital project expenditures, other than capital maintenance expenditures and planned expenditures related to projects that have not yet been awarded, such as in Cherokee County and Sumner County, Kansas, by property for the year ended December 31, 2008, as well as the projects in their entirety:

Property	December 31, 2008	Project Total
	(in millions)	
Charles Town Entertainment Complex	\$ 16.0	\$ 23.0
Hollywood Casino at Penn National Race Course	87.0	326.0
Hollywood Slots at Bangor	87.0	139.0
Argosy Casino Lawrenceburg	102.0	328.0
Other	17.0	17.0
Totals	\$ 309.0	\$ 833.0

⁵ Goodwill represents the excess value paid above the fair value of the purchased assets.

Concluding Points for Consideration

Positives

1. Healthy growth rate in revenues.
2. Healthy growth rate in earnings.
3. Healthy growth rate in cash flows from operations (CFO).
4. CFO has exceeded capital expenditures.
5. Failed merger generates \$1.475 billion in cash.
6. The additional cash flow changes the financial flexibility of company.

Negatives

1. Maintains extremely low current ratio
2. Currently has high debt/equity ratio
3. First quarter cash flow significantly down
4. For current project, has not clearly defined its debt/equity financing approach.

Additional factors

1. One of the top Casino Corporations in America
2. Owns or operates nineteen facilities in fifteen jurisdictions
3. Has experience in running smaller properties
4. Has large number of employees and managers
5. After the failed merger, has the cash and or financing to close a deal for either of its projects.
6. Has cut back its original plans and is doing a two phase project. Taking a very conservative approach toward competition.

***Kansas Lottery
Gaming Facility Review Board
Southeast Gaming Zone***

July 16, 2008



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Introduction

The Kansas Lottery Gaming Facility Review Board engaged the partners of Probe Strategic Services to conduct an assessment of the ancillary development and amenities associated with the management proposals for the Lottery Gaming Facilities (LGF) located in the four gaming zones.

To conduct this analysis, Probe examined the characteristics of the market. Based upon the market customer characteristics and the data produced in the gaming market assessments generated in Task 1, a list of possible amenities were developed. In the case of the Southeast Gaming Zone, the scenarios established in Phase 1 were built using a larger hypothetical facility than was eventually proposed. Hence, we will examine the proposals and market in light of the reality expressed in Task Four.

In the case of the Southeast Gaming Zone, since this property will not contain a hotel in the initial phase of development, Probe has elected to utilize drive times to delineate the market. We are utilizing 30, 60 and 90 minute radiuses as our market areas.

The proposals will be examined in the overall context of their ability to fulfill the goals set out in Senate Bill 66:

- Maximize revenues for the state of Kansas
- Promote tourism
- Serve the best interests of the state of Kansas

Summary

Competition is significant in this zone. A considerable volume of low quality convenience gaming is positioned in the Oklahoma market. The co-located Downstream property will enjoy a two year first mover advantage and is competitively positioned.

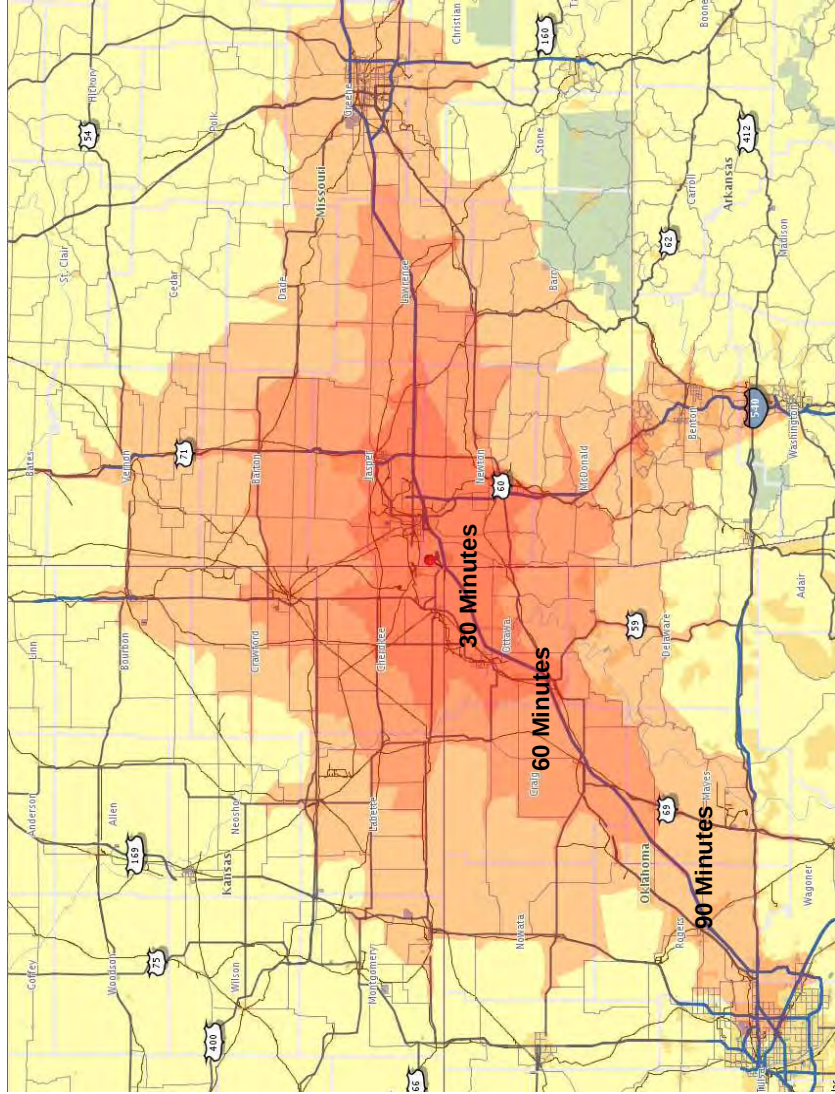
The first phase amenity package is appropriate for the market.

The revenue and expense estimates for the amenities are reasonable in relation to the gaming revenue.

However, ancillary revenue will be a function of gaming revenue as both are tied to visits to the property. Should gaming revenue achieve only the Wells and Cummings estimates, ancillary revenues will decline proportionately.

It is our professional opinion that the Downstream casino will be the dominant player in the market. In the First Phase of development, the Hollywood casino would operate as an overflow property. The amenities proposed would not create a stronger gravitational pull to grow the market significantly beyond a convenience gaming option.

Location



This use of these drive time rings decreases the total population, mostly as a function of the removal of Tulsa from what would be the 100 mile drive ring.

Market Assessment

Demographic Composition - Population

Population by Age	2008 Demographic Data		
	Population Within		
	30 Minutes	60 Minutes	90 Minutes
Total Population	197,637	337,617	1,253,516
Average Age	37.2	38.0	37.0
Adult Population Over 21	141,034	243,219	898,520
Population 45 Years and Older	78,660	138,423	492,632
Population 45 Years and Older (% of Adult)	56%	57%	55%

Within 30 minutes of the location, there are 141,034 adults, while there are 243,219 adults within 60 minutes. The majority of the population within a 90 minute drive is located within 61-90 minutes of a population of 655,301 adults, bringing the total adults within 90 minutes to 898,520.

Percent of Total Population by Race/Ethnicity	2008 Demographic Data		
	Population Within		
	30 Minutes	60 Minutes	90 Minutes
White Alone	88%	88%	86%
Black Alone	1%	1%	2%
American Indian Alone	4%	4%	4%
Asian or Pacific Islander Alone	1%	1%	2%
Some Other Race Alone	2%	0%	0%
Two or More Races	4%	4%	4%
Hispanic Origin	4%	4%	6%

Fifty-six percent of the adult population within 30 minutes is 45 years or older. Fifty-seven percent are over 45 in the 60 minutes drive time ring, and 55% are over 45 in the 90 minutes drive time ring.

The population is 88% White up to 60 minutes from the location, and is 86% White within 90 minutes. Four percent of the population is American Indian alone. There is a slight increase in the percentages of Black alone, (1% to 2%), Asian or Pacific Islander alone (1% to 2%) and Hispanic Origin (4% to 6%) in the entire 90 minute area compared to the 30 minute ring.

Percent of Total Population by Educational Attainment	2008 Demographic Data		
	Population Within		
	30 Minutes	60 Minutes	90 Minutes
No High School Diploma	18%	18%	16%
High School Graduate	35%	37%	34%
Some College	29%	29%	30%
Received Bachelor's Degree	18%	17%	21%

Educational attainment increases slightly as the distance from the location increases, with a total of 30% having some college and 21% with a college degree within the entire 90 minute drive time ring.

Market Assessment

Demographic Composition - Finances

Per Capita	2008 Demographic Data			
	Population Within			
	30 Minutes	60 Minutes	90 Minutes	
Median Disposable Income	\$ 13,270	\$ 12,818	\$ 14,659	
Indexed to US	0.79	0.77	0.88	
Mean Disposable Income	\$ 16,804	\$ 16,265	\$ 18,593	
Indexed to US	0.75	0.72	0.83	
Median Net Worth	\$ 21,867	\$ 20,945	\$ 27,979	
Indexed to US	0.54	0.51	0.69	
Mean Net Worth	\$ 141,459	\$ 133,629	\$ 154,400	
Indexed to US	0.72	0.68	0.79	

The levels of Mean and Median Disposable Income within a 90 minute drive of the property are 88% and 83% of the US levels, respectively.

Within 60 minutes of the proposed facility, the Median Disposable Income is 77% of the US median, while the Mean level is 72% of the US level. Within 30 minutes, both the Median and Mean levels increase slightly to 79% and 75%, respectively.

Likewise, the Median Net Worth (total wealth less secured and unsecured debt) for the overall 90 minute drive radius is \$27,979, or 69% of the US median; it is greater than the \$20,945 (51% US median) within 60 Minutes or \$21,867 (54% US median) within 30 Minutes.

The Mean Net worth is closer to the US level when compared to the Median Net Worth, most likely due to land wealth creating a long tailed distribution.

Market Assessment

Entertainment and Leisure Activities

Propensity to participate in various Activities	2008 Demographic Data		
	Population Within		
	30 Minutes	60 Minutes	90 Minutes
Gambled at casino in last 12 months	79	77	86
Gambled at casino 6+ times in last 12 months	86	90	94
Played bingo in last 12 months	123	118	111
Played lottery: <2 times in last 30 days	82	82	89
Played lottery: 2-5 times in last 30 days	104	103	103
Played lottery: 6+ times in last 30 days	105	101	99
Bought lottery ticket in last 12 mo: Daily Drawing	94	88	87
Bought lottery ticket in last 12 mo: Instant Game	112	108	106
Bought lottery ticket in last 12 mo: Lotto Drawing	91	91	94
Bought lottery ticket in last 12 months	97	96	97

Based on the Demographics of the customers, they are less likely to participate in casino gaming than the overall US population. However, level of frequent gamblers (6+ times a year) approaches the national average for the 90 minute radius. This is a function of income, as those who live further from the proposed property have greater levels of income and wealth.

Individuals in this area are more likely to play bingo and play the lottery frequently when compared to the US average. With regards to the lottery, customers in the market area are more likely to purchase instant games when compared to the propensity to purchase Lotto or Daily games.

Note that for the demographics that live in this area the propensity to play the lottery is higher than to go casino gambling. This is a function of income as lottery play can be a budget entertainment expense vs. a trip to a casino.

The following slides detail the resident population's Market Potential Index (MPI). This measures the relative likelihood of the adults in the specified trade area to exhibit certain consumer behavior or purchasing patterns compared to the U.S. average. An MPI of 100 represents the U.S. average.

These data are based upon national propensities to use various products and services, applied to local demographic composition. Thus, consumer behaviors in an area are inferred from the known behavior of persons with similar characteristics obtained from a representative national survey.

Usage data were collected by Mediamark Research Inc. in a nationally representative survey of U.S. households.

Market Assessment

Entertainment and Leisure Activities

Propensity to participate in various Acti	2008 Demographic Data		
	30 Minutes	60 Minutes	90 Minutes
Went to bar/night club in last 12 months	92	88	97
Dined out in last 12 months	90	90	95
Dine out < once a month	110	101	104
Dine out 2+ times per week	94	96	99
Dine out 2-3 times a month	92	94	97
Dine out once a month	84	84	90
Dine out once a week	84	84	91

Based Upon Propensity of US Population with Demographics similar to Market Area

Overall, customers in the area are less likely to eat out or visit a bar when compared to the national benchmark.

Among those who do eat out, they are more likely to do so less frequently when compared to the national average.

The propensity to dine outside the home or visit a bar or nightclub increases as distance from the proposed property increases. This is a function of urban nature of the Springfield and Tulsa suburbs included in the outer portion of the drive time zone.

Market Assessment

Entertainment and Leisure Activities

Propensity to participate in various Activities	2008 Demographic Data		
	Population Within		
	30 Minutes	60 Minutes	90 Minutes
Attend sports event: auto racing (NASCAR)	109	112	110
Attend sports event: auto racing (not NASCAR)	114	114	109
Attend sports event: basketball game (college)	94	95	101
Attend sports event: football game (college)	85	86	99
Attend sports event: golf tournament	86	81	90
Attended auto show in last 12 months	101	95	100
Attended music performance in last 12 months	87	86	94
Attended country music performance in last 12 mo	122	124	121
Attended rock music performance in last 12 months	75	71	86
Attended movies in last 6 months	87	86	94
Participated in horseback riding	118	124	115
Participated in hunting with rifle	140	152	130
Participated in hunting with shotgun	136	146	127
Participated in motorcycling	115	117	111
Participated in target shooting	117	125	114
Participated in auto racing	126	126	119
Participated in fishing (fresh water)	130	136	123
Participated in golf	79	81	91
Play golf < once a month	71	74	85
Play golf 1+ times a month	90	91	97

The customers in the area participate in a variety of leisure activities at or above the national average. Outdoor activities such as hunting, target shooting, horseback riding and fishing are among those activities these customers enjoy.

Customers in the area are likely to attend racing events and attend auto shows.

They are also likely to attend college football and basketball games, with the propensity to attend increasing as distance increases

They attend music performances at slightly below the national level, but are much more likely to attend country music shows.

While those in the closer drive time radius are less likely to play golf than those in the US overall, those in the outer ring are as or more likely to play golf often, driving the frequent golf level for the 90 minute ring to close to the US level.

Based Upon Propensity of US Population with Demographics similar to Market Area

Market Assessment

Competitive Overview

The property in the Southeast Gaming Zone will be operating in a highly competitive environment given the volume of 50 Native American Gaming facilities in Oklahoma within a 150 mile radius. These casinos average 493 slots with a median number of slot machines of 358.

While the majority of these casinos are small with limited amenities, (one or perhaps two average restaurants) the significant competition will come from the Downstream Casino, located on the land adjacent to the property.

The Downstream casino was designed for 2000 slot machines, with 30 tables games and 15 poker tables. It will have 222 hotel rooms, a spa, and 10,000 sq ft of convention space. While not adjacent to the property the tribe owns the Eagle Creek Golf Club across I44.

The Downstream property also operates four restaurants: a steakhouse, a buffet, a café/grille and a food court, with a fifth restaurant slated, as well as a center bar.

The Downstream property is significantly better than the vast majority of casinos within the Oklahoma Market, and also has the dual advantages of being the first mover in the market, and first off the exit.

In addition, the Cherokee Casino Tulsa is preparing a \$125 Million expansion to add hotel rooms and spa, as well as additional restaurants, including a Toby Keith branded establishment.

Consequently, the SEGZ property will compete with the northeast Oklahoma tribal casinos for the convenience gaming, but will also compete in Joplin and Springfield MO, as well as along the I44 corridor for the drive-by traffic with Downstream.

In addition, the property will compete regionally with the Northeast and South Central Gaming Zone properties likely to have a full compliment of amenities. To a lesser extent, it will compete regionally with the four Kansas City, MO casinos.

Despite the inferiority of the majority of the Oklahoma properties, the addition of Downstream creates a highly competitive environment in which to operate.

Product Assessment

Potential Products

Probe has been asked to examine the potential amenities assuming a Phase 1 only. Operating under this instruction, we make the following assumptions:
Casino Size: 900 slot machines with 30 table games.
The Task 4 estimates of visitation for this facility as described are as follows:

Task 4 Estimates

Measure	Wells	Cummings	Mean
Visitors	76,319	506,234	669,402
Revenues	\$48M	\$26.3M	\$43.8M

Probe believes that in the first Phase of the casino, with no hotel or added amenities, that the correct course of action is to create higher quality food outlets in comparison to the Downstream property, while pricing competitively.

Potential Products

F&B:

Buffet: Value priced, with a variety of offerings in greater quantity and quality than the competitive set.

Café: American cuisine targeted at the country lifestyle of the surrounding area. Some upscale items to appeal to travel market and to give customers at Downstream an incentive to visit.

Food Court/Quick Serve: Appeal to the budget/convenience gambler looking for an inexpensive and fast alternative.

Two Casino bars: One could be co-located in a restaurant, the other on the casino floor, preferably in the middle

Retail:

Sundry and Gift Shop: Convenience items and logo gift items.

Additional Features:

RV, Truck, and Bus Parking – Traffic intercept of I44

Proposal Assessment

Kansas Penn Gaming

Product Assessment – Hollywood Casino – F&B

Epic Buffet (225 Seats, 5,625 Sq Ft, Cost per person: \$15): Buffets are a standard product for entry in a casino environment. The Epic Buffet would work within the master brand and could be marketed as a leading buffet in the area. The cost is comparable to the average cost at Downstream. Given the product offered in the first week at the Downstream Casino, winning the battle of the buffet between the co-located products should be achievable given Penn National’s extensive experience with the Hollywood brand.

Sport Bar/ Entertainment Lounge (75 Seats, 1,813 Sq Ft, Cost per person: \$16): Given the size of the casino, a second, multi-purpose outlet is an appropriate product offering. The ability to act as a bar, serve bar food as a sit down meal, and provide space for live entertainment allows the property to market and integrate this product as necessary. Given the strong College Sports focus of the region, especially the outer drive markets of Tulsa and Springfield, the Sports Bar would appeal to the proposed market.

Coffee/Pastry Shop (30 Seats, 750 Sq Ft, Cost per person: \$9): A required element is to have some form of “grab and go” food.

Proposal Assessment

Kansas Penn Gaming

Product Assessment – Hollywood Casino – Other

Retail and Hollywood Memorabilia Museum (550 SqFt): Minimal retail as needed. Memorabilia Museum obviously works within the master brand. Its size may limit the amount of draw it will have upon the customer base.

Truck, RV, and Bus parking (40 Spaces): With the available land, large vehicle parking can be provided. The property can be marketed along I44 as the unique, Hollywood, exciting, full casino experience.

RV draw will be mainly casino visits as no hook-up provisions are available in this phase. There are RV parks in nearby area campsites, and several RV campgrounds including a KOA facility on HWY43.

Proposal Assessment

Kansas Penn Gaming

Product Assessment – Hollywood Casino – F&B - Financials

F&B Revenue as percent of Casino Sales: 6%

Food Percent of F&B: 80%

Beverage percent of F&B

Food comps as percent of sales:

Beverage comps as percent of sales:

F&B Loss as percent of revenue (Mean): (18%)

Note: as would be expected, food drives the greater loss, and beverage becomes profitable in year four. However, food would continue to mount losses.

F&B Consolidated Pro-Forma

	2010	2011	2012	2013	2014	2015
Revenue	2,152	3,444	4,376	5,425	5,696	5,981
Cost of Sales	(776)	(1,422)	(1,888)	(2,413)	(2,548)	(2,691)
Gross Margin	1,376	2,022	2,488	3,013	3,148	3,291

Expenses	(1,822)	(2,946)	(3,486)	(3,889)	(3,889)	(3,889)
Income	(446)	(924)	(998)	(876)	(741)	(598)

F&B Consolidated Pro-Forma as Percent of F&B Revenue

	2010	2011	2012	2013	2014	2015
Revenue						
Cost of Sales	-36%	-41%	-43%	-44%	-45%	-45%
Gross Margin	64%	59%	57%	56%	55%	55%
Expenses	-85%	-86%	-80%	-72%	-68%	-65%
Income	-21%	-27%	-23%	-16%	-13%	-10%

Proposal Assessment

Kansas Penn Gaming

Product Assessment – Hollywood Casino – Retail - Financials

Retail Revenue as percent of Casino Sales: 0.5%

Retail comps as percent of sales: 50%

Retail Income as percent of Sales (Mean): 16%

Ratios are within acceptable limits for a casino of this size and with the proposed amenities.

Retail Consolidated Pro-Forma

Retail	2010	2011	2012	2013	2014	2015
Revenue	359	574	729	904	949	997
Cost of Sales	(179)	(287)	(365)	(452)	(475)	(498)
Gross Margin	179	287	365	452	475	498
Expenses	(196)	(238)	(238)	(239)	(239)	(239)
Income	(17)	49	127	213	236	260

As expected, Food drives the greater loss, and beverage becomes profitable in year four.
(However, food would continue to mount losses.)

Note: expenses as a percent of sales decreased due to an increase in projected visitor volume without a corresponding increase in projected staffing levels.

Retail Consolidated Pro-Forma as Percent of Retail Revenue

Retail	2010	2011	2012	2013	2014	2015
Revenue						
Cost of Sales	-50%	-50%	-50%	-50%	-50%	-50%
Gross Margin	50%	50%	50%	50%	50%	50%
Expenses	-55%	-41%	-33%	-26%	-25%	-24%
Income	-5%	9%	17%	24%	25%	26%

Proposal Assessment

Kansas Penn Gaming

Our professional opinion is that Kansas Penn Gaming will operate an overflow facility. We base this opinion on the Cummings and Wells reports on estimates of gaming revenue and visitation; the facilities that are recommended in first phase of the Kansas Penn Gaming proposal; the strong volume of convenience gaming supply in the area (although inferior); and most importantly, the strong competition from the adjacent property operating under different jurisdictional regulations.

We believe that a significant percentage of people will visit both co-located properties for the entertainment variety that they would offer. However, from an amenity standpoint, Kansas Penn National would be number two in the market with regards to variety and quantity of amenities. Kansas Penn National has the opportunity to compete on quality, but given the estimated gaming revenue, the resources to do so may be limited.

It is our opinion that this facility would not significantly grow the market through their amenities, especially with regards to out market tourism, and would share the market that currently exists.

**KANSAS RACING AND GAMING COMMISSION
LOTTERY GAMING FACILITY REVIEW BOARD**

**ECONOMIC IMPACTS OF PROPOSED GAMING FACILITIES
SOUTHEAST ZONE (CHEROKEE COUNTY)**

JULY 2008

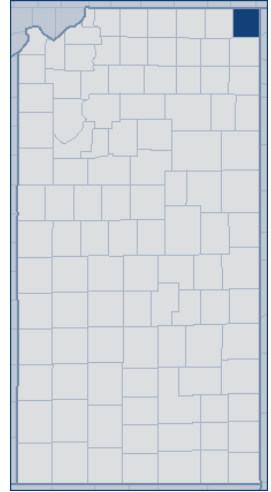


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INTRODUCTION

Civic Economics is pleased to present the Kansas Racing and Gaming Commission and the Lottery Gaming Facility Review Board with this economic impact analysis of the competing proposals for the Southeast Gaming Zone. Fiscal impacts, covering benefits and costs to governmental bodies, are being prepared separately by Meridian Business Advisors.

Civic Economics utilizes IMPLAN, a product of the Minnesota Implan Group and an industry-standard tool for evaluating the impact of economic activities. Given the Board's statewide mandate, Civic Economics used Kansas as the operative study area and applied multipliers and other data from IMPLAN's Local Area Data File for the state rather than for smaller jurisdictions such as counties. Therefore, all impacts reported on the pages that follow are impacts on the State of Kansas.

Economic impacts analyses were conducted for two wholly separate phases of each proposal.

- Construction Impacts cover the development of Phase I of each proposal, including planning and design and actual construction of all facilities required by the applicant's contract with the Kansas Lottery Commission. Expenditures were assumed to occur entirely within 2010. Site acquisition is not included in an economic impact because it is assumed this cost would be necessary for any project which occupies that specific piece of land and therefore is considered a transfer payment and not an economic impact.
- Operating Impacts cover the first full year of operation. Because all applicants propose to open complete Phase I facilities in mid- to late- 2010, operating impacts were prepared for the year 2011.
- The report concludes with a discussion of the competitive impacts on existing businesses in the Southeast Zone.

CONSTRUCTION IMPACTS

The construction phase of each proposed facility will generate substantial but temporary economic activity related to designing and building the gaming facilities and associated infrastructure. In each case, Civic Economics assumed that all expenditures would take place in the year 2010 for the simple reason that applicant submissions did not allow a more time specific analysis.

Inputs were derived from the Performance Templates submitted to the KRGC in June 2008. Where specific and verifiable deviations in development proposals were identified, inputs were changed accordingly. In the Southeast Zone, figures were not further adjusted.

The economic impact of any construction project is, as one might assume, driven primarily by the total expenditure on the facility. However, impacts will vary depending on the type of expenditure and the likelihood that such expenditures will be made in Kansas. For this analysis, Civic Economics consistently applied the Local Coefficients provided by IMPLAN, as these provide a credible estimate of local spending for each type of expenditure. It should be noted, though, that conscientious project managers with supportive clients can substantially increase the use of local contractors and suppliers. Therefore, the impacts described below may be received as conservative.

Taking our lead from the analysts accustomed to working with gaming facilities, Furniture Fixtures & Equipment (FFE), Floor & Wall Coverings, and Gaming Equipment were not included in the impact inputs for any applicant. These items are quite specialized in the gaming industry and thus will come primarily from out of state.

Impact Reporting

The economic impacts are comprised of three separate categories. Each category is analyzed separately from one another in IMPLAN.

- **Economic Output** is the total production or sales derived from the project. For this study, the total construction costs and casino revenue are the basis for output.
- **Employment** is the total number of Kansans employed both on a full and part time basis in a given industry.

- **Wages** is the amount of salaries and benefits paid to Kansas employees.

For each of the categories listed above a direct effect, indirect effect, and induced effect has been calculated.

- **Direct** effects capture the initial impact created. For construction impacts, this is based on the amount spent in each of a variety of categories in site preparation and facilities design and development. In this analysis, these were provided by the applicants.
- **Indirect** effects are additional impacts derived from businesses providing products or services to the selected industries. This can be restaurants purchasing supplies, the casino hiring a security firm, or the hotel purchasing advertising from a local radio station. Those are all examples of indirect effects.
- **Induced** effects are the result of increased household spending due to the direct and indirect effects. Employees of firms directly or indirectly affected by the project are buying new cars, homes, and groceries locally and this is detailed in the indirect effects.

Chart 1: Applicant Submissions and Model Inputs

APPLICANT SUBMISSION AND MODEL INPUT CORRESPONDENCE CONSTRUCTION ECONOMIC IMPACT ANALYSIS		
Applicant Submission Category	IMPLAN Category Applied	Notes
Buildings	Construction of commercial and institutional buildings	
Land	None	Land purchases are not factored into economic impacts
Land improvements, excluding landscaping	Other new construction	
Landscaping	Other new construction	
Soft Costs, i.e. engineering, architectural, development fees	Architectural and engineering services	
Financing costs	None	Financing costs were not factored into the economic impacts
Public sector infrastructure	Split evenly with Highway, street, bridge, tunnel construction and Water, sewer, and pipeline	
Rolling stock	Motor vehicle and parts dealers	
Furniture, fixtures and equipment	None	Assumed purchases would be made out of state
Floor and wall treatments	None	Assumed purchases would be made out of state
Gaming equipment	None	Assumed purchases would be made out of state

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTHEAST GAMING ZONE

Chart 2: Penn Cherokee Construction Economic Output

PENN CHEROKEE CONSTRUCTION IMPACTS					
Code	Sector	ECONOMIC OUTPUT (In 2007 Dollars)			Total
		Direct	Indirect	Induced	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	18,507	165,917	184,423
19	21 Mining (AGG)	0	477,611	229,831	707,441
30	22 Utilities (AGG)	0	190,070	523,375	713,445
33	23 Construction (AGG)	40,556,063	119,098	114,443	40,789,602
46	31-33 Manufacturing (AGG)	0	3,554,296	2,054,039	5,608,335
390	42 Wholesale Trade (AGG)	0	930,248	1,137,955	2,068,202
391	48-49 Transportation & Warehousing (AGG)	0	692,663	495,695	1,188,359
401	44-45 Retail trade (AGG)	240,366	1,430,838	2,549,034	4,220,238
413	51 Information (AGG)	0	412,446	563,008	975,455
425	52 Finance & insurance (AGG)	0	925,986	1,776,154	2,702,140
431	53 Real estate & rental (AGG)	0	846,977	995,822	1,842,799
437	54 Professional- scientific & tech svcs (AGG)	5,431,355	3,680,116	628,513	9,739,984
451	55 Management of companies (AGG)	0	156,845	150,140	306,986
452	56 Administrative & waste services (AGG)	0	868,703	353,139	1,221,843
461	61 Educational svcs (AGG)	0	12,091	255,535	267,626
464	62 Health & social services (AGG)	0	388,773	3,282,985	3,283,374
475	71 Arts- entertainment & recreation (AGG)	0	32,111	189,775	221,886
479	72 Accommodation & food services (AGG)	0	211,788	1,101,793	1,313,581
482	81 Other services (AGG)	0	283,366	780,078	1,063,444
495	92 Government & non NAICs (AGG)	0	136,271	3,098,256	3,234,528
		\$ 46,227,784	\$ 14,980,420	\$ 20,445,488	\$ 81,653,692

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTHEAST GAMING ZONE

Chart 3: Penn Cherokee Construction Employment

PENN CHEROKEE CONSTRUCTION IMPACTS					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	0.1	1.2	1.3
19	21 Mining (AGG)	0.0	1.4	0.7	2.1
30	22 Utilities (AGG)	0.0	0.4	1.0	1.4
33	23 Construction (AGG)	422.8	1.0	1.1	424.9
46	31-33 Manufacturing (AGG)	0.0	8.6	4.2	12.8
390	42 Wholesale Trade (AGG)	0.0	5.6	6.9	12.5
391	48-49 Transportation & Warehousing (AGG)	0.0	6.2	4.8	11.0
401	44-45 Retail trade (AGG)	2.5	24.5	43.7	70.7
413	51 Information (AGG)	0.0	1.2	1.8	3.0
425	52 Finance & insurance (AGG)	0.0	5.5	10.3	15.8
431	53 Real estate & rental (AGG)	0.0	5.7	8.1	13.7
437	54 Professional- scientific & tech svcs (AGG)	42.5	28.7	6.0	77.3
451	55 Management of companies (AGG)	0.0	0.9	0.8	1.7
452	56 Administrative & waste services (AGG)	0.0	17.5	6.4	23.9
461	61 Educational svcs (AGG)	0.0	0.2	5.2	5.5
464	62 Health & social services (AGG)	0.0	0.0	41.8	41.8
475	71 Arts- entertainment & recreation (AGG)	0.0	1.2	5.5	6.7
479	72 Accommodation & food services (AGG)	0.0	3.8	21.8	25.7
482	81 Other services (AGG)	0.0	3.9	17.2	21.1
495	92 Government & non NAICs (AGG)	0.0	0.7	1.9	2.6
30001	Institutions (AGG)	0.0	0.0	0.0	0.0
		467.8	117.3	190.4	775.4

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTHEAST GAMING ZONE

Chart 4: Penn Cherokee Construction Wages

PENN CHEROKEE CONSTRUCTION IMPACTS					
Code Sector		Total Wages in 2007 Dollars			
		Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	3,691	19,075	22,766
19	21 Mining (AGG)	0	116,152	55,721	171,873
30	22 Utilities (AGG)	0	37,206	101,051	138,257
33	23 Construction (AGG)	18,201,360	44,777	45,582	18,291,718
46	31-33 Manufacturing (AGG)	0	555,093	274,049	829,143
390	42 Wholesale Trade (AGG)	0	352,177	430,812	782,989
391	48-49 Transportation & Warehousing (AGG)	0	286,000	204,259	490,259
401	44-45 Retail trade (AGG)	109,625	575,926	1,027,933	1,713,485
413	51 Information (AGG)	0	96,758	114,173	210,931
425	52 Finance & insurance (AGG)	0	281,020	495,842	776,862
431	53 Real estate & rental (AGG)	0	145,953	169,979	315,933
437	54 Professional- scientific & tech svcs (AGG)	2,938,267	1,840,289	272,847	5,051,403
451	55 Management of companies (AGG)	0	68,057	65,148	133,205
452	56 Administrative & waste services (AGG)	0	473,578	173,030	646,608
461	61 Educational svcs (AGG)	0	5,326	116,389	121,715
464	62 Health & social services (AGG)	0	136,7905	1,687,821	1,687,958
475	71 Arts- entertainment & recreation (AGG)	0	9,810	63,653	73,462
479	72 Accommodation & food services (AGG)	0	71,224	355,846	427,069
482	81 Other services (AGG)	0	115,140	352,918	468,058
495	92 Government & non NAICs (AGG)	0	31,129	90,844	121,973
30001	Institutions (AGG)	0	0	0	0
		\$ 21,249,252	\$ 5,109,440	\$ 6,116,972	\$ 32,475,663

Source: Applicant Submissions, IMPLAN, Civic Economics

OPERATING IMPACTS

This section of this report analyzes the economic impacts to be generated by each proposal in the first full year of operation, which is 2011 for all proposals. As with construction, economic impacts were calculated for the entire state of Kansas using the IMPLAN model.

Notes:

Gaming Revenue and Operational Scale: As requested by the Board, all applicants provided a detailed spreadsheet looking forward into several years of operations. In all cases, these sheets proceeded from an estimate of the gaming revenue to be earned at each facility, as estimated by the applicants. For this exercise, though, Civic Economics was asked to evaluate impacts based on the gaming revenue forecast by the Board's own consultants, Wells Gaming and Cummings & Associates. In the Southeast Zone, these estimates were substantially lower than the applicant had put forward, as illustrated in Chart 8 on the following page. Consequently, the economic impact of gaming activities relied on these lower revenue figures as an input into the model.

This analysis also assumes that, in general, non-gaming activities in proposed facilities would change in proportion with the gaming revenues, which was in this case a reduction. Chart 5 also illustrates those adjustments to non-gaming revenue.

Chart 5: Revenue Forecast Adjustments

REVENUE FORECASTS, 2011 SOUTHEAST GAMING ZONE (IN 2007 Dollars)	
GAMING REVENUE PROJECTIONS	
Estimated gaming revenue: Applicant	Penn Cherokee \$ 57,393,218
Estimated gaming revenue: Wells	\$ 28,372,204
Estimated gaming revenue: Cummings	\$ 32,040,000
Average of Wells & Cummings	\$ 30,206,102
Ratio of Wells/Cummings to Applicant	0.5263
ADJUSTED NON-GAMING REVENUE PROJECTIONS	
Hotel Revenue	Penn Cherokee \$ -
Food Revenue	\$ 1,449,959
Retail Revenue	\$ 302,061
Other Revenue	n/a

SOURCE: Applicant Submissions, Wells Gaming and Cummings & Assoc., Probe Strategic Solutions, Civic Economics

Total Impacts and Net Impacts: The layman might expect an economic impact analysis to quantify the output, employment, and wages of the totality of a proposed facility, which in this case would be built from total projected gaming revenues. However, such an analysis would substantially overstate the true economic impact the facility will have on the State of Kansas as it would, by design, incorporate the impact of money simply redirected from one local activity to another. The true economic impact of a facility is based on a more meaningful number, the net impact.

In this case, net economic impact identifies only that economic activity that is truly new to the jurisdiction. This new activity is made up of two components:

- a. **Export Revenue:** This refers to the portion of gaming revenues derived from non-Kansas visitors that would not, absent the proposed casino, have occurred in Kansas. This revenue is truly new to Kansas as out-of-state visitors spend money in the state they would not have otherwise spent.
- b. **Import Substitution Revenue:** This refers to the portion of gaming revenues derived from Kansas residents that would, absent the proposed casino, have occurred outside of Kansas. Again, this revenue is truly new to Kansas as Kansas residents repatriate out-of-state casino spending with in-state casino spending.
- c. **Redirected Local Activity:** The remainder of gaming revenue not accounted for above is not included in the net economic impact analysis, because it reflects casino spending by Kansans that would not otherwise have occurred in any casino. This revenue is not new to Kansas because it represents a diversion of other Kansas household income that previously went to innumerable alternative discretionary activities. However, there is a definite fiscal advantage to this activity in the form of additional taxes generated. These fiscal impacts are detailed in the report provided by Meridian Business Advisors.

These values were calculated from the reports of Wells and Cummings. Chart 6 on the following page summarizes the calculation of net new gaming revenues used to calculate net economic impact. It should be noted, and is reflected in this chart, that Wells and Cummings prepared and reported these calculations by different approaches; this chart reflects the detail available from each.

Chart 6: Net Revenues in Kansas

EXPORT AND IMPORT SUBSTITUTION IN KANSAS CASINOS, 2011 SOUTHEAST ZONE		
Wells	Penn Cherokee	
Estimated Gaming Revenue	\$	28,372,204
Estimated Gaming Export		
Estimated Gaming Import Substitution		
Net or New Revenue	\$	24,487,411
Cummings		
Estimated Gaming Revenue	\$	32,040,000
Estimated Gaming Export	\$	24,600,000
Estimated Gaming Import Substitution	\$	4,200,000
Net or New Revenue	\$	28,800,000
Average Net Revenue	\$	26,643,706
Net as a % of Gaming Revenue		93.9%

SOURCE: Wells, Cummings, Civic Economics

Final Input Modifications: In order to provide fair and equitable treatment of all applicants, Civic Economics determined to run the same model, with the same modifications, for each application. While necessary to the task at hand, this required some modest modifications and adaptations from the data provided by the applicants.

Among these adjustments, those for employment and labor were the most challenging. IMPLAN is designed to estimate wages and employment based on industry averages in the study jurisdiction. However, given the limited and nontraditional form of casino gaming in Kansas currently, it was not surprising that the Local Area Data Set estimated both total employment and wages substantially lower than what was indicated by the applicants. Upon careful analysis of the applicant submissions for both the Southeast and South Central Zones, it became apparent that we could not confidently apply the applicants' own values directly into the model; the ranges were simply too extreme and belied a somewhat haphazard completion of the submission templates by some applicants.

In order to correct for the inherently low productivity and wage numbers in the model, Civic Economics instead applied the average of all applicants for each in worker productivity and wages, as shown at right:

APPLICANT SUBMISSION MODIFICATIONS OPERATION ECONOMIC IMPACT ANALYSIS			
Category	Harmonized Value		Notes
Revenue per employee	\$	146,960	Using an average of all casino applications
Wages per employee	\$	33,540	Using an average of all casino applications

Chart 7: Applicant Submission and Model Input

APPLICANT SUBMISSION AND MODEL INPUT CORRESPONDENCE OPERATION ECONOMIC IMPACT ANALYSIS		
Performance Template Category	IMPLAN Category	Notes
Estimated gaming revenue	Other amusement, gambling, and recreation industries	Modified first in terms of total revenue produced as estimated by Wells' and Cummings' reports. Also adjusted to only account for import substitution and export effects.
Hotel revenue	Hotels and motels, including casino hotels	Modified by Probe Strategic Solutions to represent the average revenues and occupancy rates for the region
Food revenue	Food services and drinking places	Modified to represent the same proportion of gaming revenue the casinos presented before the gaming revenue was modified by Wells and Cummings
Retail revenue	Miscellaneous store retailers	Modified to represent the same proportion of gaming revenue the casinos presented before the gaming revenue was modified by Wells and Cummings
Other revenue	Miscellaneous store retailers	Modified to represent the same proportion of gaming revenue the casinos presented before the gaming revenue was modified by Wells and Cummings

Impact Reporting

The economic impacts are comprised of three separate categories. Each category is analyzed separately from one another in IMPLAN.

- **Economic Output** is the total production or sales derived from the project. For this study, inputs are based upon projected gaming and non-gaming revenues.
- **Employment** is the total number of Kansans employed both full and part time in a given industry.
- **Wages** is the amount of salaries and benefits paid to Kansas employees.

For each of the categories listed above a direct effect, indirect effect, and induced effect has been calculated.

- **Direct** effects capture the initial impact created in Kansas.
- **Indirect** effects are additional impacts derived from businesses providing products or services to the selected industries. This can be restaurants purchasing supplies, the casino hiring a security firm, or the hotel purchasing advertising from a local radio station. Those are all examples of indirect effects.
- **Induced** effects are the result of increased household spending due to the direct and indirect effects. Employees of firms directly or indirectly affected by the project are buying new cars, homes, and groceries locally and this is detailed in the indirect effects.

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTHEAST GAMING ZONE

Chart 8: Penn Cherokee Operation Economic Output

PENN CHEROKEE					
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
ECONOMIC OUTPUT (In 2007 Dollars)					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	77,077	54,762	131,840
19	21 Mining (AGG)	0	174,182	78,948	253,130
30	22 Utilities (AGG)	0	536,148	180,074	716,221
33	23 Construction (AGG)	0	575,032	40,027	615,059
46	31-33 Manufacturing (AGG)	0	1,430,020	705,402	2,135,422
390	42 Wholesale Trade (AGG)	0	499,209	390,217	889,426
391	48-49 Transportation & Warehousing (AGG)	0	516,715	170,489	687,204
401	44-45 Retail trade (AGG)	264,342	217,946	873,772	1,356,060
413	51 Information (AGG)	0	818,287	194,055	1,012,342
425	52 Finance & insurance (AGG)	0	944,497	609,643	1,554,140
431	53 Real estate & rental (AGG)	0	1,671,729	341,563	2,013,292
437	54 Professional- scientific & tech svcs (AGG)	0	1,576,155	217,349	1,793,505
451	55 Management of companies (AGG)	0	337,176	51,712	388,888
452	56 Administrative & waste services (AGG)	0	871,491	122,107	993,598
461	61 Educational svcs (AGG)	0	10,893	87,586	98,479
464	62 Health & social services (AGG)	0	1,897	1,125,190	1,127,088
475	71 Arts- entertainment & recreation (AGG)	21,826,524	301,858	90,070	22,218,452
479	72 Accommodation & food services (AGG)	1,208,686	181,931	377,785	1,768,402
482	81 Other services (AGG)	0	349,963	267,562	617,525
495	92 Government & non NAICs (AGG)	0	421,065	1,062,139	1,483,204
Total		\$ 23,299,552	\$ 11,513,271	\$ 7,040,452	\$ 41,853,277

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTHEAST GAMING ZONE

Chart 9: Penn Cherokee Operation Employment

PENN CHEROKEE NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	0.7	0.4	1.1	
19	21 Mining (AGG)	0.0	0.5	0.2	0.8	
30	22 Utilities (AGG)	0.0	1.2	0.4	1.5	
33	23 Construction (AGG)	0.0	5.0	0.4	5.4	
46	31-33 Manufacturing (AGG)	0.0	3.9	1.5	5.4	
390	42 Wholesale Trade (AGG)	0.0	3.1	2.4	5.5	
391	48-49 Transportation & Warehousing (AGG)	0.0	6.0	1.7	7.7	
401	44-45 Retail trade (AGG)	9.7	3.8	15.4	29.0	
413	51 Information (AGG)	0.0	3.7	0.6	4.3	
425	52 Finance & insurance (AGG)	0.0	6.1	3.6	9.7	
431	53 Real estate & rental (AGG)	0.0	13.3	2.8	16.1	
437	54 Professional- scientific & tech svcs (AGG)	0.0	13.6	2.1	15.7	
451	55 Management of companies (AGG)	0.0	1.9	0.3	2.2	
452	56 Administrative & waste services (AGG)	0.0	16.5	2.3	18.8	
461	61 Educational svcs (AGG)	0.0	0.2	1.8	2.1	
464	62 Health & social services (AGG)	0.0	0.0	14.7	14.7	
475	71 Arts- entertainment & recreation (AGG)	148.5	12.5	1.8	162.8	
479	72 Accommodation & food services (AGG)	25.3	3.5	7.7	36.6	
482	81 Other services (AGG)	0.0	4.6	6.1	10.7	
495	92 Government & non NAICs (AGG)	0.0	1.9	0.7	2.5	
Total		183.6	101.9	67.0	352.5	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTHEAST GAMING ZONE

Chart 10: Penn Cherokee Operation Wages

PENN CHEROKEE NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	9,793	6,290	16,083	
19	21 Mining (AGG)	0	42,283	19,140	61,424	
30	22 Utilities (AGG)	0	110,396	34,776	145,172	
33	23 Construction (AGG)	0	210,529	15,913	226,443	
46	31-33 Manufacturing (AGG)	0	230,414	94,175	324,589	
390	42 Wholesale Trade (AGG)	0	188,992	147,730	336,723	
391	48-49 Transportation & Warehousing (AGG)	0	256,483	70,316	326,799	
401	44-45 Retail trade (AGG)	142,886	87,726	352,363	582,976	
413	51 Information (AGG)	0	205,167	39,411	244,578	
425	52 Finance & insurance (AGG)	0	309,920	170,214	480,134	
431	53 Real estate & rental (AGG)	0	282,300	58,310	340,611	
437	54 Professional- scientific & tech svcs (AGG)	0	678,632	94,349	772,981	
451	55 Management of companies (AGG)	0	146,305	22,438	168,743	
452	56 Administrative & waste services (AGG)	0	443,462	59,873	503,335	
461	61 Educational svcs (AGG)	0	4,779	39,893	44,671	
464	62 Health & social services (AGG)	0	666	578,471	579,137	
475	71 Arts- entertainment & recreation (AGG)	5,037,203	71,474	25,648	5,134,324	
479	72 Accommodation & food services (AGG)	387,871	60,176	122,014	570,060	
482	81 Other services (AGG)	0	117,732	121,040	238,772	
495	92 Government & non NAICs (AGG)	0	91,970	31,197	123,167	
Total		\$ 5,567,960	\$ 3,549,200	\$ 2,103,561	\$ 11,220,720	

Source: Applicant Submissions, IMPLAN, Civic Economics

NON-GAMING COMPETITIVE IMPACTS

Civic Economics was asked to address the issue of cannibalization of existing business with regard to the non-gaming amenities at the proposed gaming facilities.

Gaming Impact on Budgeting

Before delving into the specific amenities offered by each applicant, a note about gaming revenues is appropriate. In the discussion of Net Economic Impact above, the significant values of Import Substitution and Export Revenues were described and calculated. In addition, it was suggested that the remaining gaming revenues would represent new gaming spending in lieu of other household spending choices. The additional gaming spending beyond Import Substitution and Export Revenue in the Southeast Zone is as follows:

NEW GAMING SPENDING BY KANSANS SOUTHEAST REGION (2007 Dollars)		
	Penn Cherokee	\$ 3,562,397

Source: Wells, Cummings, Civic Economics

It is beyond the scope of this study to evaluate the choices Kansas residents will make in determining how to make room in the household budget for additional gaming spending. However, the general principal is that in a typical household increased gaming spending will be diverted from other leisure and entertainment pursuits.

Non-Gaming Competition for Non-Gaming Dollars

For this analysis, Civic Economics was asked to focus on the competition between existing businesses in the area of a proposed gaming facility and the non-gaming amenities proposed for development along with the gaming facility.

Cherokee County and the three adjacent Kansas counties of Crawford, Labette, and Neosho contain a 2007 population of 79,704, projected to drop slightly by the time a casino opens in 2011. Of course, with the opening of Downstream casino on the county line in Oklahoma, it is possible that employment growth may produce more positive population trends. Nonetheless, the four-county region around the proposed casino site is measurably poorer than the state as a whole (Chart 11).

Chart 11: Southeast Zone Demographics

SOUTHEAST ZONE, FOUR-COUNTY DEMOGRAPHICS		
2007 DATA		
	SE Zone	State of Kansas
Population	78,541	2,811,082
2012 Projection	79,704	2,768,030
2007 Estimate	(1,163)	43,052
2007 Households by Household Income	32,197	1,075,666
Income Less than \$15,000	6,152	132,759
Income \$15,000 - \$24,999	5,166	124,454
Income \$25,000 - \$34,999	4,772	132,106
Income \$35,000 - \$49,999	5,608	184,004
Income \$50,000 - \$74,999	5,762	222,421
Income \$75,000 - \$99,999	2,483	125,535
Income \$100,000 - \$149,999	1,582	103,031
Income \$150,000 - \$249,999	484	36,223
Income \$250,000 - \$499,999	159	10,873
Income \$500,000 and over	29	4,260
2007 Est. Average Household Income	\$ 45,280	61,115
2007 Est. Median Household Income	\$ 35,024	47,107
2007 Est. Per Capita Income	\$ 18,781	24,102

Source: Claritas

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTHEAST GAMING ZONE

In the Southeast Zone, this discussion of competition is simplified because the proposed gaming facility contains limited non-gaming amenities. Penn Cherokee proposes to build a relatively modest facility containing the following amenities:

- 225 Seat Buffet Dining
- 30 Seat Coffee Shop
- 75 Seat Sports Bar and Entertainment Lounge
- 500 Square Foot Gift Shop and Museum

Competition in these segments is summarized in Chart 12 below. In this chart, retail demand (estimated purchases by area residents), retail supply (estimated actual sales within the area), and the gap between them illustrate the retail and dining market into which the proposed facilities will enter. As is clear from the chart, all these retail and dining segments offer substantial unmet demand on the Kansas side of the local area, indicating that the local market can absorb the offerings of the Penn Cherokee Phase I proposal with little competitive pressure.

Civic Economics is confident that the operation of the limited non-gaming amenities proposed by Penn Cherokee will have little adverse impact on existing businesses in the area. This is particularly so as the recently completed Downstream casino facility on the state line dwarfs the nongaming amenities proposed for Phase I of this development.

Chart 12: Southeast Retail Supply and Demand

RETAIL SUPPLY AND DEMAND SOUTHEAST REGION, FOUR-COUNTIES (2007)			
SE TIGHT	Demand	Supply	Gap
Foodservice and Drinking Places-722	\$ 109,338,195	\$ 78,860,003	\$ 30,478,192
Full-Service Restaurants-7221	\$ 49,704,403	\$ 37,290,000	\$ 12,414,403
Limited-Service Eating Places-7222	\$ 45,859,968	\$ 38,549,000	\$ 7,310,968
Special Foodservices-7223	\$ 8,866,153	\$ 1,010,002	\$ 7,856,151
Drinking Places -Alcoholic Beverages-7224	\$ 4,907,671	\$ 2,011,001	\$ 2,896,670
Clothing and Clothing Accessories Stores-448	\$ 46,913,003	\$ 19,920,017	\$ 26,992,986
Jewelry, Luggage, Leather Goods Stores-4483	\$ 5,784,197	\$ 2,171,999	\$ 3,612,198
Book Stores and News Dealers-45121	\$ 4,705,216	\$ 1,348,003	\$ 3,357,213
Florists-4531	\$ 2,194,762	\$ 1,671,005	\$ 523,757
Gift, Novelty and Souvenir Stores-45322	\$ 5,435,805	\$ 3,822,996	\$ 1,612,809

Source: Claritas

**FISCAL IMPACT--CONSTRUCTION
KANSAS PENN GAMING, LLC**

Construction period-months 21
Opening date May 2010

Proposer's Estimates: 2009-2010						
	<u>State</u>	<u>Cities</u>	<u>Cherokee County</u>	<u>Crawford County</u>	<u>Galena Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 8,608,982	\$ 358,708	\$ 358,708	\$ 358,708	\$ -	
Property Tax	14,625	-	922,875	-	-	
Sales/Use Tax	176,125	-	37,664	-	-	
Income Tax	-	-	-	-	-	
Developer Contributions	1,659,060	-	1,659,060	-	-	
Total	\$ 10,458,792	\$ 358,708	\$ 2,978,307	\$ 358,708	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ -	\$ 434,000	\$ -	\$ -	
Public Works	-	-	-	-	-	
Education	-	-	-	-	240,000	
Fire Protection	-	4,000	-	-	-	
EMS	-	20,000	-	-	-	
Total	\$ -	\$ 24,000	\$ 434,000	\$ -	\$ 240,000	
Surplus/(Deficit)	\$ 10,458,792	\$ 334,708	\$ 2,544,307	\$ 358,708	\$ (240,000)	
Voluntary Contributions to State and Local Governments (included above):						
1. Road/Street improvements estimated at \$1.7 million paid for by proposer.						
2. Water/sewer improvements estimated at \$1.7 million paid for by proposer.						
3. Original proposal indicated Proposer would purchase 1 fire truck and fire suppression equipment (not included above).						

Consultant's Estimates: 2009-2010						
	<u>State</u>	<u>Galena Fire District</u>	<u>Cherokee County</u>	<u>Crawford County</u>	<u>Galena Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ -	\$ -	\$ -	\$ -	\$ -	
Property Tax	32,487	71,905	1,222,360	-	1,028,932	
Sales/Use Tax	2,002,575	-	566,766	-	-	
Income Tax	1,625,325	-	-	-	-	
Developer Contributions	1,659,060	-	1,659,060	-	-	
Total	\$ 5,319,447	\$ 71,905	\$ 3,448,186	\$ -	\$ 1,028,932	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ -	\$ -	\$ -	\$ -	
Public Works	1,659,060	-	1,659,060	-	-	
Education	-	-	-	-	5,627,544	
Fire Protection	-	-	-	-	-	
EMS	-	-	-	-	-	
Total	\$ 1,659,060	\$ -	\$ 1,659,060	\$ -	\$ 5,627,544	
Surplus/(Deficit)	\$ 3,660,387	\$ 71,905	\$ 1,789,126	\$ -	\$ (4,598,612)	

Consultant's Comments:

1. Proposer's estimate for County property taxes includes School District tax revenue.
2. Construction and operating revenue and costs included in 2009-2010 estimates. 2011 is used as first full year of operations.
3. Developers Contribution to State Public Works is \$1.7 million and to Sumner County Public Works, \$1.7 million.
As MBA's analysis does not estimate costs associated with these departments, the analysis uses the costs provided by the developer.

**FISCAL IMPACT--12 MONTHS OPERATING
KANSAS PENN GAMING, LLC**

Proposer's Estimates-1st Full Year						
	<u>State</u>	<u>Cities</u>	<u>Cherokee County</u>	<u>Crawford County</u>	<u>Galena Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 13,774,372	\$ 573,932	\$ 1,147,864	\$ 573,932	-	
Property Tax	23,400	-	1,476,600	-	-	
Sales/Use Tax	281,801	-	60,263	-	-	
Income Tax	-	-	-	-	-	
Developer Contributions	-	-	-	-	-	
Total	\$ 14,079,573	\$ 573,932	\$ 2,684,727	\$ 573,932	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ -	\$ 252,000	\$ -	\$ -	
Public Works	-	-	-	-	-	
Education	-	-	-	-	120,000	
Fire Protection	-	4,200	-	-	-	
EMS	-	20,900	-	-	-	
Total	\$ -	\$ 25,100	\$ 252,000	\$ -	\$ 120,000	
Surplus/(Deficit)	\$ 14,079,573	\$ 548,832	\$ 2,432,727	\$ 573,932	\$ (120,000)	
Voluntary Contributions to Community and Governments:						

Consultant's Estimates: 1st Full Year						
	<u>State</u>	<u>Galena Fire District</u>	<u>Cherokee County</u>	<u>Crawford County</u>	<u>Galena Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 8,168,640	\$ -	\$ 680,720	\$ 340,360	\$ -	
Property Tax	26,062	57,683	980,598	-	825,426	
Sales/Use Tax	98,219	-	27,798	-	-	
Income Tax	899,709	-	-	-	-	
Developer Contributions	-	-	-	-	-	
Total	\$ 9,192,629	\$ 57,683	\$ 1,689,115	\$ 340,360	\$ 825,426	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ -	\$ 404,583	\$ -	\$ -	
Public Works	-	-	-	-	-	
Education	-	-	-	-	1,534,646	
Fire Protection	-	-	-	-	-	
EMS	-	-	-	-	-	
Total	\$ -	\$ -	\$ 404,583	\$ -	\$ 1,534,646	
Surplus/(Deficit)	\$ 9,192,629	\$ 57,683	\$ 1,284,532	\$ 340,360	\$ (709,219)	

Consultant's Comments:

Penn National	GGR Estimate	\$ 57,393,218	Visitors/Day	2,363
Consultants	GGR Estimate	\$ 34,036,000	Visitors/Day	1,361

FISCAL IMPACT--3 YEAR SUMMARY*
KANSAS PENN GAMING, LLC

* 2 Years Construction + 1 Year Operating

Proposer's Estimates						
	<u>State</u>	<u>Cities</u>	<u>Cherokee County</u>	<u>Crawford County</u>	<u>Galena Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 22,383,354	\$ 932,640	\$ 1,506,572	\$ 932,640	\$ -	
Property Tax	38,025	-	2,399,475	-	-	
Sales/Use Tax	457,926	-	97,927	-	-	
Income Tax	-	-	-	-	-	
Developer Contributions	1,659,060	-	1,659,060	-	-	
Total	\$ 24,538,365	\$ 932,640	\$ 5,663,034	\$ 932,640	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ -	\$ 686,000	\$ -	\$ -	
Public Works	-	-	-	-	-	
Education	-	-	-	-	360,000	
Fire Protection	-	8,200	-	-	-	
EMS	-	40,900	-	-	-	
Total	\$ -	\$ 49,100	\$ 686,000	\$ -	\$ 360,000	
Surplus/(Deficit)	\$ 24,538,365	\$ 883,540	\$ 4,977,034	\$ 932,640	\$ (360,000)	

Consultant's Estimates						
	<u>State</u>	<u>Galena Fire District</u>	<u>Cherokee County</u>	<u>Crawford County</u>	<u>Galena Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 8,168,640	\$ -	\$ 680,720	\$ 340,360	\$ -	
Property Tax	58,549	129,588	2,202,958	-	1,854,358	
Sales/Use Tax	2,100,794	-	594,564	-	-	
Income Tax	2,525,034	-	-	-	-	
Developer Contributions	1,659,060	-	1,659,060	-	-	
Total	\$ 14,512,076	\$ 129,588	\$ 5,137,302	\$ 340,360	\$ 1,854,358	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ -	\$ 404,583	\$ -	\$ -	
Public Works	1,659,060	-	1,659,060	-	-	
Education	-	-	-	-	7,162,190	
Fire Protection	-	-	-	-	-	
EMS	-	-	-	-	-	
Total	\$ 1,659,060	\$ -	\$ 2,063,643	\$ -	\$ 7,162,190	
Surplus/(Deficit)	\$ 12,853,016	\$ 129,588	\$ 3,073,659	\$ 340,360	\$ (5,307,832)	

APPENDIX 1
BUILDOUT ASSUMPTIONS AND ESTIMATED CONSTRUCTION COST
FULL DEVELOPMENT

<u>YEAR</u>	<u>USE TYPE</u>	<u>SQUARE FEET CONSTRUCTED</u>	<u>ESTIMATED CONSTR. COST</u>	<u>ESTIM. CONSTR. MATERIALS COST</u>	<u>FF&E PURCHASES</u>
Year 1	Casino	-	\$ 4,807,921	\$ -	\$ -
	Dining/F&B	-	1,312,242	-	-
	Retail	-	88,145	-	-
	Admin Space	-	10,523,096	-	-
	Public Space	-	1,661,938	-	-
Subtotal		-	18,393,342	-	-
Year 2	Casino	30,000	6,016,978	3,008,489	18,509,369
	Dining/F&B	8,188	1,642,234	821,117	750,103
	Retail	550	110,311	55,156	50,386
	Admin Space	65,661	13,169,360	6,584,680	6,015,204
	Public Space	10,370	2,079,869	1,039,934	949,996
Subtotal		114,769	23,018,751	11,509,376	26,275,057
TOTAL		114,769	\$ 41,412,093	\$ 11,509,376	\$ 26,275,057

APPENDIX 1, ASSUMPTIONS:

- From licensing to opening is estimated to take 18 months (September 2008 to March 2010). Construction of Future Phases is estimated to take 12 years. For the purposes of this analysis, Future Phase is excluded.

	Sq. Footage	Other Information
Casino	30,000	900 slot machines, 30 table games
Dining/F&B	8,188	225 seat buffet, 30 seat coffee shop
Retail	550	
Admin Space	65,661	back of house and administration space
Public Space	10,370	bathrooms, hallways, gaming support areas
Total	114,769	

Source: Email of 5/5/08 from Racing and Gaming Commission taken from contract with Penn

- Information provided shows a total investment of **\$ 125,000,000**
Source: "Lottery Gaming Facility Management Contract-Exhibit D." Provided by Penn National, dated May 4, 2008.
- Construction and equipment costs are estimated using above investment amount and cost breakdown proportions provided by Penn National in its template document (land is added in year 1, building/FF&E in year 2):

	Land	Building	FF&E*	Total**
	\$ 18,393,342	\$ 23,018,751	\$ 26,275,057	\$ 67,687,151

*FF&E-furniture, fixtures and equipment.

**Total amounts do not equal investment amounts as the analysis excludes soft costs such as engineering, architecture, finance and administration costs for property tax purposes.

Source: Developer's revised application (final template).

- Construction materials cost estimated at **50%** of building costs. This cost is estimated for sales tax purposes. Source: Discussions with commercial developers in Nevada.

APPENDIX 2
ESTIMATED NUMBER OF DAILY VISITORS, EMPLOYEES AND RESIDENTS IMPACT

<u>YEAR</u>	<u>ESTIMATED TOTAL NO. OF EMPLOYEES</u>	<u>EMPLOYEES RESIDING OUTSIDE CO.</u>	<u>NEW EMPLOYEES RESIDING IN COUNTY</u>	<u>ESTIMATED NUMBER OF NEW RESIDENTS</u>	<u>ESTIMATED NO. OF NON-LOCAL VISITORS/DAY</u>	<u>TOTAL PEOPLE ONSITE</u>
Year 3	595	161	434	656	1,335	1,838

APPENDIX 2, ASSUMPTIONS:

1. The analysis assumes approximately **595** operating employees. Construction employees are not included as they are assumed to be local employees or temporary residents who will move on to other projects. Source: Developer's revised application (final template). Employees are estimated to be spread over two shifts. As a result, one half of all employees is estimated to be onsite at any time.
2. Approximately **73%** of all employees will live in Cherokee County, based on historical work-residence data. Source: US Census Bureau. County-To-County Worker Flow Files, 2000, Kansas City Counties. Data for Cherokee County.
3. Analysis assumes new employees moving to the area will have families, resulting in more residents to the County. Family members of new employees are added using a ratio of **1.51** additional residents per new employee.
4. Report by Richard Wells estimated approximately **1,071** daily visitors to the development, some of which will be local residents. Will Cummings' report estimated approximately **1,651** daily visitors to the development, including local residents. The analysis uses the average of these **1,361** daily visitors to the development, some of which will be local residents. Source: "Kansas Casino Market Study" by Wells Gaming Research dated July 7, 2008 and "Projections for Likely Gaming Revenues" by Cummings Associates dated July 7, 2008.
5. Penn National application estimates a penetration rate of **44.4%** with approximately **21,451** County residents in 2006. The analysis assumes number of local visitors at **9,524** or approximately **26** county visitors/day. The analysis assumes no additional costs associated with these residents. Source: Customer penetration information from Developer's revised application (final template). Population information from US Census Bureau, "State & County Quick Facts."
5. Total new people in County at any one time estimated as follows:

50% of all commuting employees and daily visitors.
100% of all new employees and residents moving to the County.

APPENDIX 3
ESTIMATED PROPERTY TAX REVENUE AT
2007 PROPERTY TAX RATE

<u>YEAR</u>	<u>EST. REAL PROPERTY VALUE</u>	<u>EST. PERSONAL PROPERTY VALUE</u>	<u>CUMULATIVE PROPERTY VALUE</u>	<u>ESTIMATED ASSESSED VALUE</u>	<u>GALENA SCHOOL DIST. REVENUE</u>	<u>GALENA FIRE DIST. REVENUE</u>	<u>CHEROKEE COUNTY REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>
Year 1	\$ 18,393,342	\$ -	\$ 18,393,342	\$ 4,598,336	\$ 218,458	\$ 15,266	\$ 259,525	\$ 6,898
Year 2	23,018,751	26,275,057	68,238,951	17,059,738	810,474	56,638	962,835	25,590
Year 3	-	-	69,497,868	17,374,467	825,426	57,683	980,598	26,062
TOTAL	\$ 41,412,093	\$ 26,275,057		\$	\$ 1,854,358	\$ 129,588	\$ 2,202,958	\$ 58,549

APPENDIX 3, ASSUMPTIONS:

1. Tax rate will remain constant at 2008 amount:

Entity-Fund	Tax Rate*
School District	\$ 47.5080
Fire District	\$ 3.3200
County	\$ 56.4390
State	\$ 1.5000

Source: Juanita Hodgson, Cherokee County Treasurer and Brian Smith, Galena School Superintendent.

2. Properties are valued using the fair market value approach. As no comparable sales data exists and this is considered to be a "new and unique" property, the analysis uses the replacement cost approach to value these properties. Source: "A Homeowner's Guide to Property Tax in Kansas." Kansas Department of Revenue.

3. Assessed value estimated at **25%** of appraised value for both real and personal property.

Source: Real property data from Sumner County Clerk. Personal property data from "2008 Personal Property Valuation Guide." Kansas Department of Revenue. Revised October 2007.

4. Appraised value is inflated 3% annually for real property and not inflated for personal property to account for depreciation.

**APPENDIX 4
SALES TAX REVENUE**

<u>YEAR</u>	<u>SQUARE FT. BUILT</u>	<u>CONSTRUCTION MATERIALS COST (\$)</u>	<u>FF&E PURCHASES</u>	<u>RETAIL SALES</u>	<u>TOTAL TAXABLE SALES</u>	<u>STATE OF KANSAS REVENUE</u>	<u>CHEROKEE COUNTY REVENUE</u>
Year 1	Casino	- \$	- \$	- \$	- \$	- \$	-
	Dining/F&B	-	-	-	-	-	-
	Retail	-	-	-	-	-	-
	Admin Space	-	-	-	-	-	-
	Public Space	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
Year 2	Casino	30,000	3,008,489	18,509,369	21,517,858	1,140,446	322,768
	Dining/F&B	8,188	821,117	750,103	1,571,220	83,275	23,568
	Retail	550	55,156	50,386	105,541	5,594	1,583
	Admin Space	65,661	6,584,680	6,015,204	12,599,884	667,794	188,998
	Public Space	10,370	1,039,934	949,996	1,989,930	105,466	29,849
Subtotal	114,769	11,509,376	26,275,057	-	37,784,433	2,002,575	566,766
Year 3	Casino	-	-	-	-	-	-
	Dining/F&B	-	-	-	-	-	-
	Retail	-	-	1,721,797	1,721,797	91,255	25,827
	Admin Space	-	-	131,391	131,391	6,964	1,971
	Public Space	-	-	-	-	-	-
Subtotal	-	-	-	1,853,187	1,853,187	98,219	27,798
TOTAL	114,769	\$ 11,509,376	\$ 26,275,057	\$ 1,853,187	\$ 39,637,620	\$ 2,100,794	\$ 594,564

APPENDIX 4, ASSUMPTIONS:

- Sales tax rate is as follows:

	<u>Designation</u>
5.300%	State of Kansas
1.500%	Cherokee County
6.800%	TOTAL
- Materials Cost - 50% of construction cost is assumed to be materials cost.
Source: Discussion with Northern Nevada commercial contractors.
- Retail sales based on \$ **238.89** per square foot. Source: Developer's template for first year retail revenue divided by retail square footage for the Sumner County development, retail sale estimates for Cherokee County were higher than sales for all other Kansas locations.
F&B sales based on \$ **210.28** per square foot. Source: Developer's template for first year F&B revenue divided by F&B square footage.
Entertainment sales are not estimated as the developer does not provide sales estimates in the development template.
- Year 3 assumes first full year of operation.

APPENDIX 5
LOTTERY GAMING CONTRIBUTION REVENUE

<u>YEAR</u>		<u>ESTIMATED GAMING REVENUE</u>	<u>CHEROKEE COUNTY REVENUE</u>	<u>CRAWFORD COUNTY REVENUE</u>	<u>STATE PROB. GAMBLING REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>
Year 1	Phase I	\$ -	\$ -	\$ -	\$ -	\$ -
Year 2	Phase I	-	-	-	-	-
Year 3	Phase I	34,036,000	680,720	340,360	680,720	7,487,920
TOTAL		\$ 34,036,000	\$ 680,720	\$ 340,360	\$ 680,720	\$ 7,487,920

APPENDIX 5, ASSUMPTIONS:

1. Estimated Gaming Revenue is an average GGR estimated in Wells and Cummings reports:

Wells GGR	\$ 28,372,000
Cummings GGR	39,700,000
Average	\$ 34,036,000

Source: "Kansas Casino Market Study" by Wells Gaming Research dated July 7, 2008 and
"Projections for Likely Gaming Revenues" by Cummings Associates dated July 7, 2008.

2. Local government revenue is estimated as follows:

Cherokee County	2%	of all lottery gaming revenues.
Crawford County	1%	of all lottery gaming revenues.
State of Kansas	22%	of all lottery gaming revenues.
State Prob. Gaming	2%	of all lottery gaming revenues.

Source: Source: SB 66.

APPENDIX 6
STATE INCOME TAX REVENUE

<u>YEAR</u>		<u>ESTIMATED PAYROLL EXPENDITURES</u>	<u>ESTIMATED PAYROLL/ EMPLOYEE</u>	<u>STATE OF KANSAS INCOME TAX REVENUE</u>
Year 1	Construction	\$ 5,066,667	\$ 42,817	\$ 812,663
	Operating	-	-	-
Subtotal		5,066,667	42,817	812,663
Year 2	Construction	10,133,333	42,817	812,663
	Operating	-	-	-
Subtotal		10,133,333	42,817	812,663
Year 3	Construction	-	-	-
	Operating	18,307,692	30,769	899,709
Subtotal		18,307,692	30,769	899,709
TOTAL		\$ 33,507,692	\$ 116,403	\$ 2,525,034

APPENDIX 6, ASSUMPTIONS:

- Estimated construction payroll is provided by the Developer at **\$ 15,200,000** during the construction phase of the project. This includes salaries only, no benefits are included.
A total of **355** construction employees are estimated over the construction period.
Source: Developer's application (final template).
- Estimated on-going operating payroll is estimated at **\$ 18,307,692** per year at full operation. This includes salaries only, no benefit costs are included.
A total of **595** employees are estimated annually.
Source: Developer's application (final template).
- Personal income tax revenue for the State is estimated as follows, using a 2007 schedule:
For a single person:
Taxable income between \$0 and \$15,000 is taxed at 3.5%
Taxable income between \$15,000 and \$30,000 is taxed at 6.25% plus the tax calculated on the first \$15,000
Taxable income over \$30,000 is taxed at 6.45% plus the tax calculated on the first \$30,000
Source: Kansas Department of Revenue. 2007 Kansas Individual Income Tax schedule.

APPENDIX 7
SUMMARY OF ESTIMATED REVENUE

<u>YEAR</u>		<u>STATE OF KANSAS</u>	<u>CHEROKEE COUNTY</u>	<u>CRAWFORD COUNTY</u>	<u>GALENA SCHOOL DIST.</u>	<u>GALENA FIRE DIST.</u>
Year 1	Property Tax	\$ 6,898	\$ 259,525	\$ -	\$ 218,458	\$ 15,266
	Sales Tax	-	-	-	-	-
	Gaming	-	-	-	-	-
	Income Tax	812,663	-	-	-	-
Subtotal		819,560	259,525	-	218,458	15,266
Year 2	Property Tax	25,590	962,835	-	810,474	56,638
	Sales Tax	2,002,575	566,766	-	-	-
	Gaming	-	-	-	-	-
	Income Tax	812,663	-	-	-	-
Subtotal		2,840,827	1,529,601	-	810,474	56,638
Year 3	Property Tax	26,062	980,598	-	825,426	57,683
	Sales Tax	98,219	27,798	-	-	-
	Gaming	8,168,640	680,720	340,360	-	-
	Income Tax	899,709	-	-	-	-
Subtotal		9,192,629	1,689,115	340,360	825,426	57,683
TOTAL		\$ 12,853,016	\$ 3,478,242	\$ 340,360	\$ 1,854,358	\$ 129,588

APPENDIX 7, ASSUMPTIONS:

1. State of Kansas revenue includes 2% gaming contribution revenue for problem gambling fund.

**APPENDIX 8
GALENA SCHOOL DISTRICT
ESTIMATED COSTS**

<u>YEAR</u>	<u>NUMBER OF NEW EMPLOYEES</u>	<u>NUMBER OF STUDENTS</u>	<u>SALARIES/ BENEFITS COSTS</u>	<u>CAPITAL CONSTRUCTION COSTS</u>	<u>SERVICES/ SUPPLIES COSTS</u>	<u>ESTIMATED TOTAL COSTS</u>
Year 1	0	0	\$ -	\$ -	\$ -	\$ -
Year 2	0	0	-	5,627,544	-	5,627,544
Year 3	434	434	1,278,871	-	255,774	1,534,646
TOTAL	434	434	\$ 1,278,871	\$ 5,627,544	\$ 255,774	\$ 7,162,190

APPENDIX 8, ASSUMPTIONS:

- Number of households is the same as New Employees Living in the County estimated in Appendix 2.
- The analysis uses a student per household ratio of **1.00** to estimate the number of new students added to the School District by this development. Source: Brian Smith, Galena School District Superintendent.
- Approximately **12** new teachers and **15** non-certified personnel will be added to service new students. Salaries and benefits for these positions are estimated as follows:

	Salaries	Annual % Growth	Benefits	Annual % Growth
Teachers	\$ 42,000	4%	\$ 4,800	5%
Non-Cert.	\$ 27,500	4%	\$ 4,800	5%

Source: Brian Smith, Galena School District Superintendent.
- New schools will be required for the increased student population. Construction costs attributed to the development are estimated at **\$ 5,000,000** Source: Brian Smith, Galena School District Superintendent. Cost is inflated 3% annually.
- Services/Supplies costs are estimated at **20%** of all salary and benefit costs.
Source: Previous fiscal impact analyses conducted by MBA.

**APPENDIX 9
SUMNER COUNTY
SHERIFF DEPARTMENT COST PROJECTIONS**

<u>YEAR</u>	<u>TOTAL NEW POPULATION</u>	<u># OF SWORN POSITIONS</u>	<u># OF CLERK POSITIONS</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	0	0	\$ -	\$ -	\$ -	-
Year 2	0	0	0	-	-	-	-
Year 3	1,838	1	3	231,394	147,166	26,023	404,583
TOTAL	1,838	1	3	\$ 231,394	\$ 147,166	\$ 26,023	\$ 404,583

APPENDIX 9, ASSUMPTIONS:

1. Total new population includes new employees, residents of new employee households and a portion of daily visitors (see Appendix 2 for details).
2. Staffing is estimated using Cherokee County's 2006 staffing ratios:

Position	Current Positions	Population	Positions/1,000
Sworn	17	21,451	0.8
Civilian	32	21,451	1.49

Source: Staffing data from US Department of Justice, Federal Bureau of Investigations. "Crime in the United States, 2006 Uniform Crime Reports." Population from US Census Bureau, "State & County Quick Facts."
3. Sumner County salary and benefit information is used to estimate these costs:

Salary/Benefits	
Sworn	\$ 72,500
Civilian	\$ 30,849

*Total Cost includes salary and benefits. Salary and benefits costs are increased 4% annually.

- Source: Sworn employee data from Gerald Gilkey, Sumner County Sheriff. Civilian employee information from HR Partners listings for Sumner County.
3. Services/supplies and capital outlay are estimated using Sumner County data as follows:

	2006	2005	Average
Personnel Services			
Contractual (CC)	\$ 939,491	\$ 863,355	\$ 901,423
Commodities (CC)*	126,985	96,645	111,815
Capital Outlay (CO)	477,795	445,184	461,490
CC % of PS	108,784	93,967	101,376
CO % of PS	64%	63%	64%
	12%	11%	11%

*Includes other jail expenses, juvenile detention, reimbursements and prisoner board costs.

Source: "Sumner County, Kansas Annual Financial Report" December 31, 2006. Two-year average (2005-2006) for the Sheriff's Department.

APPENDIX 10, ASSUMPTIONS:

1. According to Bill Hall, Fire Chief, Galena Fire District, no fiscal impact will be incurred by the Fire District for the following reasons:
 - a. Operating costs for the district, salaries and benefits, will not increase as the district is staffed by volunteer positions.
 - b. All necessary equipment will be purchased by the developer.
- MBA has some concerns regarding the increased cost of supplies and replacement equipment, for the purposes of this analysis, it is assumed additional property tax revenue generated by the development will cover these costs.

Cummings Associates

**Projections for the
Likely Gaming Revenues of the
Proponents in the South-Central
Gaming Zone of Kansas**

Summary

DRAFT

July 16, 2008

Exhibit 1: Summary of Cummings Projections**Part 1: South-Central Proponents at Standard Size (\$mn / 2007\$)**

(As if all the casinos were the same size)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington	2,000	110	\$117.2	\$161	\$134.7
Marvel Wellington	2,000	110	\$111.5	\$153	\$128.3

Part 2: South-Central Casinos as Actually Proposed (\$mn / 2007\$)

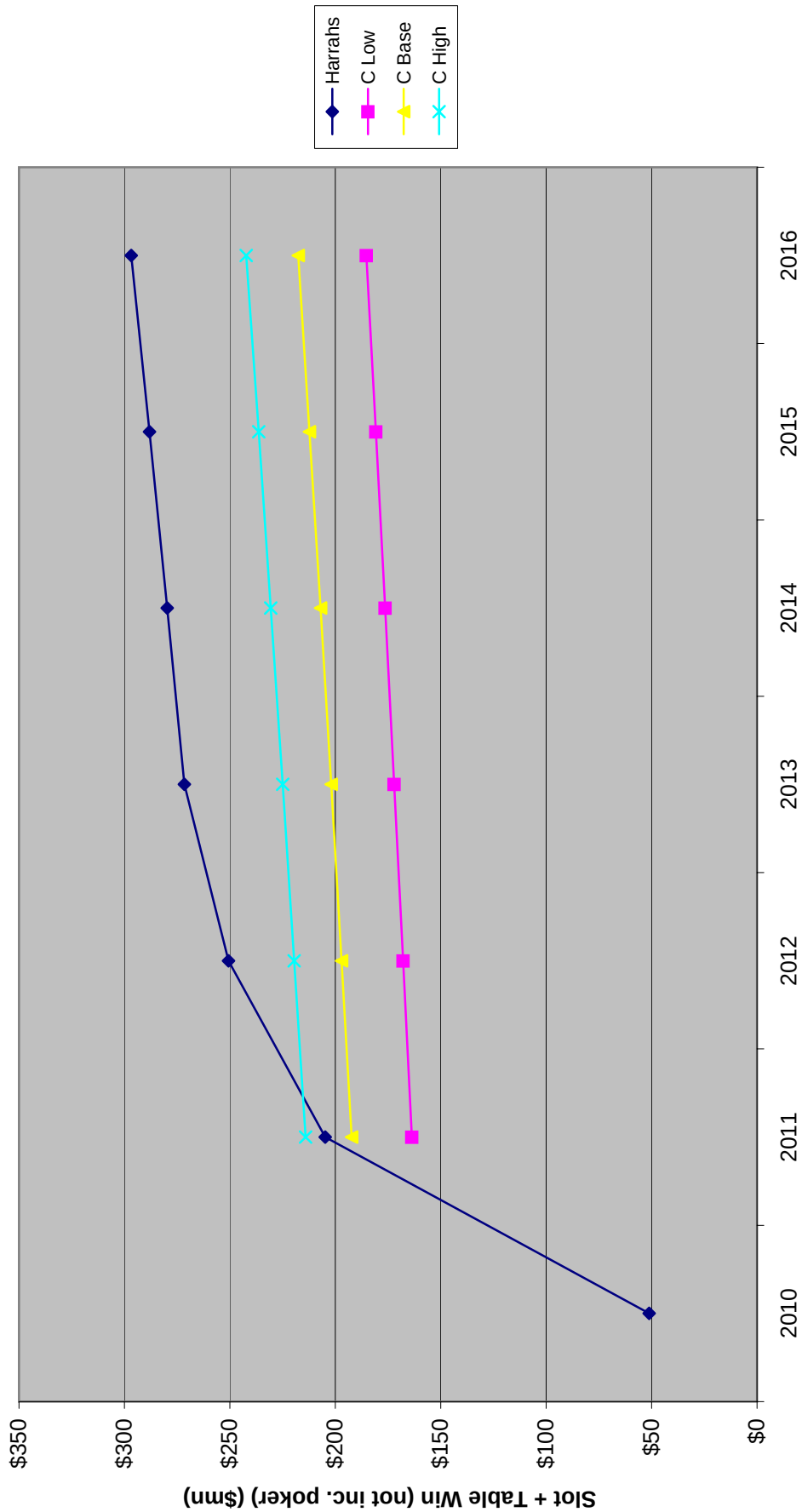
Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Marvel Wellington	2,000	110	\$111.5	\$153	\$130.2
Penn Wellington	1,500	110	\$107.8	\$197	\$123.5

Part 3: Cummings Projections versus the Proponents' (\$mn / 2013)

(in then-year dollars; not including poker etc.; Cummings escalated at 2.5%/year)

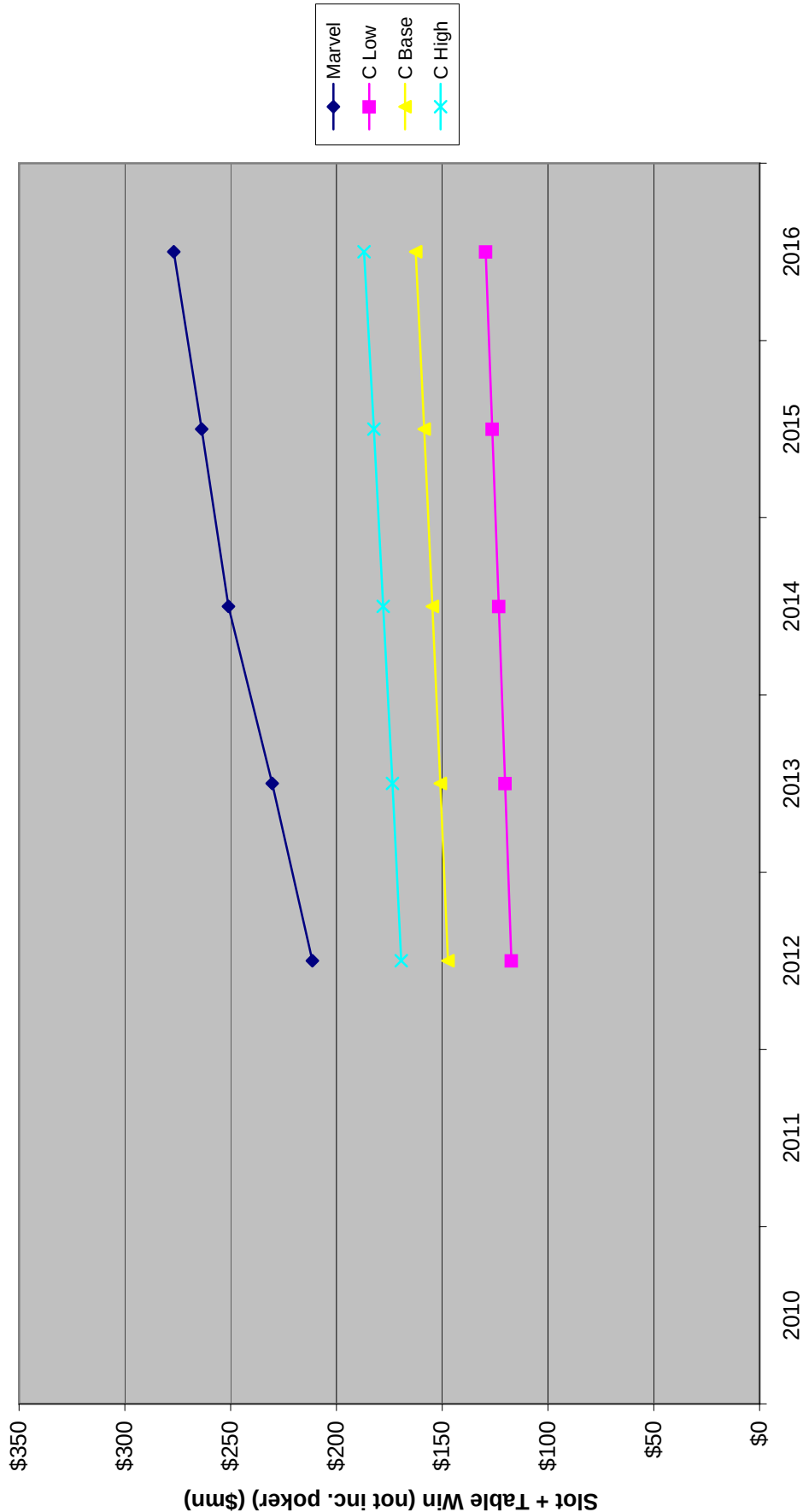
Gaming Facility / Location:	# Slots	Proponent (\$mn)	Cummings (\$mn)
Harrahs Mulvane	2,000	\$271.6	\$202.0
Marvel Wellington	2,000	\$230.4	\$150.9
Penn Wellington	1,500	\$214.4	\$143.2

Exhibit 2: Harrah's Mulvane Projections vs. Cummings's (2.5% escalation)



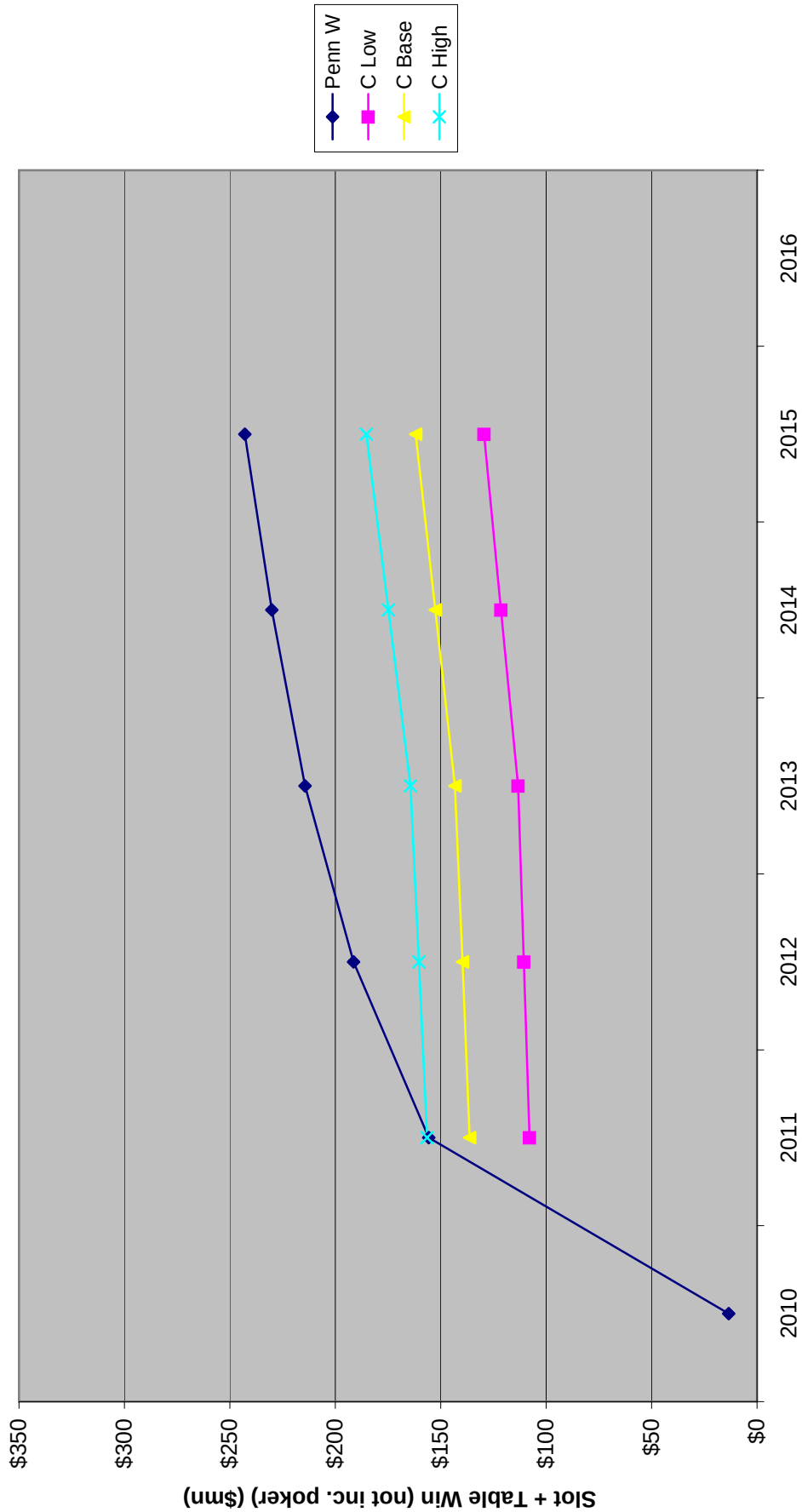
Note: Cummings projections are for "stabilized operations"

Exhibit 3: Marvel's Wellington Projections vs. Cummings's (2.5% escalation)



Note: Cummings projections are for "stabilized operations." Marvel's are for FY ending Sept. 30.

Exhibit 4: Penn's Wellington Projections vs. Cummings's (2.5% escalation)



Note: Cummings projections through 2013 are for 1,500-slot facility -- for 2015, they are for a 2,000-slot facility (for 2014, intermediate)

Cummings Associates

**Projections for the
Likely Gaming Revenues of
Sumner Gaming Joint Venture, L.C.
("Harrah's Mulvane")**

DRAFT

July 16, 2008

Projections for the Likely Gaming Revenues of Sumner Gaming Joint Venture, L.C. ("Harrah's Mulvane")

Exhibit 1 presents a full set of Baseline projections ("most likely future" scenario regarding competition, including other facilities in Kansas) with Harrah's Mulvane facility highlighted in light yellow. I have developed these projections assuming a *representative* selection of facilities in the other gaming zones so as to capture their (very modest) impacts on each property that I examine here. I have also assumed the specific location and configuration of the casino and ancillary facilities proposed by Harrah's at Exit 33.

Under this scenario, Harrah's Mulvane casino is projected to obtain total annual gaming revenues of \$174 million. (This compares with \$130.2 million projected for Marvel's Trailhead casino near Wellington, and \$123.5 million for the Penn National casino near Wellington.)

As in my previous report, these projections are presented as of "maturity," a.k.a. "stabilized operations," in terms of 2007 dollars. To get to then-year dollars, I would assume escalation of 2.5% per year. This reflects nominal income growth / inflation at two percent per annum plus adult population growth averaging 0.5% per year.

In 2013, for example, my projections would equate to \$202 million in gaming win. This compares with Harrah's projection of \$271.6 million for slot and table revenues in that year (I have omitted the \$2 million that Harrah's projects for poker revenues from this comparison).

A new addition to this type of exhibit is presented at the bottom. On the first line are projections for the spending of all the residents of Kansas on gaming, first at Kansas casinos, then at casinos in other states, and finally in total. The second line indicates the estimated spending of the residents of other states *at* the gaming facilities of Kansas. Kansas's "balance of trade" can be found by netting the diagonal entries: in this case, \$195.9 million spent by Kansans in nearby states versus \$188.9 million spent by others in Kansas, resulting in a net outflow of \$7 million from the State of Kansas.¹

Exhibit 2 presents detail for the sources of consumer spending *at* each facility in Kansas.

Exhibit 3 presents corresponding detail regarding visitation.

¹ Ignoring, as before, minor amounts spent in Nevada, Atlantic City, on cruise ships, etc. For these calculations I have also assumed that all the "drive-by" revenues at the facilities on Interstate Highways derive from the residents of other states, though some portion will indeed likely come from Kansans.

Exhibit 4 presents a graphic comparison of my projections versus those of the proponent. I have inflated my 2007-dollar projections by the aforesaid 2.5% per year, and ignored partial years of operation (as well as all “receipts from poker and other non-banked card games”).

Exhibit 5 is similar except that my projections have been inflated at the rate that the proponent appears to assume for “organic” growth in the outyears. For Harrah’s, this is 3.0%, so there is very little difference.²

Section A then provides detail regarding my analyses and projections “as was” in 2007, i.e., with no change in competition from that year – aside from a representative selection of gaming facilities elsewhere in Kansas. I think most of the proponents would have assumed some such competition (which, however, likely had less impact on their projections than it does on mine).

Section B provides further detail regarding my Baseline projections. It is from this section that the leading Exhibits 1, 2 and 3 were extracted (duplicated here as B-3, B-3A, and B-3B, respectively).

Comparisons of various types are presented in **Section C**. The three casinos proposed for Sumner County are compared against each other at a “standard size” so as to extract the differences due to location alone. As indicated in Exhibit C-4, this leaves Harrah’s, in Mulvane, with a substantial advantage over the two facilities proposed near Wellington. And for each proponent, I have matched their own projections with my model so as to determine the effective “power rating” that they implicitly assert. As of what looks to me like the first full year of stabilized operations, Harrahs’ slot projections weigh in at 123, Penn Wellington’s at 131, and Marvel’s at 134. These are all unusually high. (Penn Cherokee is actually the least aggressive, at 116-126.)

Section D presents my “low” projection, and **Section E** my “high” (formerly “downside” and “upside,” respectively. I changed the names so as to reduce impressions that they may represent either a floor or ceiling.)

I then present corresponding detail from the separate slot and table models that combine to yield my projections in total. The zone in which this disaggregation really matters is the Southeast: I’m projecting table revenues to be relatively strong there due to the absence of craps, roulette, and banked table games at the casinos of Oklahoma. This also has positive impacts here

² The other proponents assume 5%, which adds up to substantial amounts over six to eight years. I have escalated my figures at both rates in order to maximize comparability with each applicant’s projections. I believe, however, that the 2.5% rate is most appropriate. There are very few markets in the Midwest where total gaming receipts increased at a greater rate in the *good* years prior to 2007 without substantial additions to capacity or major renovations that improved quality. When everything else remained equal, most markets in the Midwest grew 2-3% per year in the early 00s, so I believe that is most reasonable for the future – *after* we recover from the current recession.

in the South-Central Zone, but to a very modest extent. If Oklahoma table players always had to pay an ante, Kansas's games would be substantially more attractive, but as we saw at Downstream, that's not necessarily the case. Downstream (and at least one other Oklahoma casino) appear to be foregoing the antes in order to build their business. I presume that the Oklahoma casinos nearest the South-Central Zone would do likewise when faced with competition from a new casino here.

I had also formerly assumed that the table situation in Oklahoma would reduce the power ratings of their slots by five points when "real" table games appeared in Kansas. I'm now assuming just two points for this effect, so there is little (added) benefit for Harrah's here.

In sum, while my projections for Harrah's are substantially lower than its own, they are higher than my projections for either of the facilities proposed near Wellington. The gravity models, based on my experience and my analyses of other markets, indicate that, other things being equal, its location 11 minutes closer to the vast majority of the population in the market³ will indeed result in consumer spending roughly 30% greater than at the more distant location(s).

³ Shave a minute off this figure if Penn National can construct a dedicated exit ramp off the Turnpike as it has proposed. My projections for Penn Wellington have assumed this is the case. (Penn contends this will save two+ minutes for arriving traffic. It will not, however, speed up the return trip to Wichita, so I consider this to average out to a one minute improvement each way.)

Cummings Associates

Projections for the Likely Gaming Revenues of Sumner Gaming Joint Venture, L.C. ("Harrah's Mulvane")

Exhibits

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B. Baseline (Likely Future) Projections

Harrah's Mulvane

DRAFT

July 16, 2008

List of Exhibits

Exhibit

- 1 Harrahs' Mulvane Baseline
- 2 Detail for Sources of Consumer Spending
- 3 Detail for Visitation by Source
- 4 Harrah's Projections vs. Cummings's (2.5% escalation)
- 5 Harrah's Projections vs. Cummings's (3% escalation)

Section A: "As Was" Projections

- A-1 "As Was" 2007 -- Before Any New Facilities
- A-2 "As Was" 2007 -- w Potential New Kansas Facilities Elsewhere
- A-3 Harrah's "As Was" 2007 (with New Kansas Facilities)

Section B: Baseline (Likely Future) Projections

- B-1 Likely Future / Baseline -- with New Facilities Elsewhere
- B-2 Likely Future / Baseline -- with New Facilities Elsewhere AND KS
- B-2A Detail for Sources of Consumer Spending
- B-3 Harrahs' Mulvane Baseline
- B-3A Detail for Sources of Consumer Spending
- B-3B Detail for Visitation by Source

Section C: Comparative Projections

- C-1 Harrah's Mulvane at Standard Size / Baseline Competition
- C-2 Penn Wellington at Standard Size / Baseline Competition
- C-3 Marvel Wellington at Standard Size / Baseline Competition
- C-4 Summary: South-Central Proponents All at Standard Size
- C-5 Harrah's Slots and Tables Match Harrah's Projections

Section D: "Low" Projections

- D Harrah's Mulvane "Low"

Section E: "High" Projections

- E Harrah's Mulvane "High"

(Similar sets of exhibits follow for slots and tables)

Exhibit 1: Gaming Revenue Projections (\$mn / 2007\$)
Harrah's Mulvane Baseline

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.8	\$175	\$233.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
Subtotal Kansas Taxable	8,100		\$453.8	\$153	\$529.1
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.2
Total Kansas	11,843		\$613.0	\$142	\$706.0
memo: Northeast Zone	3,800		\$217.2	\$157	\$258.8
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.1
memo: South Central Zone	2,000		\$151.3	\$207	\$174.2
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.6
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.6
Greater KC Total	12,344		\$704.7	\$156	\$800.1
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,632		\$231.4	\$96	\$257.1
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$517.2	\$195.9	\$713.1	
from Others (")		\$188.9			

Note: Totals may not add due to rounding.

Exhibit 2: Detail for Sources of Consumer Spending (\$000)
Harrah's Mulvane Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harhrs Mul	Penn Well'n	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900	2,000			800
Power Rating		95	102			102	102	104			112
Win/Slot/Day		\$87	\$175			\$110	\$79	\$204			\$120
Kansas Tourists	\$15,580	\$376	\$4,565			\$594	\$758	\$5,640			\$3,647
Kansas Locals	382,137	\$15,915	152,768			\$16,647	4,533	159,710			32,564
Kansas Total	\$397,717	\$16,292	\$157,333	\$0	\$0	\$17,241	\$5,291	\$165,349	\$0	\$0	\$36,211
Missouri Tourists	\$12,867	\$663	\$8,300			\$1,140	\$1,619	\$1,086			\$58
Missouri Locals	93,042	\$8,157	62,456			\$4,853	17,575	0			0
Missouri Total	\$105,909	\$8,821	\$70,756	\$0	\$0	\$5,994	\$19,194	\$1,086	\$0	\$0	\$58
Okla + Ark Tourists	\$6,953	\$25	\$934			\$474	\$1,260	\$2,728			\$1,533
Okla + Ark Locals	5,876	\$0	0			\$360	3,790	1,231			496
Okla + Ark Total	\$12,829	\$25	\$934	\$0	\$0	\$833	\$5,050	\$3,958	\$0	\$0	\$2,029
Iowa	\$1,865	\$93	\$1,706	\$0	\$0	\$8	\$14	\$36	\$0	\$0	\$7
Nebraska	\$3,699	\$88	\$1,883	\$0	\$0	\$9	\$15	\$666	\$0	\$0	\$1,038
Other Near	\$1,762	\$28	\$845	\$0	\$0	\$20	\$54	\$146	\$0	\$0	\$668
Frontage Traffic	\$5,352						\$2,421	\$2,931			
Total All Sources	\$529,122	\$25,346	\$233,448	\$0	\$0	\$24,105	\$32,040	\$174,172	\$0	\$0	\$40,011
total Tourists	\$48,067	\$1,274	\$18,224			\$2,245	\$6,141	\$13,232			\$6,951
total locals	\$481,055	\$24,073	\$215,224			\$21,860	\$25,898	\$160,940			\$33,060

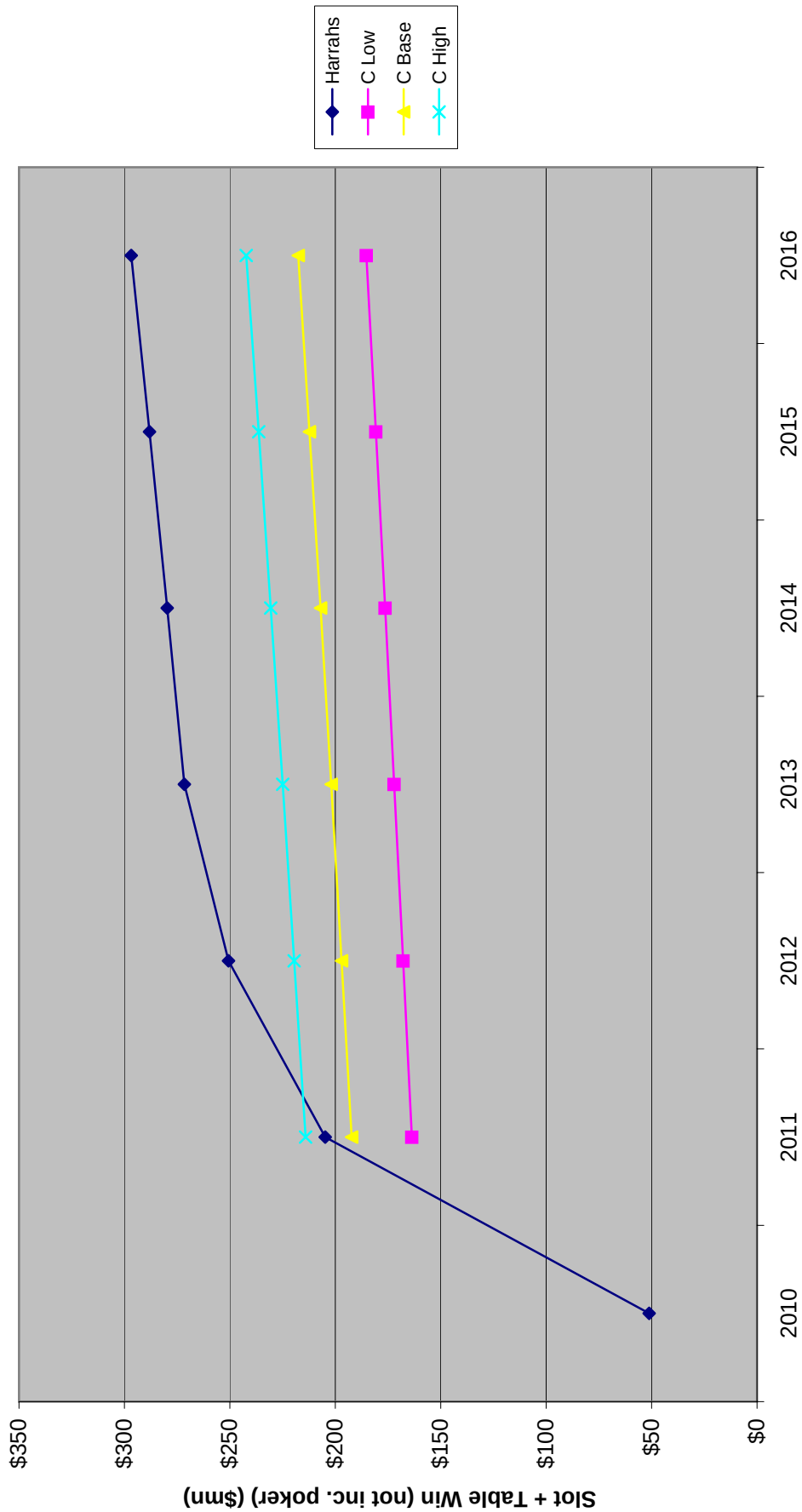
Note: Totals may not add due to rounding.

Exhibit 3: Detail for Visitation by Source Harrah's Mulvane Baseline

	Total	Woodlinds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrah's Mul	Penn Well's	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900	2,000			800
Power Rating		95	102			102	102	104			112
Win/Slot/Day		\$87	\$175			\$110	\$79	\$204			\$120
Kansas Tourists	185,643	4,983	49,743			7,991	10,297	65,674			46,955
Kansas Locals	5,063,529	234,019	1,818,223	0	0	285,443	79,116	2,137,508	0	0	509,219
Kansas Total	5,249,172	239,002	1,867,966	0	0	293,434	89,414	2,203,182	0	0	556,174
Missouri Tourists	153,276	8,947	92,541			15,622	22,515	12,889			763
Missouri Locals	1,269,792	125,290	778,753	0	0	78,687	287,062	0	0	0	0
Missouri Total	1,423,068	134,237	871,294	0	0	94,309	309,577	12,889	0	0	763
Okla + Ark Tourists	89,976	350	10,751			6,755	17,965	33,227			20,928
Okla + Ark Locals	87,769	0	0	0	0	5,412	58,811	16,068	0	0	7,477
Oklahoma Total	177,745	350	10,751	0	0	12,167	76,776	49,295	0	0	28,405
Iowa	20,796	1,245	18,740	0	0	102	192	419	0	0	98
Nebraska	43,028	1,165	20,473	0	0	115	209	7,741	0	0	13,325
Other Near	18,474	341	8,601	0	0	253	678	1,503	0	0	7,098
Frontage Traffic	60,599	0	0			0	29,388	31,210			0
Total All Sources	6,992,881	376,340	2,797,825	0	0	400,381	506,234	2,306,238	0	0	605,863
total Tourists	571,792	17,031	200,849			30,839	81,244	152,663			89,166
total locals	6,421,089	359,308	2,596,976			369,543	424,990	2,153,576			516,697
Spending Per Visitor	\$76	\$67	\$83			\$60	\$63	\$76			\$66

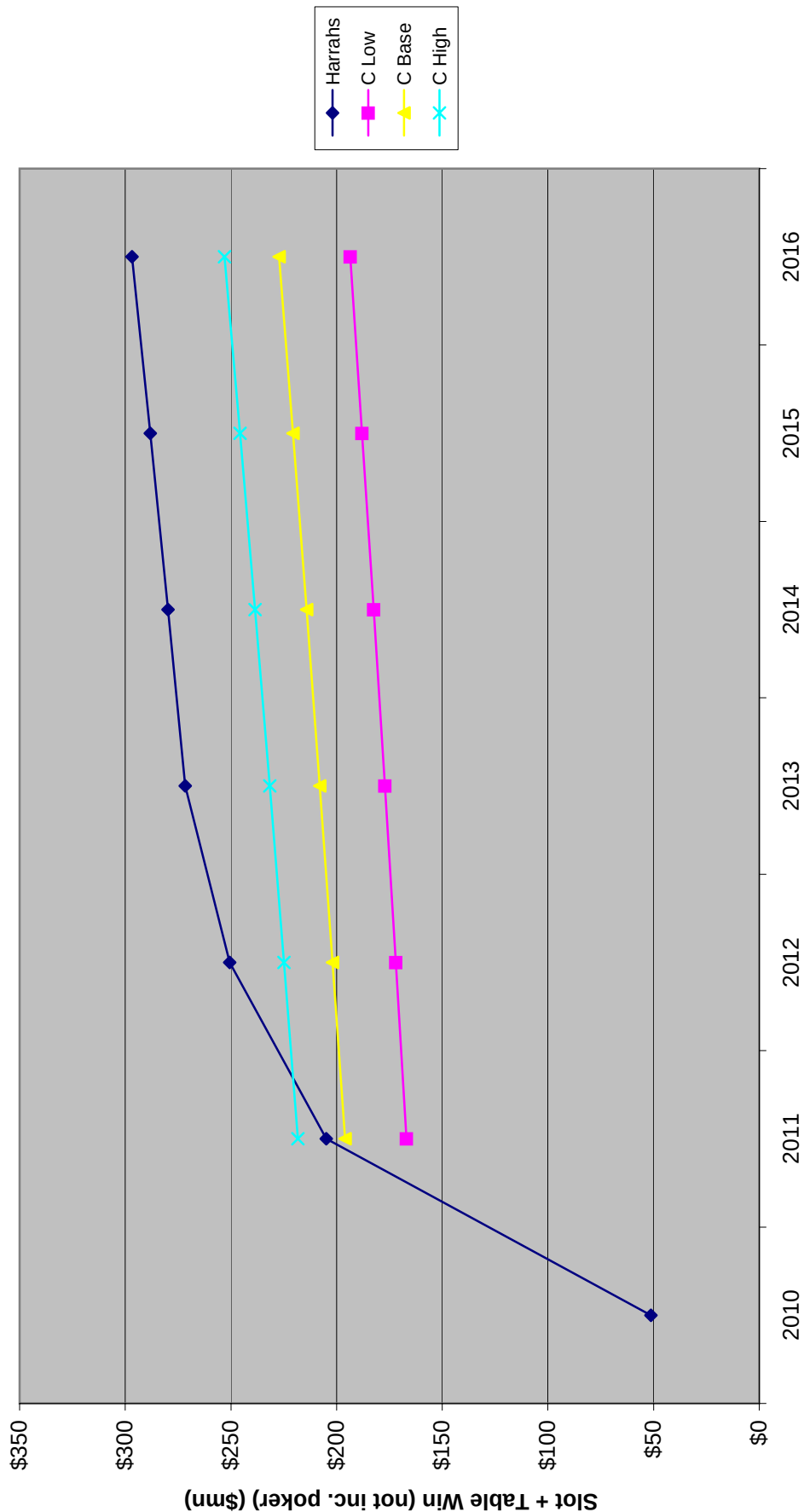
Note: Totals may not add due to rounding.

Exhibit 4: Harrah's Mulvane Projections vs. Cummings's (2.5% escalation)



Note: Cummings projections are for "stabilized operations"

Exhibit 5: Harrah's Mulvane Projections vs. Cummings's (3% escalation)



Note: Cummings projections are for "stabilized operations"

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A. "As Was" Projections
Harrah's Mulvane

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July 16, 2008

Exhibit A-1: Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Facilities

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
KCK Speedway					
KCK Stateline					
KCK Middle					
Camptown					
Penn Cherokee					
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City					
	-----		-----		-----
Subtotal Kansas Taxable	0		\$0.0		\$0.0
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$167.8	\$171	\$195.1
	-----		-----		-----
Total Kansas	2,693		\$167.8	\$171	\$195.1
memo: Northeast Zone					
memo: Southeast Zone					
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$164.2	\$228	\$182.0
IOC KC	1,523	78.9	\$77.3	\$139	\$83.8
Harrahs NKC	1,783	103.5	\$175.4	\$270	\$202.3
Ameristar KC	3,012	98.6	\$222.5	\$202	\$252.6
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,287		\$639.4	\$211	\$720.7
Greater KC Total	8,287		\$639.4	\$211	\$720.7
Greater Joplin Total	4,242		\$138.8	\$90	\$145.6
Greater Wichita Total	3,632		\$112.3	\$85	\$116.2
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$145.1	\$377.4	\$522.5	
from Others (")		\$50.0			

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Exhibit A-2: Gaming Revenue Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$26.4	\$90	\$26.4
KCK Speedway	3,000	102	\$201.2	\$184	\$245.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$28.8	\$131	\$28.8
Penn Cherokee	900	102	\$42.2	\$128	\$51.2
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$40.0	\$137	\$46.3
Subtotal Kansas Taxable	6,100		\$338.5	\$152	\$397.9
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$144.2	\$147	\$164.7
Total Kansas	8,793		\$482.7	\$150	\$562.6
memo: Northeast Zone	3,800		\$227.6	\$164	\$271.7
memo: Southeast Zone	1,500		\$70.9	\$130	\$79.9
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$118.6	\$165	\$129.5
IOC KC	1,523	78.9	\$59.7	\$107	\$64.2
Harrahs NKC	1,783	103.5	\$136.7	\$210	\$155.1
Ameristar KC	3,012	98.6	\$179.0	\$163	\$200.7
Sugar Creek					
Subtotal KCMO	8,287		\$494.1	\$163	\$549.6
Greater KC Total	12,087		\$721.6	\$164	\$821.3
Greater Joplin Total	5,742		\$184.0	\$88	\$199.1
Greater Wichita Total	3,632		\$107.2	\$81	\$110.6
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$373.0	\$242.2	\$615.3	
from Others (")		\$189.6			

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**Exhibit A-3: Gaming Revenue Projections (\$mn / 2007\$)
Harrah's "As Was" 2007 (with New Kansas Facilities)**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$26.2	\$90	\$26.2
KCK Speedway	3,000	102	\$198.8	\$182	\$240.9
KCK Stateline					
KCK Middle					
Camptown	600	102	\$28.0	\$128	\$28.0
Penn Cherokee	900	102	\$41.3	\$126	\$49.9
Harrahs Mulvane	2,000	104	\$158.1	\$217	\$181.7
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.7	\$122	\$40.6
Subtotal Kansas Taxable	8,100		\$488.1	\$165	\$567.3
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$138.2	\$141	\$156.1
Total Kansas	10,793		\$626.3	\$159	\$723.4
memo: Northeast Zone	3,800		\$225.0	\$162	\$267.1
memo: Southeast Zone	1,500		\$69.4	\$127	\$77.9
memo: South Central Zone	2,000		\$158.1	\$217	\$181.7
Argosy Riverside	1,969	97.2	\$117.6	\$164	\$128.3
IOC KC	1,523	78.9	\$59.6	\$107	\$64.1
Harrahs NKC	1,783	103.5	\$135.6	\$208	\$153.5
Ameristar KC	3,012	98.6	\$177.7	\$162	\$198.9
Sugar Creek					
Subtotal KCMO	8,287		\$490.5	\$162	\$544.8
Greater KC Total	12,087		\$715.5	\$162	\$811.8
Greater Joplin Total	5,742		\$180.5	\$86	\$195.0
Greater Wichita Total	5,632		\$234.5	\$114	\$260.6
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$524.7	\$189.4	\$714.1	
from Others (")		\$198.7			

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**Exhibit B-1: Gaming Revenue Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
KCK Speedway					
KCK Stateline					
KCK Middle					
Camptown					
Penn Cherokee					
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City					
	-----		-----		-----
Subtotal Kansas Taxable	0		\$0.0		\$0.0
KCK 7th Street					
4 Northeast KS Natives	3,293	117	\$174.0	\$145	\$200.4
	-----		-----		-----
Total Kansas	3,293		\$174.0	\$145	\$200.4
memo: Northeast Zone					
memo: Southeast Zone					
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$162.2	\$226	\$179.8
IOC KC	1,330	80.9	\$75.1	\$155	\$81.6
Harrahs NKC	1,783	103.5	\$172.9	\$266	\$199.3
Ameristar KC	3,012	98.6	\$219.4	\$200	\$249.0
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,094		\$629.5	\$213	\$709.7
Greater KC Total	8,094		\$629.5	\$213	\$709.7
Greater Joplin Total	7,963		\$177.3	\$61	\$186.8
Greater Wichita Total	4,632		\$114.1	\$67	\$118.5
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$145.4	\$381.0	\$526.5	
from Others (")		\$55.0			

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**Exhibit B-2: Gaming Revenue Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere AND KS**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.5	\$87	\$25.5
KCK Speedway	3,000	102	\$193.5	\$177	\$236.9
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.6	\$112	\$24.6
Penn Cherokee	900	102	\$26.6	\$81	\$32.9
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$38.3	\$131	\$44.5
Subtotal Kansas Taxable	6,100		\$308.5	\$139	\$364.4
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$150.3	\$125	\$170.2
Total Kansas	9,843		\$472.6	\$132	\$548.4
memo: Northeast Zone	3,800		\$219.0	\$158	\$262.4
memo: Southeast Zone	1,500		\$51.2	\$94	\$57.5
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$114.4	\$159	\$125.2
IOC KC	1,330	80.9	\$56.3	\$116	\$60.8
Harrahs NKC	1,783	103.5	\$132.1	\$203	\$150.2
Ameristar KC	3,012	98.6	\$173.5	\$158	\$195.0
Sugar Creek					
Subtotal KCMO	8,094		\$476.3	\$161	\$531.1
Greater KC Total	12,344		\$709.0	\$157	\$807.3
Greater Joplin Total	9,463		\$200.1	\$58	\$215.5
Greater Wichita Total	4,632		\$110.1	\$65	\$113.8

Total Casino Spending:

from Kansas (\$mn)

from Others (")

to Kansas

\$367.7

\$180.7

to Others

\$246.6

Total KS

\$614.2

**Exhibit B-2A: Detail for Sources of Consumer Spending (\$000)
Baseline Before Any Casinos in South-Central Zone**

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Slots	6,100	800	3,000			600	900				800
Power Rating		95	102			102	102				112
Win/Slot/Day		\$87	\$177			\$112	\$81				\$131
Kansas Tourists	\$17,162	\$455	\$7,804			\$994	\$1,479				\$6,430
Kansas Locals	224,179	\$15,934	152,920			\$16,711	4,580				34,034
Kansas Total	\$241,341	\$16,389	\$160,724	\$0	\$0	\$17,706	\$6,059	\$0	\$0	\$0	\$40,464
Missouri Tourists	\$11,831	\$666	\$8,335			\$1,145	\$1,627				\$58
Missouri Locals	93,174	\$8,162	62,487			\$4,887	17,638				0
Missouri Total	\$105,004	\$8,827	\$70,822	\$0	\$0	\$6,032	\$19,265	\$0	\$0	\$0	\$58
Okla + Ark Tourists	\$4,390	\$25	\$950			\$474	\$1,271				\$1,669
Okla + Ark Locals	4,711	\$0	0			\$360	3,802				549
Okla + Ark Total	\$9,101	\$25	\$950	\$0	\$0	\$835	\$5,073	\$0	\$0	\$0	\$2,218
Iowa	\$1,829	\$93	\$1,707	\$0	\$0	\$8	\$14	\$0	\$0	\$0	\$7
Nebraska	\$3,077	\$89	\$1,902	\$0	\$0	\$9	\$16	\$0	\$0	\$0	\$1,061
Other Near	\$1,623	\$28	\$846	\$0	\$0	\$20	\$54	\$0	\$0	\$0	\$675
Frontage Traffic	\$2,421						\$2,421				
Total All Sources	\$364,387	\$25,451	\$236,941	\$0	\$0	\$24,609	\$32,903	\$0	\$0	\$0	\$44,483
total Tourists	\$42,323	\$1,355	\$21,535			\$2,650	\$6,882				\$9,900
total locals	\$322,064	\$24,095	\$215,407			\$21,959	\$26,021				\$34,583

Note: Totals may not add due to rounding.

**Exhibit B-2B: Detail for Visitation by Source
Baseline Before Any Casinos in South-Central Zone**

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Slots	6,100	800	3,000			600	900				800
Power Rating		95	102			102	102				112
Win/Slot/Day		\$87	\$177			\$112	\$81				\$131
Kansas Tourists	201,669	6,020	82,923			13,327	19,328				80,070
Kansas Locals	2,935,165	234,113	1,814,558	0	0	285,397	79,604	0	0	0	521,493
Kansas Total	3,136,834	240,134	1,897,481	0	0	298,724	98,932	0	0	0	601,563
Missouri Tourists	140,580	8,972	92,648			15,633	22,570				756
Missouri Locals	1,268,105	125,258	776,642	0	0	78,934	287,271	0	0	0	0
Missouri Total	1,408,685	134,231	869,289	0	0	94,567	309,842	0	0	0	756
Okla + Ark Tourists	58,387	351	10,888			6,744	18,061				22,344
Okla + Ark Locals	72,362	0	0	0	0	5,401	58,829	0	0	0	8,133
Oklahoma Total	130,749	351	10,888	0	0	12,145	76,889	0	0	0	30,477
Iowa	20,324	1,244	18,690	0	0	102	192	0	0	0	96
Nebraska	35,554	1,174	20,623	0	0	116	211	0	0	0	13,429
Other Near	16,941	341	8,582	0	0	253	677	0	0	0	7,089
Frontage Traffic	29,331	0	0			0	29,331				0
Total All Sources	4,778,417	377,474	2,825,553	0	0	405,906	516,074	0	0	0	653,410
total Tourists	502,785	18,102	234,354			36,175	90,370				123,784
total locals	4,275,633	359,372	2,591,200			369,732	425,704				529,626
Spending Per Visitor	\$76	\$67	\$84			\$61	\$64				\$68

Note: Totals may not add due to rounding.

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Exhibit B-3: Gaming Revenue Projections (\$mn / 2007\$)
Harrah's Mulvane Baseline

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.8	\$175	\$233.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
Subtotal Kansas Taxable	8,100		\$453.8	\$153	\$529.1
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.2
Total Kansas	11,843		\$613.0	\$142	\$706.0
memo: Northeast Zone	3,800		\$217.2	\$157	\$258.8
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.1
memo: South Central Zone	2,000		\$151.3	\$207	\$174.2
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.6
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.6
Greater KC Total	12,344		\$704.7	\$156	\$800.1
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,632		\$231.4	\$96	\$257.1
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$517.2	\$195.9	\$713.1	
from Others (")		\$188.9			

Exhibit B-3A: Detail for Sources of Consumer Spending (\$000)
Harrah's Mulvane Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrah's Mul	Penn Well's	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900	2,000			800
Power Rating		95	102			102	102	104			112
Win/Slot/Day		\$87	\$175			\$110	\$79	\$204			\$120
Kansas Tourists	\$15,580	\$376	\$4,565			\$594	\$758	\$5,640			\$3,647
Kansas Locals	382,137	\$15,915	152,768			\$16,647	4,533	159,710			32,564
Kansas Total	\$397,717	\$16,292	\$157,333	\$0	\$0	\$17,241	\$5,291	\$165,349	\$0	\$0	\$36,211
Missouri Tourists	\$12,867	\$663	\$8,300			\$1,140	\$1,619	\$1,086			\$58
Missouri Locals	93,042	\$8,157	62,456			\$4,853	17,575	0			0
Missouri Total	\$105,909	\$8,821	\$70,756	\$0	\$0	\$5,994	\$19,194	\$1,086	\$0	\$0	\$58
Okla + Ark Tourists	\$6,953	\$25	\$934			\$474	\$1,260	\$2,728			\$1,533
Okla + Ark Locals	5,876	\$0	0			\$360	3,790	1,231			496
Okla + Ark Total	\$12,829	\$25	\$934	\$0	\$0	\$833	\$5,050	\$3,958	\$0	\$0	\$2,029
Iowa	\$1,865	\$93	\$1,706	\$0	\$0	\$8	\$14	\$36	\$0	\$0	\$7
Nebraska	\$3,699	\$88	\$1,883	\$0	\$0	\$9	\$15	\$666	\$0	\$0	\$1,038
Other Near	\$1,762	\$28	\$845	\$0	\$0	\$20	\$54	\$146	\$0	\$0	\$668
Frontage Traffic	\$5,352						\$2,421	\$2,931			
Total All Sources	\$529,122	\$25,346	\$233,448	\$0	\$0	\$24,105	\$32,040	\$174,172	\$0	\$0	\$40,011
total Tourists	\$48,067	\$1,274	\$18,224			\$2,245	\$6,141	\$13,232			\$6,951
total locals	\$481,055	\$24,073	\$215,224			\$21,860	\$25,898	\$160,940			\$33,060

Note: Totals may not add due to rounding.

Exhibit B-3B: Detail for Visitation by Source
Harrah's Mulvane Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harhrs Mul	Penn Well's	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900	2,000			800
Power Rating		95	102			102	102	104			112
Win/Slot/Day		\$87	\$175			\$110	\$79	\$204			\$120
Kansas Tourists	185,643	4,983	49,743			7,991	10,297	65,674			46,955
Kansas Locals	5,063,529	234,019	1,818,223	0	0	285,443	79,116	2,137,508	0	0	509,219
Kansas Total	5,249,172	239,002	1,867,966	0	0	293,434	89,414	2,203,182	0	0	556,174
Missouri Tourists	153,276	8,947	92,541			15,622	22,515	12,889			763
Missouri Locals	1,269,792	125,290	778,753	0	0	78,687	287,062	0	0	0	0
Missouri Total	1,423,068	134,237	871,294	0	0	94,309	309,577	12,889	0	0	763
Okla + Ark Tourists	89,976	350	10,751			6,755	17,965	33,227			20,928
Okla + Ark Locals	87,769	0	0	0	0	5,412	58,811	16,068	0	0	7,477
Oklahoma Total	177,745	350	10,751	0	0	12,167	76,776	49,295	0	0	28,405
Iowa	20,796	1,245	18,740	0	0	102	192	419	0	0	98
Nebraska	43,028	1,165	20,473	0	0	115	209	7,741	0	0	13,325
Other Near	18,474	341	8,601	0	0	253	678	1,503	0	0	7,098
Frontage Traffic	60,599	0	0			0	29,388	31,210			0
Total All Sources	6,992,881	376,340	2,797,825	0	0	400,381	506,234	2,306,238	0	0	605,863
total Tourists	571,792	17,031	200,849			30,839	81,244	152,663			89,166
total locals	6,421,089	359,308	2,596,976			369,543	424,990	2,153,576			516,697
Spending Per Visitor	\$76	\$67	\$83			\$60	\$63	\$76			\$66

Note: Totals may not add due to rounding.

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C. Comparative Projections

Harrah's Mulvane

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July 16, 2008

**Exhibit C-1: Gaming Revenue Projections (\$mn / 2007\$)
Harrah's Mulvane at Standard Size / Baseline Competition**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.8	\$175	\$233.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
Subtotal Kansas Taxable	8,100		\$453.8	\$153	\$529.1
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.2
Total Kansas	11,843		\$613.0	\$142	\$706.0
memo: Northeast Zone	3,800		\$217.2	\$157	\$258.8
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.1
memo: South Central Zone	2,000		\$151.3	\$207	\$174.2
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.6
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.6
Greater KC Total	12,344		\$704.7	\$156	\$800.1
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,632		\$231.4	\$96	\$257.1
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$517.2	\$195.9	\$713.1	
from Others (")		\$188.9			

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**Exhibit C-2: Gaming Revenue Projections (\$mn / 2007\$)
Penn Wellington at Standard Size / Baseline Competition**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.9	\$175	\$233.6
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane					
Penn Wellington	2,000	110	\$117.2	\$161	\$134.7
Marvel Wellington					
Dodge City	800	112	\$34.8	\$119	\$39.8
Subtotal Kansas Taxable	8,100		\$419.5	\$142	\$489.7
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.3
Total Kansas	11,843		\$578.7	\$134	\$666.7
memo: Northeast Zone	3,800		\$217.2	\$157	\$259.0
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.2
memo: South Central Zone	2,000		\$117.2	\$161	\$134.7
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.7
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.7
Greater KC Total	12,344		\$704.8	\$156	\$800.4
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,632		\$197.3	\$82	\$217.5
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$471.7	\$198.1	\$669.7	
from Others (")		\$195.1			

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**Exhibit C-3: Gaming Revenue Projections (\$mn / 2007\$)
Marvel Wellington at Standard Size / Baseline Competition**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.9	\$175	\$233.7
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.1
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington	2,000	110	\$111.5	\$153	\$128.3
Dodge City	800	112	\$34.9	\$120	\$39.9
	-----		-----		-----
Subtotal Kansas Taxable	8,100		\$413.9	\$140	\$483.5
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.6	\$121	\$163.5
	-----		-----		-----
Total Kansas	11,843		\$573.3	\$133	\$660.7
memo: Northeast Zone	3,800		\$217.3	\$157	\$259.0
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.2
memo: South Central Zone	2,000		\$111.5	\$153	\$128.3
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.4
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.3	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.7
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,094		\$473.8	\$160	\$527.8
Greater KC Total	12,344		\$704.9	\$156	\$800.5
Greater Joplin Total	9,463		\$196.0	\$57	\$210.6
Greater Wichita Total	6,632		\$192.4	\$79	\$212.0
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$465.8	\$199.4	\$665.2	
from Others (")		\$194.9			

Exhibit C-4: Gaming Revenue Projections (\$mn / 2007\$)
Summary: South-Central Proponents at Standard Size

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington	2,000	110	\$117.2	\$161	\$134.7
Marvel Wellington	2,000	110	\$111.5	\$153	\$128.3

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Exhibit C-5: Gaming Revenue Projections (\$mn / 2007\$)
Harrah's Slots and Tables Match Harrah's Projections

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.2	\$86	\$25.2
KCK Speedway	3,000	102	\$190.8	\$174	\$232.3
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.8	\$109	\$23.8
Penn Cherokee	900	102	\$25.8	\$79	\$31.8
Harrahs Mulvane	2,000	123	\$210.0	\$288	\$234.2 *
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$32.6	\$112	\$37.4
Subtotal Kansas Taxable	8,100		\$508.2	\$172	\$584.8
KCK 7th Street	450	78	\$13.7	\$84	\$13.7
4 Northeast KS Natives	3,293	117	\$142.0	\$118	\$159.6
Total Kansas	11,843		\$664.0	\$154	\$758.2
memo: Northeast Zone	3,800		\$216.0	\$156	\$257.6
memo: Southeast Zone	1,500		\$49.6	\$91	\$55.6
memo: South Central Zone	2,000		\$210.0	\$288	\$234.2
Argosy Riverside	1,969	97.2	\$113.3	\$158	\$123.9
IOC KC	1,330	80.9	\$56.1	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$130.7	\$201	\$148.4
Ameristar KC	3,012	98.6	\$172.0	\$156	\$193.0
Sugar Creek					
Subtotal KCMO	8,094		\$472.1	\$160	\$525.8
Greater KC Total	12,344		\$701.8	\$156	\$797.2
Greater Joplin Total	9,463		\$193.7	\$56	\$208.3
Greater Wichita Total	6,632		\$283.0	\$117	\$310.0
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$560.8	\$183.6	\$744.4	
from Others (")		\$197.4			

* Equates to Harrah's projection of \$271.6mn in 2013 in then-year dollars (not inc. \$2mn poker)

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D. "Low" Projections
Harrah's Mulvane

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July 16, 2008

Exhibit D: Gaming Revenue Projections (\$mn / 2007\$)
Harrah's Mulvane "Low"

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.3	\$175	\$232.9
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.0	\$105	\$23.0
Penn Cherokee	900	102	\$23.2	\$71	\$28.5
Harrahs Mulvane	2,000	98	\$129.1	\$177	\$148.4
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.1
Subtotal Kansas Taxable	8,100		\$427.0	\$144	\$498.1
KCK 7th Street	450	78	\$13.7	\$84	\$13.7
4 Northeast KS Natives	3,293	117	\$145.0	\$121	\$162.8
Total Kansas	11,843		\$585.8	\$136	\$674.6
memo: Northeast Zone	3,800		\$216.6	\$156	\$258.1
memo: Southeast Zone	1,500		\$46.2	\$84	\$51.5
memo: South Central Zone	2,000		\$129.1	\$177	\$148.4
Argosy Riverside	1,969	97.2	\$113.5	\$158	\$124.0
IOC KC	1,330	80.9	\$56.1	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$130.9	\$201	\$148.6
Ameristar KC	3,012	98.6	\$172.1	\$157	\$193.1
Sugar Creek					
Subtotal KCMO	8,094		\$472.6	\$160	\$526.3
Greater KC Total	12,344		\$702.9	\$156	\$798.2
Greater Joplin Total	9,963		\$198.6	\$55	\$213.3
Greater Wichita Total	8,332		\$222.8	\$73	\$245.9
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$492.4	\$211.0	\$703.4	
from Others (")		\$182.2			

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E. "High" Projections
Harrah's Mulvane

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**Exhibit E: Gaming Revenue Projections (\$mn / 2007\$)
Harrah's Mulvane "High"**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.5	\$175	\$233.0
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.0	\$110	\$24.0
Penn Cherokee	900	102	\$26.0	\$79	\$31.9
Harrahs Mulvane	2,000	110	\$167.7	\$230	\$194.0
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$34.4	\$118	\$39.2
Subtotal Kansas Taxable	8,100		\$469.1	\$159	\$547.5
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$144.5	\$120	\$162.0
Total Kansas	11,843		\$627.3	\$145	\$723.2
memo: Northeast Zone	3,800		\$216.9	\$156	\$258.3
memo: Southeast Zone	1,500		\$50.0	\$91	\$56.0
memo: South Central Zone	2,000		\$167.7	\$230	\$194.0
Argosy Riverside	1,969	97.2	\$113.6	\$158	\$124.2
IOC KC	1,330	80.9	\$56.2	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$131.1	\$201	\$148.8
Ameristar KC	3,012	98.6	\$172.4	\$157	\$193.4
Sugar Creek					
Subtotal KCMO	8,094		\$473.3	\$160	\$527.0
Greater KC Total	12,344		\$703.9	\$156	\$799.1
Greater Joplin Total	9,463		\$195.3	\$57	\$209.8
Greater Wichita Total	6,632		\$245.5	\$101	\$274.5
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$531.9	\$191.6	\$723.6	
from Others (")		\$191.3			

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Detail for Slots
Harrah's Mulvane

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A. "As Was" Projections / Slots

Harrah's Mulvane

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Exhibit A-1: Slot Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Casinos Anywhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$167.8	\$171
	-----		-----	
Total Kansas	2,693		\$167.8	\$171
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$164.2	\$228
IOC KC	1,523	78.9	\$77.3	\$139
Harrahs NKC	1,783	103.5	\$175.4	\$270
Ameristar KC	3,012	98.6	\$222.5	\$202
Sugar Creek				
	-----		-----	
Subtotal KCMO	8,287		\$639.4	\$211
Greater KC Total	8,287		\$639.4	\$211
Greater Joplin Total	4,242		\$138.8	\$90
Greater Wichita Total	3,632		\$112.3	\$85
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$124.5	\$338.8	\$463.3
from Others (")		\$43.3		

Exhibit A-2: Slot Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$26.4	\$90
KCK Speedway	3,000	102	\$201.2	\$184
KCK Stateline				
KCK Middle				
Camptown	600	102	\$28.8	\$131
Penn Cherokee	900	102	\$42.2	\$128
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$40.0	\$137
Subtotal Kansas Taxable	6,100		\$338.5	\$152
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$144.2	\$147
Total Kansas	8,793		\$482.7	\$150
memo: Northeast Zone	3,800		\$227.6	\$164
memo: Southeast Zone	1,500		\$70.9	\$130
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$118.6	\$165
IOC KC	1,523	78.9	\$59.7	\$107
Harrahs NKC	1,783	103.5	\$136.7	\$210
Ameristar KC	3,012	98.6	\$179.0	\$163
Sugar Creek				
Subtotal KCMO	8,287		\$494.1	\$163
Greater KC Total	12,087		\$721.6	\$164
Greater Joplin Total	5,742		\$184.0	\$88
Greater Wichita Total	3,632		\$107.2	\$81
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$322.8	\$223.0	\$545.7
from Others (")		\$160.0		

Exhibit A-3: Slot Projections (\$mn / 2007\$)
Harrah's Mulvane "As Was" 2007 (with New Kansas Facilities)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$26.2	\$90
KCK Speedway	3,000	102	\$198.8	\$182
KCK Stateline				
KCK Middle				
Camptown	600	102	\$28.0	\$128
Penn Cherokee	900	102	\$41.3	\$126
Harrahs Mulvane	2,000	104	\$158.1	\$217
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.7	\$122
Subtotal Kansas Taxable	8,100		\$488.1	\$165
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$138.2	\$141
Total Kansas	10,793		\$626.3	\$159
memo: Northeast Zone	3,800		\$225.0	\$162
memo: Southeast Zone	1,500		\$69.4	\$127
memo: South Central Zone	2,000		\$158.1	\$217
Argosy Riverside	1,969	97.2	\$117.6	\$164
IOC KC	1,523	78.9	\$59.6	\$107
Harrahs NKC	1,783	103.5	\$135.6	\$208
Ameristar KC	3,012	98.6	\$177.7	\$162
Sugar Creek				
Subtotal KCMO	8,287		\$490.5	\$162
Greater KC Total	12,087		\$715.5	\$162
Greater Joplin Total	5,742		\$180.5	\$86
Greater Wichita Total	5,632		\$234.5	\$114
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$459.2	\$174.5	\$633.7
from Others (")		\$167.1		

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B. Baseline (Likely Future) Projections
Harrah's Mulvane / Slots

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Exhibit B-1: Slot Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	3,293	117	\$174.0	\$145
	-----		-----	
Total Kansas	3,293		\$174.0	\$145
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$162.2	\$226
IOC KC	1,330	80.9	\$75.1	\$155
Harrahs NKC	1,783	103.5	\$172.9	\$266
Ameristar KC	3,012	98.6	\$219.4	\$200
Sugar Creek				
	-----		-----	
Subtotal KCMO	8,094		\$629.5	\$213
Greater KC Total	8,094		\$629.5	\$213
Greater Joplin Total	7,963		\$177.3	\$61
Greater Wichita Total	4,632		\$114.1	\$67
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$125.6	\$341.4	\$467.0
from Others (")		\$48.5		

Exhibit B-2: Slot Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere AND KS

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.5	\$87
KCK Speedway	3,000	102	\$193.5	\$177
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.6	\$112
Penn Cherokee	900	102	\$26.6	\$81
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$38.3	\$131
Subtotal Kansas Taxable	6,100		\$308.5	\$139
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$150.3	\$125
Total Kansas	9,843		\$472.6	\$132
memo: Northeast Zone	3,800		\$219.0	\$158
memo: Southeast Zone	1,500		\$51.2	\$94
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$114.4	\$159
IOC KC	1,330	80.9	\$56.3	\$116
Harrahs NKC	1,783	103.5	\$132.1	\$203
Ameristar KC	3,012	98.6	\$173.5	\$158
Sugar Creek				
Subtotal KCMO	8,094		\$476.3	\$161
Greater KC Total	12,344		\$709.0	\$157
Greater Joplin Total	9,463		\$200.1	\$58
Greater Wichita Total	4,632		\$110.1	\$65
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$318.7	\$225.9	\$544.7
from Others (")		\$153.9		

Exhibit B-2A: Detail for Sources of Consumer Slot Spending (\$000)
Baseline Before Any Casinos in South-Central Zone

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Slots	6,100	800	3,000			600	900				800
Power Rating		95	102			102	102				112
Win/Slot/Day		\$87	\$177			\$112	\$81				\$131
Kansas Tourists	\$12,668	\$455	\$4,992			\$994	\$1,119				\$5,107
Kansas Locals	194,168	\$15,934	\$127,789			\$16,711	\$3,610				\$30,124
Kansas Total	\$206,836	\$16,389	\$132,781	\$0	\$0	\$17,706	\$4,729	\$0	\$0	\$0	\$35,231
Missouri Tourists	\$9,733	\$666	\$6,423			\$1,145	\$1,448				\$52
Missouri Locals	77,649	\$8,162	\$50,347			\$4,887	\$14,254				\$0
Missouri Total	\$87,382	\$8,827	\$56,769	\$0	\$0	\$6,032	\$15,702	\$0	\$0	\$0	\$52
Okla + Ark Tourists	\$3,448	\$25	\$614			\$474	\$1,000				\$1,334
Okla + Ark Locals	3,744	\$0	\$0			\$360	\$2,898				\$485
Okla + Ark Total	\$7,192	\$25	\$614	\$0	\$0	\$835	\$3,899	\$0	\$0	\$0	\$1,820
Iowa	\$1,428	\$93	\$1,308	\$0	\$0	\$8	\$12	\$0	\$0	\$0	\$7
Nebraska	\$2,446	\$89	\$1,421	\$0	\$0	\$9	\$14	\$0	\$0	\$0	\$914
Other Near	\$1,067	\$28	\$662	\$0	\$0	\$20	\$50	\$0	\$0	\$0	\$307
Frontage Traffic	\$2,201						\$2,201				
Total All Sources	\$308,545	\$25,451	\$193,548	\$0	\$0	\$24,609	\$26,607	\$0	\$0	\$0	\$38,332
total Tourists	\$32,984	\$1,355	\$15,412			\$2,650	\$5,844				\$7,722
total locals	\$275,561	\$24,095	\$178,136			\$21,959	\$20,762				\$30,610

Note: Totals may not add due to rounding.

Exhibit B-3: Projection in Brief (\$mn / 2007\$)
Harrah's Mulvane Slots Baseline

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.8	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane	2,000	104	\$151.3	\$207
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.1	\$120
Subtotal Kansas Taxable	8,100		\$453.8	\$153
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.5	\$121
Total Kansas	11,843		\$613.0	\$142
memo: Northeast Zone	3,800		\$217.2	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$151.3	\$207
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.2	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.7	\$156
Greater Joplin Total	9,463		\$195.9	\$57
Greater Wichita Total	6,632		\$231.4	\$96
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$452.6	\$180.1	\$632.7
from Others (")		\$160.4		

Exhibit B-3A: Detail for Sources of Consumer Slot Spending (\$000)
Harrah's Mulvane Slots Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harhrs Mul	Penn Well'n	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900	2,000			800
Power Rating		95	102			102	102	104			112
Win/Slot/Day		\$87	\$175			\$110	\$79	\$204			\$120
Kansas Tourists	\$13,131	\$376	\$3,466			\$594	\$672	\$4,832			\$3,190
Kansas Locals	332,280	\$15,915	\$127,666			\$16,647	\$3,588	\$139,546			\$28,919
Kansas Total	\$345,411	\$16,292	\$131,131	\$0	\$0	\$17,241	\$4,260	\$144,378	\$0	\$0	\$32,109
Missouri Tourists	\$10,620	\$663	\$6,400			\$1,140	\$1,442	\$923			\$52
Missouri Locals	77,543	\$8,157	\$50,322			\$4,853	\$14,210	\$0			\$0
Missouri Total	\$88,163	\$8,821	\$56,722	\$0	\$0	\$5,994	\$15,652	\$923	\$0	\$0	\$52
Okla + Ark Tourists	\$5,258	\$25	\$613			\$474	\$999	\$1,877			\$1,271
Okla + Ark Locals	4,499	\$0	\$0			\$360	\$2,894	\$802			\$443
Okla + Ark Total	\$9,757	\$25	\$613	\$0	\$0	\$833	\$3,894	\$2,678	\$0	\$0	\$1,714
Iowa	\$1,459	\$93	\$1,308	\$0	\$0	\$8	\$12	\$31	\$0	\$0	\$7
Nebraska	\$2,976	\$88	\$1,408	\$0	\$0	\$9	\$13	\$563	\$0	\$0	\$896
Other Near	\$1,152	\$28	\$662	\$0	\$0	\$20	\$50	\$87	\$0	\$0	\$306
Frontage Traffic	\$4,866						\$2,201	\$2,665			
Total All Sources	\$453,775	\$25,346	\$191,835	\$0	\$0	\$24,105	\$26,082	\$151,324	\$0	\$0	\$35,083
total Tourists	\$39,453	\$1,274	\$13,847			\$2,245	\$5,389	\$10,976			\$5,721
total locals	\$414,322	\$24,073	\$177,988			\$21,860	\$20,693	\$140,347			\$29,361

Note: Totals may not add due to rounding.

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C. Comparative Projections / Slots

Harrah's Mulvane

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July 16, 2008

Exhibit C-1: Slot Projections (\$mn / 2007\$)
Harrah's Mulvane at Standard Size / Baseline Competition

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.8	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane	2,000	104	\$151.3	\$207
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.1	\$120
Subtotal Kansas Taxable	8,100		\$453.8	\$153
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.5	\$121
Total Kansas	11,843		\$613.0	\$142
memo: Northeast Zone	3,800		\$217.2	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$151.3	\$207
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.2	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.7	\$156
Greater Joplin Total	9,463		\$195.9	\$57
Greater Wichita Total	6,632		\$231.4	\$96
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$452.6	\$180.1	\$632.7
from Others (")		\$160.4		

Exhibit C-2: Slot Projections (\$mn / 2007\$)
Penn Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.9	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane				
Penn Wellington	2,000	110	\$117.2	\$161
Marvel Wellington				
Dodge City	800	112	\$34.8	\$119
Subtotal Kansas Taxable	8,100		\$419.5	\$142
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.5	\$121
Total Kansas	11,843		\$578.7	\$134
memo: Northeast Zone	3,800		\$217.2	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$117.2	\$161
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.2	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.8	\$156
Greater Joplin Total	9,463		\$195.9	\$57
Greater Wichita Total	6,632		\$197.3	\$82
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$412.8	\$182.1	\$594.9
from Others (")		\$165.9		

Exhibit C-3: Slot Projections (\$mn / 2007\$)
Marvel Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.9	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	2,000	110	\$111.5	\$153
Dodge City	800	112	\$34.9	\$120
Subtotal Kansas Taxable	8,100		\$413.9	\$140
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.6	\$121
Total Kansas	11,843		\$573.3	\$133
memo: Northeast Zone	3,800		\$217.3	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$111.5	\$153
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.3	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.9	\$156
Greater Joplin Total	9,463		\$196.0	\$57
Greater Wichita Total	6,632		\$192.4	\$79
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$407.5	\$183.4	\$590.8
from Others (")		\$165.8		

Exhibit C-4: Slot Projections (\$mn / 2007\$)
Summary: South-Central Proponents at Standard Size

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Harrahs Mulvane	2,000	104	\$151.3	\$207
Penn Wellington	2,000	110	\$117.2	\$161
Marvel Wellington	2,000	110	\$111.5	\$153

Exhibit C-5: Slot Projections (\$mn / 2007\$)
Harrah's Mulvane Slots Match Harrah's Projections

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.2	\$86
KCK Speedway	3,000	102	\$190.8	\$174
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.8	\$109
Penn Cherokee	900	102	\$25.8	\$79
Harrahs Mulvane	2,000	123	\$210.0 *	\$288
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$32.6	\$112
Subtotal Kansas Taxable	8,100		\$508.2	\$172
KCK 7th Street	450	78	\$13.7	\$84
4 Northeast KS Natives	3,293	117	\$142.0	\$118
Total Kansas	11,843		\$664.0	\$154
memo: Northeast Zone	3,800		\$216.0	\$156
memo: Southeast Zone	1,500		\$49.6	\$91
memo: South Central Zone	2,000		\$210.0	\$288
Argosy Riverside	1,969	97.2	\$113.3	\$158
IOC KC	1,330	80.9	\$56.1	\$116
Harrahs NKC	1,783	103.5	\$130.7	\$201
Ameristar KC	3,012	98.6	\$172.0	\$156
Sugar Creek				
Subtotal KCMO	8,094		\$472.1	\$160
Greater KC Total	12,344		\$701.8	\$156
Greater Joplin Total	9,463		\$193.7	\$56
Greater Wichita Total	6,632		\$283.0	\$117
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$495.4	\$167.9	\$663.3
from Others (")		\$168.6		

* Equates to Harrah's projection of \$243.5mn in 2013 in then-year dollars.

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D. "Low" Projections / Slots
Harrah's Mulvane

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**Exhibit D: Projection in Brief (\$mn / 2007\$)
Harrah's Mulvane Slots "Low"**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.3	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.0	\$105
Penn Cherokee	900	102	\$23.2	\$71
Harrahs Mulvane	2,000	98	\$129.1	\$177
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.1	\$120
Subtotal Kansas Taxable	8,100		\$427.0	\$144
KCK 7th Street	450	78	\$13.7	\$84
4 Northeast KS Natives	3,293	117	\$145.0	\$121
Total Kansas	11,843		\$585.8	\$136
memo: Northeast Zone	3,800		\$216.6	\$156
memo: Southeast Zone	1,500		\$46.2	\$84
memo: South Central Zone	2,000		\$129.1	\$177
Argosy Riverside	1,969	97.2	\$113.5	\$158
IOC KC	1,330	80.9	\$56.1	\$116
Harrahs NKC	1,783	103.5	\$130.9	\$201
Ameristar KC	3,012	98.6	\$172.1	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$472.6	\$160
Greater KC Total	12,344		\$702.9	\$156
Greater Joplin Total	9,963		\$198.6	\$55
Greater Wichita Total	8,332		\$222.8	\$73
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$430.6	\$193.9	\$624.6
from Others (")		\$155.2		

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E. "High" Projections / Slots

Harrah's Mulvane

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July 16, 2008

**Exhibit E: Projection in Brief (\$mn / 2007\$)
Harrah's Mulvane Slots "High"**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.5	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.0	\$110
Penn Cherokee	900	102	\$26.0	\$79
Harrahs Mulvane	2,000	110	\$167.7	\$230
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$34.4	\$118
Subtotal Kansas Taxable	8,100		\$469.1	\$159
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$144.5	\$120
Total Kansas	11,843		\$627.3	\$145
memo: Northeast Zone	3,800		\$216.9	\$156
memo: Southeast Zone	1,500		\$50.0	\$91
memo: South Central Zone	2,000		\$167.7	\$230
Argosy Riverside	1,969	97.2	\$113.6	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.1	\$201
Ameristar KC	3,012	98.6	\$172.4	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.3	\$160
Greater KC Total	12,344		\$703.9	\$156
Greater Joplin Total	9,463		\$195.3	\$57
Greater Wichita Total	6,632		\$245.5	\$101
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$465.3	\$176.1	\$641.4
from Others (")		\$162.0		

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Detail for Tables
Harrah's Mulvane

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A. "As Was" Projections / Tables

Harrah's Mulvane

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Exhibit A-1: Table Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Casinos Anywhere

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	59	111	\$27.3	\$1,269
	-----		-----	
Total Kansas	59		\$27.3	\$1,269
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	39	87.3	\$17.8	\$1,253
IOC KC	23	70.2	\$6.5	\$777
Harrahs NKC	48	95.3	\$26.9	\$1,534
Ameristar KC	90	86.5	\$30.1	\$916
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$81.3	\$1,114
Greater KC Total	200		\$81.3	\$1,114
Greater Joplin Total	49		\$6.9	\$384
Greater Wichita Total	21		\$3.9	\$511
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$20.6	\$38.5	\$59.2
from Others (")		\$6.7		

Exhibit A-2: Table Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$44.1	\$1,209
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$9.0	\$822
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$6.3	\$868
	-----		-----	
Subtotal Kansas Taxable	150		\$59.5	\$1,086
KCK 7th Street				
4 Northeast KS Natives	59	111	\$20.4	\$949
	-----		-----	
Total Kansas	209		\$79.9	\$1,047
memo: Northeast Zone	100		\$44.1	\$1,209
memo: Southeast Zone	30		\$9.0	\$822
memo: South Central Zone				
Argosy Riverside	39	87.3	\$10.9	\$768
IOC KC	23	70.2	\$4.5	\$534
Harrahs NKC	48	95.3	\$18.4	\$1,050
Ameristar KC	90	86.5	\$21.7	\$660
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$55.5	\$760
Greater KC Total	300		\$99.6	\$910
Greater Joplin Total	79		\$15.1	\$525
Greater Wichita Total	21		\$3.3	\$435
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$50.3	\$19.2	\$69.5
from Others (")		\$29.6		

Exhibit A-3: Table Projections (\$mn / 2007\$)
Harrah's Mulvane "As Was" 2007 (with New Kansas Facilities)

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$42.1	\$1,153
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$8.6	\$782
Harrahs Mulvane	50	98	\$23.6	\$1,294
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$5.0	\$680
Subtotal Kansas Taxable	200		\$79.2	\$1,085
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.9	\$830
Total Kansas	259		\$97.1	\$1,027
memo: Northeast Zone	100		\$42.1	\$1,153
memo: Southeast Zone	30		\$8.6	\$782
memo: South Central Zone	50		\$23.6	\$1,294
Argosy Riverside	39	87.3	\$10.7	\$750
IOC KC	23	70.2	\$4.5	\$531
Harrahs NKC	48	95.3	\$17.9	\$1,022
Ameristar KC	90	86.5	\$21.2	\$646
Sugar Creek				
Subtotal KCMO	200		\$54.3	\$743
Greater KC Total	300		\$96.3	\$880
Greater Joplin Total	79		\$14.5	\$502
Greater Wichita Total	71		\$26.1	\$1,007
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$65.5	\$14.9	\$80.3
from Others (")		\$31.6		

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B. Baseline (Likely Future) Projections
Harrah's Mulvane / Tables

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July 16, 2008

**Exhibit B-1: Table Projections (\$mn / 2007\$)
Baseline Before Any New Casinos in Kansas**

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	59	111	\$26.4	\$1,224
	-----		-----	
Total Kansas	59		\$26.4	\$1,224
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	39	87.3	\$17.6	\$1,238
IOC KC	23	70.2	\$6.5	\$773
Harrahs NKC	48	95.3	\$26.5	\$1,510
Ameristar KC	90	86.5	\$29.7	\$903
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$80.2	\$1,099
Greater KC Total	200		\$80.2	\$1,099
Greater Joplin Total	104		\$9.5	\$251
Greater Wichita Total	35		\$4.4	\$346
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$19.9	\$39.6	\$59.5
from Others (")		\$6.5		

Exhibit B-2: Table Projections (\$mn / 2007\$)
Baseline Before Any Casino in South-Central Zone

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$43.4	\$1,189
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.3	\$575
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$6.2	\$843
	-----		-----	
Subtotal Kansas Taxable	150		\$55.8	\$1,020
KCK 7th Street				
4 Northeast KS Natives	59	111	\$19.9	\$924
	-----		-----	
Total Kansas	209		\$75.7	\$993
memo: Northeast Zone	100		\$43.4	\$1,189
memo: Southeast Zone	30		\$6.3	\$575
memo: South Central Zone				
Argosy Riverside	39	87.3	\$10.8	\$760
IOC KC	23	70.2	\$4.5	\$532
Harrahs NKC	48	95.3	\$18.2	\$1,037
Ameristar KC	90	86.5	\$21.4	\$653
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$54.9	\$752
Greater KC Total	300		\$98.3	\$898
Greater Joplin Total	134		\$15.4	\$315
Greater Wichita Total	35		\$3.7	\$292
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$48.9	\$20.6	\$69.6
from Others (")		\$26.8		

Exhibit B-2A: Detail for Sources of Consumer Table Spending (\$000)
Baseline Before Any Casinos in South-Central Zone

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Tables	150		100				30				20
Power Rating			102				90				100
Win/Table/Day			\$1,189				\$575				\$843
Kansas Tourists	\$4,494		\$2,812				\$360				\$1,323
Kansas Locals	30,011		\$25,131				\$970				\$3,910
Kansas Total	\$34,505	\$0	\$27,942	\$0	\$0	\$0	\$1,330	\$0	\$0	\$0	\$5,233
Missouri Tourists	\$2,097		\$1,913				\$179				\$6
Missouri Locals	15,525		\$12,140				\$3,385				\$0
Missouri Total	\$17,622	\$0	\$14,053	\$0	\$0	\$0	\$3,564	\$0	\$0	\$0	\$6
Okla + Ark Tourists	\$942		\$336				\$271				\$335
Okla + Ark Locals	967		\$0				\$904				\$63
Okla + Ark Total	\$1,909	\$0	\$336	\$0	\$0	\$0	\$1,175	\$0	\$0	\$0	\$398
Iowa	\$401	\$0	\$399	\$0	\$0	\$0	\$2	\$0	\$0	\$0	\$1
Nebraska	\$631	\$0	\$481	\$0	\$0	\$0	\$2	\$0	\$0	\$0	\$147
Other Near	\$556	\$0	\$184	\$0	\$0	\$0	\$4	\$0	\$0	\$0	\$367
Frontage Traffic	\$220						\$220				
Total All Sources	\$55,842	\$0	\$43,394	\$0	\$0	\$0	\$6,296	\$0	\$0	\$0	\$6,151
total Tourists	\$9,339		\$6,123				\$1,038				\$2,178
total locals	\$46,503		\$37,271				\$5,259				\$3,973

Note: Totals may not add due to rounding.

Exhibit B-3: Table Projections (\$mn / 2007\$)
Harrah's Mulvane Baseline

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,140
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$544
Harrahs Mulvane	50	98	\$22.8	\$1,252
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$675
Subtotal Kansas Taxable	200		\$75.3	\$1,032
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.7	\$821
Total Kansas	259		\$93.0	\$984
memo: Northeast Zone	100		\$41.6	\$1,140
memo: Southeast Zone	30		\$6.0	\$544
memo: South Central Zone	50		\$22.8	\$1,252
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,012
Ameristar KC	90	86.5	\$21.0	\$641
Sugar Creek				
Subtotal KCMO	200		\$53.8	\$737
Greater KC Total	300		\$95.4	\$872
Greater Joplin Total	134		\$14.6	\$298
Greater Wichita Total	85		\$25.7	\$828
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.6	\$15.8	\$80.4
from Others (")		\$28.5		

Exhibit B-3A: Detail for Sources of Consumer Table Spending (\$000)
Harrah's Mulvane Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrah's Mul	Penn Well's	Marvel Wel	Dodge
Number of Tables	200		100				30	50			20
Power Rating			102				90	98			100
Win/Table/Day			\$1,140				\$544	\$1,237			\$675
Kansas Tourists	\$2,449		\$1,099				\$85	\$807			\$457
Kansas Locals	49,857		\$25,102				\$945	\$20,164			\$3,646
Kansas Total	\$52,306	\$0	\$26,202	\$0	\$0	\$0	\$1,031	\$20,971	\$0	\$0	\$4,103
Missouri Tourists	\$2,248		\$1,900				\$178	\$164			\$5
Missouri Locals	15,498		\$12,134				\$3,365	\$0			\$0
Missouri Total	\$17,746	\$0	\$14,034	\$0	\$0	\$0	\$3,542	\$164	\$0	\$0	\$5
Okla + Ark Tourists	\$1,695		\$321				\$260	\$851			\$262
Okla + Ark Locals	1,378		\$0				\$896	\$429			\$53
Okla + Ark Total	\$3,072	\$0	\$321	\$0	\$0	\$0	\$1,156	\$1,280	\$0	\$0	\$315
Iowa	\$406	\$0	\$399	\$0	\$0	\$0	\$2	\$5	\$0	\$0	\$1
Nebraska	\$722	\$0	\$475	\$0	\$0	\$0	\$2	\$103	\$0	\$0	\$142
Other Near	\$610	\$0	\$184	\$0	\$0	\$0	\$4	\$59	\$0	\$0	\$362
Frontage Traffic	\$487						\$220	\$266			
Total All Sources	\$75,347	\$0	\$41,613	\$0	\$0	\$0	\$5,957	\$22,848	\$0	\$0	\$4,928
total Tourists	\$8,614		\$4,377				\$752	\$2,255			\$1,230
total locals	\$66,733		\$37,236				\$5,205	\$20,593			\$3,698

Note: Totals may not add due to rounding.

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C. Comparative Projections / Tables

Harrah's Mulvane

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July 16, 2008

Exhibit C-1: Table Projections (\$mn / 2007\$)
Harrah's Mulvane at Standard Size / Baseline Competition

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,140
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$544
Harrahs Mulvane	50	98	\$22.8	\$1,252
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$675
Subtotal Kansas Taxable	200		\$75.3	\$1,032
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.7	\$821
Total Kansas	259		\$93.0	\$984
memo: Northeast Zone	100		\$41.6	\$1,140
memo: Southeast Zone	30		\$6.0	\$544
memo: South Central Zone	50		\$22.8	\$1,252
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,012
Ameristar KC	90	86.5	\$21.0	\$641
Sugar Creek				
Subtotal KCMO	200		\$53.8	\$737
Greater KC Total	300		\$95.4	\$872
Greater Joplin Total	134		\$14.6	\$298
Greater Wichita Total	85		\$25.7	\$828
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.6	\$15.8	\$80.4
from Others (")		\$28.5		

Exhibit C-2: Table Projections (\$mn / 2007\$)
Penn Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.7	\$1,144
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$545
Harrahs Mulvane				
Penn Wellington	50	98	\$17.5	\$959
Marvel Wellington				
Dodge City	20	100	\$5.0	\$683
Subtotal Kansas Taxable	200		\$70.2	\$962
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.8	\$829
Total Kansas	259		\$88.0	\$931
memo: Northeast Zone	100		\$41.7	\$1,144
memo: Southeast Zone	30		\$6.0	\$545
memo: South Central Zone	50		\$17.5	\$959
Argosy Riverside	39	87.3	\$10.6	\$745
IOC KC	23	70.2	\$4.4	\$530
Harrahs NKC	48	95.3	\$17.8	\$1,014
Ameristar KC	90	86.5	\$21.1	\$641
Sugar Creek				
Subtotal KCMO	200		\$53.9	\$738
Greater KC Total	300		\$95.6	\$873
Greater Joplin Total	134		\$14.6	\$298
Greater Wichita Total	85		\$20.2	\$651
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$58.9	\$16.0	\$74.8
from Others (")		\$29.2		

Exhibit C-3: Table Projections (\$mn / 2007\$)
Marvel Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.8	\$1,144
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$545
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	50	98	\$16.9	\$923
Dodge City	20	100	\$5.0	\$685
	-----		-----	
Subtotal Kansas Taxable	200		\$69.6	\$953
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.9	\$830
	-----		-----	
Total Kansas	259		\$87.5	\$925
memo: Northeast Zone	100		\$41.8	\$1,144
memo: Southeast Zone	30		\$6.0	\$545
memo: South Central Zone	50		\$16.9	\$923
Argosy Riverside	39	87.3	\$10.6	\$746
IOC KC	23	70.2	\$4.4	\$530
Harrahs NKC	48	95.3	\$17.8	\$1,014
Ameristar KC	90	86.5	\$21.1	\$642
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.9	\$738
Greater KC Total	300		\$95.7	\$874
Greater Joplin Total	134		\$14.6	\$299
Greater Wichita Total	85		\$19.6	\$631
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$58.3	\$16.0	\$74.4
from Others (")		\$29.1		

Exhibit C-4: Table Projections (\$mn / 2007\$)
Summary: South-Central Proponents at Standard Size

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Harrahs Mulvane	50	98	\$22.8	\$1,252
Penn Wellington	50	98	\$17.5	\$959
Marvel Wellington	50	98	\$16.9	\$923

Exhibit C-5: Table Projections (\$mn / 2007\$)
Harrah's Tables Match Harrah's Mulvane Projections

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,138
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$5.9	\$543
Harrahs Mulvane	50	101	\$24.2 *	\$1,328
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$666
Subtotal Kansas Taxable	200		\$76.6	\$1,049
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.6	\$817
Total Kansas	259		\$94.2	\$996
memo: Northeast Zone	100		\$41.6	\$1,138
memo: Southeast Zone	30		\$5.9	\$543
memo: South Central Zone	50		\$24.2	\$1,328
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,012
Ameristar KC	90	86.5	\$21.0	\$640
Sugar Creek				
Subtotal KCMO	200		\$53.8	\$737
Greater KC Total	300		\$95.3	\$871
Greater Joplin Total	134		\$14.5	\$297
Greater Wichita Total	85		\$27.0	\$870
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$65.4	\$15.7	\$81.1
from Others (")		\$28.8		

* Equates to Harrah's projection of \$28.1mn in 2013 in then-year dollars (not inc. poker)

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D. "Low" Projections / Tables

Harrah's Mulvane

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July 16, 2008

Exhibit D: Table Projections (\$mn / 2007\$)
Harrah's Mulvane "Low"

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,139
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$5.3	\$481
Harrahs Mulvane	50	90	\$19.2	\$1,052
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$5.0	\$684
	-----		-----	
Subtotal Kansas Taxable	200		\$71.0	\$973
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.7	\$824
	-----		-----	
Total Kansas	259		\$88.8	\$939
memo: Northeast Zone	100		\$41.6	\$1,139
memo: Southeast Zone	30		\$5.3	\$481
memo: South Central Zone	50		\$19.2	\$1,052
Argosy Riverside	39	87.3	\$10.6	\$743
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,011
Ameristar KC	90	86.5	\$21.0	\$640
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.7	\$736
Greater KC Total	300		\$95.3	\$870
Greater Joplin Total	144		\$14.7	\$279
Greater Wichita Total	113		\$23.0	\$559
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$61.8	\$17.1	\$78.8
from Others (")		\$27.0		

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E. "High" Projections / Tables

Harrah's Mulvane

DRAFT

July 16, 2008

Exhibit E: Table Projections (\$mn / 2007\$)
Harrah's Mulvane "High"

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.5	\$1,136
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$5.9	\$541
Harrahs Mulvane	50	106	\$26.2	\$1,438
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.8	\$652
Subtotal Kansas Taxable	200		\$78.4	\$1,074
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.5	\$811
Total Kansas	259		\$95.9	\$1,014
memo: Northeast Zone	100		\$41.5	\$1,136
memo: Southeast Zone	30		\$5.9	\$541
memo: South Central Zone	50		\$26.2	\$1,438
Argosy Riverside	39	87.3	\$10.6	\$743
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,010
Ameristar KC	90	86.5	\$21.0	\$639
Sugar Creek				
Subtotal KCMO	200		\$53.7	\$736
Greater KC Total	300		\$95.2	\$869
Greater Joplin Total	134		\$14.5	\$296
Greater Wichita Total	85		\$28.9	\$933
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$66.6	\$15.5	\$82.1
from Others (")		\$29.3		

Cummings Associates

**Projections for the
Likely Gaming Revenues of
Penn Sumner, LLC
("Penn Wellington")**

DRAFT

July 16, 2008

Projections for Likely Gaming Revenues of Penn Sumner, LLC (“Penn Wellington”)

Exhibit 1 presents a full set of Baseline projections (“most likely future” scenario regarding competition, including other facilities in Kansas) with Penn Sumner’s Wellington property highlighted in light yellow. I have developed these projections assuming a *representative* selection of facilities in the other gaming zones so as to capture their (very modest) impacts on each property that I examine here. I have also assumed the specific location, size and configuration of the casino facility proposed by Penn. This includes the dedicated off-ramp from the Kansas Turnpike proposed by Penn’s representatives at the Review Board’s hearing in Belle Plain.¹

Under this scenario, Penn’s Wellington casino is projected to obtain total annual gaming revenues of \$123.5 million. (This compares with Marvel’s Trailhead, also near Wellington, at \$130.2 million,² and Harrah’s Mulvane at \$174 million.)

As in my previous report, these projections are presented as of “maturity,” a.k.a. “stabilized operations,” in terms of 2007 dollars. To get to then-year dollars, I would assume escalation of 2.5% per year. This reflects nominal income growth / inflation at two percent per annum plus adult population growth averaging 0.5% per year.

In 2014, for example, my projections would equate to \$146.8 million in gaming win. This compares with Penn National’s projection of \$230.1 million for combined slot and table gaming revenues in that year. (I have omitted the \$3.5 million that Penn National projects as poker and related revenues from this comparison.)

A new addition to this type of exhibit is presented at the bottom. On the first line are projections for the spending of all the residents of Kansas on gaming, first at Kansas casinos, then to casinos in other states, and finally in total. The second line indicates the estimated spending of the residents of other states *at* the gaming facilities of Kansas. Kansas’s “balance of trade” can be found by netting the diagonal entries: in this case, \$203.8 million spent by Kansans in nearby

¹ The statement was made that this would reduce the travel-time differential between Harrah’s Mulvane facility and Penn’s at Wellington to nine minutes. I believe this is a slight exaggeration (at 72mph, I found the time between Exits 19 and 33 to be 11’20”), but have assumed that the dedicated off-ramp would cut the average travel time each way by one minute (two minutes going to Wellington from Wichita, but zero minutes returning).

² Despite the dedicated off-ramp that I have assumed, Penn’s Hollywood casino revenues are projected lower than Marvel’s Trailhead primarily due to its smaller size: initially 1,500 slots and 40 table games versus 2,000 slots and 65 table games for Marvel’s facility.

states versus \$193.1 million spent by others in Kansas, resulting in a net outflow of \$10.7 million from the State of Kansas.³

Exhibit 2 presents detail for the sources of consumer spending at each facility in Kansas, with Penn Wellington highlighted once again in light yellow.

Exhibit 3 presents corresponding detail regarding visitation.

Exhibit 4 presents a graphic comparison of my projections versus those of the proponent. I have inflated my 2007-dollar projections by the aforesaid 2.5% per year, and ignored partial years of operation (as well as receipts from poker and other non-banked card games, as mentioned above).

Exhibit 5 is similar except that my projections have been inflated at the rate that the proponent assumes for “organic” growth in the outyears. For Penn National’s Hollywood Casino, this appears to be roughly 5%.⁴ I have done this in order to maximize comparability with the applicant by removing this source of difference between our projections. I believe, however, that the 2.5% rate is more appropriate. There are very few markets in the Midwest where total gaming receipts increased at a greater rate in the *good* years prior to 2007 without substantial additions to capacity or major renovations that improved quality. When everything else remained equal, most markets in the Midwest grew 2-3% per year in the early 00s, so I believe that is the most reasonable assumption for the future – *after* we recover from the current recession.

Section A then provides detail regarding my analyses and projections “as was” in 2007, i.e., with no change in competition from that year – aside from a representative selection of gaming facilities elsewhere in Kansas. I think most of the proponents would have assumed some such competition (which, however, likely had less impact on their projections than it does on mine).

Section B provides further detail regarding my Baseline projections. It is from this section that the leading Exhibits 1, 2 and 3 were extracted (duplicated here as B-3, B-3A, and B-3B, respectively).

Comparisons of various types are presented in **Section C**. The three casinos proposed for Sumner County are compared against each other at a “standard size” so as to extract the differences due to location alone. As indicated in Exhibit C-4, this leaves Harrah’s Mulvane with a substantial advantage over either of the two facilities proposed near Wellington. And for each

³ Ignoring, as before, minor amounts spent in Nevada, Atlantic City, on cruise ships, etc. For these calculations I have also assumed that all the “drive-by” revenues at the facilities on Interstate Highways derive from the residents of other states, though some portion will indeed likely come from Kansans.

⁴ The Morowitz study submitted by Penn National indicates that the number of slot machines will grow from 1,500 to 2,000 over the final two years of the projection period, but the 5.5% growth rate between 2014 and 2015 is the lowest shown between any two years in Penn’s projections.

proponent, I have matched their own projections with my model so as to determine the effective “power rating” that they implicitly assert. As of what looks to me like the first full year of stabilized operations, Harrah's slot projections weigh in at 123, Penn Wellington's at 131, and Marvel's at 134. These are all unusually high. (Penn Cherokee is actually the least aggressive, at 116-126.)

Section D presents my “low” projection, and **Section E** my “high” (formerly “downside” and “upside,” respectively. I changed the names so as to reduce impressions that they may represent either a floor or ceiling.)

I also present corresponding detail from the separate slot and table models that combine to yield my projections in total. The zone in which this disaggregation really matters is the Southeast: I'm projecting table revenues to be strong there due to the absence of craps, roulette, and banked table games at the casinos of Oklahoma. This also has positive impacts in the South-Central Zone, but to a much more modest extent. If Oklahoma table players always had to pay an ante, Kansas games would be substantially more attractive, but as we saw at Downstream last week, that is not necessarily the case. Downstream and at least one other Oklahoma casino appear to be foregoing antes in order to build their table business. I presume that the Oklahoma casinos nearest the South-Central Zone would do the same when faced with competition from Penn's Hollywood or any other new casino here.

I had also formerly assumed that the table situation in Oklahoma would reduce the power ratings of their slots by five points when “real” table games appeared in Kansas. I'm now assuming just two points for this effect, so there is little (additional) benefit for Penn's casino other than the superiority of its table games in their own right.

In sum, my projections for Penn National's Wellington casino are substantially lower than the proponent's own, and also lower than my projections for the facility that Harrah's has proposed near Mulvane. Based on my experience and my analyses of other markets, my gravity models indicate that other things being equal, Harrah's location roughly ten minutes closer to the vast majority of the population in the market would attract considerably more consumer spending than either of the locations proposed at Wellington.

Cummings Associates

**Projections for the
Likely Gaming Revenues of
Penn Sumner, LLC
("Penn Wellington")**

Exhibits

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July 16, 2008

List of Exhibits

Exhibit

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- 2 Detail for Sources of Consumer Spending
- 3 Detail for Visitation by Source
- 4 Penn's Wellington Projections vs. Cummings's (2.5% escalation)
- 5 Penn's Wellington Projections vs. Cummings's (5% escalation)

Section A: "As Was" Projections

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Section B: Baseline (Likely Future) Projections

- B-1 Likely Future / Baseline -- with New Facilities Elsewhere
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- B-2A Detail for Sources of Consumer Spending
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- C-5 Penn Sumner's 1500 Slots (&c) Match Penn's Projections for 2014
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Section D: "Low" Projections

- D Penn Wellington "Low"

Section E: "High" Projections

- E Penn Wellington "High"

(Similar sets of exhibits follow for slots and tables)

Exhibit 1: Gaming Revenue Projections (\$mn / 2007\$)
Penn Wellington Baseline

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.4	\$87	\$25.4
KCK Speedway	3,000	102	\$192.2	\$175	\$234.0
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.2	\$110	\$24.2
Penn Cherokee	900	102	\$26.2	\$80	\$32.2
Harrahs Mulvane					
Penn Wellington	1,500	110	\$107.8	\$197	\$123.5
Marvel Wellington					
Dodge City	800	112	\$35.5	\$122	\$40.6
Subtotal Kansas Taxable	7,600		\$411.2	\$148	\$479.9
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$146.4	\$122	\$164.4
Total Kansas	11,343		\$571.3	\$138	\$658.0
memo: Northeast Zone	3,800		\$217.5	\$157	\$259.4
memo: Southeast Zone	1,500		\$50.4	\$92	\$56.4
memo: South Central Zone	1,500		\$107.8	\$197	\$123.5
Argosy Riverside	1,969	97.2	\$113.8	\$158	\$124.5
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.4	\$202	\$149.2
Ameristar KC	3,012	98.6	\$172.8	\$157	\$193.9
Sugar Creek					
Subtotal KCMO	8,094		\$474.2	\$161	\$528.2
Greater KC Total	12,344		\$705.5	\$157	\$801.4
Greater Joplin Total	9,463		\$196.6	\$57	\$211.3
Greater Wichita Total	6,132		\$191.2	\$85	\$209.8
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$464.9	\$203.8	\$668.8	
from Others (")		\$193.1			

Note: Totals may not add due to rounding.

Exhibit 2: Detail for Sources of Consumer Spending (\$000)
Penn Wellington Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well ¹	Marvel Wel	Dodge
Number of Slots	7,600	800	3,000			600	900		1,500		800
Power Rating		95	102			102	102		110		112
Win/Slot/Day		\$87	\$175			\$110	\$80		\$197		\$122
Kansas Tourists	\$16,694	\$391	\$5,121			\$683	\$883		\$5,462		\$4,154
Kansas Locals	327,595	\$15,918	152,798			\$16,650	4,537		105,012		32,680
Kansas Total	\$344,289	\$16,309	\$157,920	\$0	\$0	\$17,332	\$5,420	\$0	\$110,474	\$0	\$36,834
Missouri Tourists	\$12,935	\$663	\$8,303			\$1,140	\$1,620		\$1,152		\$58
Missouri Locals	93,042	\$8,158	62,463			\$4,851	17,570		0		0
Missouri Total	\$105,977	\$8,822	\$70,765	\$0	\$0	\$5,991	\$19,189	\$0	\$1,152	\$0	\$58
Okla + Ark Tourists	\$6,913	\$25	\$933			\$473	\$1,258		\$2,712		\$1,512
Okla + Ark Locals	7,209	\$0	0			\$360	3,789		2,573		487
Okla + Ark Total	\$14,121	\$25	\$933	\$0	\$0	\$833	\$5,047	\$0	\$5,285	\$0	\$1,999
Iowa	\$1,862	\$93	\$1,706	\$0	\$0	\$8	\$14	\$0	\$33	\$0	\$7
Nebraska	\$3,602	\$88	\$1,888	\$0	\$0	\$9	\$15	\$0	\$560	\$0	\$1,042
Other Near	\$1,751	\$28	\$845	\$0	\$0	\$20	\$54	\$0	\$134	\$0	\$670
Frontage Traffic	\$8,283						\$2,421		\$5,862		
Total All Sources	\$479,876	\$25,365	\$234,048	\$0	\$0	\$24,193	\$32,161	\$0	\$123,499	\$0	\$40,610
total Tourists	\$52,030	\$1,289	\$18,787			\$2,332	\$6,266		\$15,914		\$7,442
total locals	\$427,846	\$24,076	\$215,261			\$21,861	\$25,895		\$107,585		\$33,167

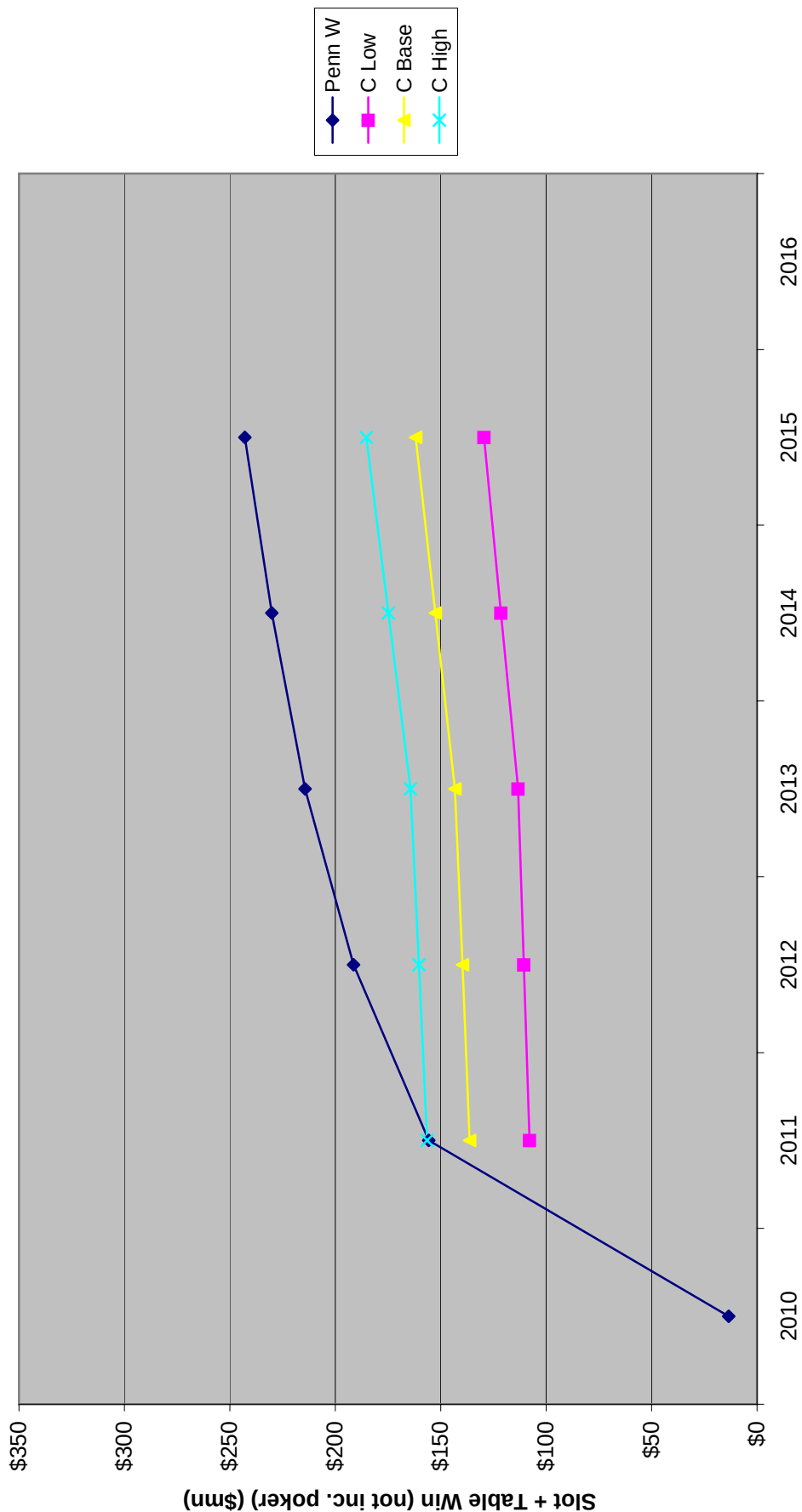
Note: Totals may not add due to rounding.

**Exhibit 3: Detail for Visitation by Source
Penn Wellington Baseline**

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well ¹	Marvel Wel	Dodge
Number of Slots	7,600	800	3,000			600	900		1,500		800
Power Rating		95	102			102	102		110		112
Win/Slot/Day		\$87	\$175			\$110	\$80		\$197		\$122
Kansas Tourists	199,653	5,178	55,546			9,171	11,945		64,611		53,203
Kansas Locals	4,333,526	234,027	1,817,561	0	0	285,302	79,124	0	1,407,851	0	509,662
Kansas Total	4,533,179	239,205	1,873,107	0	0	294,473	91,068	0	1,472,461	0	562,864
Missouri Tourists	154,232	8,947	92,515			15,610	22,509		13,890		762
Missouri Locals	1,269,124	125,283	778,382	0	0	78,604	286,854	0	0	0	0
Missouri Total	1,423,356	134,230	870,897	0	0	94,215	309,363	0	13,890	0	762
Okla + Ark Tourists	90,020	350	10,732			6,741	17,937		33,670		20,589
Okla + Ark Locals	105,870	0	0	0	0	5,405	58,763	0	34,374	0	7,328
Oklahoma Total	195,890	350	10,732	0	0	12,147	76,700	0	68,045	0	27,917
Iowa	20,765	1,244	18,731	0	0	102	192	0	398	0	98
Nebraska	41,983	1,167	20,514	0	0	115	209	0	6,627	0	13,351
Other Near	18,393	341	8,598	0	0	253	678	0	1,420	0	7,103
Frontage Traffic	92,259	0	0			0	29,379		62,880		0
Total All Sources	6,325,825	376,537	2,802,579	0	0	401,305	507,590	0	1,625,720	0	612,094
total Tourists	617,305	17,227	206,636			31,994	82,849		183,495		95,104
total locals	5,708,520	359,310	2,595,943			369,311	424,741		1,442,225		516,989
Spending Per Visitor	\$76	\$67	\$84			\$60	\$63		\$76		\$66

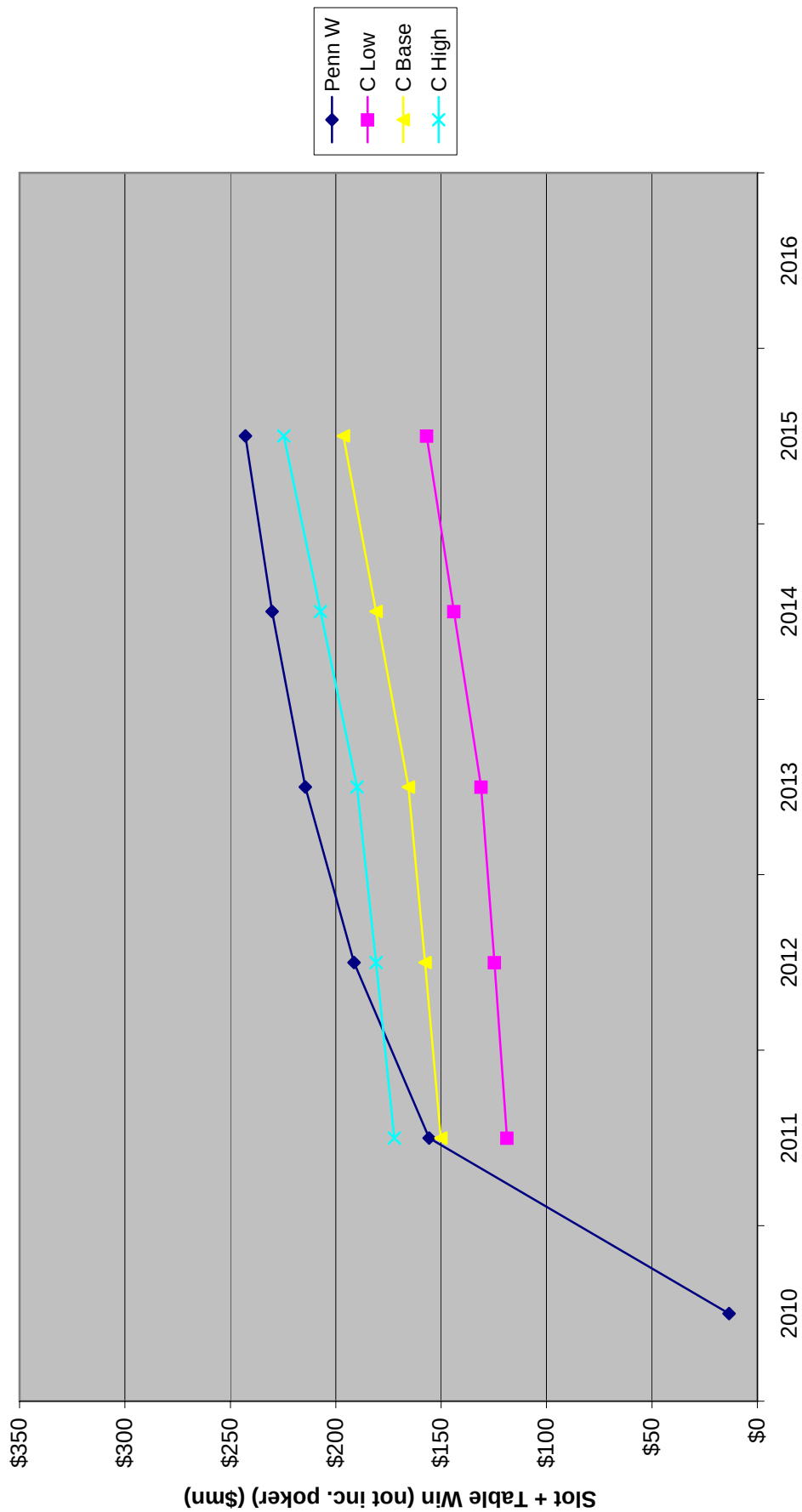
Note: Totals may not add due to rounding.

Exhibit 4: Penn's Wellington Projections vs. Cummings's (2.5% escalation)



Note: Cummings projections through 2013 are for 1,500-slot facility -- for 2015, they are for a 2,000-slot facility (for 2014, intermediate)

Exhibit 5: Penn's Wellington Projections vs. Cummings's (5% escalation)



Note: Cummings projections through 2013 are for 1,500-slot facility -- for 2015, they are for a 2,000-slot facility (for 2014, intermediate)

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A. "As Was" Projections

Penn Wellington

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July 16, 2008

Exhibit A-1: Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Facilities

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
KCK Speedway					
KCK Stateline					
KCK Middle					
Camptown					
Penn Cherokee					
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City					
	-----		-----		-----
Subtotal Kansas Taxable	0		\$0.0		\$0.0
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$167.8	\$171	\$195.1
	-----		-----		-----
Total Kansas	2,693		\$167.8	\$171	\$195.1
memo: Northeast Zone					
memo: Southeast Zone					
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$164.2	\$228	\$182.0
IOC KC	1,523	78.9	\$77.3	\$139	\$83.8
Harrahs NKC	1,783	103.5	\$175.4	\$270	\$202.3
Ameristar KC	3,012	98.6	\$222.5	\$202	\$252.6
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,287		\$639.4	\$211	\$720.7
Greater KC Total	8,287		\$639.4	\$211	\$720.7
Greater Joplin Total	4,242		\$138.8	\$90	\$145.6
Greater Wichita Total	3,632		\$112.3	\$85	\$116.2
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$145.1	\$377.4	\$522.5	
from Others (")		\$50.0			

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**Exhibit A-2: Gaming Revenue Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$26.4	\$90	\$26.4
KCK Speedway	3,000	102	\$201.2	\$184	\$245.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$28.8	\$131	\$28.8
Penn Cherokee	900	102	\$42.2	\$128	\$51.2
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$40.0	\$137	\$46.3
Subtotal Kansas Taxable	6,100		\$338.5	\$152	\$397.9
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$144.2	\$147	\$164.7
Total Kansas	8,793		\$482.7	\$150	\$562.6
memo: Northeast Zone	3,800		\$227.6	\$164	\$271.7
memo: Southeast Zone	1,500		\$70.9	\$130	\$79.9
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$118.6	\$165	\$129.5
IOC KC	1,523	78.9	\$59.7	\$107	\$64.2
Harrahs NKC	1,783	103.5	\$136.7	\$210	\$155.1
Ameristar KC	3,012	98.6	\$179.0	\$163	\$200.7
Sugar Creek					
Subtotal KCMO	8,287		\$494.1	\$163	\$549.6
Greater KC Total	12,087		\$721.6	\$164	\$821.3
Greater Joplin Total	5,742		\$184.0	\$88	\$199.1
Greater Wichita Total	3,632		\$107.2	\$81	\$110.6
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$373.0	\$242.2	\$615.3	
from Others (")		\$189.6			

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**Exhibit A-3: Gaming Revenue Projections (\$mn / 2007\$)
Penn Sumner "As Was" 2007 (with New Kansas Facilities)**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$26.2	\$90	\$26.2
KCK Speedway	3,000	102	\$199.2	\$182	\$241.6
KCK Stateline					
KCK Middle					
Camptown	600	102	\$28.1	\$128	\$28.1
Penn Cherokee	900	102	\$41.4	\$126	\$50.0
Harrahs Mulvane					
Penn Wellington	1,500	110	\$112.9	\$206	\$129.4
Marvel Wellington					
Dodge City	800	112	\$36.2	\$124	\$41.4
Subtotal Kansas Taxable	7,600		\$444.1	\$160	\$516.8
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$139.2	\$142	\$157.5
Total Kansas	10,293		\$583.4	\$155	\$674.3
memo: Northeast Zone	3,800		\$225.5	\$163	\$267.8
memo: Southeast Zone	1,500		\$69.6	\$127	\$78.2
memo: South Central Zone	1,500		\$112.9	\$206	\$129.4
Argosy Riverside	1,969	97.2	\$117.8	\$164	\$128.5
IOC KC	1,523	78.9	\$59.6	\$107	\$64.1
Harrahs NKC	1,783	103.5	\$135.8	\$209	\$153.7
Ameristar KC	3,012	98.6	\$177.9	\$162	\$199.2
Sugar Creek					
Subtotal KCMO	8,287		\$491.1	\$162	\$545.6
Greater KC Total	12,087		\$716.6	\$162	\$813.4
Greater Joplin Total	5,742		\$180.9	\$86	\$195.4
Greater Wichita Total	5,132		\$192.0	\$103	\$211.0
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$471.1	\$196.4	\$667.5	
from Others (")		\$203.2			

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B. Baseline (Likely Future) Projections

Penn Wellington

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July 16, 2008

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**Exhibit B-1: Gaming Revenue Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
KCK Speedway					
KCK Stateline					
KCK Middle					
Camptown					
Penn Cherokee					
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City					
	-----		-----		-----
Subtotal Kansas Taxable	0		\$0.0		\$0.0
KCK 7th Street					
4 Northeast KS Natives	3,293	117	\$174.0	\$145	\$200.4
	-----		-----		-----
Total Kansas	3,293		\$174.0	\$145	\$200.4
memo: Northeast Zone					
memo: Southeast Zone					
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$162.2	\$226	\$179.8
IOC KC	1,330	80.9	\$75.1	\$155	\$81.6
Harrahs NKC	1,783	103.5	\$172.9	\$266	\$199.3
Ameristar KC	3,012	98.6	\$219.4	\$200	\$249.0
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,094		\$629.5	\$213	\$709.7
Greater KC Total	8,094		\$629.5	\$213	\$709.7
Greater Joplin Total	7,963		\$177.3	\$61	\$186.8
Greater Wichita Total	4,632		\$114.1	\$67	\$118.5
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$145.4	\$381.0	\$526.5	
from Others (")		\$55.0			

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**Exhibit B-2: Gaming Revenue Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere AND KS**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.5	\$87	\$25.5
KCK Speedway	3,000	102	\$193.5	\$177	\$236.9
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.6	\$112	\$24.6
Penn Cherokee	900	102	\$26.6	\$81	\$32.9
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$38.3	\$131	\$44.5
Subtotal Kansas Taxable	6,100		\$308.5	\$139	\$364.4
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$150.3	\$125	\$170.2
Total Kansas	9,843		\$472.6	\$132	\$548.4
memo: Northeast Zone	3,800		\$219.0	\$158	\$262.4
memo: Southeast Zone	1,500		\$51.2	\$94	\$57.5
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$114.4	\$159	\$125.2
IOC KC	1,330	80.9	\$56.3	\$116	\$60.8
Harrahs NKC	1,783	103.5	\$132.1	\$203	\$150.2
Ameristar KC	3,012	98.6	\$173.5	\$158	\$195.0
Sugar Creek					
Subtotal KCMO	8,094		\$476.3	\$161	\$531.1
Greater KC Total	12,344		\$709.0	\$157	\$807.3
Greater Joplin Total	9,463		\$200.1	\$58	\$215.5
Greater Wichita Total	4,632		\$110.1	\$65	\$113.8

Total Casino Spending:

from Kansas (\$mn)

from Others (")

to Kansas

\$367.7

\$180.7

to Others

\$246.6

Total KS

\$614.2

Exhibit B-2A: Detail for Sources of Consumer Spending (\$000)
Baseline Before Any Casinos in South-Central Zone

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Slots	6,100	800	3,000			600	900				800
Power Rating		95	102			102	102				112
Win/Slot/Day		\$87	\$177			\$112	\$81				\$131
Kansas Tourists	\$17,162	\$455	\$7,804			\$994	\$1,479				\$6,430
Kansas Locals	224,179	\$15,934	152,920			\$16,711	4,580				34,034
Kansas Total	\$241,341	\$16,389	\$160,724	\$0	\$0	\$17,706	\$6,059	\$0	\$0	\$0	\$40,464
Missouri Tourists	\$11,831	\$666	\$8,335			\$1,145	\$1,627				\$58
Missouri Locals	93,174	\$8,162	62,487			\$4,887	17,638				0
Missouri Total	\$105,004	\$8,827	\$70,822	\$0	\$0	\$6,032	\$19,265	\$0	\$0	\$0	\$58
Okla + Ark Tourists	\$4,390	\$25	\$950			\$474	\$1,271				\$1,669
Okla + Ark Locals	4,711	\$0	0			\$360	3,802				549
Okla + Ark Total	\$9,101	\$25	\$950	\$0	\$0	\$835	\$5,073	\$0	\$0	\$0	\$2,218
Iowa	\$1,829	\$93	\$1,707	\$0	\$0	\$8	\$14	\$0	\$0	\$0	\$7
Nebraska	\$3,077	\$89	\$1,902	\$0	\$0	\$9	\$16	\$0	\$0	\$0	\$1,061
Other Near	\$1,623	\$28	\$846	\$0	\$0	\$20	\$54	\$0	\$0	\$0	\$675
Frontage Traffic	\$2,421						\$2,421				
Total All Sources	\$364,387	\$25,451	\$236,941	\$0	\$0	\$24,609	\$32,903	\$0	\$0	\$0	\$44,483
total Tourists	\$42,323	\$1,355	\$21,535			\$2,650	\$6,882				\$9,900
total locals	\$322,064	\$24,095	\$215,407			\$21,959	\$26,021				\$34,583

Note: Totals may not add due to rounding.

**Exhibit B-2B: Detail for Visitation by Source
Baseline Before Any Casinos in South-Central Zone**

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Slots	6,100	800	3,000			600	900				800
Power Rating		95	102			102	102				112
Win/Slot/Day		\$87	\$177			\$112	\$81				\$131
Kansas Tourists	201,669	6,020	82,923			13,327	19,328				80,070
Kansas Locals	2,935,165	234,113	1,814,558	0	0	285,397	79,604	0	0	0	521,493
Kansas Total	3,136,834	240,134	1,897,481	0	0	298,724	98,932	0	0	0	601,563
Missouri Tourists	140,580	8,972	92,648			15,633	22,570				756
Missouri Locals	1,268,105	125,258	776,642	0	0	78,934	287,271	0	0	0	0
Missouri Total	1,408,685	134,231	869,289	0	0	94,567	309,842	0	0	0	756
Okla + Ark Tourists	58,387	351	10,888			6,744	18,061				22,344
Okla + Ark Locals	72,362	0	0	0	0	5,401	58,829	0	0	0	8,133
Oklahoma Total	130,749	351	10,888	0	0	12,145	76,889	0	0	0	30,477
Iowa	20,324	1,244	18,690	0	0	102	192	0	0	0	96
Nebraska	35,554	1,174	20,623	0	0	116	211	0	0	0	13,429
Other Near	16,941	341	8,582	0	0	253	677	0	0	0	7,089
Frontage Traffic	29,331	0	0			0	29,331				0
Total All Sources	4,778,417	377,474	2,825,553	0	0	405,906	516,074	0	0	0	653,410
total Tourists	502,785	18,102	234,354			36,175	90,370				123,784
total locals	4,275,633	359,372	2,591,200			369,732	425,704				529,626
Spending Per Visitor	\$76	\$67	\$84			\$61	\$64				\$68

Note: Totals may not add due to rounding.

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Exhibit B-3: Gaming Revenue Projections (\$mn / 2007\$)
Penn Wellington Baseline

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.4	\$87	\$25.4
KCK Speedway	3,000	102	\$192.2	\$175	\$234.0
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.2	\$110	\$24.2
Penn Cherokee	900	102	\$26.2	\$80	\$32.2
Harrahs Mulvane					
Penn Wellington	1,500	110	\$107.8	\$197	\$123.5
Marvel Wellington					
Dodge City	800	112	\$35.5	\$122	\$40.6
Subtotal Kansas Taxable	7,600		\$411.2	\$148	\$479.9
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$146.4	\$122	\$164.4
Total Kansas	11,343		\$571.3	\$138	\$658.0
memo: Northeast Zone	3,800		\$217.5	\$157	\$259.4
memo: Southeast Zone	1,500		\$50.4	\$92	\$56.4
memo: South Central Zone	1,500		\$107.8	\$197	\$123.5
Argosy Riverside	1,969	97.2	\$113.8	\$158	\$124.5
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.4	\$202	\$149.2
Ameristar KC	3,012	98.6	\$172.8	\$157	\$193.9
Sugar Creek					
Subtotal KCMO	8,094		\$474.2	\$161	\$528.2
Greater KC Total	12,344		\$705.5	\$157	\$801.4
Greater Joplin Total	9,463		\$196.6	\$57	\$211.3
Greater Wichita Total	6,132		\$191.2	\$85	\$209.8
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$464.9	\$203.8	\$668.8	
from Others (")		\$193.1			

Exhibit B-3A: Detail for Sources of Consumer Spending (\$000)
Penn Wellington Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well ¹	Marvel Wel	Dodge
Number of Slots	7,600	800	3,000			600	900		1,500		800
Power Rating		95	102			102	102		110		112
Win/Slot/Day		\$87	\$175			\$110	\$80		\$197		\$122
Kansas Tourists	\$16,694	\$391	\$5,121			\$683	\$883		\$5,462		\$4,154
Kansas Locals	327,595	\$15,918	152,798			\$16,650	4,537		105,012		32,680
Kansas Total	\$344,289	\$16,309	\$157,920	\$0	\$0	\$17,332	\$5,420	\$0	\$110,474	\$0	\$36,834
Missouri Tourists	\$12,935	\$663	\$8,303			\$1,140	\$1,620		\$1,152		\$58
Missouri Locals	93,042	\$8,158	62,463			\$4,851	17,570		0		0
Missouri Total	\$105,977	\$8,822	\$70,765	\$0	\$0	\$5,991	\$19,189	\$0	\$1,152	\$0	\$58
Okla + Ark Tourists	\$6,913	\$25	\$933			\$473	\$1,258		\$2,712		\$1,512
Okla + Ark Locals	7,209	\$0	0			\$360	3,789		2,573		487
Okla + Ark Total	\$14,121	\$25	\$933	\$0	\$0	\$833	\$5,047	\$0	\$5,285	\$0	\$1,999
Iowa	\$1,862	\$93	\$1,706	\$0	\$0	\$8	\$14	\$0	\$33	\$0	\$7
Nebraska	\$3,602	\$88	\$1,888	\$0	\$0	\$9	\$15	\$0	\$560	\$0	\$1,042
Other Near	\$1,751	\$28	\$845	\$0	\$0	\$20	\$54	\$0	\$134	\$0	\$670
Frontage Traffic	\$8,283						\$2,421		\$5,862		
Total All Sources	\$479,876	\$25,365	\$234,048	\$0	\$0	\$24,193	\$32,161	\$0	\$123,499	\$0	\$40,610
total Tourists	\$52,030	\$1,289	\$18,787			\$2,332	\$6,266		\$15,914		\$7,442
total locals	\$427,846	\$24,076	\$215,261			\$21,861	\$25,895		\$107,585		\$33,167

Note: Totals may not add due to rounding.

**Exhibit B-3B: Detail for Visitation by Source
Penn Wellington Baseline**

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well ¹	Marvel Wel	Dodge
Number of Slots	7,600	800	3,000			600	900		1,500		800
Power Rating		95	102			102	102		110		112
Win/Slot/Day		\$87	\$175			\$110	\$80		\$197		\$122
Kansas Tourists	199,653	5,178	55,546			9,171	11,945		64,611		53,203
Kansas Locals	4,333,526	234,027	1,817,561	0	0	285,302	79,124	0	1,407,851	0	509,662
Kansas Total	4,533,179	239,205	1,873,107	0	0	294,473	91,068	0	1,472,461	0	562,864
Missouri Tourists	154,232	8,947	92,515			15,610	22,509		13,890		762
Missouri Locals	1,269,124	125,283	778,382	0	0	78,604	286,854	0	0	0	0
Missouri Total	1,423,356	134,230	870,897	0	0	94,215	309,363	0	13,890	0	762
Okla + Ark Tourists	90,020	350	10,732			6,741	17,937		33,670		20,589
Okla + Ark Locals	105,870	0	0	0	0	5,405	58,763	0	34,374	0	7,328
Oklahoma Total	195,890	350	10,732	0	0	12,147	76,700	0	68,045	0	27,917
Iowa	20,765	1,244	18,731	0	0	102	192	0	398	0	98
Nebraska	41,983	1,167	20,514	0	0	115	209	0	6,627	0	13,351
Other Near	18,393	341	8,598	0	0	253	678	0	1,420	0	7,103
Frontage Traffic	92,259	0	0			0	29,379		62,880		0
Total All Sources	6,325,825	376,537	2,802,579	0	0	401,305	507,590	0	1,625,720	0	612,094
total Tourists	617,305	17,227	206,636			31,994	82,849		183,495		95,104
total locals	5,708,520	359,310	2,595,943			369,311	424,741		1,442,225		516,989
Spending Per Visitor	\$76	\$67	\$84			\$60	\$63		\$76		\$66

Note: Totals may not add due to rounding.

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C. Comparative Projections

Penn Wellington

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July 16, 2008

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Exhibit C-1: Gaming Revenue Projections (\$mn / 2007\$)
Penn Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.9	\$175	\$233.6
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane					\$0.0
Penn Wellington	2,000	110	\$117.2	\$161	\$134.7
Marvel Wellington					
Dodge City	800	112	\$34.8	\$119	\$39.8
Subtotal Kansas Taxable	8,100		\$419.5	\$142	\$489.7
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.3
Total Kansas	11,843		\$578.7	\$134	\$666.7
memo: Northeast Zone	3,800		\$217.2	\$157	\$259.0
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.2
memo: South Central Zone	2,000		\$117.2	\$161	\$134.7
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.7
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.7
Greater KC Total	12,344		\$704.8	\$156	\$800.4
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,632		\$197.3	\$82	\$217.5
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$471.7	\$198.1	\$669.7	
from Others (")		\$195.1			

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**Exhibit C-2: Gaming Revenue Projections (\$mn / 2007\$)
Marvel Wellington at Standard Size / Baseline Competition**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.9	\$175	\$233.7
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.1
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington	2,000	110	\$111.5	\$153	\$128.3
Dodge City	800	112	\$34.9	\$120	\$39.9
Subtotal Kansas Taxable	8,100		\$413.9	\$140	\$483.5
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.6	\$121	\$163.5
Total Kansas	11,843		\$573.3	\$133	\$660.7
memo: Northeast Zone	3,800		\$217.3	\$157	\$259.0
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.2
memo: South Central Zone	2,000		\$111.5	\$153	\$128.3
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.4
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.3	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.7
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.8
Greater KC Total	12,344		\$704.9	\$156	\$800.5
Greater Joplin Total	9,463		\$196.0	\$57	\$210.6
Greater Wichita Total	6,632		\$192.4	\$79	\$212.0
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$465.8	\$199.4	\$665.2	
from Others (")		\$194.9			

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**Exhibit C-3: Gaming Revenue Projections (\$mn / 2007\$)
Harrah's Mulvane at Standard Size / Baseline Competition**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.8	\$175	\$233.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
Subtotal Kansas Taxable	8,100		\$453.8	\$153	\$529.1
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.2
Total Kansas	11,843		\$613.0	\$142	\$706.0
memo: Northeast Zone	3,800		\$217.2	\$157	\$258.8
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.1
memo: South Central Zone	2,000		\$151.3	\$207	\$174.2
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.6
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.6
Greater KC Total	12,344		\$704.7	\$156	\$800.1
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,632		\$231.4	\$96	\$257.1
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$517.2	\$195.9	\$713.1	
from Others (")		\$188.9			

Exhibit C-4: Gaming Revenue Projections (\$mn / 2007\$)
Summary: South-Central Proponents at Standard Size

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington	2,000	110	\$117.2	\$161	\$134.7
Marvel Wellington	2,000	110	\$111.5	\$153	\$128.3

Exhibit C-5: Gaming Revenue Projections (\$mn / 2007\$)
Penn Sumner's 1500 Slots (&c) Match Penn's Projections in 2014

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.0	\$174	\$232.5
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.8	\$109	\$23.8
Penn Cherokee	900	102	\$25.8	\$79	\$31.7
Harrahs Mulvane					
Penn Wellington	1,500	131	\$170.0	\$311	\$193.6 *
Marvel Wellington					
Dodge City	800	112	\$32.6	\$112	\$37.3
-----	-----		-----		-----
Subtotal Kansas Taxable	7,600		\$468.4	\$169	\$544.1
KCK 7th Street	450	78	\$13.7	\$84	\$13.7
4 Northeast KS Natives	3,293	117	\$142.6	\$119	\$160.1
-----	-----		-----		-----
Total Kansas	11,343		\$624.8	\$151	\$718.0
memo: Northeast Zone	3,800		\$216.2	\$156	\$257.7
memo: Southeast Zone	1,500		\$49.6	\$91	\$55.5
memo: South Central Zone	1,500		\$170.0	\$311	\$193.6
Argosy Riverside	1,969	97.2	\$113.4	\$158	\$123.9
IOC KC	1,330	80.9	\$56.1	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$130.8	\$201	\$148.5
Ameristar KC	3,012	98.6	\$172.1	\$157	\$193.1
Sugar Creek					
-----	-----		-----		-----
Subtotal KCMO	8,094		\$472.3	\$160	\$526.1
Greater KC Total	12,344		\$702.3	\$156	\$797.5
Greater Joplin Total	9,463		\$193.6	\$56	\$208.1
Greater Wichita Total	6,132		\$243.3	\$109	\$269.3
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$510.6	\$186.3	\$697.0	
from Others (")		\$207.3			

* Equates to Penn's projection of \$230.1mn in 2014 in then-year dollars (not inc. \$3.5mn poker)

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**Exhibit C-6: Gaming Revenue Projections (\$mn / 2007\$)
Penn Sumner's 2000 Slots (&c) Match Penn's Projections in 2014**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.2	\$86	\$25.2
KCK Speedway	3,000	102	\$190.8	\$174	\$232.3
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.8	\$109	\$23.8
Penn Cherokee	900	102	\$25.8	\$78	\$31.7
Harrahs Mulvane					
Penn Wellington	2,000	127	\$170.0	\$233	\$193.6 *
Marvel Wellington					
Dodge City	800	112	\$32.3	\$111	\$37.0
Subtotal Kansas Taxable	8,100		\$467.9	\$158	\$543.5
KCK 7th Street	450	78	\$13.7	\$84	\$13.7
4 Northeast KS Natives	3,293	117	\$142.2	\$118	\$159.7
Total Kansas	11,843		\$623.9	\$144	\$716.9
memo: Northeast Zone	3,800		\$216.1	\$156	\$257.5
memo: Southeast Zone	1,500		\$49.6	\$91	\$55.5
memo: South Central Zone	2,000		\$170.0	\$233	\$193.6
Argosy Riverside	1,969	97.2	\$113.3	\$158	\$123.9
IOC KC	1,330	80.9	\$56.1	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$130.7	\$201	\$148.4
Ameristar KC	3,012	98.6	\$172.0	\$156	\$193.0
Sugar Creek					
Subtotal KCMO	8,094		\$472.2	\$160	\$525.9
Greater KC Total	12,344		\$702.0	\$156	\$797.1
Greater Joplin Total	9,463		\$193.3	\$56	\$207.7
Greater Wichita Total	6,632		\$242.0	\$100	\$268.0
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$508.8	\$184.3	\$693.2	
from Others (")		\$208.1			

* Equates to Penn's projection of \$230.1mn in 2014 in then-year dollars (not inc. \$3.5mn poker)

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D. "Low" Projections

Penn Wellington

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**Exhibit D: Gaming Revenue Projections (\$mn / 2007\$)
Penn Wellington "Low"**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.6	\$175	\$233.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.1	\$105	\$23.1
Penn Cherokee	900	102	\$23.3	\$71	\$28.6
Harrahs Mulvane					
Penn Wellington	1,500	104	\$85.4	\$156	\$97.8
Marvel Wellington					
Dodge City	800	112	\$35.4	\$121	\$40.6
Subtotal Kansas Taxable	7,600		\$384.1	\$138	\$448.7
KCK 7th Street	450	78	\$13.7	\$84	\$13.7
4 Northeast KS Natives	3,293	117	\$145.7	\$121	\$163.8
Total Kansas	11,343		\$543.6	\$131	\$626.3
memo: Northeast Zone	3,800		\$216.9	\$156	\$258.7
memo: Southeast Zone	1,500		\$46.4	\$85	\$51.7
memo: South Central Zone	1,500		\$85.4	\$156	\$97.8
Argosy Riverside	1,969	97.2	\$113.6	\$158	\$124.2
IOC KC	1,330	80.9	\$56.1	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$131.0	\$201	\$148.7
Ameristar KC	3,012	98.6	\$172.3	\$157	\$193.3
Sugar Creek					
Subtotal KCMO	8,094		\$472.9	\$160	\$526.9
Greater KC Total	12,344		\$703.6	\$156	\$799.3
Greater Joplin Total	9,963		\$199.3	\$55	\$214.1
Greater Wichita Total	7,832		\$184.8	\$65	\$201.3
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$440.3	\$221.6	\$661.9	
from Others (")		\$185.9			

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E. "High" Projections

Penn Wellington

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**Exhibit E: Gaming Revenue Projections (\$mn / 2007\$)
Penn Wellington "High"**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.9	\$175	\$233.6
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane					
Penn Wellington	1,500	116	\$123.2	\$225	\$141.7
Marvel Wellington					
Dodge City	800	112	\$34.8	\$119	\$39.7
Subtotal Kansas Taxable	7,600		\$425.4	\$153	\$496.5
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.4	\$121	\$163.3
Total Kansas	11,343		\$584.6	\$141	\$673.6
memo: Northeast Zone	3,800		\$217.2	\$157	\$258.9
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.1
memo: South Central Zone	1,500		\$123.2	\$225	\$141.7
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.7
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.6
Greater KC Total	12,344		\$704.7	\$156	\$800.3
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,132		\$203.6	\$91	\$224.8
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$477.6	\$198.5	\$676.1	
from Others (")		\$195.9			

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Detail for Slots

Penn Wellington

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A. "As Was" Projections / Slots

Penn Wellington

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Exhibit A-1: Slot Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Casinos Anywhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$167.8	\$171
	-----		-----	
Total Kansas	2,693		\$167.8	\$171
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$164.2	\$228
IOC KC	1,523	78.9	\$77.3	\$139
Harrahs NKC	1,783	103.5	\$175.4	\$270
Ameristar KC	3,012	98.6	\$222.5	\$202
Sugar Creek				
	-----		-----	
Subtotal KCMO	8,287		\$639.4	\$211
Greater KC Total	8,287		\$639.4	\$211
Greater Joplin Total	4,242		\$138.8	\$90
Greater Wichita Total	3,632		\$112.3	\$85
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$124.5	\$338.8	\$463.3
from Others (")		\$43.3		

Exhibit A-2: Slot Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$26.4	\$90
KCK Speedway	3,000	102	\$201.2	\$184
KCK Stateline				
KCK Middle				
Camptown	600	102	\$28.8	\$131
Penn Cherokee	900	102	\$42.2	\$128
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$40.0	\$137
Subtotal Kansas Taxable	6,100		\$338.5	\$152
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$144.2	\$147
Total Kansas	8,793		\$482.7	\$150
memo: Northeast Zone	3,800		\$227.6	\$164
memo: Southeast Zone	1,500		\$70.9	\$130
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$118.6	\$165
IOC KC	1,523	78.9	\$59.7	\$107
Harrahs NKC	1,783	103.5	\$136.7	\$210
Ameristar KC	3,012	98.6	\$179.0	\$163
Sugar Creek				
Subtotal KCMO	8,287		\$494.1	\$163
Greater KC Total	12,087		\$721.6	\$164
Greater Joplin Total	5,742		\$184.0	\$88
Greater Wichita Total	3,632		\$107.2	\$81
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$322.8	\$223.0	\$545.7
from Others (")		\$160.0		

Exhibit A-3: Slot Projections (\$mn / 2007\$)
Penn Wellington "As Was" 2007 (with New Kansas Facilities)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$26.2	\$90
KCK Speedway	3,000	102	\$199.2	\$182
KCK Stateline				
KCK Middle				
Camptown	600	102	\$28.1	\$128
Penn Cherokee	900	102	\$41.4	\$126
Harrahs Mulvane				
Penn Wellington	1,500	110	\$112.9	\$206
Marvel Wellington				
Dodge City	800	112	\$36.2	\$124
Subtotal Kansas Taxable	7,600		\$444.1	\$160
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$139.2	\$142
Total Kansas	10,293		\$583.4	\$155
memo: Northeast Zone	3,800		\$225.5	\$163
memo: Southeast Zone	1,500		\$69.6	\$127
memo: South Central Zone	1,500		\$112.9	\$206
Argosy Riverside	1,969	97.2	\$117.8	\$164
IOC KC	1,523	78.9	\$59.6	\$107
Harrahs NKC	1,783	103.5	\$135.8	\$209
Ameristar KC	3,012	98.6	\$177.9	\$162
Sugar Creek				
Subtotal KCMO	8,287		\$491.1	\$162
Greater KC Total	12,087		\$716.6	\$162
Greater Joplin Total	5,742		\$180.9	\$86
Greater Wichita Total	5,132		\$192.0	\$103
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$412.0	\$181.1	\$593.1
from Others (")		\$171.4		

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B. Baseline (Likely Future) Projections

Penn Wellington / Slots

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July 16, 2008

Exhibit B-1: Slot Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	3,293	117	\$174.0	\$145
	-----		-----	
Total Kansas	3,293		\$174.0	\$145
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$162.2	\$226
IOC KC	1,330	80.9	\$75.1	\$155
Harrahs NKC	1,783	103.5	\$172.9	\$266
Ameristar KC	3,012	98.6	\$219.4	\$200
Sugar Creek				
	-----		-----	
Subtotal KCMO	8,094		\$629.5	\$213
Greater KC Total	8,094		\$629.5	\$213
Greater Joplin Total	7,963		\$177.3	\$61
Greater Wichita Total	4,632		\$114.1	\$67
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$125.6	\$341.4	\$467.0
from Others (")		\$48.5		

Exhibit B-2: Slot Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere AND KS

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.5	\$87
KCK Speedway	3,000	102	\$193.5	\$177
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.6	\$112
Penn Cherokee	900	102	\$26.6	\$81
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$38.3	\$131
Subtotal Kansas Taxable	6,100		\$308.5	\$139
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$150.3	\$125
Total Kansas	9,843		\$472.6	\$132
memo: Northeast Zone	3,800		\$219.0	\$158
memo: Southeast Zone	1,500		\$51.2	\$94
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$114.4	\$159
IOC KC	1,330	80.9	\$56.3	\$116
Harrahs NKC	1,783	103.5	\$132.1	\$203
Ameristar KC	3,012	98.6	\$173.5	\$158
Sugar Creek				
Subtotal KCMO	8,094		\$476.3	\$161
Greater KC Total	12,344		\$709.0	\$157
Greater Joplin Total	9,463		\$200.1	\$58
Greater Wichita Total	4,632		\$110.1	\$65
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$318.7	\$225.9	\$544.7
from Others (")		\$153.9		

**Exhibit B-2A: Detail for Sources of Consumer Slot Spending (\$000)
Baseline Before Any Casinos in South-Central Zone**

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Slots	6,100	800	3,000			600	900				800
Power Rating		95	102			102	102				112
Win/Slot/Day		\$87	\$177			\$112	\$81				\$131
Kansas Tourists	\$12,668	\$455	\$4,992			\$994	\$1,119				\$5,107
Kansas Locals	194,168	\$15,934	\$127,789			\$16,711	\$3,610				\$30,124
Kansas Total	\$206,836	\$16,389	\$132,781	\$0	\$0	\$17,706	\$4,729	\$0	\$0	\$0	\$35,231
Missouri Tourists	\$9,733	\$666	\$6,423			\$1,145	\$1,448				\$52
Missouri Locals	77,649	\$8,162	\$50,347			\$4,887	\$14,254				\$0
Missouri Total	\$87,382	\$8,827	\$56,769	\$0	\$0	\$6,032	\$15,702	\$0	\$0	\$0	\$52
Okla + Ark Tourists	\$3,448	\$25	\$614			\$474	\$1,000				\$1,334
Okla + Ark Locals	3,744	\$0	\$0			\$360	\$2,898				\$485
Okla + Ark Total	\$7,192	\$25	\$614	\$0	\$0	\$835	\$3,899	\$0	\$0	\$0	\$1,820
Iowa	\$1,428	\$93	\$1,308	\$0	\$0	\$8	\$12	\$0	\$0	\$0	\$7
Nebraska	\$2,446	\$89	\$1,421	\$0	\$0	\$9	\$14	\$0	\$0	\$0	\$914
Other Near	\$1,067	\$28	\$662	\$0	\$0	\$20	\$50	\$0	\$0	\$0	\$307
Frontage Traffic	\$2,201						\$2,201				
Total All Sources	\$308,545	\$25,451	\$193,548	\$0	\$0	\$24,609	\$26,607	\$0	\$0	\$0	\$38,332
total Tourists	\$32,984	\$1,355	\$15,412			\$2,650	\$5,844				\$7,722
total locals	\$275,561	\$24,095	\$178,136			\$21,959	\$20,762				\$30,610

Note: Totals may not add due to rounding.

Exhibit B-3: Projection in Brief (\$mn / 2007\$)
Penn Wellington Slots Baseline

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.4	\$87
KCK Speedway	3,000	102	\$192.2	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.2	\$110
Penn Cherokee	900	102	\$26.2	\$80
Harrahs Mulvane				
Penn Wellington	1,500	110	\$107.8	\$197
Marvel Wellington				
Dodge City	800	112	\$35.5	\$122
Subtotal Kansas Taxable	7,600		\$411.2	\$148
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$146.4	\$122
Total Kansas	11,343		\$571.3	\$138
memo: Northeast Zone	3,800		\$217.5	\$157
memo: Southeast Zone	1,500		\$50.4	\$92
memo: South Central Zone	1,500		\$107.8	\$197
Argosy Riverside	1,969	97.2	\$113.8	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.4	\$202
Ameristar KC	3,012	98.6	\$172.8	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$474.2	\$161
Greater KC Total	12,344		\$705.5	\$157
Greater Joplin Total	9,463		\$196.6	\$57
Greater Wichita Total	6,132		\$191.2	\$85
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$406.9	\$187.5	\$594.4
from Others (")		\$164.5		

Exhibit B-3A: Detail for Sources of Consumer Slot Spending (\$000)
Penn Wellington Slots Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well ¹	Marvel Wel	Dodge
Number of Slots	7,600	800	3,000			600	900		1,500		800
Power Rating		95	102			102	102		110		112
Win/Slot/Day		\$87	\$175			\$110	\$80		\$197		\$122
Kansas Tourists	\$14,106	\$391	\$3,772			\$683	\$768		\$4,916		\$3,576
Kansas Locals	284,706	\$15,918	\$127,684			\$16,650	\$3,587		\$91,906		\$28,961
Kansas Total	\$298,811	\$16,309	\$131,456	\$0	\$0	\$17,332	\$4,355	\$0	\$96,821	\$0	\$32,537
Missouri Tourists	\$10,733	\$663	\$6,399			\$1,140	\$1,441		\$1,037		\$52
Missouri Locals	77,537	\$8,158	\$50,326			\$4,851	\$14,201		\$0		\$0
Missouri Total	\$88,270	\$8,822	\$56,725	\$0	\$0	\$5,991	\$15,643	\$0	\$1,037	\$0	\$52
Okla + Ark Tourists	\$5,492	\$25	\$612			\$473	\$998		\$2,137		\$1,247
Okla + Ark Locals	5,571	\$0	\$0			\$360	\$2,892		\$1,886		\$433
Okla + Ark Total	\$11,063	\$25	\$612	\$0	\$0	\$833	\$3,890	\$0	\$4,023	\$0	\$1,680
Iowa	\$1,459	\$93	\$1,308	\$0	\$0	\$8	\$12	\$0	\$31	\$0	\$7
Nebraska	\$2,923	\$88	\$1,410	\$0	\$0	\$9	\$13	\$0	\$505	\$0	\$898
Other Near	\$1,163	\$28	\$662	\$0	\$0	\$20	\$50	\$0	\$97	\$0	\$306
Frontage Traffic	\$7,530						\$2,201		\$5,329		
Total All Sources	\$411,208	\$25,365	\$192,164	\$0	\$0	\$24,193	\$26,164	\$0	\$107,842	\$0	\$35,480
total Tourists	\$43,395	\$1,289	\$14,154			\$2,332	\$5,484		\$14,051		\$6,086
total locals	\$367,813	\$24,076	\$178,010			\$21,861	\$20,680		\$93,792		\$29,394

Note: Totals may not add due to rounding.

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C. Comparative Projections / Slots

Penn Wellington

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July 16, 2008

Exhibit C-1: Slot Projections (\$mn / 2007\$)
Penn Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.9	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane				
Penn Wellington	2,000	110	\$117.2	\$161
Marvel Wellington				
Dodge City	800	112	\$34.8	\$119
Subtotal Kansas Taxable	8,100		\$419.5	\$142
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.5	\$121
Total Kansas	11,843		\$578.7	\$134
memo: Northeast Zone	3,800		\$217.2	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$117.2	\$161
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.2	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.8	\$156
Greater Joplin Total	9,463		\$195.9	\$57
Greater Wichita Total	6,632		\$197.3	\$82
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$412.8	\$182.1	\$594.9
from Others (")		\$165.9		

Exhibit C-2: Slot Projections (\$mn / 2007\$)
Marvel Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.9	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	2,000	110	\$111.5	\$153
Dodge City	800	112	\$34.9	\$120
Subtotal Kansas Taxable	8,100		\$413.9	\$140
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.6	\$121
Total Kansas	11,843		\$573.3	\$133
memo: Northeast Zone	3,800		\$217.3	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$111.5	\$153
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.3	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.9	\$156
Greater Joplin Total	9,463		\$196.0	\$57
Greater Wichita Total	6,632		\$192.4	\$79
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$407.5	\$183.4	\$590.8
from Others (")		\$165.8		

Exhibit C-3: Slot Projections (\$mn / 2007\$)
Harrah's Mulvane at Standard Size / Baseline Competition

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.8	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane	2,000	104	\$151.3	\$207
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.1	\$120
Subtotal Kansas Taxable	8,100		\$453.8	\$153
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.5	\$121
Total Kansas	11,843		\$613.0	\$142
memo: Northeast Zone	3,800		\$217.2	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$151.3	\$207
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.2	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.7	\$156
Greater Joplin Total	9,463		\$195.9	\$57
Greater Wichita Total	6,632		\$231.4	\$96
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$452.6	\$180.1	\$632.7
from Others (")		\$160.4		

Exhibit C-4: Slot Projections (\$mn / 2007\$)
Summary: South-Central Proponents at Standard Size

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Harrahs Mulvane	2,000	104	\$151.3	\$207
Penn Wellington	2,000	110	\$117.2	\$161
Marvel Wellington	2,000	110	\$111.5	\$153

Exhibit C-5: Slot Projections (\$mn / 2007\$)
Penn Wellington's 1500 Slots Match Penn's Projections in 2014

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.0	\$174
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.8	\$109
Penn Cherokee	900	102	\$25.8	\$79
Harrahs Mulvane				
Penn Wellington	1,500	131	\$170.0 *	\$311
Marvel Wellington				
Dodge City	800	112	\$32.6	\$112
Subtotal Kansas Taxable	7,600		\$468.4	\$169
KCK 7th Street	450	78	\$13.7	\$84
4 Northeast KS Natives	3,293	117	\$142.6	\$119
Total Kansas	11,343		\$624.8	\$151
memo: Northeast Zone	3,800		\$216.2	\$156
memo: Southeast Zone	1,500		\$49.6	\$91
memo: South Central Zone	1,500		\$170.0	\$311
Argosy Riverside	1,969	97.2	\$113.4	\$158
IOC KC	1,330	80.9	\$56.1	\$116
Harrahs NKC	1,783	103.5	\$130.8	\$201
Ameristar KC	3,012	98.6	\$172.1	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$472.3	\$160
Greater KC Total	12,344		\$702.3	\$156
Greater Joplin Total	9,463		\$193.6	\$56
Greater Wichita Total	6,132		\$243.3	\$109
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$448.4	\$171.0	\$619.4
from Others (")		\$176.4		

* Equates to Penn's projection of \$202.1mn in 2014 in then-year dollars.

Exhibit C-6: Slot Projections (\$mn / 2007\$)
Penn Wellington's 2000 Slots Match Penn's Projections in 2014

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.2	\$86
KCK Speedway	3,000	102	\$190.8	\$174
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.8	\$109
Penn Cherokee	900	102	\$25.8	\$78
Harrahs Mulvane				
Penn Wellington	2,000	127	\$170.0 *	\$233
Marvel Wellington				
Dodge City	800	112	\$32.3	\$111
Subtotal Kansas Taxable	8,100		\$467.9	\$158
KCK 7th Street	450	78	\$13.7	\$84
4 Northeast KS Natives	3,293	117	\$142.2	\$118
Total Kansas	11,843		\$623.9	\$144
memo: Northeast Zone	3,800		\$216.1	\$156
memo: Southeast Zone	1,500		\$49.6	\$91
memo: South Central Zone	2,000		\$170.0	\$233
Argosy Riverside	1,969	97.2	\$113.3	\$158
IOC KC	1,330	80.9	\$56.1	\$116
Harrahs NKC	1,783	103.5	\$130.7	\$201
Ameristar KC	3,012	98.6	\$172.0	\$156
Sugar Creek				
Subtotal KCMO	8,094		\$472.2	\$160
Greater KC Total	12,344		\$702.0	\$156
Greater Joplin Total	9,463		\$193.3	\$56
Greater Wichita Total	6,632		\$242.0	\$100
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$446.9	\$169.1	\$616.0
from Others (")		\$177.0		

* Equates to Penn's projection of \$202.1mn in 2014 in then-year dollars.

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D. "Low" Projections / Slots

Penn Wellington

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July 16, 2008

**Exhibit D: Projection in Brief (\$mn / 2007\$)
Penn Wellington Slots "Low"**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.6	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.1	\$105
Penn Cherokee	900	102	\$23.3	\$71
Harrahs Mulvane				
Penn Wellington	1,500	104	\$85.4	\$156
Marvel Wellington				
Dodge City	800	112	\$35.4	\$121
Subtotal Kansas Taxable	7,600		\$384.1	\$138
KCK 7th Street	450	78	\$13.7	\$84
4 Northeast KS Natives	3,293	117	\$145.7	\$121
Total Kansas	11,343		\$543.6	\$131
memo: Northeast Zone	3,800		\$216.9	\$156
memo: Southeast Zone	1,500		\$46.4	\$85
memo: South Central Zone	1,500		\$85.4	\$156
Argosy Riverside	1,969	97.2	\$113.6	\$158
IOC KC	1,330	80.9	\$56.1	\$116
Harrahs NKC	1,783	103.5	\$131.0	\$201
Ameristar KC	3,012	98.6	\$172.3	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$472.9	\$160
Greater KC Total	12,344		\$703.6	\$156
Greater Joplin Total	9,963		\$199.3	\$55
Greater Wichita Total	7,832		\$184.8	\$65
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$384.8	\$203.6	\$588.4
from Others (")		\$158.7		

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E. "High" Projections / Slots

Penn Wellington

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July 16, 2008

Exhibit E: Projection in Brief (\$mn / 2007\$)
Penn Wellington Slots "High"

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.9	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane				
Penn Wellington	1,500	116	\$123.2	\$225
Marvel Wellington				
Dodge City	800	112	\$34.8	\$119
Subtotal Kansas Taxable	7,600		\$425.4	\$153
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.4	\$121
Total Kansas	11,343		\$584.6	\$141
memo: Northeast Zone	3,800		\$217.2	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	1,500		\$123.2	\$225
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.2	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.7	\$156
Greater Joplin Total	9,463		\$195.9	\$57
Greater Wichita Total	6,132		\$203.6	\$91
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$418.0	\$182.5	\$600.5
from Others (")		\$166.6		

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Detail for Tables
Penn Wellington

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A. "As Was" Projections / Tables

Penn Wellington

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Exhibit A-1: Table Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Casinos Anywhere

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	59	111	\$27.3	\$1,269
	-----		-----	
Total Kansas	59		\$27.3	\$1,269
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	39	87.3	\$17.8	\$1,253
IOC KC	23	70.2	\$6.5	\$777
Harrahs NKC	48	95.3	\$26.9	\$1,534
Ameristar KC	90	86.5	\$30.1	\$916
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$81.3	\$1,114
Greater KC Total	200		\$81.3	\$1,114
Greater Joplin Total	49		\$6.9	\$384
Greater Wichita Total	21		\$3.9	\$511
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$20.6	\$38.5	\$59.2
from Others (")		\$6.7		

Exhibit A-2: Table Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$44.1	\$1,209
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$9.0	\$822
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$6.3	\$868
	-----		-----	
Subtotal Kansas Taxable	150		\$59.5	\$1,086
KCK 7th Street				
4 Northeast KS Natives	59	111	\$20.4	\$949
	-----		-----	
Total Kansas	209		\$79.9	\$1,047
memo: Northeast Zone	100		\$44.1	\$1,209
memo: Southeast Zone	30		\$9.0	\$822
memo: South Central Zone				
Argosy Riverside	39	87.3	\$10.9	\$768
IOC KC	23	70.2	\$4.5	\$534
Harrahs NKC	48	95.3	\$18.4	\$1,050
Ameristar KC	90	86.5	\$21.7	\$660
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$55.5	\$760
Greater KC Total	300		\$99.6	\$910
Greater Joplin Total	79		\$15.1	\$525
Greater Wichita Total	21		\$3.3	\$435
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$50.3	\$19.2	\$69.5
from Others (")		\$29.6		

Exhibit A-3: Table Projections (\$mn / 2007\$)
Penn Wellington "As Was" 2007 (with New Kansas Facilities)

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$42.4	\$1,161
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$8.6	\$786
Harrahs Mulvane				
Penn Wellington	40	95	\$16.5	\$1,134
Marvel Wellington				
Dodge City	20	100	\$5.2	\$709
Subtotal Kansas Taxable	190		\$72.7	\$1,048
KCK 7th Street				
4 Northeast KS Natives	59	111	\$18.3	\$848
Total Kansas	249		\$91.0	\$1,001
memo: Northeast Zone	100		\$42.4	\$1,161
memo: Southeast Zone	30		\$8.6	\$786
memo: South Central Zone	40		\$16.5	\$1,134
Argosy Riverside	39	87.3	\$10.7	\$753
IOC KC	23	70.2	\$4.5	\$531
Harrahs NKC	48	95.3	\$18.0	\$1,026
Ameristar KC	90	86.5	\$21.3	\$648
Sugar Creek				
Subtotal KCMO	200		\$54.4	\$746
Greater KC Total	300		\$96.8	\$884
Greater Joplin Total	79		\$14.5	\$504
Greater Wichita Total	61		\$19.0	\$852
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$59.1	\$15.2	\$74.4
from Others (")		\$31.8		

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B. Baseline (Likely Future) Projections

Penn Wellington / Tables

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July 16, 2008

**Exhibit B-1: Table Projections (\$mn / 2007\$)
Baseline Before Any New Casinos in Kansas**

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	59	111	\$26.4	\$1,224
	-----		-----	
Total Kansas	59		\$26.4	\$1,224
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	39	87.3	\$17.6	\$1,238
IOC KC	23	70.2	\$6.5	\$773
Harrahs NKC	48	95.3	\$26.5	\$1,510
Ameristar KC	90	86.5	\$29.7	\$903
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$80.2	\$1,099
Greater KC Total	200		\$80.2	\$1,099
Greater Joplin Total	104		\$9.5	\$251
Greater Wichita Total	35		\$4.4	\$346
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$19.9	\$39.6	\$59.5
from Others (")		\$6.5		

Exhibit B-2: Table Projections (\$mn / 2007\$)
Baseline Before Any Casino in South-Central Zone

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$43.4	\$1,189
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.3	\$575
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$6.2	\$843
	-----		-----	
Subtotal Kansas Taxable	150		\$55.8	\$1,020
KCK 7th Street				
4 Northeast KS Natives	59	111	\$19.9	\$924
	-----		-----	
Total Kansas	209		\$75.7	\$993
memo: Northeast Zone	100		\$43.4	\$1,189
memo: Southeast Zone	30		\$6.3	\$575
memo: South Central Zone				
Argosy Riverside	39	87.3	\$10.8	\$760
IOC KC	23	70.2	\$4.5	\$532
Harrahs NKC	48	95.3	\$18.2	\$1,037
Ameristar KC	90	86.5	\$21.4	\$653
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$54.9	\$752
Greater KC Total	300		\$98.3	\$898
Greater Joplin Total	134		\$15.4	\$315
Greater Wichita Total	35		\$3.7	\$292
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$48.9	\$20.6	\$69.6
from Others (")		\$26.8		

Exhibit B-2A: Detail for Sources of Consumer Table Spending (\$000)
Baseline Before Any Casinos in South-Central Zone

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Tables	150		100				30				20
Power Rating			102				90				100
Win/Table/Day			\$1,189				\$575				\$843
Kansas Tourists	\$4,494		\$2,812				\$360				\$1,323
Kansas Locals	30,011		\$25,131				\$970				\$3,910
Kansas Total	\$34,505	\$0	\$27,942	\$0	\$0	\$0	\$1,330	\$0	\$0	\$0	\$5,233
Missouri Tourists	\$2,097		\$1,913				\$179				\$6
Missouri Locals	15,525		\$12,140				\$3,385				\$0
Missouri Total	\$17,622	\$0	\$14,053	\$0	\$0	\$0	\$3,564	\$0	\$0	\$0	\$6
Okla + Ark Tourists	\$942		\$336				\$271				\$335
Okla + Ark Locals	967		\$0				\$904				\$63
Okla + Ark Total	\$1,909	\$0	\$336	\$0	\$0	\$0	\$1,175	\$0	\$0	\$0	\$398
Iowa	\$401	\$0	\$399	\$0	\$0	\$0	\$2	\$0	\$0	\$0	\$1
Nebraska	\$631	\$0	\$481	\$0	\$0	\$0	\$2	\$0	\$0	\$0	\$147
Other Near	\$556	\$0	\$184	\$0	\$0	\$0	\$4	\$0	\$0	\$0	\$367
Frontage Traffic	\$220						\$220				
Total All Sources	\$55,842	\$0	\$43,394	\$0	\$0	\$0	\$6,296	\$0	\$0	\$0	\$6,151
total Tourists	\$9,339		\$6,123				\$1,038				\$2,178
total locals	\$46,503		\$37,271				\$5,259				\$3,973

Note: Totals may not add due to rounding.

Exhibit B-3: Table Projections (\$mn / 2007\$)
Penn Wellington Baseline

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.9	\$1,148
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$548
Harrahs Mulvane				
Penn Wellington	40	95	\$15.7	\$1,072
Marvel Wellington				
Dodge City	20	100	\$5.1	\$703
	-----		-----	
Subtotal Kansas Taxable	190		\$68.7	\$990
KCK 7th Street				
4 Northeast KS Natives	59	111	\$18.0	\$838
	-----		-----	
Total Kansas	249		\$86.7	\$954
memo: Northeast Zone	100		\$41.9	\$1,148
memo: Southeast Zone	30		\$6.0	\$548
memo: South Central Zone	40		\$15.7	\$1,072
Argosy Riverside	39	87.3	\$10.6	\$747
IOC KC	23	70.2	\$4.4	\$530
Harrahs NKC	48	95.3	\$17.8	\$1,016
Ameristar KC	90	86.5	\$21.1	\$643
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$54.0	\$740
Greater KC Total	300		\$95.9	\$876
Greater Joplin Total	134		\$14.7	\$300
Greater Wichita Total	75		\$18.5	\$676
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$58.1	\$16.4	\$74.4
from Others (")		\$28.6		

Exhibit B-3A: Detail for Sources of Consumer Table Spending (\$000)
Penn Wellington Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well ¹	Marvel Wel	Dodge
Number of Tables	190		100				30		40		20
Power Rating			102				90		95		100
Win/Table/Day			\$1,148				\$548		\$1,072		\$703
Kansas Tourists	\$2,589		\$1,349				\$115		\$547		\$577
Kansas Locals	42,889		\$25,114				\$950		\$13,106		\$3,719
Kansas Total	\$45,478	\$0	\$26,463	\$0	\$0	\$0	\$1,065	\$0	\$13,653	\$0	\$4,297
Missouri Tourists	\$2,203		\$1,904				\$178		\$115		\$6
Missouri Locals	15,505		\$12,137				\$3,368		\$0		\$0
Missouri Total	\$17,708	\$0	\$14,040	\$0	\$0	\$0	\$3,547	\$0	\$115	\$0	\$6
Okla + Ark Tourists	\$1,421		\$321				\$260		\$574		\$265
Okla + Ark Locals	1,638		\$0				\$896		\$688		\$54
Okla + Ark Total	\$3,059	\$0	\$321	\$0	\$0	\$0	\$1,157	\$0	\$1,262	\$0	\$319
Iowa	\$404	\$0	\$399	\$0	\$0	\$0	\$2	\$0	\$3	\$0	\$1
Nebraska	\$680	\$0	\$478	\$0	\$0	\$0	\$2	\$0	\$55	\$0	\$144
Other Near	\$589	\$0	\$184	\$0	\$0	\$0	\$4	\$0	\$36	\$0	\$364
Frontage Traffic	\$753						\$220		\$533		
Total All Sources	\$68,668	\$0	\$41,884	\$0	\$0	\$0	\$5,997	\$0	\$15,657	\$0	\$5,130
total Tourists	\$8,635		\$4,633				\$782		\$1,863		\$1,357
total locals	\$60,033		\$37,251				\$5,215		\$13,794		\$3,773

Note: Totals may not add due to rounding.

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C. Comparative Projections / Tables

Penn Wellington

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July 16, 2008

Exhibit C-1: Table Projections (\$mn / 2007\$)
Penn Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.7	\$1,144
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$545
Harrahs Mulvane				
Penn Wellington	50	98	\$17.5	\$959
Marvel Wellington				
Dodge City	20	100	\$5.0	\$683
Subtotal Kansas Taxable	200		\$70.2	\$962
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.8	\$829
Total Kansas	259		\$88.0	\$931
memo: Northeast Zone	100		\$41.7	\$1,144
memo: Southeast Zone	30		\$6.0	\$545
memo: South Central Zone	50		\$17.5	\$959
Argosy Riverside	39	87.3	\$10.6	\$745
IOC KC	23	70.2	\$4.4	\$530
Harrahs NKC	48	95.3	\$17.8	\$1,014
Ameristar KC	90	86.5	\$21.1	\$641
Sugar Creek				
Subtotal KCMO	200		\$53.9	\$738
Greater KC Total	300		\$95.6	\$873
Greater Joplin Total	134		\$14.6	\$298
Greater Wichita Total	85		\$20.2	\$651
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$58.9	\$16.0	\$74.8
from Others (")		\$29.2		

Exhibit C-2: Table Projections (\$mn / 2007\$)
Marvel Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.8	\$1,144
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$545
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	50	98	\$16.9	\$923
Dodge City	20	100	\$5.0	\$685
	-----		-----	
Subtotal Kansas Taxable	200		\$69.6	\$953
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.9	\$830
	-----		-----	
Total Kansas	259		\$87.5	\$925
memo: Northeast Zone	100		\$41.8	\$1,144
memo: Southeast Zone	30		\$6.0	\$545
memo: South Central Zone	50		\$16.9	\$923
Argosy Riverside	39	87.3	\$10.6	\$746
IOC KC	23	70.2	\$4.4	\$530
Harrahs NKC	48	95.3	\$17.8	\$1,014
Ameristar KC	90	86.5	\$21.1	\$642
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.9	\$738
Greater KC Total	300		\$95.7	\$874
Greater Joplin Total	134		\$14.6	\$299
Greater Wichita Total	85		\$19.6	\$631
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$58.3	\$16.0	\$74.4
from Others (")		\$29.1		

Exhibit C-3: Table Projections (\$mn / 2007\$)
Harrah's Mulvane at Standard Size / Baseline Competition

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,140
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$544
Harrahs Mulvane	50	98	\$22.8	\$1,252
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$675
Subtotal Kansas Taxable	200		\$75.3	\$1,032
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.7	\$821
Total Kansas	259		\$93.0	\$984
memo: Northeast Zone	100		\$41.6	\$1,140
memo: Southeast Zone	30		\$6.0	\$544
memo: South Central Zone	50		\$22.8	\$1,252
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,012
Ameristar KC	90	86.5	\$21.0	\$641
Sugar Creek				
Subtotal KCMO	200		\$53.8	\$737
Greater KC Total	300		\$95.4	\$872
Greater Joplin Total	134		\$14.6	\$298
Greater Wichita Total	85		\$25.7	\$828
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.6	\$15.8	\$80.4
from Others (")		\$28.5		

Exhibit C-4: Table Projections (\$mn / 2007\$)
Summary: South-Central Proponents at Standard Size

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Harrahs Mulvane	50	98	\$22.8	\$1,252
Penn Wellington	50	98	\$17.5	\$959
Marvel Wellington	50	98	\$16.9	\$923

Exhibit C-5: Table Projections (\$mn / 2007\$)
Penn Wellington's 40 Tables Match Penn's Projections for 2014

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.5	\$1,137
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$5.9	\$539
Harrahs Mulvane				
Penn Wellington	40	115	\$23.6 *	\$1,615
Marvel Wellington				
Dodge City	20	100	\$4.7	\$644
Subtotal Kansas Taxable	190		\$75.7	\$1,091
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.5	\$813
Total Kansas	249		\$93.2	\$1,025
memo: Northeast Zone	100		\$41.5	\$1,137
memo: Southeast Zone	30		\$5.9	\$539
memo: South Central Zone	40		\$23.6	\$1,615
Argosy Riverside	39	87.3	\$10.6	\$743
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,011
Ameristar KC	90	86.5	\$21.0	\$640
Sugar Creek				
Subtotal KCMO	200		\$53.7	\$736
Greater KC Total	300		\$95.2	\$870
Greater Joplin Total	134		\$14.4	\$295
Greater Wichita Total	75		\$26.0	\$950
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$62.2	\$15.4	\$77.6
from Others (")		\$31.0		

* Equates to Penn's projection of \$28mn in 2014 in then-year dollars (not inc. poker)

Exhibit C-6: Table Projections (\$mn / 2007\$)
50 Tables at Wellington Match Penn's Projections for 2014

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.5	\$1,136
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$5.9	\$538
Harrahs Mulvane				
Penn Wellington	50	112	\$23.6 *	\$1,292
Marvel Wellington				
Dodge City	20	100	\$4.7	\$638
Subtotal Kansas Taxable	200		\$75.6	\$1,035
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.4	\$810
Total Kansas	259		\$93.0	\$984
memo: Northeast Zone	100		\$41.5	\$1,136
memo: Southeast Zone	30		\$5.9	\$538
memo: South Central Zone	50		\$23.6	\$1,292
Argosy Riverside	39	87.3	\$10.6	\$743
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,010
Ameristar KC	90	86.5	\$21.0	\$639
Sugar Creek				
Subtotal KCMO	200		\$53.7	\$736
Greater KC Total	300		\$95.2	\$869
Greater Joplin Total	134		\$14.4	\$294
Greater Wichita Total	85		\$26.0	\$836
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$61.9	\$15.3	\$77.2
from Others (")		\$31.1		

* Equates to Penn's projection of \$28mn in 2014 in then-year dollars (not inc. poker)

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D. "Low" Projections / Tables

Penn Wellington

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July 16, 2008

Exhibit D: Table Projections (\$mn / 2007\$)
Penn Wellington "Low"

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.8	\$1,146
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$5.3	\$485
Harrahs Mulvane				
Penn Wellington	40	87	\$12.3	\$844
Marvel Wellington				
Dodge City	20	100	\$5.2	\$709
	-----		-----	
Subtotal Kansas Taxable	190		\$64.6	\$932
KCK 7th Street				
4 Northeast KS Natives	59	111	\$18.1	\$840
	-----		-----	
Total Kansas	249		\$82.7	\$910
memo: Northeast Zone	100		\$41.8	\$1,146
memo: Southeast Zone	30		\$5.3	\$485
memo: South Central Zone	40		\$12.3	\$844
Argosy Riverside	39	87.3	\$10.6	\$746
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.8	\$1,014
Ameristar KC	90	86.5	\$21.1	\$641
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.9	\$738
Greater KC Total	300		\$95.7	\$874
Greater Joplin Total	144		\$14.8	\$281
Greater Wichita Total	103		\$16.4	\$437
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$55.5	\$18.1	\$73.5
from Others (")		\$27.2		

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E. "High" Projections / Tables

Penn Wellington

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July 16, 2008

Exhibit E: Table Projections (\$mn / 2007\$)
Penn Wellington "High"

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.7	\$1,143
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$544
Harrahs Mulvane				
Penn Wellington	40	103	\$18.5	\$1,266
Marvel Wellington				
Dodge City	20	100	\$5.0	\$681
	-----		-----	
Subtotal Kansas Taxable	190		\$71.1	\$1,026
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.8	\$828
	-----		-----	
Total Kansas	249		\$89.0	\$979
memo: Northeast Zone	100		\$41.7	\$1,143
memo: Southeast Zone	30		\$6.0	\$544
memo: South Central Zone	40		\$18.5	\$1,266
Argosy Riverside	39	87.3	\$10.6	\$745
IOC KC	23	70.2	\$4.4	\$530
Harrahs NKC	48	95.3	\$17.8	\$1,014
Ameristar KC	90	86.5	\$21.1	\$641
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.9	\$738
Greater KC Total	300		\$95.6	\$873
Greater Joplin Total	134		\$14.6	\$298
Greater Wichita Total	75		\$21.2	\$773
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$59.7	\$15.9	\$75.6
from Others (")		\$29.3		

Cummings Associates

**Projections for the
Likely Gaming Revenues of
Marvel Gaming, LLC
("Marvel Wellington")**

DRAFT

July 16, 2008

Projections for Likely Gaming Revenues of Marvel Gaming, LLC (“Marvel Wellington”)

Exhibit 1 presents a full set of Baseline projections (“most likely future” scenario regarding competition, including other facilities in Kansas) with Marvel’s Wellington property highlighted in light yellow. I have developed these projections assuming a *representative* selection of facilities in the other gaming zones so as to capture their (very modest) impacts on each property that I examine here. I have also assumed the specific location, size and configuration of the casino facility proposed by Marvel.

Under this scenario, Marvel’s Trailhead casino near Wellington is projected to obtain total annual gaming revenues of \$130.2 million. (This compares with Penn Sumner, also near Wellington, at \$123.5 million, and Harrah’s Mulvane at \$174 million.)

As in my previous report, these projections are presented as of “maturity,” a.k.a. “stabilized operations,” in terms of 2007 dollars. To get to then-year dollars, I would assume escalation of 2.5% per year. This reflects nominal income growth / inflation at two percent per annum plus adult population growth averaging 0.5% per year.

In 2014, for example, my projections would equate to \$154.7 million in gaming win. This compares with Marvel’s projection of \$251.1 million in slot and table gaming revenues for its Fiscal Year 3. (I have omitted the \$7.1 million that Marvel projects for poker revenues from this comparison.)

A new addition to this type of exhibit is presented at the bottom. On the first line are projections for the spending of all the residents of Kansas on gaming, first at Kansas casinos, then to casinos in other states, and finally in total. The second line indicates the estimated spending of the residents of other states *at* the gaming facilities of Kansas. Kansas’s “balance of trade” can be found by netting the diagonal entries: in this case, \$199 million spent by Kansans in nearby states versus \$195.6 million spent by others in Kansas, resulting in a net outflow of \$3.4 million from the State of Kansas.¹

Exhibit 2 presents detail for the sources of consumer spending at each facility in Kansas.

Exhibit 3 presents corresponding detail regarding visitation.

Exhibit 4 presents a graphic comparison of my projections versus those of the proponent. I have inflated my 2007-dollar projections by the aforesaid 2.5% per year, and ignored partial years

¹ Ignoring, as before, minor amounts spent in Nevada, Atlantic City, on cruise ships, etc. For these calculations I have also assumed that all the “drive-by” revenues at the facilities on Interstate Highways derive from the residents of other states, though some portion will indeed likely come from Kansans.

of operation (as well as all receipts from poker and other non-banked card games, which are projected by Marvel to rise from \$6 million to \$7.9 million over this period).

Exhibit 5 is similar except that my projections have been inflated at the rate that the proponent appears to assume for “organic” growth in the outyears. For Marvel, this is 5%.² I have done this in order to maximize comparability with the applicant by removing this source of difference between our projections. I believe, however, that the 2.5% rate is more appropriate. There are very few markets in the Midwest where total gaming receipts increased at a greater rate in the *good* years prior to 2007 without substantial additions to capacity or major renovations that improved quality. When everything else remained equal, most markets in the Midwest grew 2-3% per year in the early 00s, so I believe that is the most reasonable assumption for the future – *after* we recover from the current recession.

Section A then provides detail regarding my analyses and projections “as was” in 2007, i.e., with no change in competition from that year – aside from a representative selection of gaming facilities elsewhere in Kansas. I think most of the proponents would have assumed some such competition (which, however, likely had less impact on their projections than it does on mine).

Section B provides further detail regarding my Baseline projections. It is from this section that the leading Exhibits 1, 2 and 3 were extracted (duplicated here as B-3, B-3A, and B-3B, respectively).

Comparisons of various types are presented in **Section C**. The three casinos proposed for Sumner County are compared against each other at a “standard size” so as to extract the differences due to location alone. As indicated in Exhibit C-4, this leaves Harrah’s Mulvane with a substantial advantage over either of the two facilities proposed near Wellington. And for each proponent, I have matched their own projections with my model so as to determine the effective “power rating” that they implicitly assert. As of what looks to me like the first full year of stabilized operations, Harrah’s slot projections weigh in at 123, Penn Wellington’s at 131, and Marvel’s at 134. These are all unusually high. (Penn Cherokee is actually the least aggressive, at 116-126.)

Section D presents my “low” projection, and **Section E** my “high” (formerly “downside” and “upside,” respectively. I changed the names so as to reduce impressions that they may represent either a floor or ceiling.)

I also present corresponding detail from the separate slot and table models that combine to yield my projections in total. The zone in which this disaggregation really matters is the Southeast: I’m projecting table revenues to be strong there due to the absence of craps, roulette, and banked table games at the casinos of Oklahoma. This also has positive impacts here in the South-Central Zone, but to a much more modest extent. If Oklahoma table players always had to

² Through Marvel’s Fiscal Year 5. Marvel testified in Belle Plain that they used 3% for the following years when comparing their 15-year projections against those of the other applicants.

pay an ante, Kansas games would be substantially more attractive, but as we saw at Downstream last week, that's not necessarily the case. Downstream (and at least one other Oklahoma casino) appear to be foregoing the antes in order to build their business. I presume that the Oklahoma casinos nearest the South-Central Zone would do the same when faced with competition from Trailhead or any other new casino here.

I had also formerly assumed that the table situation in Oklahoma would reduce the power ratings of their slots by five points when "real" table games appeared in Kansas. I'm now assuming just two points for this effect, so there is little (additional) benefit for Trailhead other than the superiority of its table games in their own right.

In sum, my projections for the casino that Marvel has proposed near Wellington are substantially lower than Marvel's own, and also lower than my projections for the facility that Harrah's has proposed near Mulvane.³ Based on my experience and my analyses of other markets, my gravity models indicate that other things being equal, Harrah's location roughly 11 minutes closer to the vast majority of the population in the market would elicit considerably more consumer spending than either of the locations proposed at Wellington.

³ The models indicate that Marvel's gaming revenues would likely exceed Penn National's primarily due to its larger size: 2,000 slots and 65 table games versus 1,500 slots, at the outset, and 40 table games for Penn.

Cummings Associates

**Projections for the
Likely Gaming Revenues of
Marvel Gaming, LLC
("Marvel Wellington")**

Exhibits

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July 16, 2008

List of Exhibits

Exhibit

- 1 Marvel Wellington Baseline
- 2 Detail for Sources of Consumer Spending
- 3 Detail for Visitation by Source
- 4 Marvel's Projections vs. Cummings's (2.5% escalation)
- 5 Marvel's Projections vs. Cummings's (5% escalation)

Section A: "As Was" Projections

- A-1 "As Was" 2007 -- Before Any New Facilities
- A-2 "As Was" 2007 -- w Potential New Kansas Facilities Elsewhere
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Section B: Baseline (Likely Future) Projections

- B-1 Likely Future / Baseline -- with New Facilities Elsewhere
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Section D: "Low" Projections

- D Marvel Wellington "Low"

Section E: "High" Projections

- E Marvel Wellington "High"

(Similar sets of exhibits follow for slots and tables)

Exhibit 1: Gaming Revenue Projections (\$mn / 2007\$)
Marvel Wellington Baseline

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.9	\$175	\$233.5
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington	2,000	110	\$111.5	\$153	\$130.2
Dodge City	800	112	\$34.9	\$120	\$39.8
Subtotal Kansas Taxable	8,100		\$413.9	\$140	\$485.0
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.6	\$121	\$163.3
Total Kansas	11,843		\$573.3	\$133	\$662.0
memo: Northeast Zone	3,800		\$217.3	\$157	\$258.9
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.2
memo: South Central Zone	2,000		\$111.5	\$153	\$130.2
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.3	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.7
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.7
Greater KC Total	12,344		\$704.9	\$156	\$800.3
Greater Joplin Total	9,463		\$196.0	\$57	\$210.5
Greater Wichita Total	6,632		\$192.4	\$79	\$213.6
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$466.4	\$199.0	\$665.5	
from Others (")		\$195.6			

Note: Totals may not add due to rounding.

Exhibit 2: Detail for Sources of Consumer Spending (\$000)
Marvel Wellington Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well'i	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900			2,000	800
Power Rating		95	102			102	102			110	112
Win/Slot/Day		\$87	\$175			\$110	\$79			\$153	\$120
Kansas Tourists	\$17,299	\$379	\$4,688			\$644	\$816			\$6,981	\$3,791
Kansas Locals	329,554	\$15,914	152,755			\$16,633	4,517			107,428	32,306
Kansas Total	\$346,853	\$16,293	\$157,444	\$0	\$0	\$17,277	\$5,334	\$0	\$0	\$114,409	\$36,097
Missouri Tourists	\$13,298	\$663	\$8,289			\$1,139	\$1,617			\$1,533	\$58
Missouri Locals	92,994	\$8,157	62,454			\$4,842	17,541			0	0
Missouri Total	\$106,292	\$8,820	\$70,743	\$0	\$0	\$5,980	\$19,158	\$0	\$0	\$1,533	\$58
Okla + Ark Tourists	\$7,981	\$25	\$925			\$472	\$1,253			\$3,852	\$1,454
Okla + Ark Locals	8,115	\$0	0			\$359	3,781			3,508	467
Okla + Ark Total	\$16,096	\$25	\$925	\$0	\$0	\$832	\$5,033	\$0	\$0	\$7,360	\$1,921
Iowa	\$1,873	\$93	\$1,706	\$0	\$0	\$8	\$14	\$0	\$0	\$45	\$7
Nebraska	\$3,774	\$88	\$1,882	\$0	\$0	\$9	\$15	\$0	\$0	\$745	\$1,035
Other Near	\$1,815	\$28	\$845	\$0	\$0	\$20	\$54	\$0	\$0	\$202	\$666
Frontage Traffic	\$8,283						\$2,421			\$5,862	
Total All Sources	\$484,976	\$25,347	\$233,536	\$0	\$0	\$24,126	\$32,030	\$0	\$0	\$130,154	\$39,784
total Tourists	\$54,314	\$1,276	\$18,326			\$2,292	\$6,191			\$19,218	\$7,011
total locals	\$430,663	\$24,071	\$215,209			\$21,834	\$25,839			\$110,936	\$32,773

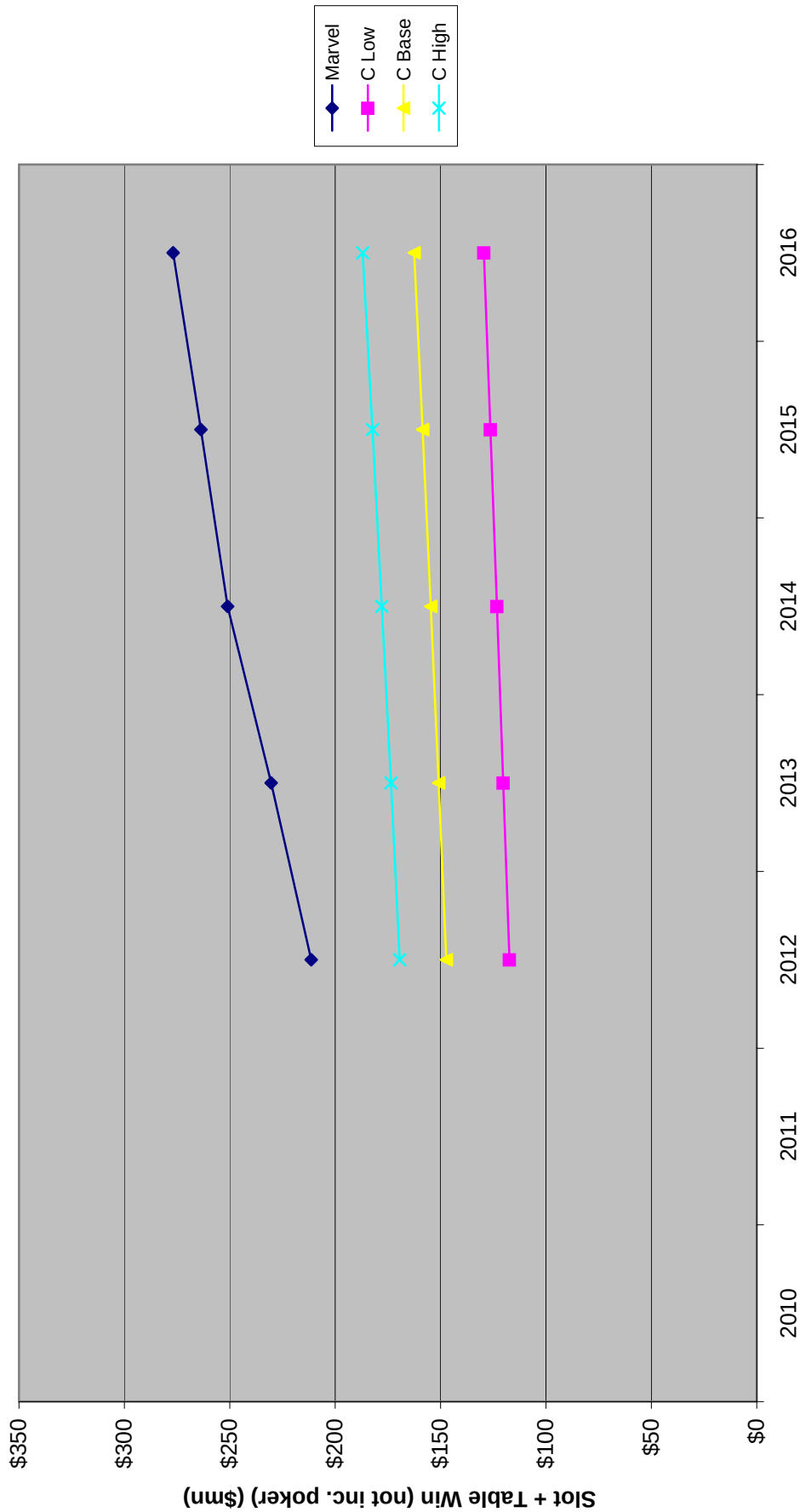
Note: Totals may not add due to rounding.

Exhibit 3: Detail for Visitation by Source
Marvel Wellington Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well'i	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900			2,000	800
Power Rating		95	102			102	102			110	112
Win/Slot/Day		\$87	\$175			\$110	\$79			\$153	\$120
Kansas Tourists	210,896	5,016	51,104			8,661	11,100			86,146	48,868
Kansas Locals	4,441,668	233,995	1,817,854	0	0	285,165	78,866	0	0	1,519,875	505,912
Kansas Total	4,652,563	239,012	1,868,958	0	0	293,826	89,966	0	0	1,606,021	554,781
Missouri Tourists	159,470	8,940	92,406			15,600	22,483			19,278	763
Missouri Locals	1,268,961	125,286	778,639	0	0	78,490	286,546	0	0	0	0
Missouri Total	1,428,431	134,226	871,045	0	0	94,090	309,028	0	0	19,278	763
Okla + Ark Tourists	105,210	349	10,655			6,735	17,873			49,695	19,903
Okla + Ark Locals	119,948	0	0	0	0	5,404	58,677	0	0	48,816	7,052
Oklahoma Total	225,158	349	10,655	0	0	12,138	76,551	0	0	98,511	26,954
Iowa	20,930	1,245	18,738	0	0	102	192	0	0	555	98
Nebraska	44,428	1,165	20,461	0	0	115	209	0	0	9,176	13,302
Other Near	19,130	341	8,600	0	0	253	678	0	0	2,176	7,082
Frontage Traffic	95,162	0	0			0	29,387			65,775	0
Total All Sources	6,485,802	376,337	2,798,456	0	0	400,525	506,011	0	0	1,801,492	602,980
total Tourists	655,226	17,056	201,963			31,466	81,922			232,802	90,016
total locals	5,830,577	359,281	2,596,494			369,058	424,089			1,568,690	512,964
Spending Per Visitor	\$75	\$67	\$83			\$60	\$63			\$72	\$66

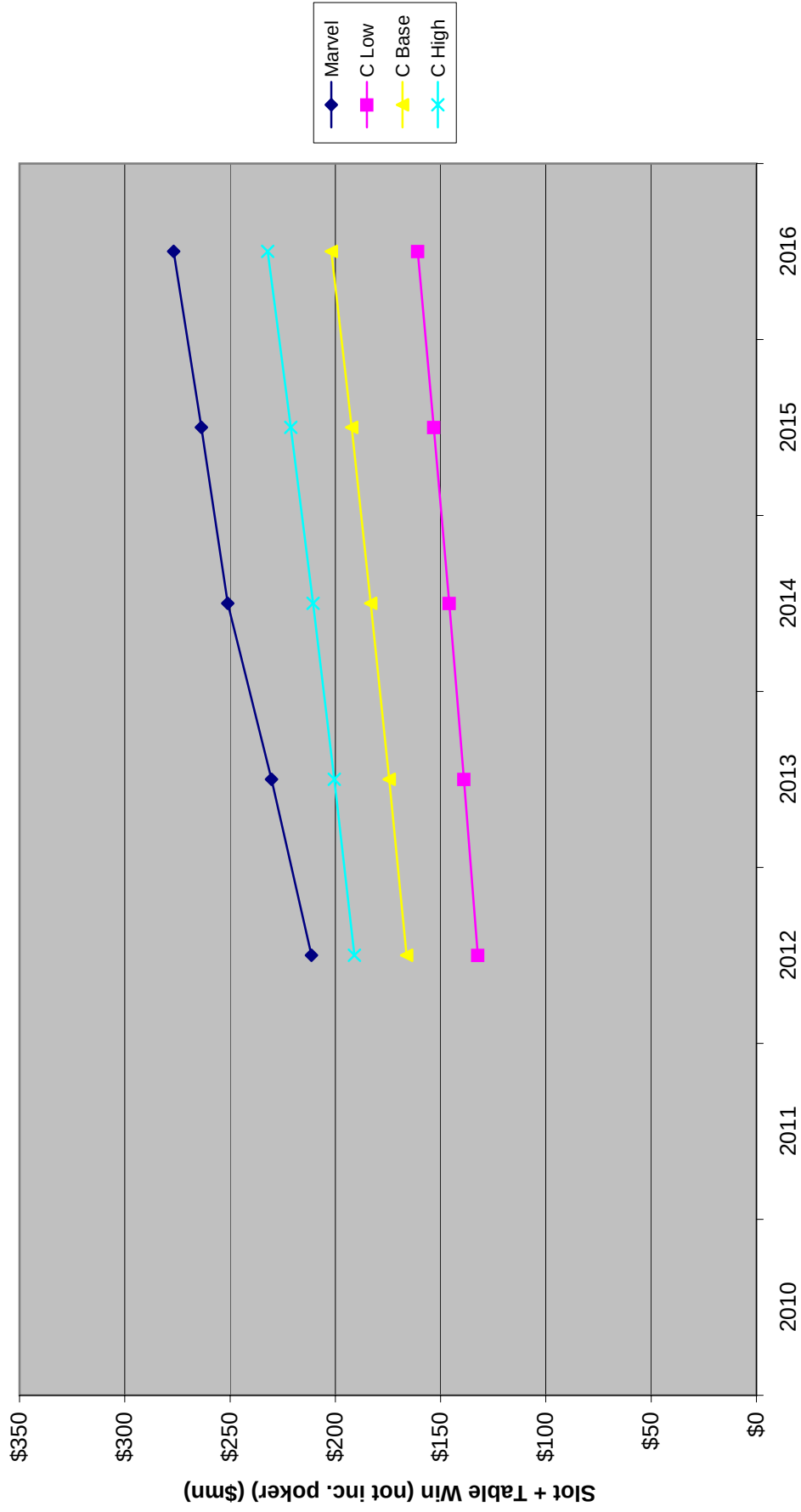
Note: Totals may not add due to rounding.

Exhibit 4: Marvel's Wellington Projections vs. Cummings's (2.5% escalation)



Note: Cummings projections are for "stabilized operations." Marvel's are for FY ending Sept. 30.

Exhibit 5: Marvel's Wellington Projections vs. Cummings's (5% escalation)



Note: Cummings projections are for "stabilized operations." Marvel's are for FY ending Sept. 30.

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A. "As Was" Projections

Marvel Wellington

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July 16, 2008

Exhibit A-1: Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Facilities

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
KCK Speedway					
KCK Stateline					
KCK Middle					
Camptown					
Penn Cherokee					
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City					
	-----		-----		-----
Subtotal Kansas Taxable	0		\$0.0		\$0.0
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$167.8	\$171	\$195.1
	-----		-----		-----
Total Kansas	2,693		\$167.8	\$171	\$195.1
memo: Northeast Zone					
memo: Southeast Zone					
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$164.2	\$228	\$182.0
IOC KC	1,523	78.9	\$77.3	\$139	\$83.8
Harrahs NKC	1,783	103.5	\$175.4	\$270	\$202.3
Ameristar KC	3,012	98.6	\$222.5	\$202	\$252.6
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,287		\$639.4	\$211	\$720.7
Greater KC Total	8,287		\$639.4	\$211	\$720.7
Greater Joplin Total	4,242		\$138.8	\$90	\$145.6
Greater Wichita Total	3,632		\$112.3	\$85	\$116.2
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$145.1	\$377.4	\$522.5	
from Others (")		\$50.0			

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Exhibit A-2: Gaming Revenue Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$26.4	\$90	\$26.4
KCK Speedway	3,000	102	\$201.2	\$184	\$245.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$28.8	\$131	\$28.8
Penn Cherokee	900	102	\$42.2	\$128	\$51.2
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$40.0	\$137	\$46.3
Subtotal Kansas Taxable	6,100		\$338.5	\$152	\$397.9
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$144.2	\$147	\$164.7
Total Kansas	8,793		\$482.7	\$150	\$562.6
memo: Northeast Zone	3,800		\$227.6	\$164	\$271.7
memo: Southeast Zone	1,500		\$70.9	\$130	\$79.9
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$118.6	\$165	\$129.5
IOC KC	1,523	78.9	\$59.7	\$107	\$64.2
Harrahs NKC	1,783	103.5	\$136.7	\$210	\$155.1
Ameristar KC	3,012	98.6	\$179.0	\$163	\$200.7
Sugar Creek					
Subtotal KCMO	8,287		\$494.1	\$163	\$549.6
Greater KC Total	12,087		\$721.6	\$164	\$821.3
Greater Joplin Total	5,742		\$184.0	\$88	\$199.1
Greater Wichita Total	3,632		\$107.2	\$81	\$110.6
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$373.0	\$242.2	\$615.3	
from Others (")		\$189.6			

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Exhibit A-3: Gaming Revenue Projections (\$mn / 2007\$)
Marvel "As Was" 2007 (with New Kansas Facilities)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$26.2	\$90	\$26.2
KCK Speedway	3,000	102	\$198.9	\$182	\$241.0
KCK Stateline					
KCK Middle					
Camptown	600	102	\$28.0	\$128	\$28.0
Penn Cherokee	900	102	\$41.3	\$126	\$49.8
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington	2,000	110	\$120.2	\$165	\$140.1
Dodge City	800	112	\$35.5	\$122	\$40.4
Subtotal Kansas Taxable	8,100		\$450.2	\$152	\$525.5
KCK 7th Street					
4 Northeast KS Natives	2,693	117	\$138.3	\$141	\$156.2
Total Kansas	10,793		\$588.5	\$149	\$681.7
memo: Northeast Zone	3,800		\$225.1	\$162	\$267.2
memo: Southeast Zone	1,500		\$69.3	\$127	\$77.8
memo: South Central Zone	2,000		\$120.2	\$165	\$140.1
Argosy Riverside	1,969	97.2	\$117.7	\$164	\$128.3
IOC KC	1,523	78.9	\$59.6	\$107	\$64.1
Harrahs NKC	1,783	103.5	\$135.6	\$208	\$153.5
Ameristar KC	3,012	98.6	\$177.8	\$162	\$199.0
Sugar Creek					
Subtotal KCMO	8,287		\$490.6	\$162	\$544.9
Greater KC Total	12,087		\$715.7	\$162	\$812.0
Greater Joplin Total	5,742		\$180.3	\$86	\$194.7
Greater Wichita Total	5,632		\$196.7	\$96	\$218.6
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$475.5	\$191.4	\$666.9	
from Others (")		\$206.2			

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B. Baseline (Likely Future) Projections

Marvel Wellington

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July 16, 2008

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**Exhibit B-1: Gaming Revenue Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
KCK Speedway					
KCK Stateline					
KCK Middle					
Camptown					
Penn Cherokee					
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City					
	-----		-----		-----
Subtotal Kansas Taxable	0		\$0.0		\$0.0
KCK 7th Street					
4 Northeast KS Natives	3,293	117	\$174.0	\$145	\$200.4
	-----		-----		-----
Total Kansas	3,293		\$174.0	\$145	\$200.4
memo: Northeast Zone					
memo: Southeast Zone					
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$162.2	\$226	\$179.8
IOC KC	1,330	80.9	\$75.1	\$155	\$81.6
Harrahs NKC	1,783	103.5	\$172.9	\$266	\$199.3
Ameristar KC	3,012	98.6	\$219.4	\$200	\$249.0
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,094		\$629.5	\$213	\$709.7
Greater KC Total	8,094		\$629.5	\$213	\$709.7
Greater Joplin Total	7,963		\$177.3	\$61	\$186.8
Greater Wichita Total	4,632		\$114.1	\$67	\$118.5

Total Casino Spending:

from Kansas (\$mn)

from Others (")

to Kansas

\$145.4

\$55.0

to Others

\$381.0

Total KS

\$526.5

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**Exhibit B-2: Gaming Revenue Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere AND KS**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.5	\$87	\$25.5
KCK Speedway	3,000	102	\$193.5	\$177	\$236.9
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.6	\$112	\$24.6
Penn Cherokee	900	102	\$26.6	\$81	\$32.9
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$38.3	\$131	\$44.5
Subtotal Kansas Taxable	6,100		\$308.5	\$139	\$364.4
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$150.3	\$125	\$170.2
Total Kansas	9,843		\$472.6	\$132	\$548.4
memo: Northeast Zone	3,800		\$219.0	\$158	\$262.4
memo: Southeast Zone	1,500		\$51.2	\$94	\$57.5
memo: South Central Zone					
Argosy Riverside	1,969	97.2	\$114.4	\$159	\$125.2
IOC KC	1,330	80.9	\$56.3	\$116	\$60.8
Harrahs NKC	1,783	103.5	\$132.1	\$203	\$150.2
Ameristar KC	3,012	98.6	\$173.5	\$158	\$195.0
Sugar Creek					
Subtotal KCMO	8,094		\$476.3	\$161	\$531.1
Greater KC Total	12,344		\$709.0	\$157	\$807.3
Greater Joplin Total	9,463		\$200.1	\$58	\$215.5
Greater Wichita Total	4,632		\$110.1	\$65	\$113.8
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$367.7	\$246.6	\$614.2	
from Others (")		\$180.7			

Exhibit B-2A: Detail for Sources of Consumer Spending (\$000)
Baseline Before Any Casinos in South-Central Zone

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Slots	6,100	800	3,000			600	900				800
Power Rating		95	102			102	102				112
Win/Slot/Day		\$87	\$177			\$112	\$81				\$131
Kansas Tourists	\$17,162	\$455	\$7,804			\$994	\$1,479				\$6,430
Kansas Locals	224,179	\$15,934	152,920			\$16,711	4,580				34,034
Kansas Total	\$241,341	\$16,389	\$160,724	\$0	\$0	\$17,706	\$6,059	\$0	\$0	\$0	\$40,464
Missouri Tourists	\$11,831	\$666	\$8,335			\$1,145	\$1,627				\$58
Missouri Locals	93,174	\$8,162	62,487			\$4,887	17,638				0
Missouri Total	\$105,004	\$8,827	\$70,822	\$0	\$0	\$6,032	\$19,265	\$0	\$0	\$0	\$58
Okla + Ark Tourists	\$4,390	\$25	\$950			\$474	\$1,271				\$1,669
Okla + Ark Locals	4,711	\$0	0			\$360	3,802				549
Okla + Ark Total	\$9,101	\$25	\$950	\$0	\$0	\$835	\$5,073	\$0	\$0	\$0	\$2,218
Iowa	\$1,829	\$93	\$1,707	\$0	\$0	\$8	\$14	\$0	\$0	\$0	\$7
Nebraska	\$3,077	\$89	\$1,902	\$0	\$0	\$9	\$16	\$0	\$0	\$0	\$1,061
Other Near	\$1,623	\$28	\$846	\$0	\$0	\$20	\$54	\$0	\$0	\$0	\$675
Frontage Traffic	\$2,421						\$2,421				
Total All Sources	\$364,387	\$25,451	\$236,941	\$0	\$0	\$24,609	\$32,903	\$0	\$0	\$0	\$44,483
total Tourists	\$42,323	\$1,355	\$21,535			\$2,650	\$6,882				\$9,900
total locals	\$322,064	\$24,095	\$215,407			\$21,959	\$26,021				\$34,583

Note: Totals may not add due to rounding.

**Exhibit B-2B: Detail for Visitation by Source
Baseline Before Any Casinos in South-Central Zone**

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Slots	6,100	800	3,000			600	900				800
Power Rating		95	102			102	102				112
Win/Slot/Day		\$87	\$177			\$112	\$81				\$131
Kansas Tourists	201,669	6,020	82,923			13,327	19,328				80,070
Kansas Locals	2,935,165	234,113	1,814,558	0	0	285,397	79,604	0	0	0	521,493
Kansas Total	3,136,834	240,134	1,897,481	0	0	298,724	98,932	0	0	0	601,563
Missouri Tourists	140,580	8,972	92,648			15,633	22,570				756
Missouri Locals	1,268,105	125,258	776,642	0	0	78,934	287,271	0	0	0	0
Missouri Total	1,408,685	134,231	869,289	0	0	94,567	309,842	0	0	0	756
Okla + Ark Tourists	58,387	351	10,888			6,744	18,061				22,344
Okla + Ark Locals	72,362	0	0	0	0	5,401	58,829	0	0	0	8,133
Oklahoma Total	130,749	351	10,888	0	0	12,145	76,889	0	0	0	30,477
Iowa	20,324	1,244	18,690	0	0	102	192	0	0	0	96
Nebraska	35,554	1,174	20,623	0	0	116	211	0	0	0	13,429
Other Near	16,941	341	8,582	0	0	253	677	0	0	0	7,089
Frontage Traffic	29,331	0	0			0	29,331				0
Total All Sources	4,778,417	377,474	2,825,553	0	0	405,906	516,074	0	0	0	653,410
total Tourists	502,785	18,102	234,354			36,175	90,370				123,784
total locals	4,275,633	359,372	2,591,200			369,732	425,704				529,626
Spending Per Visitor	\$76	\$67	\$84			\$61	\$64				\$68

Note: Totals may not add due to rounding.

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**Exhibit B-3: Gaming Revenue Projections (\$mn / 2007\$)
Marvel Wellington Baseline**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.9	\$175	\$233.5
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington	2,000	110	\$111.5	\$153	\$130.2
Dodge City	800	112	\$34.9	\$120	\$39.8
Subtotal Kansas Taxable	8,100		\$413.9	\$140	\$485.0
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.6	\$121	\$163.3
Total Kansas	11,843		\$573.3	\$133	\$662.0
memo: Northeast Zone	3,800		\$217.3	\$157	\$258.9
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.2
memo: South Central Zone	2,000		\$111.5	\$153	\$130.2
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.3	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.7
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.7
Greater KC Total	12,344		\$704.9	\$156	\$800.3
Greater Joplin Total	9,463		\$196.0	\$57	\$210.5
Greater Wichita Total	6,632		\$192.4	\$79	\$213.6
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$466.4	\$199.0	\$665.5	
from Others (")		\$195.6			

Exhibit B-3A: Detail for Sources of Consumer Spending (\$000)
Marvel Wellington Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well'i	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900			2,000	800
Power Rating		95	102			102	102			110	112
Win/Slot/Day		\$87	\$175			\$110	\$79			\$153	\$120
Kansas Tourists	\$17,299	\$379	\$4,688			\$644	\$816			\$6,981	\$3,791
Kansas Locals	329,554	\$15,914	152,755			\$16,633	4,517			107,428	32,306
Kansas Total	\$346,853	\$16,293	\$157,444	\$0	\$0	\$17,277	\$5,334	\$0	\$0	\$114,409	\$36,097
Missouri Tourists	\$13,298	\$663	\$8,289			\$1,139	\$1,617			\$1,533	\$58
Missouri Locals	92,994	\$8,157	62,454			\$4,842	17,541			0	0
Missouri Total	\$106,292	\$8,820	\$70,743	\$0	\$0	\$5,980	\$19,158	\$0	\$0	\$1,533	\$58
Okla + Ark Tourists	\$7,981	\$25	\$925			\$472	\$1,253			\$3,852	\$1,454
Okla + Ark Locals	8,115	\$0	0			\$359	3,781			3,508	467
Okla + Ark Total	\$16,096	\$25	\$925	\$0	\$0	\$832	\$5,033	\$0	\$0	\$7,360	\$1,921
Iowa	\$1,873	\$93	\$1,706	\$0	\$0	\$8	\$14	\$0	\$0	\$45	\$7
Nebraska	\$3,774	\$88	\$1,882	\$0	\$0	\$9	\$15	\$0	\$0	\$745	\$1,035
Other Near	\$1,815	\$28	\$845	\$0	\$0	\$20	\$54	\$0	\$0	\$202	\$666
Frontage Traffic	\$8,283						\$2,421			\$5,862	
Total All Sources	\$484,976	\$25,347	\$233,536	\$0	\$0	\$24,126	\$32,030	\$0	\$0	\$130,154	\$39,784
total Tourists	\$54,314	\$1,276	\$18,326			\$2,292	\$6,191			\$19,218	\$7,011
total locals	\$430,663	\$24,071	\$215,209			\$21,834	\$25,839			\$110,936	\$32,773

Note: Totals may not add due to rounding.

Exhibit B-3B: Detail for Visitation by Source
Marvel Wellington Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well'i	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900			2,000	800
Power Rating		95	102			102	102			110	112
Win/Slot/Day		\$87	\$175			\$110	\$79			\$153	\$120
Kansas Tourists	210,896	5,016	51,104			8,661	11,100			86,146	48,868
Kansas Locals	4,441,668	233,995	1,817,854	0	0	285,165	78,866	0	0	1,519,875	505,912
Kansas Total	4,652,563	239,012	1,868,958	0	0	293,826	89,966	0	0	1,606,021	554,781
Missouri Tourists	159,470	8,940	92,406			15,600	22,483			19,278	763
Missouri Locals	1,268,961	125,286	778,639	0	0	78,490	286,546	0	0	0	0
Missouri Total	1,428,431	134,226	871,045	0	0	94,090	309,028	0	0	19,278	763
Okla + Ark Tourists	105,210	349	10,655			6,735	17,873			49,695	19,903
Okla + Ark Locals	119,948	0	0	0	0	5,404	58,677	0	0	48,816	7,052
Oklahoma Total	225,158	349	10,655	0	0	12,138	76,551	0	0	98,511	26,954
Iowa	20,930	1,245	18,738	0	0	102	192	0	0	555	98
Nebraska	44,428	1,165	20,461	0	0	115	209	0	0	9,176	13,302
Other Near	19,130	341	8,600	0	0	253	678	0	0	2,176	7,082
Frontage Traffic	95,162	0	0			0	29,387			65,775	0
Total All Sources	6,485,802	376,337	2,798,456	0	0	400,525	506,011	0	0	1,801,492	602,980
total Tourists	655,226	17,056	201,963			31,466	81,922			232,802	90,016
total locals	5,830,577	359,281	2,596,494			369,058	424,089			1,568,690	512,964
Spending Per Visitor	\$75	\$67	\$83			\$60	\$63			\$72	\$66

Note: Totals may not add due to rounding.

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C. Comparative Projections

Marvel Wellington

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July 16, 2008

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**Exhibit C-1: Gaming Revenue Projections (\$mn / 2007\$)
Marvel Wellington at Standard Size / Baseline Competition**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.9	\$175	\$233.7
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.1
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington	2,000	110	\$111.5	\$153	\$128.3
Dodge City	800	112	\$34.9	\$120	\$39.9
Subtotal Kansas Taxable	8,100		\$413.9	\$140	\$483.5
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.6	\$121	\$163.5
Total Kansas	11,843		\$573.3	\$133	\$660.7
memo: Northeast Zone	3,800		\$217.3	\$157	\$259.0
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.2
memo: South Central Zone	2,000		\$111.5	\$153	\$128.3
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.4
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.3	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.7
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.8
Greater KC Total	12,344		\$704.9	\$156	\$800.5
Greater Joplin Total	9,463		\$196.0	\$57	\$210.6
Greater Wichita Total	6,632		\$192.4	\$79	\$212.0
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$465.8	\$199.4	\$665.2	
from Others (")		\$194.9			

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**Exhibit C-2: Gaming Revenue Projections (\$mn / 2007\$)
Penn Wellington at Standard Size / Baseline Competition**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.9	\$175	\$233.6
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane					
Penn Wellington	2,000	110	\$117.2	\$161	\$134.7
Marvel Wellington					
Dodge City	800	112	\$34.8	\$119	\$39.8
Subtotal Kansas Taxable	8,100		\$419.5	\$142	\$489.7
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.3
Total Kansas	11,843		\$578.7	\$134	\$666.7
memo: Northeast Zone	3,800		\$217.2	\$157	\$259.0
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.2
memo: South Central Zone	2,000		\$117.2	\$161	\$134.7
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.7
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.7
Greater KC Total	12,344		\$704.8	\$156	\$800.4
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,632		\$197.3	\$82	\$217.5
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$471.7	\$198.1	\$669.7	
from Others (")		\$195.1			

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**Exhibit C-3: Gaming Revenue Projections (\$mn / 2007\$)
Harrah's Mulvane at Standard Size / Baseline Competition**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.8	\$175	\$233.4
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.1	\$110	\$24.1
Penn Cherokee	900	102	\$26.1	\$79	\$32.0
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington					
Marvel Wellington					
Dodge City	800	112	\$35.1	\$120	\$40.0
Subtotal Kansas Taxable	8,100		\$453.8	\$153	\$529.1
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$145.5	\$121	\$163.2
Total Kansas	11,843		\$613.0	\$142	\$706.0
memo: Northeast Zone	3,800		\$217.2	\$157	\$258.8
memo: Southeast Zone	1,500		\$50.2	\$92	\$56.1
memo: South Central Zone	2,000		\$151.3	\$207	\$174.2
Argosy Riverside	1,969	97.2	\$113.7	\$158	\$124.3
IOC KC	1,330	80.9	\$56.2	\$116	\$60.7
Harrahs NKC	1,783	103.5	\$131.2	\$202	\$149.0
Ameristar KC	3,012	98.6	\$172.6	\$157	\$193.6
Sugar Creek					
Subtotal KCMO	8,094		\$473.8	\$160	\$527.6
Greater KC Total	12,344		\$704.7	\$156	\$800.1
Greater Joplin Total	9,463		\$195.9	\$57	\$210.5
Greater Wichita Total	6,632		\$231.4	\$96	\$257.1
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$517.2	\$195.9	\$713.1	
from Others (")		\$188.9			

Exhibit C-4: Gaming Revenue Projections (\$mn / 2007\$)
Summary: South-Central Proponents at Standard Size

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Harrahs Mulvane	2,000	104	\$151.3	\$207	\$174.2
Penn Wellington	2,000	110	\$117.2	\$161	\$134.7
Marvel Wellington	2,000	110	\$111.5	\$153	\$128.3

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Exhibit C-5: Gaming Revenue Projections (\$mn / 2007\$)
Marvel's Slots and Tables Match Marvel's Projections

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.2	\$86	\$25.2
KCK Speedway	3,000	102	\$190.4	\$174	\$231.8
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.7	\$108	\$23.7
Penn Cherokee	900	102	\$25.6	\$78	\$31.5
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington	2,000	134	\$187.5	\$257	\$211.2 *
Dodge City	800	112	\$31.3	\$107	\$35.8
Subtotal Kansas Taxable	8,100		\$483.7	\$164	\$559.2
KCK 7th Street	450	78	\$13.7	\$84	\$13.7
4 Northeast KS Natives	3,293	117	\$140.9	\$117	\$158.3
Total Kansas	11,843		\$638.3	\$148	\$731.2
memo: Northeast Zone	3,800		\$215.6	\$155	\$257.0
memo: Southeast Zone	1,500		\$49.3	\$90	\$55.2
memo: South Central Zone	2,000		\$187.5	\$257	\$211.2
Argosy Riverside	1,969	97.2	\$113.1	\$157	\$123.7
IOC KC	1,330	80.9	\$56.1	\$116	\$60.5
Harrahs NKC	1,783	103.5	\$130.5	\$201	\$148.2
Ameristar KC	3,012	98.6	\$171.7	\$156	\$192.7
Sugar Creek					
Subtotal KCMO	8,094		\$471.5	\$160	\$525.1
Greater KC Total	12,344		\$700.8	\$156	\$795.9
Greater Joplin Total	9,463		\$192.2	\$56	\$206.5
Greater Wichita Total	6,632		\$257.4	\$106	\$283.4
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$515.7	\$180.8	\$696.5	
from Others (")		\$215.6			

* Equates to Marvel's projection of \$251.1mn in FY3 (2014±) in then-year dollars (not inc. \$7.1mn poker

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D. "Low" Projections

Marvel Wellington

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**Exhibit D: Gaming Revenue Projections (\$mn / 2007\$)
Marvel Wellington "Low"**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.4	\$175	\$233.0
KCK Stateline					
KCK Middle					
Camptown	600	102	\$23.1	\$105	\$23.1
Penn Cherokee	900	102	\$23.2	\$71	\$28.5
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington	2,000	104	\$88.9	\$122	\$103.7
Dodge City	800	112	\$35.0	\$120	\$39.9
Subtotal Kansas Taxable	8,100		\$386.8	\$131	\$453.4
KCK 7th Street	450	78	\$13.7	\$84	\$13.7
4 Northeast KS Natives	3,293	117	\$145.1	\$121	\$162.9
Total Kansas	11,843		\$545.7	\$126	\$630.0
memo: Northeast Zone	3,800		\$216.7	\$156	\$258.2
memo: Southeast Zone	1,500		\$46.3	\$85	\$51.5
memo: South Central Zone	2,000		\$88.9	\$122	\$103.7
Argosy Riverside	1,969	97.2	\$113.5	\$158	\$124.1
IOC KC	1,330	80.9	\$56.1	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$130.9	\$201	\$148.6
Ameristar KC	3,012	98.6	\$172.2	\$157	\$193.2
Sugar Creek					
Subtotal KCMO	8,094		\$472.7	\$160	\$526.4
Greater KC Total	12,344		\$703.1	\$156	\$798.4
Greater Joplin Total	9,963		\$198.8	\$55	\$213.5
Greater Wichita Total	8,332		\$185.0	\$61	\$203.5
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$442.6	\$215.8	\$658.4	
from Others (")		\$187.5			

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E. "High" Projections

Marvel Wellington

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**Exhibit E: Gaming Revenue Projections (\$mn / 2007\$)
Marvel Wellington "High"**

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands	800	95	\$25.3	\$87	\$25.3
KCK Speedway	3,000	102	\$191.6	\$175	\$233.1
KCK Stateline					
KCK Middle					
Camptown	600	102	\$24.0	\$110	\$24.0
Penn Cherokee	900	102	\$26.0	\$79	\$31.9
Harrahs Mulvane					
Penn Wellington					
Marvel Wellington	2,000	116	\$127.5	\$175	\$149.7
Dodge City	800	112	\$34.2	\$117	\$38.8
Subtotal Kansas Taxable	8,100		\$428.6	\$145	\$502.8
KCK 7th Street	450	78	\$13.8	\$84	\$13.8
4 Northeast KS Natives	3,293	117	\$144.6	\$120	\$162.1
Total Kansas	11,843		\$586.9	\$136	\$678.6
memo: Northeast Zone	3,800		\$216.9	\$156	\$258.4
memo: Southeast Zone	1,500		\$50.0	\$91	\$55.9
memo: South Central Zone	2,000		\$127.5	\$175	\$149.7
Argosy Riverside	1,969	97.2	\$113.6	\$158	\$124.2
IOC KC	1,330	80.9	\$56.2	\$116	\$60.6
Harrahs NKC	1,783	103.5	\$131.1	\$201	\$148.8
Ameristar KC	3,012	98.6	\$172.4	\$157	\$193.4
Sugar Creek					
Subtotal KCMO	8,094		\$473.4	\$160	\$527.1
Greater KC Total	12,344		\$704.0	\$156	\$799.2
Greater Joplin Total	9,463		\$195.3	\$57	\$209.7
Greater Wichita Total	6,632		\$205.5	\$85	\$230.0
Total Casino Spending:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$479.1	\$193.9	\$673.0	
from Others (")		\$199.5			

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Detail for Slots
Marvel Wellington

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A. "As Was" Projections / Slots

Marvel Wellington

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Exhibit A-1: Slot Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Casinos Anywhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$167.8	\$171
	-----		-----	
Total Kansas	2,693		\$167.8	\$171
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$164.2	\$228
IOC KC	1,523	78.9	\$77.3	\$139
Harrahs NKC	1,783	103.5	\$175.4	\$270
Ameristar KC	3,012	98.6	\$222.5	\$202
Sugar Creek				
	-----		-----	
Subtotal KCMO	8,287		\$639.4	\$211
Greater KC Total	8,287		\$639.4	\$211
Greater Joplin Total	4,242		\$138.8	\$90
Greater Wichita Total	3,632		\$112.3	\$85
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$124.5	\$338.8	\$463.3
from Others (")		\$43.3		

Exhibit A-2: Slot Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$26.4	\$90
KCK Speedway	3,000	102	\$201.2	\$184
KCK Stateline				
KCK Middle				
Camptown	600	102	\$28.8	\$131
Penn Cherokee	900	102	\$42.2	\$128
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$40.0	\$137
Subtotal Kansas Taxable	6,100		\$338.5	\$152
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$144.2	\$147
Total Kansas	8,793		\$482.7	\$150
memo: Northeast Zone	3,800		\$227.6	\$164
memo: Southeast Zone	1,500		\$70.9	\$130
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$118.6	\$165
IOC KC	1,523	78.9	\$59.7	\$107
Harrahs NKC	1,783	103.5	\$136.7	\$210
Ameristar KC	3,012	98.6	\$179.0	\$163
Sugar Creek				
Subtotal KCMO	8,287		\$494.1	\$163
Greater KC Total	12,087		\$721.6	\$164
Greater Joplin Total	5,742		\$184.0	\$88
Greater Wichita Total	3,632		\$107.2	\$81
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$322.8	\$223.0	\$545.7
from Others (")		\$160.0		

Exhibit A-3: Slot Projections (\$mn / 2007\$)
Marvel Wellington "As Was" 2007 (with New Kansas Facilities)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$26.2	\$90
KCK Speedway	3,000	102	\$198.9	\$182
KCK Stateline				
KCK Middle				
Camptown	600	102	\$28.0	\$128
Penn Cherokee	900	102	\$41.3	\$126
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	2,000	110	\$120.2	\$165
Dodge City	800	112	\$35.5	\$122
Subtotal Kansas Taxable	8,100		\$450.2	\$152
KCK 7th Street				
4 Northeast KS Natives	2,693	117	\$138.3	\$141
Total Kansas	10,793		\$588.5	\$149
memo: Northeast Zone	3,800		\$225.1	\$162
memo: Southeast Zone	1,500		\$69.3	\$127
memo: South Central Zone	2,000		\$120.2	\$165
Argosy Riverside	1,969	97.2	\$117.7	\$164
IOC KC	1,523	78.9	\$59.6	\$107
Harrahs NKC	1,783	103.5	\$135.6	\$208
Ameristar KC	3,012	98.6	\$177.8	\$162
Sugar Creek				
Subtotal KCMO	8,287		\$490.6	\$162
Greater KC Total	12,087		\$715.7	\$162
Greater Joplin Total	5,742		\$180.3	\$86
Greater Wichita Total	5,632		\$196.7	\$96
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$415.6	\$176.7	\$592.3
from Others (")		\$173.0		

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B. Baseline (Likely Future) Projections

Marvel Wellington / Slots

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Exhibit B-1: Slot Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	3,293	117	\$174.0	\$145
	-----		-----	
Total Kansas	3,293		\$174.0	\$145
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$162.2	\$226
IOC KC	1,330	80.9	\$75.1	\$155
Harrahs NKC	1,783	103.5	\$172.9	\$266
Ameristar KC	3,012	98.6	\$219.4	\$200
Sugar Creek				
	-----		-----	
Subtotal KCMO	8,094		\$629.5	\$213
Greater KC Total	8,094		\$629.5	\$213
Greater Joplin Total	7,963		\$177.3	\$61
Greater Wichita Total	4,632		\$114.1	\$67
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$125.6	\$341.4	\$467.0
from Others (")		\$48.5		

Exhibit B-2: Slot Projections (\$mn / 2007\$)
Likely Future / Baseline -- with New Facilities Elsewhere AND KS

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.5	\$87
KCK Speedway	3,000	102	\$193.5	\$177
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.6	\$112
Penn Cherokee	900	102	\$26.6	\$81
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$38.3	\$131
Subtotal Kansas Taxable	6,100		\$308.5	\$139
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$150.3	\$125
Total Kansas	9,843		\$472.6	\$132
memo: Northeast Zone	3,800		\$219.0	\$158
memo: Southeast Zone	1,500		\$51.2	\$94
memo: South Central Zone				
Argosy Riverside	1,969	97.2	\$114.4	\$159
IOC KC	1,330	80.9	\$56.3	\$116
Harrahs NKC	1,783	103.5	\$132.1	\$203
Ameristar KC	3,012	98.6	\$173.5	\$158
Sugar Creek				
Subtotal KCMO	8,094		\$476.3	\$161
Greater KC Total	12,344		\$709.0	\$157
Greater Joplin Total	9,463		\$200.1	\$58
Greater Wichita Total	4,632		\$110.1	\$65
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$318.7	\$225.9	\$544.7
from Others (")		\$153.9		

**Exhibit B-2A: Detail for Sources of Consumer Slot Spending (\$000)
Baseline Before Any Casinos in South-Central Zone**

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Slots	6,100	800	3,000			600	900				800
Power Rating		95	102			102	102				112
Win/Slot/Day		\$87	\$177			\$112	\$81				\$131
Kansas Tourists	\$12,668	\$455	\$4,992			\$994	\$1,119				\$5,107
Kansas Locals	194,168	\$15,934	\$127,789			\$16,711	\$3,610				\$30,124
Kansas Total	\$206,836	\$16,389	\$132,781	\$0	\$0	\$17,706	\$4,729	\$0	\$0	\$0	\$35,231
Missouri Tourists	\$9,733	\$666	\$6,423			\$1,145	\$1,448				\$52
Missouri Locals	77,649	\$8,162	\$50,347			\$4,887	\$14,254				\$0
Missouri Total	\$87,382	\$8,827	\$56,769	\$0	\$0	\$6,032	\$15,702	\$0	\$0	\$0	\$52
Okla + Ark Tourists	\$3,448	\$25	\$614			\$474	\$1,000				\$1,334
Okla + Ark Locals	3,744	\$0	\$0			\$360	\$2,898				\$485
Okla + Ark Total	\$7,192	\$25	\$614	\$0	\$0	\$835	\$3,899	\$0	\$0	\$0	\$1,820
Iowa	\$1,428	\$93	\$1,308	\$0	\$0	\$8	\$12	\$0	\$0	\$0	\$7
Nebraska	\$2,446	\$89	\$1,421	\$0	\$0	\$9	\$14	\$0	\$0	\$0	\$914
Other Near	\$1,067	\$28	\$662	\$0	\$0	\$20	\$50	\$0	\$0	\$0	\$307
Frontage Traffic	\$2,201						\$2,201				
Total All Sources	\$308,545	\$25,451	\$193,548	\$0	\$0	\$24,609	\$26,607	\$0	\$0	\$0	\$38,332
total Tourists	\$32,984	\$1,355	\$15,412			\$2,650	\$5,844				\$7,722
total locals	\$275,561	\$24,095	\$178,136			\$21,959	\$20,762				\$30,610

Note: Totals may not add due to rounding.

Exhibit B-3: Projection in Brief (\$mn / 2007\$)
Marvel Wellington Slots Baseline

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.9	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	2,000	110	\$111.5	\$153
Dodge City	800	112	\$34.9	\$120
Subtotal Kansas Taxable	8,100		\$413.9	\$140
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.6	\$121
Total Kansas	11,843		\$573.3	\$133
memo: Northeast Zone	3,800		\$217.3	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$111.5	\$153
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.3	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.9	\$156
Greater Joplin Total	9,463		\$196.0	\$57
Greater Wichita Total	6,632		\$192.4	\$79
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$407.5	\$183.4	\$590.8
from Others (")		\$165.8		

Exhibit B-3A: Detail for Sources of Consumer Slot Spending (\$000)
Marvel Wellington Slots Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well'i	Marvel Wel	Dodge
Number of Slots	8,100	800	3,000			600	900			2,000	800
Power Rating		95	102			102	102			110	112
Win/Slot/Day		\$87	\$175			\$110	\$79			\$153	\$120
Kansas Tourists	\$14,628	\$379	\$3,570			\$644	\$725			\$5,983	\$3,327
Kansas Locals	285,489	\$15,914	\$127,656			\$16,633	\$3,580			\$93,001	\$28,706
Kansas Total	\$300,118	\$16,293	\$131,226	\$0	\$0	\$17,277	\$4,305	\$0	\$0	\$98,984	\$32,033
Missouri Tourists	\$10,984	\$663	\$6,393			\$1,139	\$1,440			\$1,298	\$52
Missouri Locals	77,507	\$8,157	\$50,321			\$4,842	\$14,187			\$0	\$0
Missouri Total	\$88,491	\$8,820	\$56,713	\$0	\$0	\$5,980	\$15,627	\$0	\$0	\$1,298	\$52
Okla + Ark Tourists	\$6,048	\$25	\$611			\$472	\$997			\$2,722	\$1,222
Okla + Ark Locals	6,021	\$0	\$0			\$359	\$2,890			\$2,353	\$419
Okla + Ark Total	\$12,069	\$25	\$611	\$0	\$0	\$832	\$3,887	\$0	\$0	\$5,075	\$1,641
Iowa	\$1,467	\$93	\$1,307	\$0	\$0	\$8	\$12	\$0	\$0	\$39	\$7
Nebraska	\$3,043	\$88	\$1,407	\$0	\$0	\$9	\$13	\$0	\$0	\$632	\$894
Other Near	\$1,189	\$28	\$662	\$0	\$0	\$20	\$50	\$0	\$0	\$124	\$305
Frontage Traffic	\$7,530						\$2,201			\$5,329	
Total All Sources	\$413,896	\$25,347	\$191,918	\$0	\$0	\$24,126	\$26,095	\$0	\$0	\$111,480	\$34,931
total Tourists	\$44,879	\$1,276	\$13,941			\$2,292	\$5,438			\$16,126	\$5,806
total locals	\$369,018	\$24,071	\$177,977			\$21,834	\$20,657			\$95,354	\$29,125

Note: Totals may not add due to rounding.

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C. Comparative Projections / Slots

Marvel Wellington

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July 16, 2008

Exhibit C-1: Slot Projections (\$mn / 2007\$)
Marvel Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.9	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	2,000	110	\$111.5	\$153
Dodge City	800	112	\$34.9	\$120
Subtotal Kansas Taxable	8,100		\$413.9	\$140
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.6	\$121
Total Kansas	11,843		\$573.3	\$133
memo: Northeast Zone	3,800		\$217.3	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$111.5	\$153
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.3	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.9	\$156
Greater Joplin Total	9,463		\$196.0	\$57
Greater Wichita Total	6,632		\$192.4	\$79
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$407.5	\$183.4	\$590.8
from Others (")		\$165.8		

Exhibit C-2: Slot Projections (\$mn / 2007\$)
Penn Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.9	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane				
Penn Wellington	2,000	110	\$117.2	\$161
Marvel Wellington				
Dodge City	800	112	\$34.8	\$119
Subtotal Kansas Taxable	8,100		\$419.5	\$142
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.5	\$121
Total Kansas	11,843		\$578.7	\$134
memo: Northeast Zone	3,800		\$217.2	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$117.2	\$161
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.2	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.8	\$156
Greater Joplin Total	9,463		\$195.9	\$57
Greater Wichita Total	6,632		\$197.3	\$82
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$412.8	\$182.1	\$594.9
from Others (")		\$165.9		

Exhibit C-3: Slot Projections (\$mn / 2007\$)
Harrah's Mulvane at Standard Size / Baseline Competition

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.8	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.1	\$110
Penn Cherokee	900	102	\$26.1	\$79
Harrahs Mulvane	2,000	104	\$151.3	\$207
Penn Wellington				
Marvel Wellington				
Dodge City	800	112	\$35.1	\$120
Subtotal Kansas Taxable	8,100		\$453.8	\$153
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$145.5	\$121
Total Kansas	11,843		\$613.0	\$142
memo: Northeast Zone	3,800		\$217.2	\$157
memo: Southeast Zone	1,500		\$50.2	\$92
memo: South Central Zone	2,000		\$151.3	\$207
Argosy Riverside	1,969	97.2	\$113.7	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.2	\$202
Ameristar KC	3,012	98.6	\$172.6	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.8	\$160
Greater KC Total	12,344		\$704.7	\$156
Greater Joplin Total	9,463		\$195.9	\$57
Greater Wichita Total	6,632		\$231.4	\$96
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$452.6	\$180.1	\$632.7
from Others (")		\$160.4		

Exhibit C-4: Slot Projections (\$mn / 2007\$)
Summary: South-Central Proponents at Standard Size

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Harrahs Mulvane	2,000	104	\$151.3	\$207
Penn Wellington	2,000	110	\$117.2	\$161
Marvel Wellington	2,000	110	\$111.5	\$153

Exhibit C-5: Slot Projections (\$mn / 2007\$)
Marvel's Wellington Slots Match Marvel's Projections

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.2	\$86
KCK Speedway	3,000	102	\$190.4	\$174
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.7	\$108
Penn Cherokee	900	102	\$25.6	\$78
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	2,000	134	\$187.5 *	\$257
Dodge City	800	112	\$31.3	\$107
Subtotal Kansas Taxable	8,100		\$483.7	\$164
KCK 7th Street	450	78	\$13.7	\$84
4 Northeast KS Natives	3,293	117	\$140.9	\$117
Total Kansas	11,843		\$638.3	\$148
memo: Northeast Zone	3,800		\$215.6	\$155
memo: Southeast Zone	1,500		\$49.3	\$90
memo: South Central Zone	2,000		\$187.5	\$257
Argosy Riverside	1,969	97.2	\$113.1	\$157
IOC KC	1,330	80.9	\$56.1	\$116
Harrahs NKC	1,783	103.5	\$130.5	\$201
Ameristar KC	3,012	98.6	\$171.7	\$156
Sugar Creek				
Subtotal KCMO	8,094		\$471.5	\$160
Greater KC Total	12,344		\$700.8	\$156
Greater Joplin Total	9,463		\$192.2	\$56
Greater Wichita Total	6,632		\$257.4	\$106
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$454.4	\$165.7	\$620.0
from Others (")		\$184.0		

* Equates to Marvel's projection of \$222.9mn in 2014 in then-year dollars.

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D. "Low" Projections / Slots

Marvel Wellington

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Exhibit D: Projection in Brief (\$mn / 2007\$)
Marvel Wellington Slots "Low"

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.4	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$23.1	\$105
Penn Cherokee	900	102	\$23.2	\$71
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	2,000	104	\$88.9	\$122
Dodge City	800	112	\$35.0	\$120
Subtotal Kansas Taxable	8,100		\$386.8	\$131
KCK 7th Street	450	78	\$13.7	\$84
4 Northeast KS Natives	3,293	117	\$145.1	\$121
Total Kansas	11,843		\$545.7	\$126
memo: Northeast Zone	3,800		\$216.7	\$156
memo: Southeast Zone	1,500		\$46.3	\$85
memo: South Central Zone	2,000		\$88.9	\$122
Argosy Riverside	1,969	97.2	\$113.5	\$158
IOC KC	1,330	80.9	\$56.1	\$116
Harrahs NKC	1,783	103.5	\$130.9	\$201
Ameristar KC	3,012	98.6	\$172.2	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$472.7	\$160
Greater KC Total	12,344		\$703.1	\$156
Greater Joplin Total	9,963		\$198.8	\$55
Greater Wichita Total	8,332		\$185.0	\$61
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$386.1	\$198.7	\$584.8
from Others (")		\$159.6		

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E. "High" Projections / Slots

Marvel Wellington

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Exhibit E: Projection in Brief (\$mn / 2007\$)
Marvel Wellington Slots "High"

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands	800	95	\$25.3	\$87
KCK Speedway	3,000	102	\$191.6	\$175
KCK Stateline				
KCK Middle				
Camptown	600	102	\$24.0	\$110
Penn Cherokee	900	102	\$26.0	\$79
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	2,000	116	\$127.5	\$175
Dodge City	800	112	\$34.2	\$117
Subtotal Kansas Taxable	8,100		\$428.6	\$145
KCK 7th Street	450	78	\$13.8	\$84
4 Northeast KS Natives	3,293	117	\$144.6	\$120
Total Kansas	11,843		\$586.9	\$136
memo: Northeast Zone	3,800		\$216.9	\$156
memo: Southeast Zone	1,500		\$50.0	\$91
memo: South Central Zone	2,000		\$127.5	\$175
Argosy Riverside	1,969	97.2	\$113.6	\$158
IOC KC	1,330	80.9	\$56.2	\$116
Harrahs NKC	1,783	103.5	\$131.1	\$201
Ameristar KC	3,012	98.6	\$172.4	\$157
Sugar Creek				
Subtotal KCMO	8,094		\$473.4	\$160
Greater KC Total	12,344		\$704.0	\$156
Greater Joplin Total	9,463		\$195.3	\$57
Greater Wichita Total	6,632		\$205.5	\$85
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$418.5	\$178.6	\$597.1
from Others (")		\$168.5		

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Detail for Tables
Marvel Wellington

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A. "As Was" Projections / Tables

Marvel Wellington

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Exhibit A-1: Table Analysis in Brief (\$mn / 2007\$)
"As Was" 2007 -- Before Any New Casinos Anywhere

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	59	111	\$27.3	\$1,269
	-----		-----	
Total Kansas	59		\$27.3	\$1,269
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	39	87.3	\$17.8	\$1,253
IOC KC	23	70.2	\$6.5	\$777
Harrahs NKC	48	95.3	\$26.9	\$1,534
Ameristar KC	90	86.5	\$30.1	\$916
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$81.3	\$1,114
Greater KC Total	200		\$81.3	\$1,114
Greater Joplin Total	49		\$6.9	\$384
Greater Wichita Total	21		\$3.9	\$511
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$20.6	\$38.5	\$59.2
from Others (")		\$6.7		

Exhibit A-2: Table Projections (\$mn / 2007\$)
"As Was" 2007 -- w Potential New Kansas Facilities Elsewhere

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$44.1	\$1,209
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$9.0	\$822
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$6.3	\$868
	-----		-----	
Subtotal Kansas Taxable	150		\$59.5	\$1,086
KCK 7th Street				
4 Northeast KS Natives	59	111	\$20.4	\$949
	-----		-----	
Total Kansas	209		\$79.9	\$1,047
memo: Northeast Zone	100		\$44.1	\$1,209
memo: Southeast Zone	30		\$9.0	\$822
memo: South Central Zone				
Argosy Riverside	39	87.3	\$10.9	\$768
IOC KC	23	70.2	\$4.5	\$534
Harrahs NKC	48	95.3	\$18.4	\$1,050
Ameristar KC	90	86.5	\$21.7	\$660
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$55.5	\$760
Greater KC Total	300		\$99.6	\$910
Greater Joplin Total	79		\$15.1	\$525
Greater Wichita Total	21		\$3.3	\$435
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$50.3	\$19.2	\$69.5
from Others (")		\$29.6		

Exhibit A-3: Table Projections (\$mn / 2007\$)
Marvel Wellington "As Was" 2007 (with New Kansas Facilities)

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$42.1	\$1,153
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$8.5	\$777
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	65	100	\$19.8	\$836
Dodge City	20	100	\$4.9	\$669
	-----		-----	
Subtotal Kansas Taxable	215		\$75.3	\$960
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.9	\$830
	-----		-----	
Total Kansas	274		\$93.2	\$932
memo: Northeast Zone	100		\$42.1	\$1,153
memo: Southeast Zone	30		\$8.5	\$777
memo: South Central Zone	65		\$19.8	\$836
Argosy Riverside	39	87.3	\$10.7	\$750
IOC KC	23	70.2	\$4.5	\$531
Harrahs NKC	48	95.3	\$17.9	\$1,022
Ameristar KC	90	86.5	\$21.2	\$646
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$54.3	\$743
Greater KC Total	300		\$96.3	\$880
Greater Joplin Total	79		\$14.4	\$499
Greater Wichita Total	86		\$21.9	\$699
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$60.0	\$14.6	\$74.6
from Others (")		\$33.2		

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B. Baseline (Likely Future) Projections

Marvel Wellington / Tables

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July 16, 2008

**Exhibit B-1: Table Projections (\$mn / 2007\$)
Baseline Before Any New Casinos in Kansas**

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway				
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee				
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City				
	-----		-----	
Subtotal Kansas Taxable	0		\$0.0	
KCK 7th Street				
4 Northeast KS Natives	59	111	\$26.4	\$1,224
	-----		-----	
Total Kansas	59		\$26.4	\$1,224
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	39	87.3	\$17.6	\$1,238
IOC KC	23	70.2	\$6.5	\$773
Harrahs NKC	48	95.3	\$26.5	\$1,510
Ameristar KC	90	86.5	\$29.7	\$903
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$80.2	\$1,099
Greater KC Total	200		\$80.2	\$1,099
Greater Joplin Total	104		\$9.5	\$251
Greater Wichita Total	35		\$4.4	\$346
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$19.9	\$39.6	\$59.5
from Others (")		\$6.5		

Exhibit B-2: Table Projections (\$mn / 2007\$)
Baseline Before Any Casino in South-Central Zone

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$43.4	\$1,189
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.3	\$575
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$6.2	\$843
	-----		-----	
Subtotal Kansas Taxable	150		\$55.8	\$1,020
KCK 7th Street				
4 Northeast KS Natives	59	111	\$19.9	\$924
	-----		-----	
Total Kansas	209		\$75.7	\$993
memo: Northeast Zone	100		\$43.4	\$1,189
memo: Southeast Zone	30		\$6.3	\$575
memo: South Central Zone				
Argosy Riverside	39	87.3	\$10.8	\$760
IOC KC	23	70.2	\$4.5	\$532
Harrahs NKC	48	95.3	\$18.2	\$1,037
Ameristar KC	90	86.5	\$21.4	\$653
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$54.9	\$752
Greater KC Total	300		\$98.3	\$898
Greater Joplin Total	134		\$15.4	\$315
Greater Wichita Total	35		\$3.7	\$292
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$48.9	\$20.6	\$69.6
from Others (")		\$26.8		

**Exhibit B-2A: Detail for Sources of Consumer Table Spending (\$000)
Baseline Before Any Casinos in South-Central Zone**

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cher	Harrhs Mul	Penn Well	Marvel Wel	Dodge
Number of Tables	150		100				30				20
Power Rating			102				90				100
Win/Table/Day			\$1,189				\$575				\$843
Kansas Tourists	\$4,494		\$2,812				\$360				\$1,323
Kansas Locals	30,011		\$25,131				\$970				\$3,910
Kansas Total	\$34,505	\$0	\$27,942	\$0	\$0	\$0	\$1,330	\$0	\$0	\$0	\$5,233
Missouri Tourists	\$2,097		\$1,913				\$179				\$6
Missouri Locals	15,525		\$12,140				\$3,385				\$0
Missouri Total	\$17,622	\$0	\$14,053	\$0	\$0	\$0	\$3,564	\$0	\$0	\$0	\$6
Okla + Ark Tourists	\$942		\$336				\$271				\$335
Okla + Ark Locals	967		\$0				\$904				\$63
Okla + Ark Total	\$1,909	\$0	\$336	\$0	\$0	\$0	\$1,175	\$0	\$0	\$0	\$398
Iowa	\$401	\$0	\$399	\$0	\$0	\$0	\$2	\$0	\$0	\$0	\$1
Nebraska	\$631	\$0	\$481	\$0	\$0	\$0	\$2	\$0	\$0	\$0	\$147
Other Near	\$556	\$0	\$184	\$0	\$0	\$0	\$4	\$0	\$0	\$0	\$367
Frontage Traffic	\$220						\$220				
Total All Sources	\$55,842	\$0	\$43,394	\$0	\$0	\$0	\$6,296	\$0	\$0	\$0	\$6,151
total Tourists	\$9,339		\$6,123				\$1,038				\$2,178
total locals	\$46,503		\$37,271				\$5,259				\$3,973

Note: Totals may not add due to rounding.

Exhibit B-3: Table Projections (\$mn / 2007\$)
Marvel Wellington Baseline

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,140
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$5.9	\$542
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	65	100	\$18.7	\$787
Dodge City	20	100	\$4.9	\$665
	-----		-----	
Subtotal Kansas Taxable	215		\$71.1	\$906
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.7	\$821
	-----		-----	
Total Kansas	274		\$88.8	\$887
memo: Northeast Zone	100		\$41.6	\$1,140
memo: Southeast Zone	30		\$5.9	\$542
memo: South Central Zone	65		\$18.7	\$787
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,012
Ameristar KC	90	86.5	\$21.0	\$641
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.8	\$737
Greater KC Total	300		\$95.4	\$872
Greater Joplin Total	134		\$14.5	\$297
Greater Wichita Total	100		\$21.2	\$581
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$59.0	\$15.7	\$74.7
from Others (")		\$29.8		

Exhibit B-3A: Detail for Sources of Consumer Table Spending (\$000)
Marvel Wellington Baseline

	Total	Woodlnds	KC Spwy	KC statel.	KC mid	Camptown	Penn Cheri	Harrhs Mul	Penn Well'i	Marvel Wel	Dodge
Number of Tables	215		100				30			65	20
Power Rating			102				90			100	100
Win/Table/Day			\$1,140				\$542			\$787	\$665
Kansas Tourists	\$2,671		\$1,119				\$91			\$997	\$464
Kansas Locals	44,064		\$25,099				\$937			\$14,427	\$3,601
Kansas Total	\$46,735	\$0	\$26,218	\$0	\$0	\$0	\$1,028	\$0	\$0	\$15,425	\$4,064
Missouri Tourists	\$2,314		\$1,896				\$178			\$235	\$5
Missouri Locals	15,487		\$12,133				\$3,354			\$0	\$0
Missouri Total	\$17,801	\$0	\$14,029	\$0	\$0	\$0	\$3,532	\$0	\$0	\$235	\$5
Okla + Ark Tourists	\$1,933		\$314				\$256			\$1,131	\$232
Okla + Ark Locals	2,093		\$0				\$891			\$1,155	\$48
Okla + Ark Total	\$4,027	\$0	\$314	\$0	\$0	\$0	\$1,147	\$0	\$0	\$2,285	\$280
Iowa	\$407	\$0	\$399	\$0	\$0	\$0	\$2	\$0	\$0	\$6	\$1
Nebraska	\$732	\$0	\$475	\$0	\$0	\$0	\$2	\$0	\$0	\$113	\$142
Other Near	\$627	\$0	\$184	\$0	\$0	\$0	\$4	\$0	\$0	\$78	\$361
Frontage Traffic	\$753						\$220			\$533	
Total All Sources	\$71,080	\$0	\$41,617	\$0	\$0	\$0	\$5,935	\$0	\$0	\$18,674	\$4,853
total Tourists	\$9,435		\$4,385				\$753			\$3,092	\$1,205
total locals	\$61,645		\$37,233				\$5,182			\$15,582	\$3,648

Note: Totals may not add due to rounding.

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C. Comparative Projections / Tables

Marvel Wellington

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July 16, 2008

Exhibit C-1: Table Projections (\$mn / 2007\$)
Marvel Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.8	\$1,144
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$545
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	50	98	\$16.9	\$923
Dodge City	20	100	\$5.0	\$685
	-----		-----	
Subtotal Kansas Taxable	200		\$69.6	\$953
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.9	\$830
	-----		-----	
Total Kansas	259		\$87.5	\$925
memo: Northeast Zone	100		\$41.8	\$1,144
memo: Southeast Zone	30		\$6.0	\$545
memo: South Central Zone	50		\$16.9	\$923
Argosy Riverside	39	87.3	\$10.6	\$746
IOC KC	23	70.2	\$4.4	\$530
Harrahs NKC	48	95.3	\$17.8	\$1,014
Ameristar KC	90	86.5	\$21.1	\$642
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.9	\$738
Greater KC Total	300		\$95.7	\$874
Greater Joplin Total	134		\$14.6	\$299
Greater Wichita Total	85		\$19.6	\$631
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$58.3	\$16.0	\$74.4
from Others (")		\$29.1		

Exhibit C-2: Table Projections (\$mn / 2007\$)
Penn Wellington at Standard Size / Baseline Competition

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.7	\$1,144
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$545
Harrahs Mulvane				
Penn Wellington	50	98	\$17.5	\$959
Marvel Wellington				
Dodge City	20	100	\$5.0	\$683
Subtotal Kansas Taxable	200		\$70.2	\$962
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.8	\$829
Total Kansas	259		\$88.0	\$931
memo: Northeast Zone	100		\$41.7	\$1,144
memo: Southeast Zone	30		\$6.0	\$545
memo: South Central Zone	50		\$17.5	\$959
Argosy Riverside	39	87.3	\$10.6	\$745
IOC KC	23	70.2	\$4.4	\$530
Harrahs NKC	48	95.3	\$17.8	\$1,014
Ameristar KC	90	86.5	\$21.1	\$641
Sugar Creek				
Subtotal KCMO	200		\$53.9	\$738
Greater KC Total	300		\$95.6	\$873
Greater Joplin Total	134		\$14.6	\$298
Greater Wichita Total	85		\$20.2	\$651
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$58.9	\$16.0	\$74.8
from Others (")		\$29.2		

Exhibit C-3: Table Projections (\$mn / 2007\$)
Harrah's Mulvane at Standard Size / Baseline Competition

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,140
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$6.0	\$544
Harrahs Mulvane	50	98	\$22.8	\$1,252
Penn Wellington				
Marvel Wellington				
Dodge City	20	100	\$4.9	\$675
Subtotal Kansas Taxable	200		\$75.3	\$1,032
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.7	\$821
Total Kansas	259		\$93.0	\$984
memo: Northeast Zone	100		\$41.6	\$1,140
memo: Southeast Zone	30		\$6.0	\$544
memo: South Central Zone	50		\$22.8	\$1,252
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,012
Ameristar KC	90	86.5	\$21.0	\$641
Sugar Creek				
Subtotal KCMO	200		\$53.8	\$737
Greater KC Total	300		\$95.4	\$872
Greater Joplin Total	134		\$14.6	\$298
Greater Wichita Total	85		\$25.7	\$828
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$64.6	\$15.8	\$80.4
from Others (")		\$28.5		

Exhibit C-4: Table Projections (\$mn / 2007\$)
Summary: South-Central Proponents at Standard Size

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Harrahs Mulvane	50	98	\$22.8	\$1,252
Penn Wellington	50	98	\$17.5	\$959
Marvel Wellington	50	98	\$16.9	\$923

Exhibit C-5: Table Projections (\$mn / 2007\$)
Marvel's Tables Match Marvel's Wellington Projections

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.4	\$1,134
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$5.9	\$536
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	65	111	\$23.7 *	\$1,000
Dodge City	20	100	\$4.6	\$628
	-----		-----	
Subtotal Kansas Taxable	215		\$75.6	\$963
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.4	\$806
	-----		-----	
Total Kansas	274		\$92.9	\$929
memo: Northeast Zone	100		\$41.4	\$1,134
memo: Southeast Zone	30		\$5.9	\$536
memo: South Central Zone	65		\$23.7	\$1,000
Argosy Riverside	39	87.3	\$10.6	\$742
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,009
Ameristar KC	90	86.5	\$21.0	\$639
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.7	\$735
Greater KC Total	300		\$95.1	\$868
Greater Joplin Total	134		\$14.3	\$293
Greater Wichita Total	100		\$26.0	\$713
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$61.3	\$15.2	\$76.5
from Others (")		\$31.6		

* Equates to Marvel's projection of \$28.2mn in 2014 in then-year dollars (not inc. poker)

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D. "Low" Projections / Tables

Marvel Wellington

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Exhibit D: Table Projections (\$mn / 2007\$)
Marvel Wellington "Low"

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.6	\$1,139
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$5.3	\$480
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	65	92	\$14.8	\$625
Dodge City	20	100	\$5.0	\$678
	-----		-----	
Subtotal Kansas Taxable	215		\$66.6	\$849
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.8	\$825
	-----		-----	
Total Kansas	274		\$84.4	\$844
memo: Northeast Zone	100		\$41.6	\$1,139
memo: Southeast Zone	30		\$5.3	\$480
memo: South Central Zone	65		\$14.8	\$625
Argosy Riverside	39	87.3	\$10.6	\$744
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,011
Ameristar KC	90	86.5	\$21.0	\$640
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.8	\$736
Greater KC Total	300		\$95.3	\$871
Greater Joplin Total	144		\$14.7	\$279
Greater Wichita Total	128		\$18.5	\$396
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$56.5	\$17.1	\$73.6
from Others (")		\$27.9		

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E. "High" Projections / Tables

Marvel Wellington

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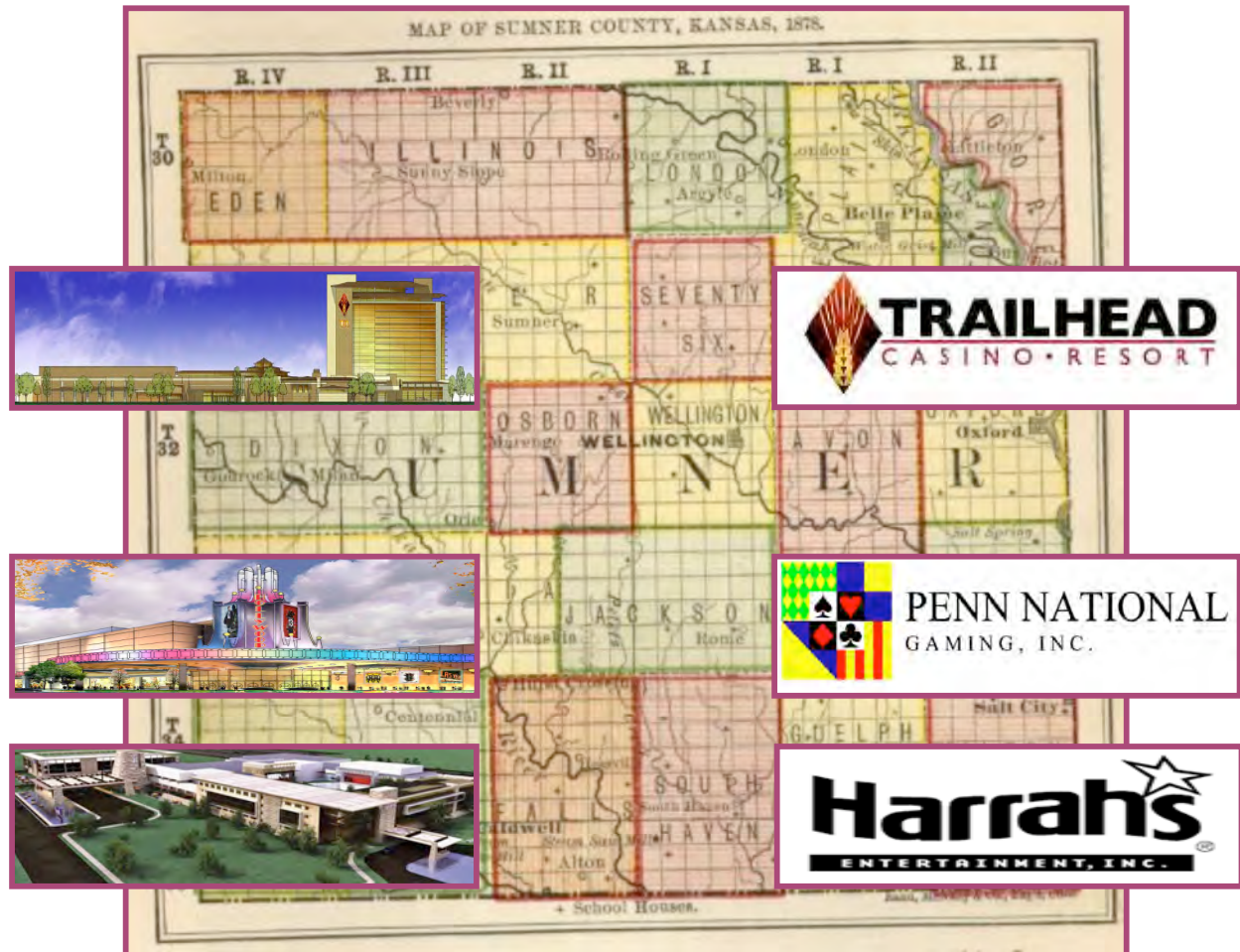
Exhibit E: Table Projections (\$mn / 2007\$)
Marvel Wellington "High"

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
KCK Speedway	100	102	\$41.5	\$1,136
KCK Stateline				
KCK Middle				
Camptown				
Penn Cherokee	30	90	\$5.9	\$538
Harrahs Mulvane				
Penn Wellington				
Marvel Wellington	65	108	\$22.2	\$935
Dodge City	20	100	\$4.7	\$639
	-----		-----	
Subtotal Kansas Taxable	215		\$74.2	\$945
KCK 7th Street				
4 Northeast KS Natives	59	111	\$17.4	\$810
	-----		-----	
Total Kansas	274		\$91.6	\$916
memo: Northeast Zone	100		\$41.5	\$1,136
memo: Southeast Zone	30		\$5.9	\$538
memo: South Central Zone	65		\$22.2	\$935
Argosy Riverside	39	87.3	\$10.6	\$743
IOC KC	23	70.2	\$4.4	\$529
Harrahs NKC	48	95.3	\$17.7	\$1,010
Ameristar KC	90	86.5	\$21.0	\$639
Sugar Creek				
	-----		-----	
Subtotal KCMO	200		\$53.7	\$736
Greater KC Total	300		\$95.2	\$869
Greater Joplin Total	134		\$14.4	\$294
Greater Wichita Total	100		\$24.6	\$673
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$60.7	\$15.3	\$75.9
from Others (")		\$31.0		

Task 4 – Project Specific Gaming Revenue Projections

South Central Gaming Zone – Sumner County, Kansas

Final Report



Prepared For:

Kansas Lottery Gaming Facility Review Board

July 15, 2008

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Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

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Task-4 Project Specific Gaming Revenue Projections

South Central Gaming Zone of Kansas

Introduction

The State of Kansas has lost gaming revenues for many years to a number of surrounding states, particularly to Missouri and Oklahoma. The recent development of numerous tribal casinos in Oklahoma has exacerbated the problem. In an effort to stem the flow of gaming revenues and related taxes, Kansas' legislators passed Senate Bill 66 (the Kansas Expanded Lottery Act), which legalized casino gaming. SB 66 was signed by the governor in 2007.

Key Provisions of Senate Bill 66

Some key provisions of SB 66 that pertain to this study include:

1. Establishment of four casino gaming zones:
 - Northeast (located in Wyandotte County)
 - Southeast (located in Crawford and Cherokee Counties)
 - South Central (located in Sumner and Sedgwick Counties)
 - Southwest (located in Ford County)
2. Building one state owned casino in each of the four Kansas gaming zones listed above.
3. Permitting an aggregate of 2,800 slot machines to be installed at the three existing racetracks.

Senate Bill 66 required the counties located within the four subject gaming zones to hold referendum elections for the purpose of either approving or disapproving casino gaming, or slot machines to be located at their respective racetracks. Three gaming zones have racetracks (northeast, southeast, and south central). However, Sedgwick County, located in the south central gaming zone, rejected gaming in their referendum election. As a result, slot machines will be limited to two Kansas racetracks: Woodlands Race Track located in the Kansas City, Kansas (northeast gaming zone), and Camptown Greyhound Park (closed since November 2000) located near Frontenac, Kansas (southeast gaming zone).

The Kansas Lottery Commission has appointed an independent Lottery Gaming Facility Review Board to review all of the gaming applications and select the best ones. The Board has engaged a number of outside consulting firms to help with the reviewing process. To date, five gaming applications have been approved for the northeast zone, one for the southeast zone, three for the south central zone, and two for the southwest zone. The applicants that are selected will be contract managers of the gaming facilities acting on behalf of the Kansas Lottery Commission. As planned, the state will own and/or control the gaming portion of the facilities. The lottery, however, will select a contract manager who will manage the gaming. The contract managers that are selected will fund, build, and operate all of the facilities under contract with the state lottery.

The contract managers will also be required to pay the following taxes that are all based on a percentage of casino gaming revenues:

Task-4 Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

- The lottery facility would pay a minimum of 22% of gaming revenues to the state plus an additional 2% to fund programs for problem gamblers and gaming addictions issues.
- If a lottery gaming facility were located in either the northeast or southwest gaming zones, but not in a city, the gaming facility would be required to pay an additional 3% of gaming revenues to the county where the gaming facility was located.
- If, on the other hand, the gaming facility were located in a city, the facility would pay 1.5% of gaming revenues to the city and 1.5% to the county.
- If the lottery gaming facility were located in either the southeast or the south central gaming zone, but not in a city, the gaming facility would pay 2% of gaming revenues to the county in which the facility were located, and an additional 1% to the other county in the gaming zone (each gaming zone has two counties).
- If a gaming facility were located in a city, a combined tax equal to 3% of gaming revenues would be paid to the city (1%), to the county in which the facility were located (1%), and to the second county in the gaming zone (1%).

These state owned casinos are unique and will be the first state owned casinos in the US.

Assessment of the Kansas Gaming Revenue Potential

Before enactment of Senate Bill 66 (the Kansas Expanded Lottery Act), the Kansas Lottery Commission engaged Christensen Capital to update their study addressing the gaming revenue potential for the four Kansas gaming zones. The updated study was released in March of 2008.

Task One

The Kansas Lottery Gaming Facility Review Board engaged a team of casino gaming consultants including Wells Gaming Research (WGR) and Cummings & Associates to assess the gaming revenue potential of the four authorized gaming zones in Kansas. In essence, Task-1 required a market analysis of each of the gaming zones. This involved estimating the gross gaming revenue potential for a generic casino (not associated with any of the proposals) to be located in each of the gaming zones, and projecting the potential revenue generation for the State of Kansas. The results of studies conducted by WGR and Cummings were compared with the Christensen Study that had been previously commissioned by the Lottery.

In compliance with the Kansas Lottery Gaming Facility Review Board's directive, WGR's Task-1 work was carried out independently and was not influenced by the work performed by either Cummings or Christensen. Moreover, the work that follows on Task-4 was also carried out independently.

Task-4 Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Research Methodology & Scope of Work

The three following casino/hotel gaming companies are vying for the opportunity to build a first-class casino/hotel resort property in the south central gaming zone of Kansas:

- Harrah's (Sumner Joint Venture LC.)
- Hollywood (Penn National Gaming, Inc)
- Marvel (Marvel Gaming LLC)

Trade Area for the South Central Gaming Zone

The south central trade area covers the portions of Kansas and Oklahoma that are located within an approximate 100-to-125-mile radius of Sumner County, Kansas. The boundaries extend to Saline and Dickinson Counties, Kansas on the north; Logan and Lincoln Counties, Oklahoma on the south; Kiowa and Comanche Counties, Kansas on the west; and Labette County, Kansas on the east (refer to the map on page 1-5). The trade area is featured in shades of green for quick reference.

Kansas Senate Bill 66 authorized a casino to be built in either Sedgwick County or Sumner County (both in the south central gaming zone). However, the gaming referendum did not pass in Sedgwick County. As a result, casino will be built in Sumner County.

Competitive Set

Even though the south central trade area includes a 100-to-125-mile radius of the casino development site, the competitive set extends to include all existing and proposed casinos located within a 150-mile radius of the surrounding site. Competitor casinos located up to 150 miles from the development site will have overlapping trade areas with the subject casino.

Key Research Components

The major focus of WGR's research and analyses included, but was not limited to, the following:

- **Site-Visits**

Richard Wells, president of WGR, conducted site visits to a majority of the competing casinos located in the southeast gaming zone's trade area. Two changes were made in the assumptions used in WGR's Task-1 report because of additional information gleaned from these on-site visits.

1. Five proposed new Oklahoma casinos, included in the Task-1 analyses, are facing significant opposition and are not likely to be built in the foreseeable future. These have been eliminated from the Task-4 analyses. Should these casinos eventually be built, they would have a negative impact on the Sumner

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

2. The attraction factors were reduced at six existing south central casinos in the Task-4 analyses.

- **Population Analyses**

Detailed population data was obtained from the Bureau of Business & Economic Research, University of Nevada, Reno at the census tract level for 2000 through 2012.

- **Compilation of Casino Capacity & Amenities**

The casino gaming capacities and amenities for existing casinos, expansions, and proposed/planned casinos located within a 150-mile radius of the south central casino development sites were compiled and incorporated into the gravity model.

- **Evaluation of the Pro Forma Feasibility**

Harrah's, Penn National, and Marvel all submitted applications to the Kansas Lottery Gaming Facility Review Board that contained pro form financial statements. WGR's Task-4 assignment included evaluating the feasibility of these pro forma financial statement projections in terms of:

Achievability of the gaming revenue projections

Reasonability of the operational projections including departmental revenues, expenses, and projected income

Comparability with Nevada casinos

- **Pro Forma Comparability with Nevada Operators**

The pro forma financial statements for Harrah's, Penn National, and Marvel were compared and contrasted with three Nevada casinos groups:

Statewide - \$72 million and above in annual gaming revenues with rooms, but without the Las Vegas Strip.

Statewide - \$72 million and above in annual gaming revenues with rooms and with the Las Vegas Strip.

Clark County Las Vegas Strip with \$72 million and above in annual gaming revenues with rooms.

The map displays a portion of the central United States, focusing on the states of Kansas, Oklahoma, Arkansas, and Missouri. Key features include:

- Callouts:** Three specific locations are highlighted with callouts:
 - Harrahs Kansas Resort:** Located near Lawrence, Kansas.
 - Marvel Gaming Planned:** Located near Topeka, Kansas.
 - Penn National Summer County Plan...:** Located near Topeka, Kansas.
- Major Cities:** Topeka, Lawrence, Kansas City, and Oklahoma City are prominently marked.
- State Boundaries:** The borders of Kansas, Oklahoma, Arkansas, and Missouri are clearly delineated.
- Geography:** The map shows various geographical features, including rivers and smaller towns.

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Task-4 Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Gravity Model Analyses

WGR utilized its proprietary gravity modeling system to develop gravity models for each of the three proposed casinos in the south central gaming zone of Kansas. Each gravity model was customized to reflect the exact location of the development respective site, the prevailing market conditions, and the nature and scope of the project proposals.

Gaming revenues were projected for each of the three applicant's proposals. WGR developed two scenarios (Scenario 1 and 3) for each of the three applicants.

Scenario-1 projected gaming revenue for the new Kansas Lottery Casino facility as if it were the only new casino to be built in the south central gaming zone. WGR developed low, mid, and high case revenue projections for each applicant's proposal.

Scenario-3 includes all competitors i.e., any new casinos or expansions that were planned/proposed for the south central gaming zone. It is important to note that the key variables for some competitors were adjusted after the on-site visits made by Richard Wells. In Scenario-3, WGR included the "generic casinos" in Sumner and Wyandotte Counties, as well as the slot machines at Comptown Greyhound Racetrack.

Results

Three gaming revenue projections (low, mid, and high cases) were developed for each scenario for the 2007 through 2012 period (refer to Section 2 of this report for the details of WGR analyses). WGR believes that three projection cases encompass a reasonable performance range for casino gaming revenues. WGR prefers not to develop single point projections because forecasting casino revenues is far from an exact science. Many factors both known and unknown can cause actual performance to vary significantly from the projections.

Background on the Gravity Model

By way of background, WGR has developed a custom, proprietary, gravity model for use in estimating gaming revenues at casinos, as well as for evaluating the impacts of increased competition on those revenues. WGR's gravity modeling methodology has proven to be a flexible and effective tool for estimating gaming revenues for casino projects where the interplay with existing and/or proposed competing casinos could affect future gaming revenues.

The concept of gravity modeling is not new to the business world. William J. Reilly first advanced the concept of a gravity model in 1931 in his book entitled *Law of Retail Gravitation*. Gravity models use the principal of Isaac Newton's law of gravity, wherein the attraction between two objects is proportional to their mass, and is inversely proportional to the square of their respective distances. Newton's law of gravity dealt with planets, the amount of gravitational force that they exert on each other, and the effects that the forces of gravity have on their trajectory. This concept of gravitational force, or pull, can be applied to

Task-4 Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

various types of problems, including business, retail, and traffic. Reilly applied the concept to retail shopping center trade area and customer attraction analysis.

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Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

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Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Trade Area Summary

Trade Area

The south central trade area covers the parts of Kansas and Oklahoma that are located within an approximate 100-to-125-mile radius of Sumner County, Kansas. The boundaries extend to Saline and Dickinson Counties, Kansas on the north; Logan and Lincoln Counties, Oklahoma on the south; Kiowa and Comanche Counties, Kansas on the west; and Labette County, Kansas on the east (refer to the map on page 2-2).

Adult Population

The adult population for the ten counties contiguous with Sumner was 500 thousand in 2007. It has been forecasted to increase to 512 thousand by 2012. These projections reflect an average compound growth rate of 0.5% per year.

The total adult population for the south central trade area was 1.51 million in 2007. With a forecasted average compound growth rate of 0.1%, the adult population has been estimated at 1.52 million by 2012.

Exhibit 2-1 - Adult Population Statistics for 2000 & for 2006 to 2012

# of Co	Counties	2000	2006	2007	2008	2009	2010	2011	2012	ACGR 07 to 12	% Pop/ Co 2012
	Butler KS	39,923	45,743	46,781	47,844	48,936	50,048	51,185	52,348	2.3%	10%
	Cowley KS	24,901	24,638	24,502	24,370	24,236	24,104	23,971	23,838	-0.5%	5%
	Harper KS	4,719	4,307	4,259	4,211	4,164	4,118	4,071	4,025	-1.1%	1%
	Harvey KS	22,808	23,534	23,641	23,749	23,858	23,965	24,076	24,185	0.5%	5%
	Kingman KS	6,044	5,855	5,848	5,841	5,834	5,826	5,818	5,811	-0.1%	1%
	Reno KS	45,980	42,885	42,425	41,970	41,519	41,074	40,634	40,200	-1.1%	8%
	Sedgwick KS	306,890	319,528	321,246	322,973	324,706	326,445	328,201	329,963	0.5%	64%
	Sumner KS	17,554	17,213	17,169	17,129	17,088	17,047	17,006	16,964	-0.2%	3%
	Grant OK	3,669	3,637	3,637	3,637	3,637	3,637	3,637	3,637	0.0%	1%
	Kay OK	10,404	10,520	10,546	10,574	10,598	10,625	10,651	10,675	0.2%	2%
10	Total Surrounding Counties	482,892	497,860	500,054	502,298	504,576	506,889	509,250	511,646	0.5%	100%
26	Total Kansas Counties - Excluding Surrounding Counties	249,448	243,966	243,249	242,533	241,828	241,138	240,465	239,781	-0.3%	
17	Total Oklahoma Counties - Excluding Surrounding Counties	768,657	768,657	768,657	768,657	768,657	768,657	768,657	768,657	0.0%	
53	Total Trade Area Population	1,500,997	1,510,483	1,511,960	1,513,488	1,515,061	1,516,684	1,518,372	1,520,084	0.1%	

Data Source: Wells Gaming Research, May 2008.

The adult population statistics included above are limited to those counties located in the identified south central trade area and do not include the population for the entire states of Kansas or Oklahoma.

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Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Current Gaming Capacity

A compilation of the current casino gaming capacity located within approximately 150 miles of the casino site in the south central gaming zone is shown in Exhibit 2-2. The results indicate that 57 casinos are currently in operation. All are located in Oklahoma.

Exhibit 2-2 - Current Capacity Statistics for the SC Gaming Zone

# of Loc	Casino	# of Slots	# of Pit Tables	# of Poker Tables	# of Total Tables	# of Bingo Seats	Race Book	Casino S.F.	Con-vention S.F.	# of Rooms	# of Restau-rants	Enter-tain-ment	Park-ing
Oklahoma:													
1	7 Clans Paradise Casino	700	8	6	14	0	0	30,000	0	0	2	0	500
2	Blue Star Gaming and Casino	228	0	0	0	300	0	20,000	0	0	1	0	500
3	Bordertown Bingo & Casino	886	11	10	21	650	1	73,000	0	0	2	0	400
4	Buffalo Run Casino	1,300	20	9	29	0	0	70,000	10,000	0	3	1	1,300
5	Cherokee Casino - Fort Gibson	298	0	0	0	0	0	7,430	0	0	0	0	182
6	Cherokee Casino - Will Rogers Downs	250	0	0	0	0	1	18,277	11,000	450	1	1	150
7	Cherokee Casino Resort	1,522	37	35	72	0	0	95,000	7,500	263	8	4	3,100
8	Cherokee Nation Outpost Tobacco Shop	81	0	0	0	0	0	1,728	0	0	0	0	42
9	Cimarron Bingo Casino	363	0	0	0	0	1	9,600	0	0	1	0	400
10	Creek Nation Casino Bristow	95	0	0	0	0	0	8,500	0	0	1	0	150
11	Creek Nation Casino Muskogee	584	7	10	17	300	0	30,000	0	0	1	1	800
12	Creek Nation Casino Okemah	132	0	3	3	110	0	1,800	0	0	0	0	200
13	Creek Nation Casino Okmulgee	334	2	3	5	0	0	11,000	0	0	1	0	600
14	Creek Nation Casino Tulsa	1,512	16	11	27	0	0	38,000	0	0	1	0	2,000
15	Creek Nation Travel Plaza	43	0	0	0	0	0	920	0	0	1	0	50
16	Duck Creek Casino	268	0	0	0	120	0	5,000	0	0	1	0	300
17	Eastern Shawnee Travel Plaza	186	0	0	0	0	0	3,000	0	0	0	0	150
18	Feather Warrior Casino - Watonga	89	0	0	0	0	0	2,200	0	0	0	0	59
19	FireLake Casino	800	7	2	9	500	0	50,000	5,000	0	3	0	800
20	FireLake Grand Casino	1,800	23	19	42	0	0	125,000	0	0	5	2	4,000
21	Golden Pony Casino	400	0	0	0	0	0	10,000	0	0	1	0	500
22	Goldsby Gaming Center	182	0	0	0	300	1	15,462	0	0	1	0	300
23	Grand Lake Casino	879	10	6	16	0	0	45,000	0	0	1	1	1,000
24	High Winds Casino	500	8	0	8	0	0	35,000	0	0	2	0	450
25	Kaw Southwind Casino	1,078	3	4	7	700	0	55,000	0	0	2	0	1,000
26	Kickapoo Casino	525	9	0	9	0	0	12,000	0	0	1	0	600
27	Kickapoo Conoco Station	52	0	0	0	0	0	900	0	0	0	0	30
28	Lil' Bit of Paradise Casino 1	100	0	0	0	0	0	0	0	0	0	0	60
29	Lil' Bit of Paradise Casino 2	50	0	0	0	0	0	0	0	0	0	0	30
30	Lucky Star Casino - Clinton	423	5	4	9	0	0	13,000	0	0	1	0	400
31	Lucky Star Casino - Concho	930	13	11	24	0	0	40,000	0	0	1	0	1,000
32	Lucky Turtle Casino	101	0	0	0	0	0	3,000	0	0	1	0	200
33	Miami Tribe Entertainment	107	0	0	0	0	0	0	0	0	0	0	75
34	Muskogee Travel Plaza	129	0	0	0	0	0	3,000	0	0	0	0	50
35	Mystic Winds Casino	354	0	0	0	0	0	0	0	0	0	0	50

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-2 (Continued) - Current Capacity Statistics for the SC Gaming Zone

# of Loc	Casino	# of Slots	# of Pit Tables	# of Poker Tables	# of Total Tables	# of Bingo Seats	Race Book	Casino S.F.	Con-vention S.F.	# of Rooms	# of Restau-rants	Enter-tain-ment	Park-ing
36	Native Lights Casino	612	6	0	6	0	0	22,500	0	0	2	0	405
37	Newcastle Gaming Center I & II	1,199	14	14	28	0	0	20,973	0	0	1	0	900
38	Osage Million Dollar Elm Casino - Bartlesville	575	6	6	12	0	0	42,000	0	0	0	0	700
39	Osage Million Dollar Elm Casino - Hominy	273	1	2	3	0	0	0	0	0	1	0	250
40	Osage Million Dollar Elm Casino - Pawhuska	135	0	0	0	0	0	0	0	0	1	0	50
41	Osage Million Dollar Elm Casino - Ponca City	222	0	0	0	0	0	7,700	0	0	1	0	150
42	Osage Million Dollar Elm Casino - Sand Springs	601	4	0	4	0	0	25,000	0	0	1	0	500
43	Osage Million Dollar Elm Casino - Skiatook	152	0	0	0	0	0	0	0	28	1	0	200
44	Osage Million Dollar Elm Casino - Tulsa	1,267	10	7	17	600	0	47,000	1,600	0	3	1	800
45	Pawnee Trading Post	130	0	0	0	0	0	3,500	0	0	2	0	250
46	Pawnee Travel Plaza	35	0	0	0	0	0	0	0	0	0	0	15
47	Peoria Gaming Center	200	0	0	0	0	0	4,200	0	0	1	0	250
48	Quapaw Casino	483	8	1	9	0	0	27,000	0	0	1	1	700
49	Remington Park	650	0	0	0	0	1	55,000	0	0	3	0	6,700
50	Riverwind Casino	2,317	32	21	53	0	1	76,308	14,000	0	10	3	4,000
51	Sac and Fox Casino - Shawnee	466	5	5	10	0	0	8,600	0	0	1	0	550
52	Sac and Fox Casino - Stroud	49	0	0	0	0	0	825	0	0	0	0	34
53	Seminole Nation Trading Post	200	0	0	0	0	0	3,424	0	0	0	0	125
54	The Stables Casino	500	4	0	4	0	1	25,000	0	0	2	0	260
55	Thunderbird Casino	600	6	2	8	0	1	61,000	8,250	0	3	1	600
56	Tonkawa Casino	374	4	0	4	0	0	14,437	0	0	1	0	400
57	Wyandotte Nation Casino	500	8	5	13	0	0	50,000	0	0	3	0	750
	57 Total Existing Casinos	28,821	287	196	483	3,580	8	1,327,284	57,350	741	81	16	40,017
Data Source: Wells Gaming Research, June 2008.													

Data Source: Wells Gaming Research, July 2008.

The foregoing indicates that the 57 casinos located in the south central trade area have a combined capacity of 28,821 slot machines, 287 pit table games, and 196 poker tables (483 total table games), 3,580 bingo seats, 8 race books, and 1.3 million square feet of gaming space.

Additional casino amenities include over 57 thousand square feet of convention/meeting space, 741 hotel rooms, 81 restaurants, 16 entertainment venues, and approximately 40 thousand parking spaces.

Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Gravity Model Projections

Statistics for the key variables were based on WGR's proprietary databases, specific data received from the three applicants (Harrah's, Penn National, and Marvel), and first-hand information obtained by Richard Wells from on-site casino visits. Wells made on-site visits in June 2008 to a significant number of casinos located in Oklahoma, Kansas, and Missouri that will be competitors.

A custom gravity model was built for each of the three proposed casino projects. The exact project locations and scopes were reflected in the respective gravity models. The gaming revenue projections developed for the Task-1 analyses were fined-tuned in the Task-4 analyses to reflect the applicant's statistics and Wells' on-site information and impressions. Some major changes that were made included:

- **Eliminating five proposed casinos from the competitor mix** – all five of these casinos were proposed for Oklahoma. Even though some of these facilities might be developed, their future is uncertain at this time. Having said that, if they were developed, they could have negative impacts on competing casinos located in Kansas.
- **Reducing the attraction factors for six Oklahoma competitor casinos** - these adjustments were based on information gained from Wells' on-site inspection of the properties.

The impact of the foregoing changes to the gravity model output resulted in the following:

- **Increased visitor counts** at all three applicant casinos
- **Higher gaming revenues** at all three applicant casinos

Inflation Factors Used to Adjust Gaming Revenue Projections

A 2% annual inflation rate has been used to adjust the for casino revenue projections. Two percent is comparable to the five-year average CPI if food and fuel were excluded.

Key Assumptions for the Scenarios

- **Scenario 1** - includes the existing casinos and one applicant casino. None of the proposed expansions or other new casinos are included in scenario 1.
- **Scenario 2** – was used in the Task-1 analyses because it included the casino expansions. In the Task-4 analyses, the expansions have been incorporated into scenario 3, thereby eliminating the need for the scenario 2.
- **Scenario 3** - includes the applicant's casino together with all existing casinos, the expansions, and the proposed new casinos.

Task-4 - Project Specific Gaming Revenue Projections

South Central Gaming Zone of Kansas

Sumner Resort Harrah's Kansas

Harrah's controls over 650 acres in Mulvane, Kansas. The development site is conveniently located in the south central gaming zone at Exit 33 off the Kansas Turnpike, just 15 miles south of Wichita. It is in close proximity to the Mid Continent Airport, the Wichita Convention Center, and the large Wichita population base. Refer to the map on page 2-8.

Project Cost

\$450 million

Casino would have 69,000 square feet of gaming space equipped with 2,000 slot machines, 50 table games including 35 blackjack, five each of craps and roulette, three Pai Gow Poker, and two other types of table games. Additional gaming amenities would include a 1,600 square foot World Series of Poker - branded poker room.

Hotel with 4 levels and 175 rooms (140 standard rooms with 450 square feet, 30 two-bay suites with 975 square feet, and 5 poolside villas with 1,860 square feet.

Restaurants

- Café with seating capacity for 86 guests
- Buffet with seating capacity for 350 guests
- Steakhouse with seating capacity for 200 guests
- Signature Concept (to be determined) with seating capacity for 225 guests
- Food Court with four outlets and seating capacity for 100 guests

Bars & Lounges

- Sports Bar (unspecified seating capacity)
- Center Bar (unspecified seating capacity)
- Cabaret Bar (unspecified seating capacity)

Two Entertainment Venues

- Including an outdoor amphitheater with seating for 778 and standing room for 5,000 for large events

Convention Facilities

- Offering 30,338 square feet of convention/meeting space with 12 breakout rooms

Golf Course / Spa / Recreation

- 18 Hole Championship Golf Course
- Golf Academy
- Spa & Health Club
- Tennis Courts

Task-4 - Project Specific Gaming Revenue Projections

South Central Gaming Zone of Kansas

Retail Outlets

- Boutique Fashions / Jewelry
- Sundries / Gift Shop

Parking Facilities

- 2,614 surface parking spaces
- 576 enclosed parking spaces
- 484 valet parking spaces
- 701 employee parking spaces

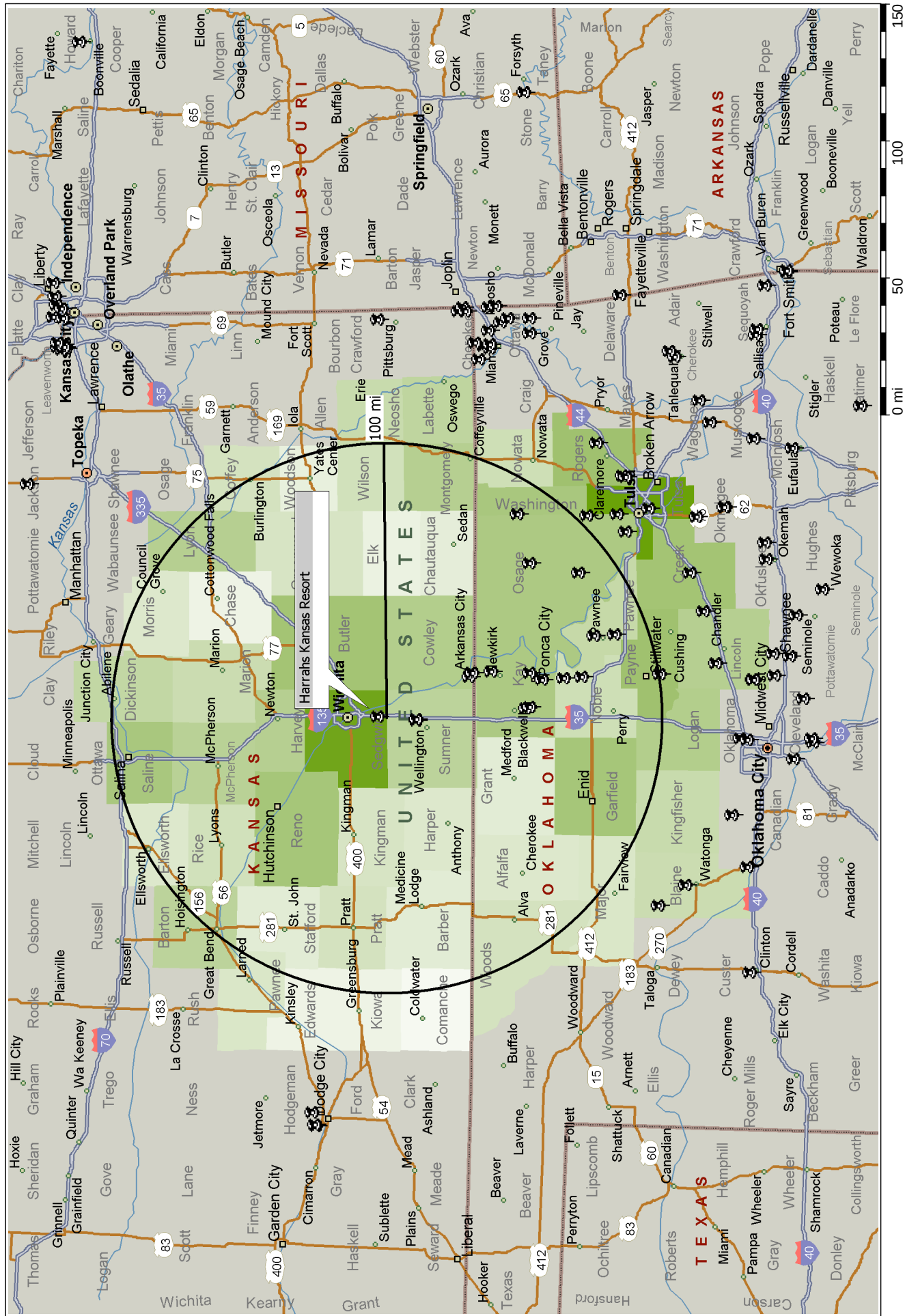
Public Safety Support

- Includes new EMS substation to support the needs of the casino and the community

Added Development

If Harrah's were selected as the successful bidder, their development partner, Sumner Gaming & Resorts, would build 190 additional hotel rooms, 15,000 more square feet of retail space, a 44 space RV park, 100 apartment homes, and 100 residential lots.

South Central Zone, Harrahs Kansas Resort



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Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Gaming Capacity Recap

Exhibit 2-3 profiles a summary of the existing casino capacity, the addition of Harrah's, the expansions, and the other proposed (new) casinos.

**Exhibit 2-3 - Summary of Gaming Capacity Statistics for the SC Gaming Zone
Includes Harrah's Sumner, Existing Casinos, Expansions, & Proposed New Casinos**

# of Loc	Casinos	# of Slots	# of Pit Tables	# of Poker Tables	# of Total Tables	# of Bingo Seats	Race Book	Casino S.F.	Con-vention S.F.	# of Rooms	# of Restau-rants	Enter-tain-ment	Park-ing
Current Capacity for Existing Casinos													
1	Existing 57 Casinos	28,821	287	196	483	3,580	8	1,327,284	57,350	741	81	16	40,017
Scenario 1 - Harrahs Kansas Resort													
1	Harrahs Kansas Resort	2,000	50	9	59	0	0	70,000	30,338	365	5	4	3,234
	Subtotal Of Scenario 1	2,000	50	9	59	0	0	70,000	30,338	365	5	4	3,234
Scenario 3 - Expansions & Other Proposed													
Expansions													
1	Buffalo Run Casino	0	0	0	0	0	0	0	0	103	0	0	0
2	Cherokee Casino Resort	732	0	0	0	0	0	30,000	0	350	2	0	0
3	Creek Nation Casino Tulsa	1,788	34	0	34	0	0	0	0	0	0	0	0
4	FireLake Grand Casino	0	0	0	0	0	0	0	0	210	0	0	0
5	Kickapoo Casino	675	31	0	31	0	0	0	0	0	2	0	0
6	Riverwind Casino	0	0	0	0	0	0	0	0	180	0	0	0
Proposed													
1	Camptown Greyhound Park	600	0	0	0	0	1	0	0	0	2	0	700
2	Cherokee County Planned	1,200	40	0	40	0	0	0	10,000	250	3	2	2,500
3	Downstream Casino Resort (Open)	2,000	30	15	45	0	1	70,000	8,000	226	2	2	2,200
4	Feather Warrior Casino - Canton	112	0	0	0	0	0	0	0	0	0	0	75
5	First Council Casino (Open)	900	8	8	16	0	0	40,000	0	0	2	1	950
6	Ford County Planned	800	20	0	20	0	0	0	5,000	100	3	3	1,700
7	Ioway Casino Resort	1,500	50	0	50	0	0	0	0	250	3	2	2,500
	Subtotal of Scenario 3	10,307	213	23	236	0	2	140,000	23,000	1,669	19	10	10,625
	Total Existing, Expansions, New	41,128	550	228	778	3,580	10	1,537,284	110,688	2,775	105	30	53,876
	% Increase over Current	43%	92%	16%	61%	0%	25%	16%	93%	274%	30%	88%	35%
Data Source: Wells Gaming Research, June 2008.													

The bottom line shows the gaming capacity increases associated in the additions. Key capacity additions include slot machines, targeted to increase from 28,821 to 41,128 (43%) and total table games that are projected to go up from 483 to 778 (61%).

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

WGR's Gravity Model Forecasts
Compared w/ Harrah's Pro Forma Projections

When comparing the number of casino visits and the gaming revenues for WGR's Task-4 with those projected for Task-1, it is important to keep in mind that five proposed casinos were eliminated from the Task-4 analyses, and the attraction factors were reduced at six casinos. As a result, WGR's Task-4 forecasts have higher numbers of casino visits and gaming revenues than those developed for the Task-1 "generic casino".

In the text that follows, Task-4 has been abbreviated T-4.

Casino Visits

Harrah's casino visit statistics for both the residential population (2,293,703) and for the tourists (470,095) were included in their application. Their combined total was 2,763,798 casino visits. Refer to the upper section of Exhibit 2-4 (top row of data). WGR's casino visit projections are shown below in scenario 1 and scenario 3.

Exhibit 2-4 – Casino Visit Projections for Harrah's for 2011 – SC Gaming Zone

Casino Visits	Residential	Tourist	Total
Harrah's Application	2,293,703	470,095	2,763,798
Scenario 1 - WGR's projections includes Harrah's & all existing casinos but no new casinos			
Casino Visits	Low	Mid	High
WGR's Harrah's Kansas (Task 4)	2,658,946	3,169,493	3,446,206
WGR's Generic Mulvane (Task 1)	2,339,382	2,919,715	3,241,261
Difference in WGR Projections	319,564	249,778	204,945
Scenario 1 - Variance in Casino Visits	Low	Mid	High
Harrah's Application vs. WGR's Harrah's KS	104,852	-405,695	-682,408
Scenario 3 - WGR's projections includes Harrah's plus all existing, expanding, & new casinos			
Casino Visits	Low	Mid	High
WGR's Harrah's Kansas (Task 4)	2,364,774	2,906,746	3,202,958
WGR's Generic Mulvane (Task 1)	1,879,764	2,481,469	2,826,277
Difference in WGR Projections	485,010	425,277	376,681
Scenario 3 - Variance in Casino Visits	Low	Mid	High
Harrah's Application vs. WGR's Harrah's KS	399,024	-142,948	-439,160
Source: Harrah's Application and Wells Gaming Research			

- Scenario 1 – WGR's key assumption in scenario 1 was that Harrah's would be the only new casino added to the south central gaming zone. No other new casinos or expansions were included.

Task-4 - Project Specific Gaming Revenue Projections

South Central Gaming Zone of Kansas

WGR's T-4 data for scenario 1 is presented in a low, mid, and high case format with the forecast numbers shown in red (refer to the mid section of Exhibit 2-4, page 2-10).

The percent change between WGR's T-4 forecasts and Harrah's show that Harrah's casino visit statistics were approximately 105 thousand (3.9%) higher than WGR's T-4 low estimate, 406 thousand (12.8%) below WGR's T-4 mid case forecast, and 683 thousand (19.8%) below WGR's T-4 high.

- **Scenario 3** – WGR's scenario 3 includes the existing casinos, Harrah's, the casino expansions, and the new casinos proposed for the south central gaming zone (refer to the lower section of Exhibit 2-4, page 2-10).

The 2.8 million casino visits forecasted by Harrah's are 399 thousand higher (16.9%) than WGR's T-4 low case estimates of 2.4 million. Harrah's estimate (2.8 million) is relatively close to WGR's T-4 mid-case estimate of 2.9 million (the difference is only 143 thousand casino visits, 4.9%). Harrah's projection (2.8 million) is 439 thousand (13.7%) below WGR's T-4 high case of 3.2 million visits.

Gaming Revenue Comparisons

Harrah's provided gaming revenue forecasts in their application for residential players (\$161,328,570) and for tourist players (\$44,994,430). Their combined total was \$206,323,000 in gaming revenues. Refer to the top row of data included in Exhibit 2-5, page 2-12.

- **Scenario 1** – WGR has assumed, in scenario 1, that Harrah's would be located in a market with the existing casinos (no other new casinos or casino expansions have been added). The gaming revenue estimates for WGR's T-4 are shown in red in the mid section of Exhibit 2-5, as are the variances between Harrah's projections and WGR's T-4 forecasts.

A comparison of Harrah's gaming revenue forecasts with WGR's T-4 inflation adjusted projections shows that Harrah's is approximately \$25.5 million higher (14.1%) than WGR's T-4 low of \$181 million. WGR's mid case estimate is \$12.2 million (5.6%) less than Harrah's (\$218 million versus \$206 million). The high case comparison is extremely close. Harrah's \$206 million projection is only \$33 million (13.8%) less than WGR's T-4 high of \$239 million.

- **Scenario 3** includes all existing casinos, the addition of the proposed Harrah's, the casino expansions, and the other new proposed casinos. WGR's T-4 revenue statistics include inflation as do Harrah's.

The variance between the gaming revenue forecasts included in Harrah's application and WGR's T-4 forecasts (scenario 3) show that at \$206 million Harrah's was \$47 million higher (29.2%) than WGR's T-4 low of \$160 million.

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

WGR's T-4 mid case estimate of \$199 million was extremely close to Harrah's \$206 million projection (a difference of only \$7 million, 3.8%). Harrah's gaming revenue estimate was \$15 million (6.6%) lower than WGR's T-4 high case of \$221 million.

Exhibit 2-5 – Gaming Revenue Projections for Harrah's for 2011 – SC Gaming Zone

Casino Revenue	Residential	Tourist	Total
Harrah's Application	\$161,328,570	\$44,994,430	\$206,323,000
Scenario 1 - WGR's projections includes Harrah's & all existing casinos but no new casinos			
Casino Revenue	Low	Mid	High
WGR's Harrah's Kansas (Task 4):			
w/o Inflation	\$167,148,000	\$201,926,000	\$221,235,000
w/ Inflation	\$180,854,136	\$218,483,932	\$239,376,270
WGR's Generic Mulvane (Task 1):			
w/o Inflation	\$145,229,000	\$183,435,000	\$205,164,000
w/ Inflation	\$157,137,778	\$198,476,670	\$221,987,448
Difference in WGR Projections w/ Inflation	\$23,716,358	\$20,007,262	\$17,388,822
Scenario 1 - Variance in Casino Revenues w/ Inflation	Low	Mid	High
Harrah's Application vs. WGR's Harrah's KS	\$25,468,864	-\$12,160,932	-\$33,053,270
Scenario 3 -WGR's Projections includes Harrah's plus all existing, expanding, & new casinos			
Casino Revenue	Low	Mid	High
WGR's Harrah's Kansas (Task 4):			
w/o Inflation	\$147,586,000	\$183,767,000	\$204,088,000
w/ Inflation	\$159,688,052	\$198,835,894	\$220,823,216
WGR's Generic Mulvane (Task 1):			
w/o Inflation	\$115,877,000	\$154,650,000	\$176,480,000
w/ Inflation	\$125,378,914	\$167,331,300	\$190,951,360
Difference in WGR Projections w/ Inflation	\$34,309,138	\$31,504,594	\$29,871,856
Scenario 3 - Variance in Casino Revenues w/ Inflation	Low	Mid	High
Harrah's Application vs. WGR's Harrah's KS	\$46,634,948	\$7,487,106	-\$14,500,216
Source: Harrah's Application and Wells Gaming Research			

Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Financial Statement Analyses

WGR used the following research methodology to analyze the applicant's financial statements:

Financial Statement Comparisons were Conducted

All Nevada casinos are required to file annual *NGC-17 Reports* with the Nevada Gaming Control Board (NGCB). The *NGC-17 Reports* contain detailed financial data and operating statistics for each reporting casino. These reports are the primary source of information used by the NGCB to compile the *Nevada Gaming Abstracts*. The *Abstracts* contain consolidated balance sheets and income statements for casinos that have annual gross gaming revenues of a million dollars or more. Nevada statutes prohibit disclosure of financial information for individual casinos. As a result, all financial data were reported in the *Abstracts* by market group (for example, the market group made up of casinos with *\$72 Million and Above in Annual Gaming Revenues*).

Three Nevada revenue groups were selected to be used as a basis of comparison:

- Statewide \$72+ Million in Annual Gaming Revenues with Hotel Rooms but without the Las Vegas Strip (balance sheet and income statement numbers represent an average for 25 casinos in this revenue category)
- Statewide \$72+ Million in Annual Gaming Revenues with Hotel Rooms & with the Las Vegas Strip (balance sheet and income statement numbers represent an average for 48 casinos in this revenue category)
- Clark County Las Vegas Strip \$72+ Million in Annual Gaming Revenues with Hotel Rooms (balance sheet and income statement numbers represent an average for 23 casinos in this revenue category)

Each line item in the applicant's pro forma financial statements was calculated as a percent of total revenues (for example, each line item in the casino department was calculated as a percent of total gaming revenues for the department). The 2007 fiscal year *Abstract* data (the most current available) were used as benchmarks for comparing each applicant's line item percentages with equivalent percentages shown in the *Nevada Abstracts*.

Each individual application was compared with the three Nevada revenue groups. The results of the comparisons follow.

Task-4 - Project Specific Gaming Revenue Projections

South Central Gaming Zone of Kansas

Harrah's

Pro forma financial statement data used in the following analyses for Harrah's was for the year 2011 (first full year of operations).

Balance Sheet

The balance sheet information provided by Harrah's was limited (refer to Exhibit 2-6, pages 2-15 and 2-16 for the balance sheets that correspond with this discussion). The asset information included cash, license fees, deferred taxes, total fixed assets, and other assets. Liabilities and capital were limited to debt and equity. These balance sheet items were analyzed in terms of the percent of the total assets (liabilities) that each represented. The resulting percentages were compared with corresponding percentages developed for the foregoing Nevada casino groups.

Cash at \$6 million represented 1.5% of total assets for Harrah's placing it in a weaker cash position than any of the three Nevada groups. For example, the cash position for casinos in the *Clark County Las Vegas Strip \$72+ Million and above* category was \$93 million (6.3% of total assets). It was \$55 million (5.8%) for casinos in the *Statewide \$72+ Million* group, and \$20 Million (4.5%) for casinos in the *Statewide \$72+ Million with Rooms without the Las Vegas Strip* group. Cash as a percent of total assets for Harrah's was 4.8% less than the highest Nevada group and 3.0% less than the lowest.

Fixed Assets for Harrah's included \$360 million that were not specified for any particular line item. This represented 90.4% of Harrah's total assets and was 14.8% above the comparative high for Nevada and 32.6% above the low.

Harrah's allocated more than \$32 million to license fees (\$22 million) and deferred tax assets (\$11), which was allocated to *Other Assets* (fixed). Total other assets for Harrah's represented 8.1% of total assets (25.1% below the comparative high of 33.2%, and 5.6% less than the 13.7% low).

Current Liabilities and Capital were not included in the Harrah's balance sheet.

Long Term Debt-Notes were allocated at \$293 million. They equaled 73.4% of total liabilities and capital for Harrah's. This was 53.3% above the highest Nevada group, and 60.5% above the lowest.

Equity at \$106 million was allocated to *Long-Term Debt-Other*. It represented 26.6% of the total liabilities and capital, and was 11.8% above the highest for the Nevada groups and 12.6% above than the lowest.

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-6 Balance Sheet Comparison Harrah's Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Harrah's Sumner Gaming JV LC Pro Forma 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Harrah's	Percent	% High (Dif)	% Low (Dif)
ASSETS										
Current Assets										
Cash	\$19,692,821	4.5%	\$54,936,366	5.8%	\$93,244,566	6.3%	\$6,000,000	1.5%	-4.8%	-3.0%
Receivables:										
Casino	\$1,824,954	0.4%	\$8,469,285	0.9%	\$15,691,385	1.1%				
Trade	\$1,469,932	0.3%	\$7,645,953	0.8%	\$14,359,019	1.0%				
Sundry	\$787,743	0.2%	\$1,477,602	0.2%	\$2,227,448	0.1%				
Notes	\$8,000,599	1.8%	\$4,215,750	0.4%	\$101,784	0.0%				
Prepaid Expenses	\$3,920,399	0.9%	\$5,728,451	0.6%	\$7,693,725	0.5%				
Other Current Assets	\$3,867,695	0.9%	\$14,195,779	1.5%	\$25,421,957	1.7%				
Total Current Assets	\$39,564,142	9.1%	\$96,669,185	10.3%	\$158,739,884	10.6%	\$6,000,000	1.5%	-9.1%	-7.6%
Fixed Assets										
Land	\$23,664,781	5.4%	\$215,137,946	22.8%	\$423,260,950	28.4%				
Land Improvements	\$2,246,131	0.5%	\$9,397,534	1.0%	\$17,170,798	1.2%				
Buildings & Improvements	\$185,208,346	42.5%	\$338,623,923	36.0%	\$505,379,985	33.9%				
Furniture & Equipment	\$29,601,091	6.8%	\$55,724,972	5.9%	\$84,120,494	5.6%				
Lease Improvements	\$1,205,308	0.3%	\$1,452,396	0.2%	\$1,720,971	0.1%				
Construction in Progress	\$9,979,815	2.3%	\$51,142,186	5.4%	\$95,883,894	6.4%				
Total Fixed Assets	\$251,905,471	57.7%	\$671,478,957	71.3%	\$1,127,537,093	75.6%	\$360,149,000	90.4%	14.8%	32.6%
Other Assets	\$144,780,186	33.2%	\$173,478,640	18.4%	\$204,672,612	13.7%	\$32,426,000	8.1%	-25.1%	-5.6%
Total Assets	\$436,249,799	100%	\$941,626,782	100.0%	\$1,490,949,589	100%	\$398,575,000	100.0%		

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-6 Balance Sheet Comparison Harrah's Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Harrah's Summer Gaming JV LC Pro Forma 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Harrah's	Percent	% High (Dif)	% Low (Dif)
LIABILITIES & CAPITAL										
Current Liabilities										
Accounts Payable - Trade	\$2,598,413	0.6%	\$6,050,591	0.6%	\$9,802,959	0.7%				
Accounts Payable - Other	\$5,571,778	1.3%	\$36,721,351	3.9%	\$70,579,582	4.7%				
Current Part of LT Debt	\$287,556	0.1%	\$1,161,813	0.1%	\$2,112,091	0.1%				
Accrued Expenses	\$8,898,926	2.0%	\$42,960,859	4.6%	\$79,984,699	5.4%				
Other Current Liabilities	\$67,836,815	15.5%	\$34,541,554	3.7%	-\$1,648,947	-0.1%				
Total Current Liabilities	\$85,193,488	19.5%	\$121,436,167	12.9%	\$160,830,384	10.8%				
Long-Term Debt										
Mortgages	\$221,344	0.1%	\$39,289,131	4.2%	\$81,754,117	5.5%				
Debentures & Bonds	\$8,745,377	2.0%	\$4,554,884	0.5%	\$0	0.0%				
Notes	\$87,552,987	20.1%	\$137,754,023	14.6%	\$192,320,366	12.9%	\$292,577,000	73.4%	53.3%	60.5%
Contracts	\$97,486	0.0%	\$65,277	0.0%	\$30,267	0.0%				
Other	\$64,669,655	14.8%	\$133,355,238	14.2%	\$208,013,480	14.0%	\$105,997,000	26.6%	11.8%	12.6%
Total Long-Term Debt	\$161,286,849	37.0%	\$315,018,552	33.5%	\$482,118,230	32.3%	\$398,574,000	100.0%	63.0%	67.7%
Other Liabilities	-\$33,573,653	-7.7%	-\$10,367,094	-1.1%	\$14,857,428	1.0%				
Total Liabilities	\$212,906,684	48.8%	\$426,087,626	45.3%	\$657,806,042	44.1%	\$398,574,000	100.0%	51.2%	55.9%
Capital										
Owners Capital Accounts	\$68,086,789	15.6%	\$86,183,813	9.2%	\$105,854,491	7.1%				
Capital Stock & Other Capital	\$42,888,548	9.8%	\$180,923,902	19.2%	\$330,962,330	22.2%				
Retained Earnings	\$112,367,778	25.8%	\$248,431,441	26.4%	\$396,326,727	26.6%				
Total Capital	\$223,343,116	51.2%	\$515,539,156	54.7%	\$833,143,548	55.9%				
Total Liabilities & Capital	\$436,249,799	100%	\$941,626,782	100.0%	\$1,490,949,589	100.0%	\$398,574,000	100.0%		

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Income Statement

Revenue

The most significant percentage differences in revenues were in gaming and rooms (refer to Exhibit 2-7, pages 2-20 through 2-23 for the income statements that correspond with the discussion that follows).

Casino pro forma estimates showed \$206 million in gaming revenues. This was 83.3% of total revenues for Harrah's, which was 18.8% above the Nevada high and 42.5% above the low.

Room revenue, projected at \$7.9 million, made up 3.2% of total revenues for Harrah's. This room revenue percentage was 22.6% lower than the comparative high and 8.5% less than the low. It is important to note that the room counts were significantly different. Harrah's pro forma showed 175 hotel rooms (140 standard, 30 two-bay suites, and 5 pool side villas) versus an average of 3,052 rooms for the high (*Clark County Las Vegas Strip \$72M+*), and an average of 972 rooms for the low (*Nevada \$72+ Million with Rooms Minus the Las Vegas Strip*).

G & A Expenses were projected at \$129 million, 52.2% of revenues, which was 15.6% above the comparative high and 19.3% above the low.

EBITDAR was projected at \$24.3 million, 9.8%. This was 15.8% lower than the comparative Nevada high and 14.1% below the low.

Casino Department

Table games and slot machines represented 99.3% of gaming revenue projections for Harrah's versus approximately 96% for the three Nevada casino groups. The split between table games and slots showed more variability.

Table Game revenues were projected at \$21.2 million, 10.3% of the gaming total. The percentage comparison shows that the 10.3% was 34.3% below the high and 6.1% less than the low. Thus, Harrah's has projected less gaming revenue for tables than was typical for the Nevada casinos that were used as a basis of comparison.

Slot Machine revenues forecasted at \$184 million represented 89.0% of total gaming revenue. The percentage comparison showed that this was 9.7% above the high and 38.0% more than the low. Thus, the percent of revenues from slots is expected to be higher than is typical for the Nevada casinos.

Gaming Taxes & Licenses were estimated at nearly \$56 million for Harrah's (27.0% of the casino revenues). On a percentage basis, the \$56 million was 19.2% above the highest for the Nevada groups used and 19.6% more than the lowest.

Task-4 - Project Specific Gaming Revenue Projections

South Central Gaming Zone of Kansas

Departmental Income (Loss) was estimated at \$84.9 million (41.1% of total casino revenues). A percentage comparison showed that the 41.1% was 14.6% below the comparative high and 0.3% above the low.

Room Revenues

The split between room sales and comps for Harrah's versus the three Nevada groups showed:

Room Sales were projected at \$3.9 million (48.9% of the total room revenue). This was 35.7% below the high for the comparative groups and 27.5% less the low.

Room Comps were forecasted at \$4.1 million (51.1% of total room revenues). On a percentage basis, 51% was 27.5% above the comparative high and 35.7% greater than the low.

Bad Debt & Comp Expenses were not included in Harrah's projections.

Departmental Income (Loss) was projected at \$5.2 million (65.0% of total room revenues). This was 4.2% below the comparative high and 7.0% above the low.

Food & Beverage Department

Food and beverage revenues and expenses were combined in the Harrah's pro forma. The split between food/beverage sales and comps showed:

Food/Beverage Sales were projected at \$14.9 million (49.1% of the total departmental revenues). This was 33.6% below the comparative high and 21.7% less than the low.

Food/Beverage Comps were forecasted at \$15.4 million (50.9% of the total revenue forecasted for the food/beverage department). This was 21.7% more than the comparative high and 33.6% above the low.

Bad Debts, Comps Expenses, Payroll Taxes, and Payroll for Officers were not included in the food/beverage expense total.

Payroll-Other Employees was projected at \$10.2 million (33.5% of the total food/beverage revenues). This was 10.5% below the comparative high and 1.7% less than the low.

Departmental Income was forecasted at \$6.8 million (22.3% of total revenue). This was 12% more than the comparative high for the Nevada groups and 28.1% higher than the low.

Other Income was estimated at \$2.6 million (76.2% of the total). This was 19.4% below the comparative high and 14.3% less than the low.

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Other Comps were projected at \$813 thousand (23.8% of the total revenue for the department), which was 14.3% above the comparative high and 19.4% above the low.

Gross Margin – cost of sales was not included. Thus, the gross margin was shown at \$3.4 million. It was 12.1% above the comparative high and 17.7% above the low.

Payroll – Other Employees was \$1.3 million (36.9% of total expenses), which was 16.6% above the comparative high and 20.6% greater than the low.

Departmental Income was shown a \$1 million (30.7% of the total). This was 4.8% below the comparative high and 3.9% above the low.

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-7 Profit & Loss Comparison Harrah's Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Harrah's Sumner Gaming JV LC Pro Forma 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Harrah's	Percent	% High (Dif)	% Low (Dif)
REVENUE										
Gaming	\$130,545,944	64.5%	\$191,819,639	46.9%	\$258,421,481	40.8%	\$206,323,000	83.3%	18.8%	42.5%
Rooms	\$23,789,236	11.7%	\$90,822,037	22.2%	\$163,683,777	25.8%	\$7,942,000	3.2%	-22.6%	-8.5%
Food	\$26,026,132	12.9%	\$55,832,299	13.7%	\$88,230,306	13.9%	\$30,305,000	12.2%	-1.7%	-0.6%
Beverage	\$10,508,575	5.2%	\$21,721,246	5.3%	\$33,908,932	5.4%				
Other	\$11,626,777	5.7%	\$48,832,031	11.9%	\$89,272,525	14.1%	\$3,240,000	1.3%	-12.8%	-4.4%
Total Revenue	\$202,496,664	100%	\$409,027,251	100.0%	\$633,517,020	100.0%	\$247,810,000	100.0%		
Cost of Sales	\$14,939,441	7.4%	\$28,442,480	7.0%	\$43,119,696	6.8%	\$10,001,000	4.0%	-3.3%	-2.8%
Gross Margin	\$187,557,224	92.6%	\$380,584,772	93.0%	\$590,397,324	93.2%	\$237,809,000	96.0%	2.8%	3.3%
Departmental Expenses	\$95,667,239	47.2%	\$201,411,190	49.2%	\$316,350,268	49.9%	\$140,158,000	56.6%	6.7%	9.3%
Departmental Income (Loss)	\$91,889,985	45.4%	\$179,173,582	43.8%	\$274,047,056	43.3%	\$97,651,000	39.4%	-6.0%	-3.9%
GENERAL & ADMINISTRATIVE EXPENSES										
Advertising & Promotion	\$5,516,269	2.7%	\$5,991,876	1.5%	\$6,508,840	1.0%	\$3,250,000	1.3%	-1.4%	0.3%
Bad Debt Expense	-\$1,639	0.0%	\$36,187	0.0%	\$77,302	0.0%				
Complimentary Expense	\$2,406,213	1.2%	\$2,071,207	0.5%	\$1,707,069	0.3%				
Depreciation - Buildings	\$7,955,608	3.9%	\$13,389,684	3.3%	\$19,296,287	3.0%				
Depreciation & Amort - Other	\$7,644,025	3.8%	\$16,929,652	4.1%	\$27,022,726	4.3%	\$26,354,000	10.6%	6.3%	6.9%
Energy Expense (elec, gas, etc.)	\$4,331,827	2.1%	\$6,497,463	1.6%	\$8,851,415	1.4%	\$4,400,000	1.8%	-0.4%	0.4%
Equipment Rental or Lease	\$676,989	0.3%	\$688,120	0.2%	\$700,218	0.1%				
Interest Expense	\$14,000,156	6.9%	\$30,846,681	7.5%	\$49,158,122	7.8%	\$29,700,000	12.0%	4.2%	5.1%
Music & Entertainment	\$544,427	0.3%	\$2,179,174	0.5%	\$3,956,074	0.6%				
Payroll Taxes	\$874,035	0.4%	\$1,528,563	0.4%	\$2,240,006	0.4%				
Payroll - Employee Benefits	\$2,198,880	1.1%	\$5,168,416	1.3%	\$8,396,173	1.3%				
Payroll - Officers	\$470,422	0.2%	\$597,106	0.1%	\$734,806	0.1%				
Payroll - Other Employees	\$10,134,360	5.0%	\$18,624,244	4.6%	\$27,852,380	4.4%	\$22,617,000	9.1%	4.1%	4.7%
Rent of Premises	\$1,117,215	0.6%	\$973,343	0.2%	\$816,959	0.1%				
Taxes - Real Estate	\$2,010,838	1.0%	\$4,332,479	1.1%	\$6,856,003	1.1%	\$8,500,000	3.4%	2.3%	2.4%
Taxes & Licenses - Other	\$361,423	0.2%	\$691,850	0.2%	\$1,051,009	0.2%	\$451,000	0.2%	0.0%	0.0%
Utilities (other than energy exp)	\$725,244	0.4%	\$2,032,995	0.5%	\$3,454,463	0.5%				
Other General & Admin. Exp	\$13,105,912	6.5%	\$25,828,111	6.3%	\$39,656,589	6.3%	\$34,098,000	13.8%	7.3%	7.5%
Total G&A Expenses	\$74,072,204	36.6%	\$138,407,151	33.8%	\$208,336,441	32.9%	\$129,370,000	52.2%	15.6%	19.3%
Net Income (Loss) Before Federal Income Taxes & Extraordinary Items	\$17,817,780	8.8%	\$40,766,431	10.0%	\$65,710,616	10.4%	-\$31,719,000	-12.8%	-23.2%	-21.6%
EBITDAR	\$48,534,784	24.0%	\$102,905,790	25.2%	\$162,004,709	25.6%	\$24,335,000	9.8%	-15.8%	-14.1%

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-7 Profit & Loss Comparison Harrah's Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Harrah's Sumner Gaming JV LC Pro Forma 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Harrah's	Percent	% High (Dif)	% Low (Dif)
CASINO DEPARTMENT										
Revenue										
Pit Rev (Incl Keno & Bingo)	\$21,313,482	16.3%	\$66,359,022	34.6%	\$115,321,565	44.6%	\$21,196,000	10.3%	-34.3%	-6.1%
Coin Operated Devices	\$103,502,745	79.3%	\$117,044,333	61.0%	\$131,763,450	51.0%	\$183,627,000	89.0%	9.7%	38.0%
Poker and Pan	\$2,036,476	1.6%	\$3,615,812	1.9%	\$5,332,482	2.1%	\$1,500,000	0.7%	-1.4%	-0.8%
Race Book	\$1,689,325	1.3%	\$2,022,543	1.1%	\$2,384,737	0.9%				
Sports Pool	\$2,003,915	1.5%	\$2,777,929	1.4%	\$3,619,248	1.4%				
Total Revenue	\$130,545,944	100%	\$191,819,639	100.0%	\$258,421,481	100.0%	\$206,323,000	100.0%		
Departmental Expenses										
Bad Debt Expense	\$365,482	0.3%	\$2,534,786	1.3%	\$4,892,724	1.9%	\$41,000	0.02%	-1.9%	-0.3%
Commissions	\$1,072,801	0.8%	\$791,025	0.4%	\$484,746	0.2%				
Complimentary Expense	\$18,033,976	13.8%	\$36,443,187	19.0%	\$56,453,198	21.8%	\$26,687,000	12.9%	-8.9%	-0.9%
Gaming Taxes and Licenses	\$10,154,539	7.8%	\$14,497,398	7.6%	\$19,217,897	7.4%	\$55,707,000	27.0%	19.2%	19.6%
Preferred Guest Expenses	\$479,285	0.4%	\$4,917,499	2.6%	\$9,741,646	3.8%				
Payroll Taxes	\$1,583,326	1.2%	\$2,897,915	1.5%	\$4,326,817	1.7%				
Payroll - Employee Benefits	\$2,994,412	2.3%	\$6,339,099	3.3%	\$9,974,628	3.9%				
Payroll - Officers	\$80,766	0.1%	\$263,888	0.1%	\$462,934	0.2%				
Payroll - Other Employees	\$11,509,647	8.8%	\$19,689,234	10.3%	\$28,580,089	11.1%	\$11,412,000	5.5%	-5.6%	-3.3%
Race Wire Fees	\$248,135	0.2%	\$331,885	0.2%	\$422,918	0.2%				
Other Departmental Expenses	\$11,331,255	8.7%	\$14,688,840	7.7%	\$18,338,388	7.1%	\$27,612,000	13.4%	4.7%	6.3%
Total Depart Expenses	\$57,853,625	44.3%	\$103,394,756	53.9%	\$152,895,986	59.2%	\$121,459,000	58.9%	-0.3%	14.6%
Depart Income (Loss)	\$72,692,318	55.7%	\$88,424,882	46.1%	\$105,525,495	40.8%	\$84,864,000	41.1%	-14.6%	0.3%
ROOMS DEPARTMENT										
Revenue										
Room Sales	\$18,192,998	76.5%	\$75,858,666	83.5%	\$138,538,741	84.6%	\$3,886,000	48.9%	-35.7%	-27.5%
Complimentary Rooms	\$5,596,238	23.5%	\$14,963,371	16.5%	\$25,145,037	15.4%	\$4,056,000	51.1%	27.5%	35.7%
Total Revenue	\$23,789,236	100.0%	\$90,822,037	100.0%	\$163,683,777	100.0%	\$7,942,000	100.0%		
Departmental Expenses										
Bad Debt Expense	\$55,259	0.2%	\$134,773	0.1%	\$221,201	0.1%				
Complimentary Expense	\$344,176	1.4%	\$1,215,471	1.3%	\$2,162,530	1.3%				
Payroll - Taxes	\$498,129	2.1%	\$1,237,986	1.3%	\$2,042,179	1.2%	\$1,874,000	23.6%	21.5%	22.4%
Payroll - Employee Benefits	\$1,294,941	5.4%	\$4,611,892	5.0%	\$8,217,273	5.0%				
Payroll - Officers	\$0	0.0%	\$62,229	0.1%	\$129,869	0.1%				
Payroll - Other Employees	\$5,257,252	22.1%	\$12,821,354	14.1%	\$21,043,204	12.9%				
Other Departmental Exp	\$2,535,174	10.7%	\$9,309,448	10.3%	\$16,672,790	10.2%	\$906,000	11.4%	0.8%	1.2%
Total Departmental Exp	\$9,984,931	42.0%	\$29,393,153	32.4%	\$50,489,046	30.8%	\$2,780,000	35.0%	-7.0%	4.2%
Depart Income (Loss)	\$13,804,305	58.0%	\$61,428,884	67.6%	\$113,194,731	69.2%	\$5,162,000	65.0%	-4.2%	7.0%

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-7 Profit & Loss Comparison Harrah's Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Harrah's Summer Gaming JV LC Pro Forma 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Harrah's	Percent	% High (Dif)	% Low (Dif)
FOOD DEPARTMENT										
Revenue										
Food Sales	\$18,426,868	70.8%	\$44,551,686	79.8%	\$72,948,227	82.7%	\$14,887,000	49.1%	-33.6%	-21.7%
Comps Food Sales	\$7,599,264	29.2%	\$11,280,613	20.2%	\$15,282,079	17.3%	\$15,418,000	50.9%	21.7%	33.6%
Total Revenue	\$26,026,132	100.0%	\$55,832,299	100.0%	\$88,230,306	100.0%	\$30,305,000	100.0%		
Cost of Sales	\$10,032,778	38.5%	\$17,573,194	31.5%	\$25,769,298	29.2%	\$10,001,000	33.0%	-5.5%	3.8%
Gross Margin	\$15,993,354	61.5%	\$38,259,105	68.5%	\$62,461,008	70.8%	\$20,304,000	67.0%	-3.8%	5.5%
Departmental Expenses										
Bad Debt Expense	\$3,097	0.0%	\$25,542	0.0%	\$49,938	0.1%				
Complimentary Expense	\$127,551	0.5%	\$389,899	0.7%	\$675,061	0.8%				
Payroll - Taxes	\$1,220,781	4.7%	\$2,301,669	4.1%	\$3,476,546	3.9%				
Payroll - Employee Benefits	\$2,759,981	10.6%	\$6,987,803	12.5%	\$11,583,261	13.1%				
Payroll - Officers	\$58,692	0.2%	\$126,709	0.2%	\$200,641	0.2%				
Payroll - Other Employees	\$11,469,257	44.1%	\$20,836,415	37.3%	\$31,018,108	35.2%	\$10,164,000	33.5%	-10.5%	-1.7%
Other Departmental Exp	\$1,855,873	7.1%	\$4,010,289	7.2%	\$6,352,045	7.2%	\$3,386,000	11.2%	4.0%	4.0%
Total Departmental Exp	\$17,495,232	67.2%	\$34,678,325	62.1%	\$53,355,601	60.5%	\$13,550,000	44.7%	-22.5%	-15.8%
Departmental Income (Loss)	-\$1,501,878	-5.8%	\$3,580,779	6.4%	\$9,105,407	10.3%	\$6,754,000	22.3%	12.0%	28.1%
BEVERAGE DEPARTMENT										
Revenue										
Beverage Sales	\$4,527,091	43.1%	\$12,617,552	58.1%	\$21,411,532	63.1%				
Comp Beverage Sales	\$5,981,484	56.9%	\$9,103,694	41.9%	\$12,497,400	36.9%				
Total Revenue	\$10,508,575	100.0%	\$21,721,246	100.0%	\$33,908,932	100.0%				
Cost of Sales	\$2,843,761	27.1%	\$4,638,085	21.4%	\$6,588,438	19.4%				
Gross Margin	\$7,664,814	72.9%	\$17,083,161	78.6%	\$27,320,494	80.6%				
Departmental Expenses										
Bad Debt Expense	\$94	0.0%	\$1,045	0.0%	\$2,078	0.0%				
Complimentary Expense	\$21,859	0.2%	\$204,858	0.9%	\$403,770	1.2%				
Payroll - Taxes	\$295,727	2.8%	\$513,802	2.4%	\$750,839	2.2%				
Payroll - Employee Benefits	\$669,889	6.4%	\$1,472,143	6.8%	\$2,344,158	6.9%				
Payroll - Officers	\$0	0.0%	\$14,591	0.1%	\$30,451	0.1%				
Payroll - Other Employees	\$2,240,659	21.3%	\$4,007,207	18.4%	\$5,927,368	17.5%				
Other Departmental Expenses	\$656,228	6.2%	\$1,963,568	9.0%	\$3,384,589	10.0%				
Total Departmental Exp	\$3,884,456	37.0%	\$8,177,213	37.6%	\$12,843,253	37.9%				
Departmental Income (Loss)	\$3,780,358	36.0%	\$8,905,947	41.0%	\$14,477,240	42.7%				

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-7 Profit & Loss Comparison Harrah's Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Harrah's Sumner Gaming JV LC Pro Forma 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Harrah's	Percent	% High (Dif)	% Low (Dif)
OTHER INCOME										
Revenue										
Other Op & Non-Op Income	\$10,522,133	90.5%	\$46,359,294	94.9%	\$85,312,729	95.6%	\$2,607,000	76.2%	-19.4%	-14.3%
Other Comp Items	\$1,104,644	9.5%	\$2,472,738	5.1%	\$3,959,796	4.4%	\$813,000	23.8%	14.3%	19.4%
Total Revenue	\$11,626,777	100%	\$48,832,031	100.0%	\$89,272,525	100%	\$3,420,000	100.0%		
Cost of Sales	\$2,062,901	17.7%	\$6,231,200	12.8%	\$10,761,960	12.1%				
Gross Margin	\$9,563,876	82.3%	\$42,600,831	87.2%	\$78,510,565	87.9%	\$3,420,000	100.0%	12.1%	17.7%
Departmental Expenses										
Bad Debt Expense	\$93,428	0.8%	\$65,881	0.1%	\$35,939	0.0%				
Complimentary Expense	\$232,114	2.0%	\$679,870	1.4%	\$1,166,561	1.3%				
Payroll - Taxes	\$229,832	2.0%	\$774,517	1.6%	\$1,366,565	1.5%				
Payroll - Employee Benefits	\$467,823	4.0%	\$1,945,862	4.0%	\$3,552,426	4.0%				
Payroll - Officers	\$2,182	0.0%	\$47,667	0.1%	\$97,109	0.1%				
Payroll - Other Employees	\$2,359,212	20.3%	\$8,222,686	16.8%	\$14,596,028	16.3%	\$1,263,000	36.9%	16.6%	20.6%
Other Departmental Exp	\$3,064,404	26.4%	\$14,031,260	28.7%	\$25,951,755	29.1%	\$1,107,000	32.4%	3.3%	6.0%
Total Departmental Exp	\$6,448,994	55.5%	\$25,767,743	52.8%	\$46,766,383	52.4%	\$2,370,000	69.3%	13.8%	16.9%
Departmental Income (Loss)	\$3,114,881	26.8%	\$16,833,088	34.5%	\$31,744,182	35.5%	\$1,050,000	30.7%	-4.8%	3.9%

AVERAGE NUMBER OF EMPLOYEES FOR THE YEAR										
Casino Department	448	26.4%	701	24.5%	977	23.6%	313	26.4%	0.0%	2.8%
Rooms Department	222	13.1%	474	16.5%	748	18.1%	151	12.7%	-5.3%	-0.4%
Food Department	531	31.3%	789	27.5%	1,070	25.8%	301	25.4%	-0.5%	-6.0%
Beverage Department	115	6.8%	196	6.8%	284	6.8%				
G&A Department	282	16.7%	430	15.0%	591	14.3%	277	23.3%	9.1%	6.7%
Other Departments	97	5.7%	277	9.7%	473	11.4%	145	12.2%	6.5%	0.8%
Total	1,695	100%	2,868	100.0%	4,142	100.0%	1,187	100.0%		

AVERAGE NUMBER OF ROOMS AVAILABLE PER DAY										
Available Rooms	972		1,969		3,052		175			

Task-4 - Project Specific Gaming Revenue Projections

South Central Gaming Zone of Kansas

Penn National's Casino Resort in Wellington, Kansas

Penn National Gaming, Inc. has submitted an application to the Kansas Lottery Commission to build a first-class destination casino in Wellington (Sumner County), Kansas. The 120-acre development site is located at the intersection of I-35 and US Hwy 160 (Exit 19). The development site is approximately 20 miles north of the Oklahoma boarder, 150 miles from Tulsa (a 2.5 hour drive), and 135 miles from Oklahoma City (a 2 hour drive). The destination resort would have a dedicated exit ramp off I-35, directly into the facility. Refer to the map on page 2-26.

The total development site is approximately 120-acres in size. Eighty-five acres would be used for the gaming resort. The remaining 35 acres would be available for ancillary development such as a hotel, retail, theatre/entertainment, food and beverage services, a golf course, and recreation facilities.

Facility Name

Penn National would build a Hollywood brand casino complex in the south central gaming zone; however, all of the analyses that follow refer to Penn or Penn National.

Capital Investment

\$365 Million

Casino would have 70,000 square feet of gaming space equipped with 1,500 slot machines (expandable to 2,000). Forty table games will be offered including blackjack (20), craps (4), roulette (4), Pi Gow Poker (2), and 10 additional games.

Hotel with 350 rooms (460 beds). The full-service facility would offer 333 standard rooms (392 square feet each) and 17 premium rooms (830 square feet). The applicant believes that the casino/hotel would become a “must see” stop over for I-35 cross-country travelers.

Restaurants

The Penn National casino in Wellington would feature four restaurants:

- Epic Buffet with seating capacity for 400
- Hollywood Diner with seating capacity for 125
- Creamery (Coffee & Pastry Shop) with seating capacity for 40
- Fine Dining/ Signature Specialty Restaurant (steak/seafood) with seating capacity for 175

Bars & Lounges / Entertainment Venues

- High Energy Sports Bar & Entertainment Lounge (offers food and beverages) with seating capacity for 200
- Multi-purpose entertainment venue for live concerts, sporting events, trade shows, banquets, and conventions with seating capacity for 1,750

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Conferences

- 4,000 square feet of meeting/banquet space equipped with 4 breakout rooms with seating capacity for 125 each

Sports & Recreation Facilities

- 2,000 square feet dedicated to health/beauty spa and fitness
- 15,000 square feet for resort pool, Las Vegas-style cabana deck with lush landscaping situated adjacent to the spa

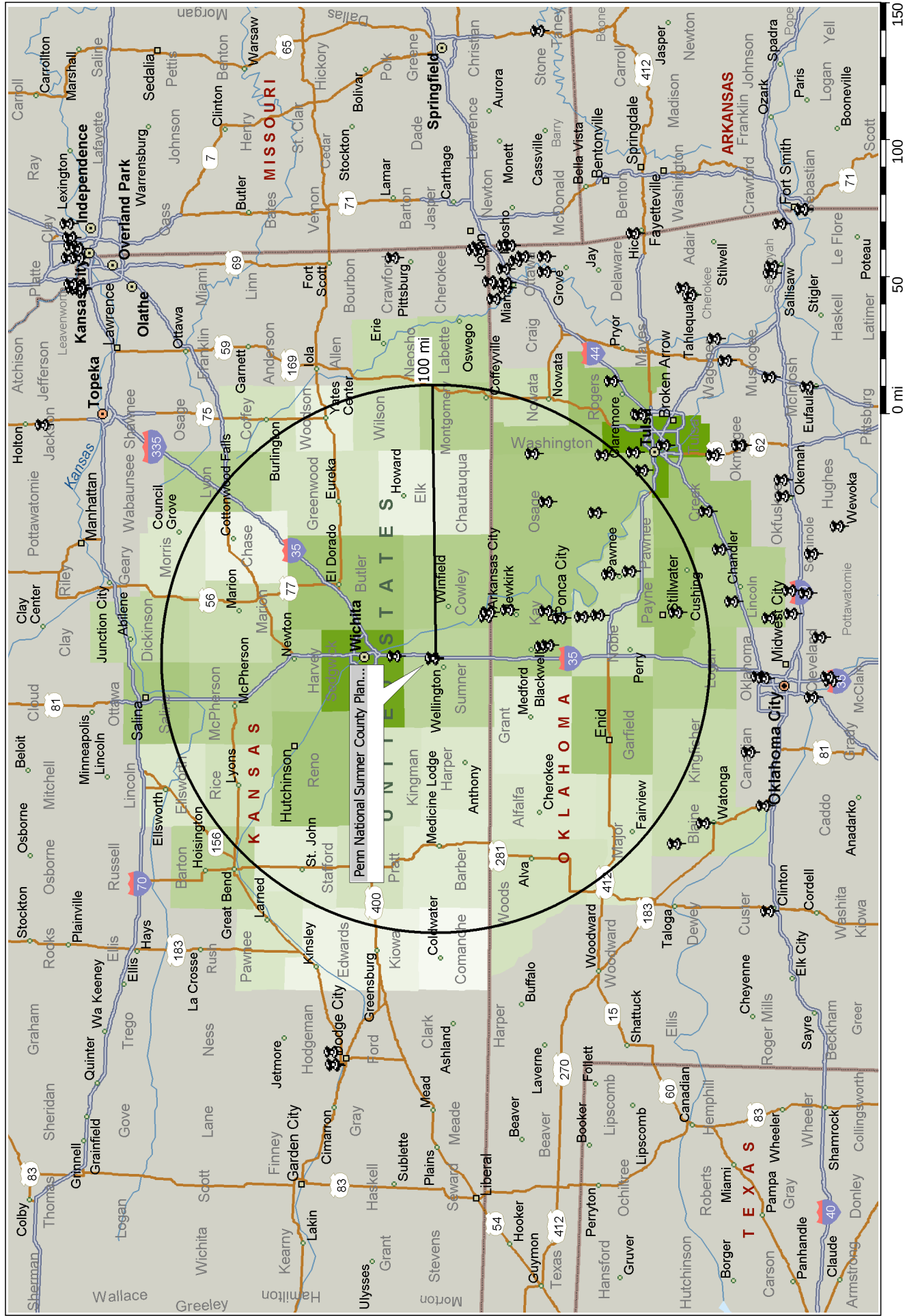
Retail Outlets

- Retail center/ Hollywood Memorabilia Museum (1,500 square feet)

Parking Facilities

- 2,850 surface parking spaces
- 50 trucks
- 250 valet parking spaces
- 400 employee parking spaces
- 50 RV spaces with full hookups

South Central Zone, Penn National Summer



Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Gaming Capacity Recap

Exhibit 2-8 profiles a summary of the existing casino capacity, the addition of Penn National, the expansions, and the other proposed (new) casinos.

Exhibit 2-8 – Includes Penn, the Expansions, & Other Proposed New Casinos

Casinos	# of Slots	# of Pit Tables	# of Poker Tables	# of Total Tables	# of Bingo Seats	Race Book	Casino S.F.	Con-vention S.F.	# of Rooms	# of Restau-rants	Enter-tain-ment	Park-ing
Current Capacity for Existing Casinos												
Existing 57 Casinos	28,821	287	196	483	3,580	8	1,327,284	57,350	741	81	16	40,017
Scenario 1 - Penn National Sumner County Planned												
Penn National Sumner Co. Planned	1,500	40	0	40	0	0	75,000	30,000	350	5	2	2,950
Subtotal Of Scenario 1	1,500	40	0	40	0	0	75,000	30,000	350	5	2	2,950
Scenario 3 - Expansions & Other Proposed												
Expansions												
Buffalo Run Casino	0	0	0	0	0	0	0	0	103	0	0	0
Cherokee Casino Resort	732	0	0	0	0	0	30,000	0	350	2	0	0
Creek Nation Casino Tulsa	1,788	34	0	34	0	0	0	0	0	0	0	0
FireLake Grand Casino	0	0	0	0	0	0	0	0	210	0	0	0
Kickapoo Casino	675	31	0	31	0	0	0	0	0	2	0	0
Riverwind Casino	0	0	0	0	0	0	0	0	180	0	0	0
Proposed												
Camptown Greyhound Park	600	0	0	0	0	1	0	0	0	2	0	700
Cherokee County Planned	1,200	40	0	40	0	0	0	10,000	250	3	2	2,500
Downstream Casino Resort (Open)	2,000	30	15	45	0	1	70,000	8,000	226	2	2	2,200
Feather Warrior Casino - Canton	112	0	0	0	0	0	0	0	0	0	0	75
First Council Casino (Open)	900	8	8	16	0	0	40,000	0	0	2	1	950
Ford County Planned	800	20	0	20	0	0	0	5,000	100	3	3	1,700
Ioway Casino Resort	1,500	50	0	50	0	0	0	0	250	3	2	2,500
Subtotal of Scenario 3	10,307	213	23	236	0	2	140,000	23,000	1,669	19	10	10,625
Total Existing, Expansions, New	40,628	540	219	759	3,580	10	1,542,284	110,350	2,760	105	28	53,592
% Increase Over Current	41%	88%	12%	57%	0%	25%	16%	92%	272%	30%	75%	34%

Data Source: Wells Gaming Research, June 2008.

The bottom line shows the gaming capacity increases associated in the additions. Key capacity additions include slot machines, targeted to increase from 28,821 to 40,628 (41%) and total table games that are projected to go up from 483 to 759 (57%).

Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Gravity Model Forecasts **Compared with Penn National's Pro Forma Projections**

A comparison and contrast of the casino visits forecasted by Penn National and the Task-4 gaming revenues projected by WGR follows.

When comparing the casino visits and gaming revenues in T-4 with Task-1, it is important to keep in mind that five proposed casinos to be located in the south central gaming zone were eliminated from the competitor mix in T-4 analyses. The attraction factors at six casinos were also reduced after WGR's on-site inspections. As a result, WGR's T-4 forecasts are higher for both casino visits and gaming revenues than those developed for the Task-1 "generic casino".

Casino Visits

Penn provided casino visit statistics in their application for the residential population (1,716,726) and for the tourists (331,785). Penn's combined total was 2,048,511 casino visits (refer to the top row of data).

WGR's forecasted casino visits are presented in scenarios 1 and 3 below.

Exhibit 2 – 9 Penn's Casino Visit Projections for 2011 – SC Zone

Casino Visits	Residential	Tourist	Total
Penn Sumner's Application	1,716,726	331,785	2,048,511
Scenario 1 - WGR's projections includes Penn & all existing casinos but no new casinos			
Casino Visits	Low	Mid	High
WGR's Penn Sumner (Task 4)	1,383,111	1,971,923	2,332,333
WGR's Generic Wellington (Task 1)	1,250,044	1,846,429	2,231,171
Difference in WGR Projections	133,067	125,494	101,162
Scenario 1 - Variance in Casino Visits	Low	Mid	High
Penn Sumner's Application vs. WGR's Penn Sumner	665,400	76,588	-283,822
Scenario 3 - WGR's projections includes Penn plus all existing, expanding, & casinos			
Casino Visits	Low	Mid	High
WGR's Penn Sumner (Task 4)	1,103,436	1,652,697	2,010,995
WGR's Generic Wellington (Task 1)	872,762	1,377,028	1,733,465
Difference in WGR Projections	230,674	275,669	277,530
Scenario 3 - Variance in Casino Visits	Low	Mid	High
Penn Sumner's Application vs. WGR's Penn Sumner	945,075	395,814	37,516
Source: Penn Sumner's Application & Wells Gaming Research			

- **Scenario 1** includes the existing casinos and Penn's proposed casino. No other new casinos or expansions have been added.

Task-4 - Project Specific Gaming Revenue Projections

South Central Gaming Zone of Kansas

- WGR's T-4 casino visit forecasts are shown in the mid section of Exhibit 2-9. Also shown are the variances between WGR's T-4 projections and Penn's forecasts. A comparison of WGR's T-4 data with Penn's estimates shows that Penn is approximately 665 thousand visits (48.1%) higher than WGR's T-4 low case estimate, 77 thousand (3.9%) higher than WGR's mid case forecast, and 284 thousand (12.2%) below WGR's T-4 high.
- **Scenario 3** includes the existing casinos, Penn National, the expansions, and the new other proposed casinos (refer to the lower section of Exhibit 2-9, page 2-28).

Penn forecasted approximately 2.0 million casino visits. This was 945 thousand higher (85.6%) than WGR's T-4 low case estimates of 1.1 million visits, and 396 thousand (23.9%) more than WGR's T-4 mid case of 1.7 million visits. However, Penn forecast was extremely close to WGR's T-4 high case of a little above 2.0 million. The difference was less than 38 thousand (1.9%).

Revenues

Penn's application included gaming revenue forecasts for residential players (\$133,364,495) and tourist players (\$24,680,378). Their combined total was \$158,044,873 in gaming revenues (refer to the top row of data included in Exhibit 2-10, page 2-30).

- **Scenario 1** assumes that Penn is located in a market with the existing casinos. No other new casinos or casino expansions have been included. Gaming revenue estimates for WGR's T-4 are shown in red in the mid section of Exhibit 2-10, as are the variances between WGR's T-4 gaming revenue projections and Penn's gaming revenue forecasts.

A comparison of WGR's Task-4 gaming revenue forecasts with Penn's projections shows that Penn is approximately \$56 million (54.6%) higher than WGR's T-4 low estimate of \$102 million. They are \$11 million (7.5%) higher than WGR's T-4 mid case forecast of \$147 million, and \$17 million (9.5%) lower than WGR's T-4 high of \$175 million.

- **Scenario 3** includes the existing casinos, Penn's proposed casino, the expansions, and the proposed new casinos (refer to the lower section of Exhibit 2-10, page 2-30).

The variances between WGR's T-4 (scenario 3) gaming revenue projections and Penn's application (\$158 million) show that Penn was \$77 million higher (94.8%) than WGR's T-4 low of \$81 million, \$35 million (28.9%) above WGR's T-4 mid estimate of \$123 million, and \$8 million (5.4%) above WGR's T-4 high of \$150 million.

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-10 Penn's Gaming Revenues for 2011

Casino Revenue	Residential	Tourist	Total
Penn Sumner's Application	\$133,364,495	\$24,680,378	\$158,044,873
Scenario 1 - WGR's projections includes Penn & all existing casinos but no new casinos			
Casino Revenue	Low	Mid	High
WGR's Penn Sumner (Task 4):			
w/o Inflation	\$94,494,000	\$135,889,000	\$161,446,000
w/ Inflation	\$102,242,508	\$147,031,898	\$174,684,572
WGR's Generic Wellington (Task 1):			
w/o Inflation	\$84,667,000	\$126,140,000	\$153,112,000
w/ Inflation	\$91,609,694	\$136,483,480	\$165,667,184
Difference in WGR Projections w/ Inflation	\$10,632,814	\$10,548,418	\$9,017,388
Scenario 1 - Variance in Casino Revenues w/ Inflation	Low	Mid	High
Penn Sumner's Application vs. WGR's Penn Sumner	\$55,802,365	\$11,012,975	-\$16,639,699
Scenario 3 - WGR's projections includes Penn plus all existing, expanding, & new casinos			
Casino Revenue	Low	Mid	High
WGR's Penn Sumner (Task 4):			
w/o Inflation	\$74,986,000	\$113,320,000	\$138,549,000
w/ Inflation	\$81,134,852	\$122,612,240	\$149,910,018
WGR's Generic Wellington (Task 1):			
w/o Inflation	\$58,809,000	\$93,652,000	\$118,468,000
w/ Inflation	\$63,631,338	\$101,331,464	\$128,182,376
Difference in WGR Projections w/ Inflation	\$17,503,514	\$21,280,776	\$21,727,642
Scenario 3 - Variance in Casino Revenues w/ Inflation	Low	Mid	High
Penn Sumner's Application vs. WGR's Penn Sumner	\$76,910,021	\$35,432,633	\$8,134,855
Source: Penn Sumner's Application and Wells Gaming Research			

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Balance Sheet Analyses

Following is a comparison of Penn's pro forma financial statements with financial statements for three groups of Nevada casinos.

The results show that the cash position of Nevada casinos was stronger than for Sumner (refer to Exhibit 2-11, pages 2-32 and 2-33 for the balance sheets that correspond to the discussions that follow). Refer to page 2-13 for a recap of the methodology used to compare the applicant's pro forma financial statements with the groups of Nevada casinos.

Cash ranged from 4.5% to 6.3% for casinos included in the Nevada groups. Cash projections were \$10 million for Sumner (2.8% of total assets). Cash as a percent of total assets for Sumner was 3.5% lower than the highest benchmark and 1.7% less than the lowest.

Other Current Assets had a pro forma allocation of \$5 million (1.4% of total assets), which was 0.3% lower than the comparative high and 0.5% above the low. With the exception of cash, the Other Current Assets category was the only current asset listed.

Total Current Assets were projected at \$15 million, or 4.2% of total assets (6.4% less than the comparative high percentage and 4.9% less than the low).

Fixed Assets were allocated at \$257 million for land and improvements, or 71.9% of total assets (70.7% above the comparative high and 71.3% above the low).

Furniture and fixtures at \$86 million (24.0% of fixed assets) were also higher on a percentage allocation basis than the three Nevada groups (17.2% above the highest percentage and 18.4% higher than the lowest percentage).

Liabilities and Capital included one \$5 million allocation to Other Current Liabilities. Current liabilities represented 1.4% of total liabilities and capital (14.2% below the comparative high and 1.5% above the low. Total current liabilities were only 1.4% of the total for Penn National Sumner, but were 18.1% lower than the highest comparative percentage and 9.4% less than the lowest).

The term debt entries were limited to notes at \$352 million. This represented 98.4% of total liabilities and capital. It was 61.5% above the highest comparative Nevada group and 66.1% higher than the lowest.

Owner's capital was allocated at \$20 million, while retained earnings were negative at \$19.4 million. The resulting net total capital was \$637 thousand, which was 0.2% of total liabilities and capital (55.7% lower than the highest and 51.0% less than the lowest).

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-11 Balance Sheet Comparison Penn National Sumner Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark Co LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Penn National 1 st Full Year of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Hollywood Casino	Percent	% High (Dif)	% Low (Dif)
ASSETS										
Current Assets										
Cash	\$19,692,821	4.5%	\$54,936,366	5.8%	\$93,244,566	6.3%	\$10,000,000	2.8%	-3.5%	-1.7%
Receivables:										
Casino	\$1,824,954	0.4%	\$8,469,285	0.9%	\$15,691,385	1.1%	\$0	0.0%		
Trade	\$1,469,932	0.3%	\$7,645,953	0.8%	\$14,359,019	1.0%	\$0	0.0%		
Sundry	\$787,743	0.2%	\$1,477,602	0.2%	\$2,227,448	0.1%	\$0	0.0%		
Notes	\$8,000,599	1.8%	\$4,215,750	0.4%	\$101,784	0.0%	\$0	0.0%		
Prepaid Expenses	\$3,920,399	0.9%	\$5,728,451	0.6%	\$7,693,725	0.5%	\$0	0.0%		
Other Current Assets	\$3,867,695	0.9%	\$14,195,779	1.5%	\$25,421,957	1.7%	\$5,000,000	1.4%	-0.3%	0.5%
Total Current Assets	\$39,564,142	9.1%	\$96,669,185	10.3%	\$158,739,884	10.6%	\$15,000,000	4.2%	-6.4%	-4.9%
Fixed Assets										
Land	\$23,664,781	5.4%	\$215,137,946	22.8%	\$423,260,950	28.4%	\$0	0.0%		
Land Improvements	\$2,246,131	0.5%	\$9,397,534	1.0%	\$17,170,798	1.2%	\$257,250,000	71.9%	70.7%	71.3%
Buildings & Improvements	\$185,208,346	42.5%	\$338,623,923	36.0%	\$505,379,985	33.9%	\$0	0.0%		
Furniture & Equipment	\$29,601,091	6.8%	\$55,724,972	5.9%	\$84,120,494	5.6%	\$85,750,000	24.0%	17.2%	18.4%
Lease Improvements	\$1,205,308	0.3%	\$1,452,396	0.2%	\$1,720,971	0.1%	\$0	0.0%		
Construction in Progress	\$9,979,815	2.3%	\$51,142,186	5.4%	\$95,883,894	6.4%	\$0	0.0%		
Total Fixed Assets	\$251,905,471	57.7%	\$671,478,957	71.3%	\$1,127,537,093	75.6%	\$343,000,000	95.8%	20.2%	38.1%
	\$0	0.0%								
Other Assets	\$144,780,186	33.2%	\$173,478,640	18.4%	\$204,672,612	13.7%	\$0	0.0%		
Total Assets	\$436,249,799	100.0%	\$941,626,782	100.0%	\$1,490,949,589	100.0%	\$358,000,000	100.0%		

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-11 Balance Sheet Comparison Penn National Sumner Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark Co LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Penn National 1 st Full Year of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Hollywood Casino	Percent	% High (Dif)	% Low (Dif)
LIABILITIES & CAPITAL										
Current Liabilities										
Accounts Payable - Trade	\$2,598,413	0.6%	\$6,050,591	0.6%	\$9,802,959	0.7%	\$0	0.0%		
Accounts Payable - Other	\$5,571,778	1.3%	\$36,721,351	3.9%	\$70,579,582	4.7%	\$0	0.0%		
Current Portion of LT Debt	\$287,556	0.1%	\$1,161,813	0.1%	\$2,112,091	0.1%	\$0	0.0%		
Accrued Expenses	\$8,898,926	2.0%	\$42,960,859	4.6%	\$79,984,699	5.4%	\$0	0.0%		
Other Current Liabilities	\$67,836,815	15.5%	\$34,541,554	3.7%	(\$1,648,947)	-0.1%	\$5,000,000	1.4%	-14.2%	1.5%
Total Current Liabilities	\$85,193,488	19.5%	\$121,436,167	12.9%	\$160,830,384	10.8%	\$5,000,000	1.4%	-18.1%	-9.4%
Long-Term Debt										
Mortgages	\$221,344	0.1%	\$39,289,131	4.2%	\$81,754,117	5.5%	\$0	0.0%		
Debentures & Bonds	\$8,745,377	2.0%	\$4,554,884	0.5%	\$0	0.0%	\$0	0.0%		
Notes	\$87,552,987	20.1%	\$137,754,023	14.6%	\$192,320,366	12.9%	\$352,363,000	98.4%	78.4%	85.5%
Contracts	\$97,486	0.0%	\$65,277	0.0%	\$30,267	0.0%	\$0	0.0%		
Other	\$64,669,655	14.8%	\$133,355,238	14.2%	\$208,013,480	14.0%	\$0	0.0%		
Total Long-Term Debt	\$161,286,849	37.0%	\$315,018,552	33.5%	\$482,118,230	32.3%	\$352,363,000	98.4%	61.5%	66.1%
Other Liabilities	-\$33,573,653	-7.7%	-\$10,367,094	-1.1%	\$14,857,428	1.0%	\$0	0.0%		
Total Liabilities	\$212,906,684	48.8%	\$426,087,626	45.3%	\$657,806,042	44.1%	\$357,363,000	99.8%	51.0%	55.7%
Capital										
Owners Capital Accounts	\$68,086,789	15.6%	\$86,183,813	9.2%	\$105,854,491	7.1%	\$20,000,000	5.6%	-10.0%	-1.5%
Capital Stock & Other Capital	\$42,888,548	9.8%	\$180,923,902	19.2%	\$330,962,330	22.2%	\$0	0.0%		
Retained Earnings	\$112,367,778	25.8%	\$248,431,441	26.4%	\$396,326,727	26.6%	-\$19,363,000	-5.4%	-32.0%	-31.2%
Total Capital	\$223,343,116	51.2%	\$515,539,156	54.7%	\$833,143,548	55.9%	\$637,000	0.2%	-55.7%	-51.0%
	\$0	0.0%								
Total Liabilities & Capital	\$436,249,799	100.0%	\$941,626,782	100.0%	\$1,490,949,589	100.0%	\$358,000,000	100.0%		

Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Income Statement

Revenue

Overall, the most significant percentage differences for revenues were in casino and rooms departments (refer to Exhibit 2-12, pages 2-37 through 2-40).

Casino showed a pro forma estimate of \$158 million (83.4% of total revenues). This was 18.9% higher than the comparative high and 42.6% above the low.

Rooms had a pro forma revenue projection of \$15.3 million, (8.1% of total revenues). This is 17.7% lower than the comparative high and 3.7% less than the low. However, there was a significant difference between the groups in terms of the number of rooms. Penn National's proposed 350 rooms relative to an average of 3,052 for the high (*Clark County Las Vegas Strip \$72M+*), and an average of 972 rooms for the low (*Nevada Statewide with \$72+ million with Rooms minus the Las Vegas Strip*).

G & A Expenses were estimated at \$95.7 million (50.5% of revenues). This was 13.9% above the comparable high and 17.6% above the low.

EBITDAR was \$51.8 million (27.3% of total revenue). This compares with 25.6% for the Nevada high and 24.0% for the Nevada low. On a percentage basis, it was 1.8% above the high and 3.4% more than the low.

Casino Department

The pro forma revenue projections for table games and slot machines were approximately \$156 million (98.5% of the total casino revenue).

Table Game revenue was estimated at \$19 million (12.0% of total gaming revenues). This was 32.6% below the comparable high and 4.3% less than the low.

Slot Machine revenue was projected at \$137 million (86.5% of the total gaming revenue projections). This was 7.2% more than the comparable high and 35.5% above the low.

Gaming Taxes & Licenses - were estimated at \$47 million for Penn National (22.2% greater than the comparable high and 22.6% more than the low).

Departmental Income (Loss) was \$79 million, which represented 50.1% of total casino revenues. This was 5.6% below the comparative high and 9.3% above the low.

Rooms

Penn National split the pro forma room revenues equally between room sales and comps.

Room Sales were specified at \$7.7 million (50% of the total projections), which was 34.6% below the high and 26.5% less than the low.

Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Room Comps - \$7.7 million (50%) was assumed to be comp rooms. This was 26.5% above the high and 34.6% above the low.

In terms of expenses, Penn National did not specify allocations to either *Bad Debt* or *Complimentary* expenses.

Departmental Income (Loss) was \$12.1 million (79.0% of total room revenues). This was 9.8% more than the comparative high and 21.0% above the low.

Food Department

Food department revenues were also split equally between sales and comps.

Food Sales were estimated at \$3.8 million (50% of the total \$7.6 million). The 50% assumption was 32.7% below the comparative high and 20.8% less than the low.

Food Comps were projected at \$3.8 million (50% of the department total). This was 20.8% above the comparative high and 32.7% above the low.

The pro forma projections for Penn National's food department did not specify allocations to either *Bad Debt* or to *Complimentary Expenses*.

Departmental Income (Loss) was \$390 thousand (5.1% of total food revenues). This was 5.2% less than the comparative high and 10.9% above the low.

Beverage Department

Penn National also split the beverage revenues equally between sales and comps.

Beverage Sales were projected at \$948 thousand (50% of the \$1.9 million total). This was 13.1% below the comparative high and 6.9% above the low.

Beverage Comps were also forecasted at 50% of the department's \$948 thousand total. This was 6.9% less than the high and 13.1% more than the low.

The pro forma projections for Penn National's beverage department did not specify allocations to either *Bad Debt* or to *Complimentary Expenses*.

Departmental Income (Loss) was \$113 thousand (6.0% of total food revenues). This was 36.7% lower than the comparative high and 30% less than the low.

Other Departments (Income/Expenses) – Penn National's other income/expenses was generated by the convention, entertainment, retail, and other departments. The combined revenues totaled \$3.3 million for revenues and another \$3.3 million for comps. The combined expenses totaled \$4.9 million for a combined departmental loss of approximately \$1.6 million.

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Full Time Equivalent Allocations by Departments

An estimated 725 FTEs were proposed for Penn National's Casino Resort at Sumner. Key assignments included (refer to the bottom of page 2-40):

Casino Department - 410 FTEs specified (56.6% of the total). This was 30.1% more than the highest comparative market group in Nevada and 33.0% higher than the lowest.

Rooms Department - 44 FTEs (6.1%) were assigned to the rooms department (12.0% lower than the Nevada high and 7.0% less than the low).

Food Department - 153 FTEs (21.1%) were allocated (10.2% less than the Nevada high and 4.7% less than the Nevada low).

Beverage Department – no specific FTE assignment indicated. Most likely included in the food department.

G & A – nine FTEs (1.2%) were assigned to G & A. This was 15.4% below the comparative high and 13.0% less than the low.

Other Departments – 109 FTEs were specified (15.0% of the total). This was 3.6% above than the comparative high and 9.3% greater than the low.

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-12 Profit & Loss Comparison Penn National Sumner Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark Co LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Penn National 1 st Full Year of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Hollywood Casino	Percent	% High (Dif)	% Low (Dif)
REVENUE										
Gaming	\$130,545,944	64.5%	\$191,819,639	46.9%	\$258,421,481	40.8%	\$158,045,000	83.4%	18.9%	42.6%
Rooms	\$23,789,236	11.7%	\$90,822,037	22.2%	\$163,683,777	25.8%	\$15,330,000	8.1%	-17.7%	-3.7%
Food	\$26,026,132	12.9%	\$55,832,299	13.7%	\$88,230,306	13.9%	\$7,586,000	4.0%	-9.9%	-8.8%
Beverage	\$10,508,575	5.2%	\$21,721,246	5.3%	\$33,908,932	5.4%	\$1,897,000	1.0%	-4.4%	-4.2%
Other	\$11,626,777	5.7%	\$48,832,031	11.9%	\$89,272,525	14.1%	\$6,656,000	3.5%	-10.6%	-2.2%
Total Revenue	\$202,496,664	100.0%	\$409,027,251	100.0%	\$633,517,020	100.0%	\$189,514,000	100.0%		
Cost of Sales	\$14,939,441	7.4%	\$28,442,480	7.0%	\$43,119,696	6.8%	\$6,237,000	3.3%	-4.1%	-3.5%
Gross Margin	\$187,557,224	92.6%	\$380,584,772	93.0%	\$590,397,324	93.2%	\$183,277,000	96.7%	3.5%	4.1%
Departmental Expenses	\$95,667,239	47.2%	\$201,411,190	49.2%	\$316,350,268	49.9%	\$93,057,000	49.1%	-0.8%	1.9%
Departmental Income (Loss)	\$91,889,985	45.4%	\$179,173,582	43.8%	\$274,047,056	43.3%	\$90,220,000	47.6%	2.2%	4.3%
GENERAL & ADMINISTRATIVE EXPENSES										
Advertising & Promotion	\$5,516,269	2.7%	\$5,991,876	1.5%	\$6,508,840	1.0%	\$25,287,000	13.3%	10.6%	12.3%
Bad Debt Expense	-\$1,639	0.0%	\$36,187	0.0%	\$77,302	0.0%	\$0	0.0%		
Complimentary Expense	\$2,406,213	1.2%	\$2,071,207	0.5%	\$1,707,069	0.3%	\$0	0.0%		
Depreciation - Buildings	\$7,955,608	3.9%	\$13,389,684	3.3%	\$19,296,287	3.0%	\$8,840,000	4.7%	0.7%	1.7%
Depreciation & Amort. - Other	\$7,644,025	3.8%	\$16,929,652	4.1%	\$27,022,726	4.3%	\$15,602,000	8.2%	3.9%	4.5%
Energy Expense (el., gas, etc.)	\$4,331,827	2.1%	\$6,497,463	1.6%	\$8,851,415	1.4%	\$0	0.0%		
Equipment Rental or Lease	\$676,989	0.3%	\$688,120	0.2%	\$700,218	0.1%	\$0	0.0%		
Interest Expense	\$14,000,156	6.9%	\$30,846,681	7.5%	\$49,158,122	7.8%	\$32,850,000	17.3%	9.5%	10.4%
Music & Entertainment	\$544,427	0.3%	\$2,179,174	0.5%	\$3,956,074	0.6%	\$0	0.0%		
Payroll Taxes	\$874,035	0.4%	\$1,528,563	0.4%	\$2,240,006	0.4%	\$175,000	0.1%	-0.3%	-0.3%
Payroll - Employee Benefits	\$2,198,880	1.1%	\$5,168,416	1.3%	\$8,396,173	1.3%	\$95,000	0.1%	-1.2%	-1.0%
Payroll - Officers	\$470,422	0.2%	\$597,106	0.1%	\$734,806	0.1%	\$654,000	0.3%	0.1%	0.2%
Payroll - Other Employees	\$10,134,360	5.0%	\$18,624,244	4.6%	\$27,852,380	4.4%	\$0	0.0%		
Rent of Premises	\$1,117,215	0.6%	\$973,343	0.2%	\$816,959	0.1%	\$0	0.0%		
Taxes - Real Estate	\$2,010,838	1.0%	\$4,332,479	1.1%	\$6,856,003	1.1%	\$3,000,000	1.6%	0.5%	0.6%
Taxes & Licenses - Other	\$361,423	0.2%	\$691,850	0.2%	\$1,051,009	0.2%	-\$436,000	-0.2%	-0.4%	-0.4%
Utilities (Other than Energy Exp)	\$725,244	0.4%	\$2,032,995	0.5%	\$3,454,463	0.5%	\$1,534,000	0.8%	0.3%	0.5%
Other General & Admin Expenses	\$13,105,912	6.5%	\$25,828,111	6.3%	\$39,656,589	6.3%	\$8,110,000	4.3%	-2.2%	-2.0%
Total Gen & Admin Expenses	\$74,072,204	36.6%	\$138,407,151	33.8%	\$208,336,441	32.9%	\$95,711,000	50.5%	13.9%	17.6%
Net Income (Loss) Before Federal Income Taxes & Extraordinary Items	\$17,817,780	8.8%	\$40,766,431	10.0%	\$65,710,616	10.4%	-\$5,491,000	-2.9%	-13.3%	-11.7%
EBITDAR	\$48,534,784	24.0%	\$102,905,790	25.2%	\$162,004,709	25.6%	\$51,801,000	27.3%	1.8%	3.4%

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-12 Profit & Loss Comparison Penn National Sumner Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark Co LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Penn National 1 st Full Year of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Hollywood Casino	Percent	% High (Dif)	% Low (Dif)
CASINO DEPARTMENT										
Revenue										
Pit Revenue (Inc Keno & Bingo)	\$21,313,482	16.3%	\$66,359,022	34.6%	\$115,321,565	44.6%	\$18,965,000	12.0%	-32.6%	-4.3%
Coin Operated Devices	\$103,502,745	79.3%	\$117,044,333	61.0%	\$131,763,450	51.0%	\$136,709,000	86.5%	7.2%	35.5%
Poker and Pan	\$2,036,476	1.6%	\$3,615,812	1.9%	\$5,332,482	2.1%	\$2,370,000	1.5%	-0.6%	-0.1%
Race Book	\$1,689,325	1.3%	\$2,022,543	1.1%	\$2,384,737	0.9%	\$0	0.0%		
Sports Pool	\$2,003,915	1.5%	\$2,777,929	1.4%	\$3,619,248	1.4%	\$0	0.0%		
Total Revenue	\$130,545,944	100.0%	\$191,819,639	100.0%	\$258,421,481	100.0%	\$158,044,000	100.0%		
Departmental Expenses										
Bad Debt Expense	\$365,482	0.3%	\$2,534,786	1.3%	\$4,892,724	1.9%	\$0	0.0%		
Commissions	\$1,072,801	0.8%	\$791,025	0.4%	\$484,746	0.2%	\$0	0.0%		
Complimentary Expense	\$18,033,976	13.8%	\$36,443,187	19.0%	\$56,453,198	21.8%	\$15,735,000	10.0%	-11.8%	-3.9%
Gaming Taxes and Licenses	\$10,154,539	7.8%	\$14,497,398	7.6%	\$19,217,897	7.4%	\$47,413,000	30.0%	22.2%	22.6%
Preferred Guest Expenses	\$479,285	0.4%	\$4,917,499	2.6%	\$9,741,646	3.8%	\$0	0.0%		
Payroll Taxes	\$1,583,326	1.2%	\$2,897,915	1.5%	\$4,326,817	1.7%	\$2,927,000	1.9%	0.2%	0.6%
Payroll - Employee Benefits	\$2,994,412	2.3%	\$6,339,099	3.3%	\$9,974,628	3.9%	\$1,583,000	1.0%	-2.9%	-1.3%
Payroll - Officers	\$80,766	0.1%	\$263,888	0.1%	\$462,934	0.2%	\$0	0.0%		
Payroll - Other Employees	\$11,509,647	8.8%	\$19,689,234	10.3%	\$28,580,089	11.1%	\$10,932,000	6.9%	-4.2%	-1.9%
Race Wire Fees	\$248,135	0.2%	\$331,885	0.2%	\$422,918	0.2%	\$0	0.0%		
Other Departmental Expenses	\$11,331,255	8.7%	\$14,688,840	7.7%	\$18,338,388	7.1%	\$300,000	0.2%	-8.5%	-6.9%
Total Departmental Expenses	\$57,853,625	44.3%	\$103,394,756	53.9%	\$152,895,986	59.2%	\$78,890,000	49.9%	-9.3%	5.6%
Departmental Income (Loss)	\$72,692,318	55.7%	\$88,424,882	46.1%	\$105,525,495	40.8%	\$79,154,000	50.1%	-5.6%	9.3%
ROOMS DEPARTMENT										
Revenue										
Room Sales	\$18,192,998	76.5%	\$75,858,666	83.5%	\$138,538,741	84.6%	\$7,665,000	50.0%	-34.6%	-26.5%
Complimentary Rooms	\$5,596,238	23.5%	\$14,963,371	16.5%	\$25,145,037	15.4%	\$7,665,000	50.0%	26.5%	34.6%
Total Revenue	\$23,789,236	100.0%	\$90,822,037	100.0%	\$163,683,777	100.0%	\$15,330,000	100.0%		
Departmental Expenses										
Bad Debt Expense	\$55,259	0.2%	\$134,773	0.1%	\$221,201	0.1%	\$0	0.0%		
Complimentary Expense	\$344,176	1.4%	\$1,215,471	1.3%	\$2,162,530	1.3%	\$0	0.0%		
Payroll - Taxes	\$498,129	2.1%	\$1,237,986	1.3%	\$2,042,179	1.2%	\$319,000	2.1%	0.0%	0.9%
Payroll - Employee Benefits	\$1,294,941	5.4%	\$4,611,892	5.0%	\$8,217,273	5.0%	\$173,000	1.1%	-4.3%	-3.9%
Payroll - Officers			\$62,229	0.1%	\$129,869	0.1%	\$0	0.0%		
Payroll - Other Employees	\$5,257,252	22.1%	\$12,821,354	14.1%	\$21,043,204	12.9%	\$1,192,000	7.8%	-14.3%	-5.1%
Other Departmental Expenses	\$2,535,174	10.7%	\$9,309,448	10.3%	\$16,672,790	10.2%	\$1,533,000	10.0%	-0.7%	-0.2%
Total Departmental Expenses	\$9,984,931	42.0%	\$29,393,153	32.4%	\$50,489,046	30.8%	\$3,217,000	21.0%	-21.0%	-9.8%
Departmental Income (Loss)	\$13,804,305	58.0%	\$61,428,884	67.6%	\$113,194,731	69.2%	\$12,113,000	79.0%	9.8%	21.0%

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-12 Profit & Loss Comparison Penn National Sumner Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark Co LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Penn National 1 st Full Year of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Hollywood Casino	Percent	% High (Dif)	% Low (Dif)
FOOD DEPARTMENT										
Revenue										
Food Sales	\$18,426,868	70.8%	\$44,551,686	79.8%	\$72,948,227	82.7%	\$3,793,000	50.0%	-32.7%	-20.8%
Complimentary Food Sales	\$7,599,264	29.2%	\$11,280,613	20.2%	\$15,282,079	17.3%	\$3,793,000	50.0%	20.8%	32.7%
Total Revenue	\$26,026,132	100.0%	\$55,832,299	100.0%	\$88,230,306	100.0%	\$7,586,000	100.0%		
Cost of Sales	\$10,032,778	38.5%	\$17,573,194	31.5%	\$25,769,298	29.2%	\$2,339,000	30.8%	-7.7%	1.6%
Gross Margin	\$15,993,354	61.5%	\$38,259,105	68.5%	\$62,461,008	70.8%	\$5,247,000	69.2%	-1.6%	7.7%
Departmental Expenses										
Bad Debt Expense	\$3,097	0.0%	\$25,542	0.0%	\$49,938	0.1%	\$0	0.0%		
Complimentary Expense	\$127,551	0.5%	\$389,899	0.7%	\$675,061	0.8%	\$0	0.0%		
Payroll - Taxes	\$1,220,781	4.7%	\$2,301,669	4.1%	\$3,476,546	3.9%	\$921,000	12.1%	7.5%	8.2%
Payroll - Employee Benefits	\$2,759,981	10.6%	\$6,987,803	12.5%	\$11,583,261	13.1%	\$498,000	6.6%	-6.5%	-4.0%
Payroll - Officers	\$58,692	0.2%	\$126,709	0.2%	\$200,641	0.2%	\$0	0.0%		
Payroll - Other Employees	\$11,469,257	44.1%	\$20,836,415	37.3%	\$31,018,108	35.2%	\$3,438,000	45.3%	1.3%	10.1%
Other Departmental Expenses	\$1,855,873	7.1%	\$4,010,289	7.2%	\$6,352,045	7.2%	\$0	0.0%		
Total Departmental Expenses	\$17,495,232	67.2%	\$34,678,325	62.1%	\$53,355,601	60.5%	\$4,857,000	64.0%	-3.2%	3.5%
Departmental Income (Loss)	-\$1,501,878	-5.8%	\$3,580,779	6.4%	\$9,105,407	10.3%	\$390,000	5.1%	-5.2%	10.9%
BEVERAGE DEPARTMENT										
Revenue										
Beverage Sales	\$4,527,091	43.1%	\$12,617,552	58.1%	\$21,411,532	63.1%	\$948,000	50.0%	-13.1%	6.9%
Complimentary Beverage Sales	\$5,981,484	56.9%	\$9,103,694	41.9%	\$12,497,400	36.9%	\$948,000	50.0%	-6.9%	13.1%
Total Revenue	\$10,508,575	100.0%	\$21,721,246	100.0%	\$33,908,932	100.0%	\$1,896,000	100.0%		
Cost of Sales	\$2,843,761	27.1%	\$4,638,085	21.4%	\$6,588,438	19.4%	\$569,000	30.0%	2.9%	10.6%
Gross Margin	\$7,664,814	72.9%	\$17,083,161	78.6%	\$27,320,494	80.6%	\$1,327,000	70.0%	-10.6%	-2.9%
Departmental Expenses										
Bad Debt Expense	\$94	0.0%	\$1,045	0.0%	\$2,078	0.0%	\$0	0.0%		
Complimentary Expense	\$21,859	0.2%	\$204,858	0.9%	\$403,770	1.2%	\$0	0.0%		
Payroll - Taxes	\$295,727	2.8%	\$513,802	2.4%	\$750,839	2.2%	\$230,000	12.1%	9.3%	9.9%
Payroll - Employee Benefits	\$669,889	6.4%	\$1,472,143	6.8%	\$2,344,158	6.9%	\$124,000	6.5%	-0.4%	0.2%
Payroll - Officers	\$0	0.0%	\$14,591	0.1%	\$30,451	0.1%	\$0	0.0%		
Payroll - Other Employees	\$2,240,659	21.3%	\$4,007,207	18.4%	\$5,927,368	17.5%	\$860,000	45.4%	24.0%	27.9%
Other Departmental Expenses	\$656,228	6.2%	\$1,963,568	9.0%	\$3,384,589	10.0%	\$0	0.0%		
Total Departmental Expenses	\$3,884,456	37.0%	\$8,177,213	37.6%	\$12,843,253	37.9%	\$1,214,000	64.0%	26.1%	27.1%
Departmental Income (Loss)	\$3,780,358	36.0%	\$8,905,947	41.0%	\$14,477,240	42.7%	\$113,000	6.0%	-36.7%	-30.0%

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-12										
Profit & Loss Comparison										
Penn National Sumner Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2007		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark Co LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Penn National 1 st Full Year of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	Hollywood Casino	Percent	% High (Dif)	% Low (Dif)
OTHER INCOME										
Revenue										
Other Op & Non-Op Income	\$10,522,133	90.5%	\$46,359,294	94.9%	\$85,312,729	95.6%	\$3,328,000	50.0%	-45.6%	-40.5%
Other Complimentary Items	\$1,104,644	9.5%	\$2,472,738	5.1%	\$3,959,796	4.4%	\$3,328,000	50.0%	40.5%	45.6%
Total Revenue	\$11,626,777	100.0%	\$48,832,031	100.0%	\$89,272,525	100.0%	\$6,656,000	100.0%		
Cost of Sales	\$2,062,901	17.7%	\$6,231,200	12.8%	\$10,761,960	12.1%	\$3,328,000	50.0%	32.3%	37.9%
Gross Margin	\$9,563,876	82.3%	\$42,600,831	87.2%	\$78,510,565	87.9%	\$3,328,000	50.0%	-37.9%	-32.3%
Departmental Expenses										
Bad Debt Expense	\$93,428	0.8%	\$65,881	0.1%	\$35,939	0.0%	\$0	0.0%		
Complimentary Expense	\$232,114	2.0%	\$679,870	1.4%	\$1,166,561	1.3%	\$0	0.0%		
Payroll - Taxes	\$229,832	2.0%	\$774,517	1.6%	\$1,366,565	1.5%	\$925,000	13.9%	11.9%	12.4%
Payroll - Employee Benefits	\$467,823	4.0%	\$1,945,862	4.0%	\$3,552,426	4.0%	\$500,000	7.5%	3.5%	3.5%
Payroll - Officers	\$2,182	0.0%	\$47,667	0.1%	\$97,109	0.1%	\$0	0.0%		
Payroll - Other Employees	\$2,359,212	20.3%	\$8,222,686	16.8%	\$14,596,028	16.3%	\$3,455,000	51.9%	31.6%	35.6%
Other Departmental Expenses	\$3,064,404	26.4%	\$14,031,260	28.7%	\$25,951,755	29.1%	\$0	0.0%		
Total Departmental Expenses	\$6,448,994	55.5%	\$25,767,743	52.8%	\$46,766,383	52.4%	\$4,880,000	73.3%	17.9%	20.9%
Departmental Income (Loss)	\$3,114,881	26.8%	\$16,833,088	34.5%	\$31,744,182	35.5%	-\$1,552,000	-23.3%	-58.8%	-50.1%

AVERAGE NUMBER OF EMPLOYEES FOR THE YEAR										
Casino Department	448	26.4%	701	24.5%	977	23.6%	410	56.6%	30.1%	33.0%
Rooms Department	222	13.1%	474	16.5%	748	18.1%	44	6.1%	-12.0%	-7.0%
Food Department	531	31.3%	789	27.5%	1,070	25.8%	153	21.1%	-10.2%	-4.7%
Beverage Department	115	6.8%	196	6.8%	284	6.8%	0	0.0%		
G&A Department	282	16.7%	430	15.0%	591	14.3%	9	1.2%	-15.4%	-13.0%
Other Departments	97	5.7%	277	9.7%	473	11.4%	109	15.0%	3.6%	9.3%
Total	1,695	100.0%	2,868	100.0%	4,142	100.0%	725	100.0%		

AVERAGE NUMBER OF ROOMS AVAILABLE PER DAY										
Available Rooms	972		1,969		3,052		350			

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Marvel Gaming, LLC

Marvel Gaming, LLC has submitted an application to the Kansas Lottery Commission to build a first-class destination casino resort in Sumner County, Kansas (the south central gaming zone). The 146-acre development site is located at Exit 19, near the intersection of US 160 and Seneca Road in Wellington, Kansas. Refer to the map on page 2-43.

Casino Resort Name

Trailhead Casino and Resort

Capital Investment

\$393,156,577

Casino would include 65,000 square feet of gaming space equipped with 2,000 slot machines and 65 table games (47 blackjack, 4 craps, 4 roulette, 2 Pai Gow Poker, and 8 other). They will also offer a poker room equipped with 18 tables and would feature live poker events and tournaments.

High Rise Hotel with sixteen stories and 304 units would be a full-service hotel facility offering 132 standard rooms (400 square feet each), 144 mini-suites (550 square feet), 12 deluxe suites (600-700 square feet), and 16 penthouse suites (1,100 – 2,500 square feet).

Restaurants

The Trailhead Casino Resort in Wellington would feature four restaurants including:

- 25,000 square foot Best of Kansas Buffet would have seating capacity for 500. Seven live action display kitchens would be featured that offer the widest variety and best food Kansas has to offer
- Specialty Steakhouse with seating capacity for 125 would serve the finest cuts of prime beef, prepared by talented chefs
- Bistro and Bar with seating capacity for 150
- 24 hour snack bar / take out

Bars & Lounges

- Two casino bars would be featured (a center bar with adjacent lounge seating and a second with live entertainment)

Entertainment Venues / Conferences

- 40,000 square feet would be dedicated to a multi-use facility for entertainment venues/conventions. The entertainment area would have center stage seating capacity for 2,000. The executive conferences/meetings areas and be equipped with current technological amenities.

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Recreation & Fitness

- Fully equipped health club
- Indoor and outdoor swimming pools for year-around enjoyment
- Tennis
- Offsite guided hunting facility and lodge
- Marvel Gaming plans to invest approximately \$2.3 million in the Wellington Golf Club. The casino would host tournaments and events.

Retail Center

- 10,000 square feet would be dedicated to a retail concourse with concierge lounge and a minimum of four retail outlets

Parking Facilities

- 3,000 surface parking spaces
- Deluxe RV park with 100 hookups
- 50 spaces dedicated to semi-truck parking

The map displays the central United States, focusing on the intersection of Missouri, Kansas, Oklahoma, and Texas. A large black circle highlights the area around the four-state junction. A white callout box with a pointer indicates "Marvel Gaming Planned" near Wellington, Kansas. The map shows major cities, highways, and state boundaries. Key cities include Kansas City, Missouri; Topeka, Kansas; Oklahoma City, Oklahoma; and Amarillo, Texas. The map also shows the Arkansas River and the Missouri River.

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Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Gaming Capacity Recap

The existing casino capacity is summarized at the top of Exhibit 2-13. Also shown are the gaming capacities for the Marvel casino entertainment property, the casino expansions, and the other proposed (new) casinos.

Exhibit 2-13 - Summary of Gaming Capacity Statistics for Marvel, the Expansions, & Other Proposed New Casinos for 2011 – SC Gaming Zone

# of Loc	Casinos	# of Slots	# of Pit Tables	# of Poker Tables	# of Total Tables	# of Bingo Seats	Race Book	Casino S.F.	Con-vention S.F.	# of Rooms	# of Restau-rants	Enter-tain-ment	Park-ing
Current Capacity for Existing Casinos													
1	Existing 57 Casinos	28,821	287	196	483	3,580	8	1,327,284	57,350	741	81	16	40,017
Scenario 1 - Marvel Gaming Planned													
1	Marvel Gaming Planned	2,000	65	18	83	0	0	65,000	40,000	304	4	3	3,150
	Subtotal Of Scenario 1	2,000	65	18	83	0	0	65,000	40,000	304	4	3	3,150
Scenario 3 - Expansions & Other Proposed													
Expansions													
1	Buffalo Run Casino	0	0	0	0	0	0	0	0	103	0	0	0
2	Cherokee Casino Resort	732	0	0	0	0	0	30,000	0	350	2	0	0
3	Creek Nation Casino Tulsa	1,788	34	0	34	0	0	0	0	0	0	0	0
4	FireLake Grand Casino	0	0	0	0	0	0	0	0	210	0	0	0
5	Kickapoo Casino	675	31	0	31	0	0	0	0	0	2	0	0
6	Riverwind Casino	0	0	0	0	0	0	0	0	180	0	0	0
Proposed													
1	Camptown Greyhound Park	600	0	0	0	0	1	0	0	0	2	0	700
2	Cherokee County Planned	1,200	40	0	40	0	0	0	10,000	250	3	2	2,500
3	Downstream Casino Resort (Open)	2,000	30	15	45	0	1	70,000	8,000	226	2	2	2,200
4	Feather Warrior Casino - Canton	112	0	0	0	0	0	0	0	0	0	0	75
5	First Council Casino (Open)	900	8	8	16	0	0	40,000	0	0	2	1	950
6	Ford County Planned	800	20	0	20	0	0	0	5,000	100	3	3	1,700
7	Ioway Casino Resort	1,500	50	0	50	0	0	0	0	250	3	2	2,500
	Subtotal of Scenario 3	10,307	213	23	236	0	2	140,000	23,000	1,669	19	10	10,625
	Total Existing, Expansions, New	41,128	565	237	802	3,580	10	1,532,284	120,350	2,714	104	29	53,792
	% Increase Over Current	43%	97%	21%	66%	0%	25%	15%	110%	266%	28%	81%	34%
Data Source: Wells Gaming Research, June 2008.													

The bottom line shows the gaming capacity increases associated in the additions. Key capacity additions include slot machines, targeted to increase from 28,821 to 41,128 (43%) and total table games that are projected to go up from 483 to 802 (66%).

Task-4 - Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Comparison of the Gravity Model Forecasts **With Marvel's Pro Forma Projections**

A comparison and contrast of the casino visits and gaming revenues forecasted by WGR and Marvel follows.

WGR's T-4 Casino Visits

When comparing the numbers of casino visits and gaming revenues for WGR's T-4 with those for Task-1, it is important to keep in mind that five proposed casinos were eliminated from WGR's T-4 analyses of the south central gaming zone. In addition, the attraction factors were reduced at six casinos. Thus, WGR's T-4 forecasts are higher than those developed for the Task-1 "generic casino".

Marvel's Casino Visits

Marvel provided the casino visit statistics in their application that are shown in Exhibit 2-14, top row of data. Marvel forecasted casino visit statistics for both the residential population (2,644,885) and for the tourists (298,115). The combined total was for 2,943,000 casino visits.

Exhibit 2-14 – Casino Visit Projections for Marvel for 2011 – SC Zone

Casino Visits	Residential	Tourist	Total
Marvel's Application	2,644,885	298,115	2,943,000
Scenario 1 - WGR's projections includes Marvel & all existing casinos but no new casinos			
Casino Visits	Low	Mid	High
WGR's Marvel (Task 4)	1,534,446	2,136,847	2,496,705
WGR's Generic Wellington (Task 1)	1,250,044	1,846,429	2,231,171
Difference in WGR Projections	284,402	290,418	265,534
Scenario 1 - Variance in Casino Visits	Low	Mid	High
Marvel's Application vs. WGR's Marvel	1,408,554	806,153	446,295
Scenario 3 - WGR's projections includes Marvel plus all existing, expanding, & new casinos			
Casino Visits	Low	Mid	High
WGR's Marvel (Task 4)	1,240,235	1,814,910	2,179,072
WGR's Generic Wellington (Task 1)	872,762	1,377,028	1,733,465
Difference in WGR Projections	367,473	437,882	445,607
Scenario 3 - Variance in Casino Visits	Low	Mid	High
Marvel's Application vs. WGR's Marvel	1,702,765	1,128,090	763,928
Source: Marvel's Application and Wells Gaming Research			

- **Scenario 1** – WGR, in scenario 1, included the existing casinos and the proposed Marvel casino entertainment property. No expansions or other (new) proposed casinos were added. WGR's T-4 casino visit estimates are shown in red in the mid

Task-4 - Project Specific Gaming Revenue Projections

South Central Gaming Zone of Kansas

section of Exhibit 2-14, page 2-45, as are the variances between Marvel's forecasts and WGR's T-4 projections.

The results show that Marvel's forecasts of 2.9 million casino visits are approximately 1.4 million (91.8%) higher than WGR's T-4 low case estimate, of 1.5 million, 806 thousand (37.7%) higher than the T-4 mid case forecast of 2.1 million, and 446 thousand (17.9%) above WGR's T-4 high of 2.5 million.

- **Scenario 3** includes all existing casinos, Marvel's proposed entertainment facility, the expansions, and the new casinos (refer to the lower section of Exhibit 2-14).

Marvel forecasted casino visits at approximately 2.9 million. These are 1.7 million higher (137.3%) than WGR's T-4 low case estimates of 1.2 million visits. They are 1.1 million (62.2%) above the T-4 mid case of 1.8 million, and 764 thousand (35.1%) above WGR's T-4 high case of 2.2 million visits.

Revenues

Marvel's application included gaming revenue forecasts for residential players (\$206,486,172) and for tourist players (\$30,407,730). Their combined total was \$236,893,902. Refer to the top row of data included in Exhibit 2-15, page 2-47. WGR's projections are summarized in scenarios 1 and 3 below Marvel's.

- **Scenario 1** estimates apply only if Marvel is located in the south central gaming zone with the existing casinos, and no other new casinos or casino expansions are built. Gaming revenue estimates for WGR's T-4 projections are shown in red in the mid-section of Exhibit 2-15, page 2-47. The variances between Marvel's gaming revenue projections and WGR's T-4 gaming revenue forecasts for scenario 1 are also shown in the mid-section.

The comparison shows that Marvel's gaming revenue forecast of \$237 million is approximately \$123 million higher (108.3%) than WGR's T-4 low estimate of \$114 million. Marvel's is \$77 million (48.3%) higher than WGR's T-4 mid level forecast of \$159 million, and \$49 million (26.4%) higher than WGR's T-4 high of \$187 million.

- **Scenario 3** includes the addition of Marvel's proposed entertainment facility to the south central gaming zone (refer to the lower section of Exhibit 15, page 2-47). It also includes all existing casinos, as well as the casino expansions and other proposed new casinos. The variance between the gaming revenue forecasts included in Marvel's application and WGR's T-4 (scenario 3) forecasts shows that Marvel's is \$145 million higher (159.1%) than WGR's T-4 low of \$91 million, \$102 million (75.5%) above the T-4 mid level estimate of \$135 million, and \$74 million (45.5%) higher than WGR's T-4 high projections of \$163 million.

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-15– Casino Revenue Forecasts for Marvel for 2011 – SC Zone

Casino Revenue	Residential	Tourist	Total
Marvel's Application	\$206,486,172	\$30,407,730	\$236,893,902
Scenario 1 - WGR's projections includes Marvel & all existing casinos but no new casinos			
Casino Revenue	Low	Mid	High
WGR's Marvel (Task 4):			
w/o Inflation	\$105,117,000	\$147,618,000	\$173,200,000
w/ Inflation	\$113,736,594	\$159,722,676	\$187,402,400
WGR's Generic Wellington (Task 1):			
w/o Inflation	\$84,667,000	\$126,140,000	\$153,112,000
w/ Inflation	\$91,609,694	\$136,483,480	\$165,667,184
Difference in WGR Projections w/ Inflation	\$22,126,900	\$23,239,196	\$21,735,216
Scenario 1 - Variance in Casino Revenues w/ Inflation	Low	Mid	High
Marvel's Application vs. WGR's Marvel	\$123,157,308	\$77,171,226	\$49,491,502
Scenario 3 - WGR's projections includes Marvel plus all existing, expanding, & new casinos			
Casino Revenue	Low	Mid	High
WGR's Marvel (Task 4):			
w/o Inflation	\$84,511,000	\$124,761,000	\$150,485,000
w/ Inflation	\$91,440,902	\$134,991,402	\$162,824,770
WGR's Generic Wellington (Task 1):			
w/o Inflation	\$58,809,000	\$93,652,000	\$118,468,000
w/ Inflation	\$63,631,338	\$101,331,464	\$128,182,376
Difference in WGR Projections w/ Inflation	\$27,809,564	\$33,659,938	\$34,642,394
Scenario 3 - Variance in Casino Revenues w/ Inflation	Low	Mid	High
Marvel's Application vs. WGR's Marvel	\$145,453,000	\$101,902,500	\$74,069,132
Source: Marvel's Application and Wells Gaming Research			

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Analyses of the Pro Forma Financial Statements

Research Methodology

Refer to page 2-13 for a recap of the methodology used to compare the applicant's pro forma financial statements with the groups of Nevada casinos.

Balance Sheet

Both the current and fixed assets were analyzed in terms of the percent of the total assets that each represented. The pro forma percentages were compared with corresponding percentages developed for the foregoing Nevada casino groups. Refer to Exhibit 2-16, pages 2-49 and 2-50 for the balance sheets that correspond with the discussion that follows.

Cash at \$30.6 million represented 7.6% of total assets for Marvel placing it in a stronger cash position than any of the three Nevada groups. For example, the cash position for casinos in the group *Statewide \$72+ Million with Rooms* was 5.8%. It was 6.3% for casinos in the *Clark County Strip \$72+ Million* group, and 4.5% for casinos in the *Statewide \$72+ Million with Rooms Minus the Strip* group. Cash as a percent of total assets for Marvel Gaming was 1.3% above the highest Nevada group and 3.1% higher than the lowest. The remaining analyses compare the pro forma results for Marvel Gaming to the Nevada market categories.

Total Current Assets \$38.5 million were 9.5% for Marvel Gaming, placing them 1.1% lower than the comparative high and 0.5% above the low.

Fixed Assets totaled \$337 million and included \$253 million for *Building and Improvements* and \$84 million for *Furniture and Equipment*. Overall, fixed assets totaled 83.5% of total assets. This was 7.9% above the comparative Nevada high and 25.8% more than the low.

Liabilities and Capital section of the balance sheet showed the current portion of long-term debt at over \$11 million (2.8% of total liabilities and capital), which was 2.7% above the highest Nevada group, as well as 2.7% above the lowest. Total current liabilities were approximately \$26 million or 6.4% for Marvel (13.2% below the highest Nevada market and 4.4% less than the lowest).

Long-Term Debt (Notes) at \$308 million accounted for 76.2% of total liabilities and capital. Marvel was substantially higher than any of the Nevada comparisons (56.2% above the highest and 53.3% higher than the lowest).

Capital (owners capital account) was in excess of \$70 million. It represented 17.4% of Marvel's total liabilities. Capital was 38.5% lower than the comparative high and 33.8% below than the low.

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-16 Balance Sheet Comparison Marvel Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2006		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Marvel Gaming 1 st Full Yr of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	TrailHead Casino Resort	Percent	% High (Dif)	% Low (Dif)
ASSETS										
Current Assets										
Cash	\$19,692,821	4.5%	\$54,936,366	5.8%	\$93,244,566	6.3%	\$30,592,525	7.6%	1.3%	3.1%
Receivables:										
Casino	\$1,824,954	0.4%	\$8,469,285	0.9%	\$15,691,385	1.1%	\$0	0.0%		
Trade	\$1,469,932	0.3%	\$7,645,953	0.8%	\$14,359,019	1.0%	\$0	0.0%		
Sundry	\$787,743	0.2%	\$1,477,602	0.2%	\$2,227,448	0.1%	\$0	0.0%		
Notes	\$8,000,599	1.8%	\$4,215,750	0.4%	\$101,784	0.0%	\$0	0.0%		
Prepaid Expenses	\$3,920,399	0.9%	\$5,728,451	0.6%	\$7,693,725	0.5%	\$1,114,662	0.3%	-0.6%	-0.2%
Other Current Assets	\$3,867,695	0.9%	\$14,195,779	1.5%	\$25,421,957	1.7%	\$6,799,368	1.7%	0.0%	0.8%
Total Current Assets	\$39,564,142	9.1%	\$96,669,185	10.3%	\$158,739,884	10.6%	\$38,506,554	9.5%	-1.1%	0.5%
Fixed Assets										
Land	\$23,664,781	5.4%	\$215,137,946	22.8%	\$423,260,950	28.4%	\$0	0.0%		
Land Improvements	\$2,246,131	0.5%	\$9,397,534	1.0%	\$17,170,798	1.2%	\$0	0.0%		
Buildings & Improvements	\$185,208,346	42.5%	\$338,623,923	36.0%	\$505,379,985	33.9%	\$252,947,084	62.6%	20.2%	28.7%
Furniture & Equipment	\$29,601,091	6.8%	\$55,724,972	5.9%	\$84,120,494	5.6%	\$84,315,695	20.9%	14.1%	15.3%
Lease Improvements	\$1,205,308	0.3%	\$1,452,396	0.2%	\$1,720,971	0.1%	\$0	0.0%		
Construction in Progress	\$9,979,815	2.3%	\$51,142,186	5.4%	\$95,883,894	6.4%	\$0	0.0%		
Total Fixed Assets	\$251,905,471	57.7%	\$671,478,957	71.3%	\$1,127,537,093	75.6%	\$337,262,778	83.5%	7.9%	25.8%
Other Assets	\$144,780,186	33.2%	\$173,478,640	18.4%	\$204,672,612	13.7%	\$28,143,192	7.0%	-26.2%	-6.7%
Total Assets	\$436,249,799	100.0%	\$941,626,782	100.0%	\$1,490,949,589	100.0%	\$403,912,524	100.0%		

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-16 Balance Sheet Comparison Marvel Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2006		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Marvel Gaming 1 st Full Yr of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	TrailHead Casino Resort	Percent	% High (Dif)	% Low (Dif)
LIABILITIES & CAPITAL										
Current Liabilities										
Accounts Payable - Trade	\$2,598,413	0.6%	\$6,050,591	0.6%	\$9,802,959	0.7%	\$3,653,803	0.9%	0.3%	0.2%
Accounts Payable - Other	\$5,571,778	1.3%	\$36,721,351	3.9%	\$70,579,582	4.7%	\$3,653,803	0.9%	-3.8%	-0.4%
Current Portion of LT Debt	\$287,556	0.1%	\$1,161,813	0.1%	\$2,112,091	0.1%	\$11,131,537	2.8%	2.7%	2.7%
Accrued Expenses	\$8,898,926	2.0%	\$42,960,859	4.6%	\$79,984,699	5.4%	\$7,307,606	1.8%	-3.6%	-0.2%
Other Current Liabilities	\$67,836,815	15.5%	\$34,541,554	3.7%	(\$1,648,947)	-0.1%	\$0	0.0%		
Total Current Liabilities	\$85,193,488	19.5%	\$121,436,167	12.9%	\$160,830,384	10.8%	\$25,746,749	6.4%	-13.2%	-4.4%
Long-Term Debt										
Mortgages	\$221,344	0.1%	\$39,289,131	4.2%	\$81,754,117	5.5%	\$0	0.0%		
Debentures & Bonds	\$8,745,377	2.0%	\$4,554,884	0.5%	\$0	0.0%	\$0	0.0%		
Notes	\$87,552,987	20.1%	\$137,754,023	14.6%	\$192,320,366	12.9%	\$307,936,067	76.2%	56.2%	63.3%
Contracts	\$97,486	0.0%	\$65,277	0.0%	\$30,267	0.0%	\$0	0.0%		
Other	\$64,669,655	14.8%	\$133,355,238	14.2%	\$208,013,480	14.0%	\$0	0.0%		
Total Long-Term Debt	\$161,286,849	37.0%	\$315,018,552	33.5%	\$482,118,230	32.3%	\$307,936,067	76.2%	39.3%	43.9%
Other Liabilities	-\$33,573,653	-7.7%	-\$10,367,094	-1.1%	\$14,857,428	1.0%	\$0	0.0%		
Total Liabilities	\$212,906,684	48.8%	\$426,087,626	45.3%	\$657,806,042	44.1%	\$333,682,816	82.6%	33.8%	38.5%
Capital										
Owners Capital Accounts	\$68,086,789	15.6%	\$86,183,813	9.2%	\$105,854,491	7.1%	\$70,229,708	17.4%	1.8%	10.3%
Capital Stock & Other Cap.	\$42,888,548	9.8%	\$180,923,902	19.2%	\$330,962,330	22.2%	\$0	0.0%		
Retained Earnings	\$112,367,778	25.8%	\$248,431,441	26.4%	\$396,326,727	26.6%	\$0	0.0%		
Total Capital	\$223,343,116	51.2%	\$515,539,156	54.7%	\$833,143,548	55.9%	\$70,229,708	17.4%	-38.5%	-33.8%
Total Liabilities & Capital	\$436,249,799	100.0%	\$941,626,782	100.0%	\$1,490,949,589	100.0%	\$403,912,524	100.0%		

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Income Statement

Revenue

Comparatively, the most significant percentage differences for revenues were in the casino and the room departments. Refer to the detailed income statement, Exhibit 2-17, pages 2-55 through 2-58.

Casino – pro forma estimates showed \$237 million in gaming revenues, which represented 84.5% of total revenues. This was 20.1% above the comparative Nevada high and 43.7% higher than the low. Marvel’s high gaming revenue percentage highlights the differences in revenue mixes between Marvel and the comparative Nevada markets that tended to have higher revenue percentages in other revenue categories such as for rooms, food, and beverages).

Rooms (Hotel) – revenues were projected at \$8.6 million (3.1% of Marvel’s total revenue). This revenue percentage was 22.7% below the comparative high and 8.7% less than the low. The room count for Marvel was significantly lower than for the Nevada groups. Marvel’s pro forma included a total of 304 hotel rooms. This compares to an average of 3,052 rooms for the high revenue percentage (Clark County Las Vegas Strip with annual gaming revenues of \$72M+), and an average of 972 rooms for the low percentage (Nevada statewide with \$72+ million in annual gaming revenues with rooms minus the Las Vegas Strip).

G & A Expenses – were projected at \$76.4 million (27.3% of total revenues). This percentage is 9.3% lower than the comparative high and 5.6% less than the comparative low.

EBITDAR was projected at \$69.8 million, 24.9%. This percentage was less than one percent different from the Nevada comparisons. It was 0.7% less than the high and 0.9% higher than the low.

Casino Department - Revenues

Table games and slot machines represented more than 97% of gaming revenue projections for Marvel Gaming versus approximately 96% for the three Nevada casino groups. However, the split between table games and slot machines showed more variability.

Table Game – revenues were projected at \$25.9 million (10.9% of the gaming total). This was 33.7% lower than the Nevada high and 5.4% below the low indicating that Marvel has projected lower table game revenues than the Nevada casinos used for the comparisons.

Slot Machine revenues were forecasted at \$204.5 million (86.3% of the gaming total), which was 7.0% more than the high and 35.3% above the low. Thus, the percent of revenues generated by slots is expected for the comparative Nevada market groups.

Task-4 - Project Specific Gaming Revenue Projections

South Central Gaming Zone of Kansas

Departmental Expenses - Casino

Complimentary Expenses were over \$29 million (12.3% of the gaming total). This was 9.5% lower than the comparative high and 1.6% less than the low.

Gaming Taxes & Licenses were estimated at nearly \$61 million for Marvel Gaming (25.6% of total casino revenues). On a percentage basis, the \$61 million is 17.8% above the highest for the Nevada groups and 18.2% more than the lowest.

Departmental Income (Loss) at \$95.9 million represented 40.5% of total revenues, which was 15.2% below the comparative high and 0.3% less than the low.

Room Department

The split between room sales and comps for Marvel Gaming was substantially different than for the three Nevada groups.

Room Sales were projected at \$2.6 million (30% of the total room revenue). This result is 54.6% below the comparative high and 46.5% less than the low.

Room Comps were forecasted at \$6.0 million, 70% of total room revenues. On a percentage basis, 70% was 46.5% greater than the comparative high and 54.6% above the low.

Bad Debt was not allocated.

Departmental Income (Loss) at \$4.1 million represented 48.0% of total room revenues, 21.2% below the comparative high and 79.2% less than the low.

Food Department

The split between food sales and comps showed:

Food Sales totaled \$6.6 million (42.9% of total food revenues). This was 39.8% below the high and 27.9% below the low.

Food Comps were \$8.8 million (57.1% of food department totals), which was 27.9% more than the comparative high and 39.8% above the low.

Bad Debts were not allocated for the food department.

Beverage Department

Revenue allocations for Marvel's beverage department showed:

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Beverage Sales at \$4.9 million were 42.9% of the total. The percentage comparison showed that this was 20.2% below than the comparative high and 0.2% less than the low.

Other Operating and Non-Operating Income - The Nevada Gaming Abstracts grouped all other income and expenses into one department referred to as *Other*. To complete the comparison, it was necessary to combine Marvel's *Convention, Entertainment, Retail, and Other* into one department referred to as *Other*. Following are the results:

Revenue for Marvel totaled \$6.4 million for 2011, which was 81.4% of the total revenue. This was 14.2% lower than the high Nevada comparisons and 9.1% less than the low.

Comps for Marvel totaled \$1.5 million, which was 18.6% of total revenues. It was 9.1% higher than the comparative high and 14.2% higher than the low.

Cost of Sales were \$3.5 million (43.8% of total revenues/comps). This was 26.1% above the comparative high and 31.7% higher than the low.

Payroll Taxes were \$1.2 million (15% of total revenues/comps). This was 13.0% above the comparative high and 13.5% higher than the low.

Employee Benefits were \$1.2 million (15.8% of the total), which was 11.8% above the comparative high and 11.8% above the low.

Payroll – Other Employees were \$4.7 million (60% of the total). This was 39.7% higher than the comparative high and 43.7% above the low.

Task-4 - Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

FTEs (Full Time Equivalents) Allocations

Marvel proposed a total 1,520 FTEs for the Trailhead Casino and Resort. Key departmental assignments included:

Casino Department - 930 FTEs (61.2% of the total). This was 34.8% above the highest comparative market group in Nevada and 38.0% more than the lowest.

Rooms (Hotel) - 85 FTEs (5.6% of the total). This was 12.5% less than the comparative high and 7.0% less than the low.

Food Department - 285 FTEs (18.8%), which was 12.6% below the comparative high and 7.1% less than the low.

Beverage Department – no specific FTE assignment indicated. Most likely shared FTEs with the food department.

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-17 Profit & Loss Comparison Marvel Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2006		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Marvel Gaming 1 st Full Yr of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	TrailHead Casino Resort	Percent	% High (Dif)	% Low (Dif)
REVENUE										
Gaming	\$130,545,944	64.5%	\$191,819,639	46.9%	\$258,421,481	40.8%	\$236,895,000	84.5%	20.1%	43.7%
Rooms	\$23,789,236	11.7%	\$90,822,037	22.2%	\$163,683,777	25.8%	\$8,594,000	3.1%	-22.7%	-8.7%
Food	\$26,026,132	12.9%	\$55,832,299	13.7%	\$88,230,306	13.9%	\$15,422,000	5.5%	-8.4%	-7.3%
Beverage	\$10,508,575	5.2%	\$21,721,246	5.3%	\$33,908,932	5.4%	\$11,445,000	4.1%	-1.3%	-1.1%
Other	\$11,626,777	5.7%	\$48,832,031	11.9%	\$89,272,525	14.1%	\$7,892,000	2.8%	-11.3%	-2.9%
Total Revenue	\$202,496,664	100.0%	\$409,027,251	100.0%	\$633,517,020	100.0%	\$280,248,000	100.0%		
Cost of Sales	\$14,939,441	7.4%	\$28,442,480	7.0%	\$43,119,696	6.8%	\$15,160,000	5.4%	-2.0%	-1.4%
Gross Margin	\$187,557,224	92.6%	\$380,584,772	93.0%	\$590,397,324	93.2%	\$265,088,000	94.6%	1.4%	2.0%
Departmental Expenses	\$95,667,239	47.2%	\$201,411,190	49.2%	\$316,350,268	49.9%	\$167,412,000	59.7%	9.8%	12.5%
Departmental Income (Loss)	\$91,889,985	45.4%	\$179,173,582	43.8%	\$274,047,056	43.3%	\$97,676,000	34.9%	-10.5%	-8.4%
GENERAL & ADMINISTRATIVE EXPENSES										
Advertising & Promotion	\$5,516,269	2.7%	\$5,991,876	1.5%	\$6,508,840	1.0%	\$6,615,000	2.4%	-0.4%	1.4%
Bad Debt Expense	-\$1,639	0.0%	\$36,187	0.0%	\$77,302	0.0%	\$0	0.0%		
Complimentary Expense	\$2,406,213	1.2%	\$2,071,207	0.5%	\$1,707,069	0.3%	\$107,000	0.04%	-1.2%	-0.3%
Depreciation - Buildings	\$7,955,608	3.9%	\$13,389,684	3.3%	\$19,296,287	3.0%	\$8,531,000	3.0%	-0.9%	0.0%
Depreciation & Amortization	\$7,644,025	3.8%	\$16,929,652	4.1%	\$27,022,726	4.3%	\$10,857,000	3.9%	-0.4%	0.1%
Energy Expense (elec., gas, etc.)	\$4,331,827	2.1%	\$6,497,463	1.6%	\$8,851,415	1.4%	\$3,831,000	1.4%	-0.8%	0.0%
Equipment Rental or Lease	\$676,989	0.3%	\$688,120	0.2%	\$700,218	0.1%	\$2,568,000	0.9%	0.6%	0.8%
Interest Expense	\$14,000,156	6.9%	\$30,846,681	7.5%	\$49,158,122	7.8%	\$29,114,000	10.4%	2.6%	3.5%
Music & Entertainment	\$544,427	0.3%	\$2,179,174	0.5%	\$3,956,074	0.6%	\$0	0.0%		
Payroll Taxes	\$874,035	0.4%	\$1,528,563	0.4%	\$2,240,006	0.4%	\$253,000	0.1%	-0.3%	-0.3%
Payroll - Employee Benefits	\$2,198,880	1.1%	\$5,168,416	1.3%	\$8,396,173	1.3%	\$135,000	0.05%	-1.3%	-1.0%
Payroll - Officers	\$470,422	0.2%	\$597,106	0.1%	\$734,806	0.1%	\$0	0.0%		
Payroll - Other Employees	\$10,134,360	5.0%	\$18,624,244	4.6%	\$27,852,380	4.4%	\$1,011,000	0.4%	-4.6%	-4.0%
Rent of Premises	\$1,117,215	0.6%	\$973,343	0.2%	\$816,959	0.1%	\$0	0.0%		
Taxes - Real Estate	\$2,010,838	1.0%	\$4,332,479	1.1%	\$6,856,003	1.1%	\$6,739,000	2.4%	1.3%	1.4%
Taxes & Licenses - Other	\$361,423	0.2%	\$691,850	0.2%	\$1,051,009	0.2%	\$2,246,000	0.8%	0.6%	0.6%
Utilities (other than energy exp)	\$725,244	0.4%	\$2,032,995	0.5%	\$3,454,463	0.5%	\$21,000	0.01%	-0.5%	-0.4%
Other G&A Expenses	\$13,105,912	6.5%	\$25,828,111	6.3%	\$39,656,589	6.3%	\$4,387,000	1.6%	-4.9%	-4.7%
Total G&A Expenses	\$74,072,204	36.6%	\$138,407,151	33.8%	\$208,336,441	32.9%	\$76,415,000	27.3%	-9.3%	-5.6%
Net Income (Loss) Before Federal Income Taxes & Extraordinary Items	\$17,817,780	8.8%	\$40,766,431	10.0%	\$65,710,616	10.4%	\$21,261,000	7.6%	-2.8%	-1.2%
EBITDAR	\$48,534,784	24.0%	\$102,905,790	25.2%	\$162,004,709	25.6%	\$69,763,000	24.9%	-0.7%	0.9%

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-17 Profit & Loss Comparison Marvel Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2006		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Marvel Gaming 1 st Full Yr of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	TrailHead Casino Resort	Percent	% High (Dif)	% Low (Dif)
CASINO DEPARTMENT										
Revenue										
Pit Rev (Inc Keno & Bingo)	\$21,313,482	16.3%	\$66,359,022	34.6%	\$115,321,565	44.6%	\$25,860,000	10.9%	-33.7%	-5.4%
Coin Operated Devices	\$103,502,745	79.3%	\$117,044,333	61.0%	\$131,763,450	51.0%	\$204,495,000	86.3%	7.0%	35.3%
Poker and Pan	\$2,036,476	1.6%	\$3,615,812	1.9%	\$5,332,482	2.1%	\$6,540,000	2.8%	0.7%	1.2%
Race Book	\$1,689,325	1.3%	\$2,022,543	1.1%	\$2,384,737	0.9%	\$0	0.0%		
Sports Pool	\$2,003,915	1.5%	\$2,777,929	1.4%	\$3,619,248	1.4%	\$0	0.0%		
Total Revenue	\$130,545,944	100.0%	\$191,819,639	100.0%	\$258,421,481	100.0%	\$236,895,000	100.0%		
Departmental Expenses										
Bad Debt Expense	\$365,482	0.3%	\$2,534,786	1.3%	\$4,892,724	1.9%	\$214,000	0.1%	-1.8%	-0.2%
Commissions	\$1,072,801	0.8%	\$791,025	0.4%	\$484,746	0.2%	\$128,000	0.1%	-0.8%	-0.1%
Complimentary Expense	\$18,033,976	13.8%	\$36,443,187	19.0%	\$56,453,198	21.8%	\$29,020,000	12.3%	-9.5%	-1.6%
Gaming Taxes and Licenses	\$10,154,539	7.8%	\$14,497,398	7.6%	\$19,217,897	7.4%	\$60,649,000	25.6%	17.8%	18.2%
Preferred Guest Expenses	\$479,285	0.4%	\$4,917,499	2.6%	\$9,741,646	3.8%	\$12,270,000	5.2%	1.4%	4.8%
Payroll Taxes	\$1,583,326	1.2%	\$2,897,915	1.5%	\$4,326,817	1.7%	\$6,239,000	2.6%	0.9%	1.4%
Payroll - Employee Benefits	\$2,994,412	2.3%	\$6,339,099	3.3%	\$9,974,628	3.9%	\$6,132,000	2.6%	-1.3%	0.3%
Payroll - Officers	\$80,766	0.1%	\$263,888	0.1%	\$462,934	0.2%	\$0	0.0%		
Payroll - Other Employees	\$11,509,647	8.8%	\$19,689,234	10.3%	\$28,580,089	11.1%	\$24,958,000	10.5%	-0.6%	1.7%
Race Wire Fees	\$248,135	0.2%	\$331,885	0.2%	\$422,918	0.2%	\$0	0.0%		
Other Departmental Expenses	\$11,331,255	8.7%	\$14,688,840	7.7%	\$18,338,388	7.1%	\$1,427,000	0.6%	-8.1%	-6.5%
Total Departmental Expenses	\$57,853,625	44.3%	\$103,394,756	53.9%	\$152,895,986	59.2%	\$141,037,000	59.5%	0.3%	15.2%
Departmental Income (Loss)	\$72,692,318	55.7%	\$88,424,882	46.1%	\$105,525,495	40.8%	\$95,858,000	40.5%	-15.2%	-0.3%
ROOMS DEPARTMENT										
Revenue										
Room Sales	\$18,192,998	76.5%	\$75,858,666	83.5%	\$138,538,741	84.6%	\$2,578,000	30.0%	-54.6%	-46.5%
Complimentary Rooms	\$5,596,238	23.5%	\$14,963,371	16.5%	\$25,145,037	15.4%	\$6,016,000	70.0%	46.5%	54.6%
Total Revenue	\$23,789,236	100.0%	\$90,822,037	100.0%	\$163,683,777	100.0%	\$8,594,000	100.0%		
Departmental Expenses										
Bad Debt Expense	\$55,259	0.2%	\$134,773	0.1%	\$221,201	0.1%	\$0	0.0%		
Complimentary Expense	\$344,176	1.4%	\$1,215,471	1.3%	\$2,162,530	1.3%	\$107,000	1.2%	-0.2%	-0.1%
Payroll - Taxes	\$498,129	2.1%	\$1,237,986	1.3%	\$2,042,179	1.2%	\$544,000	6.3%	4.2%	5.1%
Payroll - Employee Benefits	\$1,294,941	5.4%	\$4,611,892	5.0%	\$8,217,273	5.0%	\$674,000	7.8%	2.4%	2.8%
Payroll - Officers			\$62,229	0.1%	\$129,869	0.1%	\$0	0.0%		
Payroll - Other Employees	\$5,257,252	22.1%	\$12,821,354	14.1%	\$21,043,204	12.9%	\$2,179,000	25.4%	3.3%	12.5%
Other Departmental Expenses	\$2,535,174	10.7%	\$9,309,448	10.3%	\$16,672,790	10.2%	\$966,000	11.2%	0.6%	1.0%
Total Departmental Expenses	\$9,984,931	42.0%	\$29,393,153	32.4%	\$50,489,046	30.8%	\$4,470,000	52.0%	10.0%	21.2%
Departmental Income (Loss)	\$13,804,305	58.0%	\$61,428,884	67.6%	\$113,194,731	69.2%	\$4,124,000	48.0%	-21.2%	-79.2%

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-17 Profit & Loss Comparison Marvel Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2006		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Marvel Gaming 1 st Full Yr of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	TrailHead Casino Resort	Percent	% High (Dif)	% Low (Dif)
FOOD DEPARTMENT										
Revenue										
Food Sales	\$18,426,868	70.8%	\$44,551,686	79.8%	\$72,948,227	82.7%	\$6,610,000	42.9%	-39.8%	-27.9%
Complimentary Food Sales	\$7,599,264	29.2%	\$11,280,613	20.2%	\$15,282,079	17.3%	\$8,813,000	57.1%	27.9%	39.8%
Total Revenue	\$26,026,132	100.0%	\$55,832,299	100.0%	\$88,230,306	100.0%	\$15,423,000	100.0%		
Cost of Sales	\$10,032,778	38.5%	\$17,573,194	31.5%	\$25,769,298	29.2%	\$8,327,000	54.0%	15.4%	24.8%
Gross Margin	\$15,993,354	61.5%	\$38,259,105	68.5%	\$62,461,008	70.8%	\$7,096,000	46.0%	-24.8%	-15.4%
Departmental Expenses										
Bad Debt Expense	\$3,097	0.0%	\$25,542	0.0%	\$49,938	0.1%	\$0	0.0%		
Complimentary Expense	\$127,551	0.5%	\$389,899	0.7%	\$675,061	0.8%	\$54,000	0.4%	-0.4%	-0.1%
Payroll - Taxes	\$1,220,781	4.7%	\$2,301,669	4.1%	\$3,476,546	3.9%	\$1,231,000	8.0%	3.3%	4.1%
Payroll - Employee Benefits	\$2,759,981	10.6%	\$6,987,803	12.5%	\$11,583,261	13.1%	\$1,226,000	7.9%	-5.2%	-2.7%
Payroll - Officers	\$58,692	0.2%	\$126,709	0.2%	\$200,641	0.2%		0.0%		
Payroll - Other Employees	\$11,469,257	44.1%	\$20,836,415	37.3%	\$31,018,108	35.2%	\$4,927,000	31.9%	-12.1%	-3.3%
Other Departmental Expenses	\$1,855,873	7.1%	\$4,010,289	7.2%	\$6,352,045	7.2%	\$217,000	1.4%	-5.8%	-5.7%
Total Departmental Expenses	\$17,495,232	67.2%	\$34,678,325	62.1%	\$53,355,601	60.5%	\$7,655,000	49.6%	-17.6%	-10.9%
Departmental Income (Loss)	-\$1,501,878	-5.8%	\$3,580,779	6.4%	\$9,105,407	10.3%	-\$559,000	-3.6%	-13.9%	2.1%
BEVERAGE DEPARTMENT										
Revenue										
Beverage Sales	\$4,527,091	43.1%	\$12,617,552	58.1%	\$21,411,532	63.1%	\$4,905,000	42.9%	-20.2%	-0.2%
Complimentary Beverage Sales	\$5,981,484	56.9%	\$9,103,694	41.9%	\$12,497,400	36.9%	\$6,540,000	57.1%		
Total Revenue	\$10,508,575	100.0%	\$21,721,246	100.0%	\$33,908,932	100.0%	\$11,445,000	100.0%		
Cost of Sales	\$2,843,761	27.1%	\$4,638,085	21.4%	\$6,588,438	19.4%	\$3,370,000	29.4%	2.4%	10.0%
Gross Margin	\$7,664,814	72.9%	\$17,083,161	78.6%	\$27,320,494	80.6%	\$8,075,000	70.6%	-10.0%	-2.4%
Departmental Expenses										
Bad Debt Expense	\$94	0.0%	\$1,045	0.0%	\$2,078	0.0%	\$0	0.0%		
Complimentary Expense	\$21,859	0.2%	\$204,858	0.9%	\$403,770	1.2%	\$54,000	0.5%	-0.7%	0.3%
Payroll - Taxes	\$295,727	2.8%	\$513,802	2.4%	\$750,839	2.2%	\$656,000	5.7%	2.9%	3.5%
Payroll - Employee Benefits	\$669,889	6.4%	\$1,472,143	6.8%	\$2,344,158	6.9%	\$694,000	6.1%	-0.8%	-0.3%
Payroll - Officers	\$0	0.0%	\$14,591	0.1%	\$30,451	0.1%	\$0	0.0%		
Payroll - Other Employees	\$2,240,659	21.3%	\$4,007,207	18.4%	\$5,927,368	17.5%	\$2,621,000	22.9%	1.6%	5.4%
Other Departmental Expenses	\$656,228	6.2%	\$1,963,568	9.0%	\$3,384,589	10.0%	\$590,000	5.2%	-4.8%	-1.1%
Total Departmental Expenses	\$3,884,456	37.0%	\$8,177,213	37.6%	\$12,843,253	37.9%	\$4,615,000	40.3%	2.4%	3.4%
Departmental Income (Loss)	\$3,780,358	36.0%	\$8,905,947	41.0%	\$14,477,240	42.7%	\$3,460,000	30.2%	-12.5%	-5.7%

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Exhibit 2-17 Profit & Loss Comparison Marvel Versus Three Nevada Casino Groups										
Description	Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY @ June 30, 2006		Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY @ June 30, 2007		Clark County LV Strip \$72M+ w/ Hotel Rooms FY @ June 30, 2007		Marvel Gaming 1 st Full Yr of Operation Pro Forma for 2011		% Differences	
	Average Per Casino	Percent	Average Per Casino	Percent	Average Per Casino	Percent	TrailHead Casino Resort	Percent	% High (Dif)	% Low (Dif)
OTHER INCOME										
Revenue										
Other Op. & Non-Op. Income	\$10,522,133	90.5%	\$46,359,294	94.9%	\$85,312,729	95.6%	\$6,427,000	81.4%	-14.2%	-9.1%
Other Complimentary Items	\$1,104,644	9.5%	\$2,472,738	5.1%	\$3,959,796	4.4%	\$1,466,000	18.6%	9.1%	14.2%
Total Revenue	\$11,626,777	100.0%	\$48,832,031	100.0%	\$89,272,525	100.0%	\$7,893,000	100.0%		
Cost of Sales	\$2,062,901	17.7%	\$6,231,200	12.8%	\$10,761,960	12.1%	\$3,461,000	43.8%	26.1%	31.7%
Gross Margin	\$9,563,876	82.3%	\$42,600,831	87.2%	\$78,510,565	87.9%	\$4,432,000	56.2%	-31.7%	-26.1%
Departmental Expenses										
Bad Debt Expense	\$93,428	0.8%	\$65,881	0.1%	\$35,939	0.0%	\$0	0.0%		
Complimentary Expense	\$232,114	2.0%	\$679,870	1.4%	\$1,166,561	1.3%	\$107,000	1.4%	-0.6%	0.1%
Payroll - Taxes	\$229,832	2.0%	\$774,517	1.6%	\$1,366,565	1.5%	\$1,186,000	15.0%	13.0%	13.5%
Payroll - Employee Benefits	\$467,823	4.0%	\$1,945,862	4.0%	\$3,552,426	4.0%	\$1,246,000	15.8%	11.8%	11.8%
Payroll - Officers	\$2,182	0.0%	\$47,667	0.1%	\$97,109	0.1%	\$0	0.0%		
Payroll - Other Employees	\$2,359,212	20.3%	\$8,222,686	16.8%	\$14,596,028	16.3%	\$4,739,000	60.0%	39.7%	43.7%
Other Departmental Expenses	\$3,064,404	26.4%	\$14,031,260	28.7%	\$25,951,755	29.1%	\$2,357,000	29.9%	0.8%	3.5%
Total Departmental Expenses	\$6,448,994	55.5%	\$25,767,743	52.8%	\$46,766,383	52.4%	\$9,635,000	122.1%	66.6%	69.7%
Departmental Income (Loss)	\$3,114,881	26.8%	\$16,833,088	34.5%	\$31,744,182	35.5%	-\$5,203,000	-65.9%	-101.4%	-92.7%

AVERAGE NUMBER OF EMPLOYEES FOR THE YEAR										
Casino Department	448	26.4%	701	24.5%	977	23.6%	930	61.2%	34.8%	38%
Rooms Department	222	13.1%	474	16.5%	748	18.1%	85	5.6%	-12.5%	-7%
Food Department	531	31.3%	789	27.5%	1,070	25.8%	285	18.8%	-12.6%	-7.1%
Beverage Department	115	6.8%	196	6.8%	284	6.8%				
G&A Department	282	16.7%	430	15.0%	591	14.3%	105	6.9%	-9.8%	-7.4%
Other Departments	97	5.7%	277	9.7%	473	11.4%	115	7.6%	-3.8%	1.8%
Total	1,695	100.0%	2,868	100.0%	4,142	100.0%	1,520	100.0%		

AVERAGE NUMBER OF ROOMS AVAILABLE PER DAY										
Available Rooms	972		1,969		3,052		304			

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Information on Wells Gaming Research & Richard H. Wells

Following is detailed information regarding Wells Gaming Research's many services, as well as personal information about Richard H. Wells, WGR's president:

- Professional Services Offered (**page 3-2**)
- Casino Feasibility Studies (**page 3-3**)
- Casino Gaming Market Studies (**page 3-3**)
- Competitive Gaming Equipment Inventories (**page 3-4**)
- Litigation & Legislative Support (**page 3-4**)
- Marketing Research (**page 3-4**)
- Marketing Surveys (**page 3-5**)
- Market & Financial Due Diligence (**page 3-5**)
- Financial Benchmark Studies (**page 3-5**)
- Special Projects (**page 3-5**)
- Other Casino Gaming Services (**page 3-6**)
- Corporate Background (**page 3-6**)
- Online Casino Player Count Service™ (**page 3-7**)
- Richard H. Wells, Experience and Qualifications (**page 3-8**)
- Client List, including current and previous WGR clients (**page 3-9**)

Task-4 Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Professional Services Offered:

Wells Gaming Research (hereinafter referred to as WGR) is a highly respected provider of a wide-range of research and advisory services for the casino gaming industry.

Casino Player Count Service™:

WGR's Casino Player Count Service™ has become the standard for measuring relative player count performance within the casino gaming industry. Our player count service is widely used by casinos, as well as by equity analysts who track public gaming companies. WGR's weekly online player count reports are accompanied by a host of powerful, user friendly analytical tools that make it quick and easy for a client casino to monitor the competition. Client casinos can log on to WGR's website and evaluate their competitors using the following performance criteria:

- Casino rankings based on player count volume
- Number of table game and/or slot machine players
- Percent distribution of players
- Gaming capacity inventory for both table games and slot machines
- Percent distribution of market capacity
- Percent of capacity utilized
- User defined market fair share percentages

Fair Share Goal Setting Targets for User Defined Markets

One of the newest and most exciting features of WGR's Casino Player Count Service™ is fair share goal setting for user-defined markets. WGR's online player count service automatically calculates the number of players required for a casino to reach a series of fair market share targets (for example, 100%, 105%, and 110%).

Gaming Capacity Inventories

WGR updates the gaming capacity inventory statistics for the player count service on a quarterly basis. Client casinos can easily monitor capacity adjustments for both table games and slot machines for their casino, as well as for their competitors. WGR's website also provides a capacity trend analysis feature.

Equity Analysts

Equity analysts use WGR's Casino Player Count Service™ reports to monitor player counts for individual casinos owned by public companies, and to track entire market areas. WGR's player count statistics are also given consideration by equity analysts when forecasting quarterly casino revenues.

Data Collection for WGR's Casino Player Count Service

WGR's field representatives physically count casino players five or more times per week in 164 casinos located throughout the U.S. WGR's current player count service areas include California, Louisiana, Mississippi, Nevada, and New Mexico.

Task-4 Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Casino Feasibility Studies

WGR's databases contain a detailed history of casino player counts collected in eleven major gaming markets located throughout the U.S. This exclusive player count information provides WGR with a proprietary resource that is unmatched for projecting player volume, which is a key variable in the revenue function.

WGR has conducted casino feasibility studies and financial projections for a number of new casinos, including those proposed in:

- **Mississippi** – Tunica.
- **Nevada** - Las Vegas (the Strip, the Offstrip, and North Las Vegas), as well as for Reno, Henderson, and Jackpot.
- **Nova Scotia** - Halifax and Sydney.

Casino Gaming Market Studies

WGR's databases contain over 350,000 casino player counts collected between 1990 and 2007. Capacity information is collected and updated regularly on each casino's inventory capacity mix of slot machines and table games. The player count data allows WGR to track individual casinos, groups of casinos, and casino markets more closely and accurately than any other organization except the state gaming regulatory authorities.

WGR has developed a custom casino gravity modeling system designed to forecast casino revenues while taking into account the impacts that new or expanded competing casinos could have on the project. The model is customized to include the appropriate trade area and competitive casinos for each project.

Major market studies include:

- Las Vegas, Nevada area (Strip, Offstrip, North Las Vegas, & Henderson)
- Reno & Sparks, Nevada
- Minden/Gardnerville, Nevada
- Carson City, Nevada
- Northern California
- South Lake Tahoe
- Mississippi (Tunica, Natchez, & Vicksburg)
- Shreveport, Louisiana
- Iowa (Spencer, Ottumwa, Emmetsburg, Waterloo, Davenport, & Bettendorf)
- Sugar Creek, Missouri
- Southern Kansas
- Southern Indiana
- North-East Kentucky

Task-4 Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Competitive Gaming Equipment Inventories

WGR conducts capacity inventories of slot machines, electronic player tracking systems, and other gaming equipment located in casinos throughout the U.S. The client selects the casinos to be inventoried. Then, WGR conducts the equipment inventories and does the comparative analyses. WGR's clients include both casinos and major slot machine manufacturers. Slot machine inventory projects include:

- 38 Tribal casinos in California.
- 108,000 slot machines located in 50 U.S. casinos, as well as five Canadian casinos (inventories are conducted twice each year).
- 18,000 slot machines located in eight large Las Vegas casinos.

Litigation & Legislative Support

WGR provides a host of gaming related services to attorneys in the form of:

- Financial and market analyses
- Expert testimony and depositions
- Analyses of opposing expert reports
- Development of questions for depositions
- Development of exhibits for use in court
- Competitive analyses for anti-trust issues
- Exhibits, documents, and expert testimony for legislative issues

Marketing Research

WGR has conducted a wide variety of gaming related marketing research studies for casino clients, as well as for proprietary internal use. For example, WGR has analyzed:

- The demographics and gambling characteristics of golfers on a nationwide basis.
- The gambling and demographic characteristics of local residents in both Reno and Las Vegas.
- The growth of various forms of gaming in Reno's four major feeder markets (California, Oregon, Washington, and British Columbia).

Task-4 Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Marketing Surveys

Recent market research surveys include:

- 600 Las Vegas Strip visitors for a casino client
- 465 slot directors for a slot manufacturer
- 900 gaming establishments for a slot manufacturer
- 600 telephone inquiries to casino slot departments regarding online slot machine systems

Market & Financial Due Diligence

WGR is well positioned to assist casino buyers in evaluating gaming markets in terms of:

- Competition
- Financial and operating performance
- Improvement potential of casino acquisition candidates

Financial Benchmark Studies

WGR conducts financial benchmark studies for existing casinos. Both revenue and expense line items are compared with a casino's peer group of competitors. Differences are flagged. One such study greatly aided the Client in improving its financial performance and in turning losses into profits.

Special Projects

WGR conducts special projects on an ongoing basis. Some examples include:

- Casino market supply and demand analyses
- Slot and table game trends
- Casino player trend analyses
- Utilization analyses (table games including Caribbean Stud and Let-It-Ride, as well as slot machines and automatic shuffler)
- Competitive analyses of slot machine inventories and utilization
- Table game instruction programs
- Average bets by table minimums for blackjack and craps
- Player counts by ethnic groups

Task-4 Project Specific Gaming Revenue Projections **South Central Gaming Zone of Kansas**

Other Casino Gaming Services

Slot Payback Certification

WGR provides verification and certification of win percentages for slot machines and video poker machines. Casinos have successfully used the win percentages in advertising campaigns.

Pedestrian Traffic Counts

WGR has conducted pedestrian traffic studies to determine pedestrian volumes, directions, and other characteristics of pedestrian traffic behavior in targeted areas in Las Vegas and Reno. Two specific locations were the intersection of Las Vegas Boulevard and Tropicana Avenue in Las Vegas and on Virginia Street in downtown Reno.

Special Event Attendance

WGR conducts attendance counts at special events, primarily in Nevada (Reno, Las Vegas, and Laughlin) for convention authorities and other clients. WGR has conducted attendance counts at most of Reno's special events.

Corporate Background

WGR was established in 1990. In 1995, WGR was incorporated under the laws of the State of Nevada.

WGR is a privately held corporation. The principal officers include Richard H. Wells, President and Peggy P. Wells, Vice President and Secretary/Treasurer.

WGR's president, Richard H. Wells, has over thirty years of experience in conducting financial and market feasibility studies for the casino, hotel, banking, and oil and gas industries. Wells is supported by a well-trained staff with experience and expertise in computer programming, finance, economics, and market analyses.

In addition to the staff, WGR subcontracts, on an as-needed basis, with highly qualified and respected professionals who specialize in a wide-range of technical disciplines including marketing research, statistics, demographic statistics and data analyses, economic and social impact analyses, and legal counsel.

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Online Casino Player Count Service™

WGR has converted its player count reporting system from a weekly hard copy report to a suite of powerful, online, easy-to-use reporting and analysis tools. The Internet now makes it possible for WGR to share these tools with our clients.

WGR not only provides the Casino Player Count Service™ Reports online via the Internet, we also provide our clients with a host of online analytical tools. For example, WGR's clients can now select a specific set of competitive casinos and time periods to conduct custom analyses.

A total of seven (7) online reporting menu options are offered:

1. Monthly
2. Weekly
3. Daily
4. Multi-Month Trend Analysis
5. User Defined Two-Period Comparisons
6. Capacity Trend Analysis
7. Average Counts by Day-of-Week or Time-of-Day

Four (4) options are provided for viewing, downloading, and printing the user defined reports:

1. Web Browser,
2. Tab Delimited Download (Excel or other spreadsheet compatible)
3. PDF file uncompressed
4. PDF file compressed (ZIP)

Weekend player counts are now available to our clients by Monday afternoon, 5PM Pacific Time. All weekly player count data is audited and finalized by Thursday afternoon, 5PM Pacific Time. This puts the player count data in the clients hands several days earlier than the hard copy reports.

Online Access & Client Training:

Each person in our Client's organization who needs access to WGR online service will be assigned a username and password for secure website access. WGR's clients are allowed an unlimited number of users, at no additional cost.

WGR will conduct a training session to acquaint Client users with the new online system. WGR's new online reporting system is easy-to-use and quick at creating user defined custom player count reports. A half-hour training/orientation session is all that is needed for a user to get started with WGR's new online reporting system.

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Richard H. Wells, Experience & Qualifications

Wells is founder and president of **Wells Gaming Research**, a Nevada Corporation that provides Casino Player Count Service™, a market share tracking service, to over 160 casino clients in Nevada, Mississippi, Louisiana, New Mexico, and California.

Wells Gaming Research also performs a wide range of consulting and gaming research assignments including casino market studies, financial feasibility studies, financial projections, due diligence, litigation support, legislative issue support, and gaming industry expert witness services for the gaming industry.



Wells has fifteen years experience as a senior executive in the casino-hotel industry with Holiday Inns, Harrah's, and Bally's. Wells has also held positions in management, planning, and financial analysis for a large regional bank and a major international oil company.

Wells has a B.S. degree in business from Oklahoma State University and completed a post-graduate program in Systems Dynamics at M.I.T. Wells has participated in a wide range of community service activities and is listed in Marquis Who's Who in Finance and Industry and Marquis Who's Who in America.

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Wells Gaming Research Client List
(Current and/or Prior Customers)

Aladdin Gaming, LLC:

Aladdin Resort & Casino ~ Las Vegas, Nevada

Ameristar Casinos, Inc. ~ Las Vegas, Nevada

Alamo Travel Center ~ Sparks, Nevada

Aristocrat Technologies, Inc. ~ Las Vegas, Nevada

Arizona Charlie's Casino Hotel ~ Las Vegas, Nevada

Arizona Charlie's East Casino Hotel ~ Las Vegas, Nevada

Avi Resort & Casino ~ Laughlin, Nevada

Baldini's Sports Casino ~ Reno, Nevada

Bear Stearns Companies, Inc.

Binion's Horseshoe ~ Tunica, Mississippi

Boyd Gaming Corporation:

California Hotel & Casino ~ Las Vegas, Nevada

Fremont Hotel & Casino ~ Las Vegas, Nevada

Main Street Station Hotel Casino ~ Las Vegas, Nevada

Sam's Town Hotel & Gambling Hall ~ Las Vegas, NV

Sam's Town Tunica Hotel & Gambling Hall ~ Tunica, MS

Stardust Resort & Casino ~ Las Vegas, Nevada

Bronco Billy's Sports Bar & Casino ~ Cripple Creek, CO

Caesars Palace Hotel & Casino ~ Las Vegas, Nevada

Cannery Casino Hotel ~ Las Vegas, Nevada

Clay County Gaming Initiative, Inc. ~ Clay Co, Iowa

Club Cal-Neva/Virginian Hotel Casino ~ Reno, Nevada

Coast Hotel & Casinos, Inc.:

Gold Coast Hotel Casino ~ Las Vegas, Nevada

Suncoast Hotel & Casino ~ Las Vegas, Nevada

The Orleans Hotel & Casino ~ Las Vegas, Nevada

Copa Casino ~ Gulfport, Mississippi

DRKW - Grantchester, Inc. ~ New York, New York

Eldorado Hotel Casino ~ Reno, Nevada

Fallon Paiute-Shoshone Tribe ~ Fallon, Nevada

Fidelity Investments ~ Boston

Fitzgeralds Hotel Casino ~ Reno, Nevada

Four Queens Hotel Casino ~ Las Vegas, Nevada

Greenspun Corporation ~ Las Vegas, Nevada

Guild, Russell, Gallagher, & Fuller, LTD ~ Reno, Nevada

Galleria Associates ~ Henderson, Nevada

Golden Phoenix Hotel Casino ~ Reno, Nevada

GEM, LLC ~ Reno, Nevada

Harrah's Casino Hotel ~ Lake Tahoe, Nevada

Harrah's Casino Hotel ~ Laughlin, Nevada

Harrah's Hotel Casino ~ Reno, Nevada

Harrah's Hotel Casino ~ Tunica, Mississippi

Hollywood Casino ~ Tunica, Mississippi

Horseshoe Casino & Hotel ~ Bossier City, Louisiana

Innovative Gaming Corporation of America

International Gaming Technology

Isle of Capri Casinos, Inc.:

Isle of Capri Casino ~ Bossier City, Louisiana

Isle of Capri Casino ~ Biloxi, Mississippi

Isle of Capri Casino - Lula, Mississippi

Isle of Capri Casino - Vicksburg, Mississippi

Isleta Casino & Resort - Albuquerque, New Mexico

ITT Sheraton Gaming Division

John Ascuaga's Nugget ~ Reno, Nevada

Lady Luck Hotel Casino ~ Las Vegas, Nevada

Little Creek Casino ~ Shelton, Washington

Majestic Star Casinos:

Fitzgeralds Hotel Casino ~ Las Vegas, Nevada

Fitzgeralds Hotel Casino ~ Tunica, Mississippi

Mandalay Resort Group:

Circus Circus Hotel Casino ~ Reno, Nevada

Circus Circus Hotel Resort & Casino ~ Las Vegas, NV

Colorado Belle Hotel & Casino ~ Laughlin, Nevada

Edgewater Hotel & Casino ~ Laughlin, Nevada

Excalibur Resort Hotel & Casino ~ Las Vegas, Nevada

Gold Strike Casino & Resort ~ Tunica, Mississippi

Luxor Resort Hotel & Casino ~ Las Vegas, Nevada

Mandalay Bay Resort & Casino ~ Las Vegas, Nevada

Monte Carlo Resort & Casino ~ Las Vegas, Nevada

Silver City ~ Las Vegas, Nevada

Silver Legacy Resort & Casino ~ Reno, Nevada

Slots-A-Fun ~ Las Vegas, Nevada

Monarch Casino & Resort, Inc.:

Atlantis Casino Resort ~ Reno, Nevada

Task-4 Project Specific Gaming Revenue Projections
South Central Gaming Zone of Kansas

Wells Gaming Research Client List (Continued)
(Current and/or Prior Customers)

Mikhon Gaming Corporation	Ramada Inn Speakeasy Casino ~ Reno, Nevada
Nevada Resort Association ~ Las Vegas, Nevada	Rampart Casino ~ Las Vegas, Nevada
MGM • Mirage:	Reno/Sparks Convention & Visitor's Authority
Beau Rivage Hotel & Casino ~ Biloxi, Mississippi	Rio Suite Hotel Casino ~ Las Vegas, Nevada
Bellagio Hotel & Casino ~ Las Vegas, Nevada	River Palms Resort Casino ~ Laughlin, Nevada
Golden Nugget Hotel & Casino ~ Laughlin, Nevada	Riverside Resort Hotel Casino ~ Laughlin, Nevada
MGM Grand Hotel Casino ~ Las Vegas, Nevada	Riviera Hotel & Casino ~ Las Vegas, Nevada
New York New York Hotel & Casino ~ Las Vegas, NV	Sands Regency Hotel Casino ~ Reno, Nevada
The Mirage Hotel & Casino ~ Las Vegas, Nevada	Seven Circle Resorts, Inc.
Treasure Island at the Mirage ~ Las Vegas, Nevada	Sheraton Casino ~ Halifax, Nova Scotia
Palms Casino Hotel ~ Las Vegas, Nevada	Sheraton Hotel Casino ~ Tunica, Mississippi
Park Place Entertainment:	Showboat Hotel Casino ~ Las Vegas, Nevada
Bally's Casino Las Vegas ~ Las Vegas, Nevada	Si Redd's Oasis Hotel & Casino ~ Mesquite, Nevada
Bally's Casino Tunica ~ Tunica, Mississippi	Silicon Gaming, Inc.
Flamingo Las Vegas ~ Las Vegas, Nevada	Silver Club Hotel Casino ~ Sparks, Nevada
Flamingo Laughlin ~ Laughlin, Nevada	Silverton Hotel & Casino ~ Las Vegas, Nevada
Grand Casino Biloxi ~ Biloxi, Mississippi	Station Casinos, Inc.:
Grand Casino Gulfport ~ Gulfport, Mississippi	Boulder Station Hotel & Casino ~ Las Vegas, NV
Grand Casino Tunica ~ Tunica, Mississippi	Fiesta Henderson ~ Las Vegas, Nevada
Las Vegas Hilton ~ Las Vegas, Nevada	Fiesta Rancho Casino Hotel ~ Las Vegas, Nevada
Oshea's ~ Las Vegas, Nevada	Green Valley Ranch Resort & Spa ~ Las Vegas, NV
Paris Las Vegas ~ Las Vegas, Nevada	Palace Station Hotel & Casino ~ Las Vegas, Nevada
Reno Hilton ~ Reno, Nevada	Santa Fe Station Hotel Casino ~ Las Vegas, Nevada
Sheraton Casino ~ Tunica, Mississippi	Sunset Station Hotel & Casino ~ Las Vegas, Nevada
Peppermill, Inc.:	Texas Station Gambling Hall & Hotel ~ Las Vegas, NV
Peppermill Hotel Casino ~ Reno, Nevada	Stratosphere Casino Hotel & Tower ~ Las Vegas, Nevada
Western Village Inn & Casino ~ Sparks, Nevada	Terrible's Casino Hotel ~ Las Vegas, Nevada
Penn National Gaming, Inc.	Thunder Valley Casino ~ Lincoln, California
Boomtown Casino ~ Biloxi, Mississippi	Treasure Bay Casino Resort ~ Biloxi, Mississippi
Casino Magic ~ Bay St. Louis, Mississippi	Tropicana Hotel Casino ~ Las Vegas, Nevada
Pinnacle Entertainment, Inc.:	Tuscany Hotel & Casino ~ Las Vegas, Nevada
Boomtown Hotel • Casino • RV Park ~ Reno, Nevada	Venetian Resort Hotel Casino ~ Las Vegas, Nevada
Casino Magic ~ Biloxi, Mississippi	WMS Gaming Inc. ~ Waukegan, Illinois
Boomtown Casino ~ Bossier City, Louisiana	Wild Game NG:
R&R Advertising	Siena Hotel Spa & Casino ~ Reno, Nevada
Rail City Casino ~ Sparks	Wynne Resorts, LTD ~ Las Vegas, Nevada
Ramada Express Hotel & Casino ~ Laughlin, Nevada	Zeh Saint-Aubin Spoo ~ Reno, Nevada

Harrah's Kansas Proposal for Sumner County

My Function in this review process is to:

- 1) Evaluate financial stability based on current corporate structure
- 2) Evaluate financial stability based on :
 - a. Financial liquidity
 - b. Financial solvency
 - c. Future commitments

Any financial analysis needs a comparative peer group base for the evaluation process. All current gaming jurisdictions provide analysis on a property basis, size or gaming revenues. Evaluation on a corporate level does not provide the same segmentation. There are a wider range of sizes and industry segments. It is more difficult to define peer groups.

Peer group composite

Different investment bankers and analysts create different peer groups. Casino type businesses could fall into the service industry, the entertainment industry, or the hospitality industry. Within these groups can be different sub-groups. One of the common groups used by gaming analysts is the “service industry” with a “Casino and Gaming” subgroup.

This subgroup currently consists of 60 different companies.¹ The top 20 of these corporations have market capitalization of \$100 million or more². The top corporations include several corporations who have submitted proposals: (June 11, 2008)

	Millions
1. Las Vegas Sands Corp. (LVS)	\$19,111
2. MGM Mirage (MGM)	11,797
3. Wynn Resorts, Limited (WYNN)	9,898
4. International Gaming Technology (IGT)	9,712
5. Melco PBL (MPEL)	4,359
6. Penn National Gaming (PENN)	3,729
13. Pinnacle Entertainment, Inc (PNK)	736

One of the largest casino companies in the world, Harrah's, is missing because it has been bought out by a private group of Investors (Hamlet Holdings) for a sum over \$29 billion. Before the takeover by Hamlet Holdings, Harrah's spent the last five years, buying up other well known major casino properties such as Bally's, Caesars, The Flamingo, Harvey's, Imperial Palace, Rio, and Showboat. It currently has over 51 properties around the world with the majority of them in the United States and England.

¹ I use information provided by Reuters Research, which is based on this composite of 60 firms. It also appears that Standard & Poor's also uses this composite. Note that these composites can be different for other financial research.

² Market capitalization represents the current market price times the total number of shares outstanding. The Casino and Gaming market price has decreased by 41% compared to S&P 1500 which declined by 13%.

The MGM Mirage is considered Harrah's major competitor. They have 23 wholly owned casino properties plus 3 other joint ventures. Included in the group of properties are the casinos once owned by Wynn and Circus Circus.

The composition of this group includes International Gaming Technology (IGT) (\$7.9 b), a company that does not own one single casino. Other companies include Great American Financial Corp. and Medical Institutional Services Corporation. Great American Financial Corp., formerly known as Interactive Gaming and Communications Corp., is a holding company that conducts business in the gaming industry through Intersphere Communications, Ltd. (PA), a software development, marketing and Internet communications company specializing in the Internet market. Medical Institutional Services Corp, formerly Go Call, Inc., together with its wholly owned subsidiaries, Go Cash, Ltd. and Go Call Canada, Inc.(\$290,000), is principally a provider of services to businesses engaged in electronic commerce on the Internet (e-commerce).

A analysis of corporations who have submitted Kansas proposals provide a sense of the diversity of the corporations and the problem with using any type of industry norms for comparative analysis.

Comparative Financial Information

At 12/31/2007	In 000's				
	Harrah's	Sands	Penn	Pinnacle	Butler Nat. Co.
Total Assets	23,357,700	11,466,517	4,967,032	2,193,544	20,444
Total Equity	6,626,900	2,260,274	1,120,962	1,052,359	10,648
Total Cld + ltd	12,440,400	7,572,330	2,974,922	841,301	6,971
Market Capitalization 7-14		14,280,900	2,117,000	562,370	25,850
Sales	10,825,200	2,950,567	2,565,737	1,068,790	14,681
Net income before Taxes	892,500	138,279	292,240	(1,851)	717
Return on Income	8.24%	4.69%	11.39%	-0.17%	4.88%
Return on Assets	3.82%	1.21%	5.88%	-0.08%	3.51%
Return on Equity	13.47%	6.12%	26.07%	-0.18%	6.73%
Current Ratio	93.01%	92.35%	61.29%	132.77%	203.12%
Debt/Equity	187.73%	335.02%	265.39%	79.94%	65.47%

As shown from the above table, the proposals have come from Harrah's, the giant in the industry with total assets exceeding \$23 billion, compared to Butler national with only \$20 million in assets. Comparison of other financial strengths shows complete disparity in all categories of corporations. A substantial amount of the growth in the industry has

been financed by way of debt.³ The industry norm is sitting at 2.4 times. As can be seen, many of the current proposals come from companies that are highly leveraged. In the current economic environment, this could be a real deal breaker.

Needless to say, with all the mergers and takeovers, and developments within the industry, there are many highly leveraged corporations that are susceptible to the current downturn of the economy. Current headlines include the following.

- 1) NEW YORK, June 10 (AP) - Shares of Las Vegas Sands Corp. fell to its lowest point in two years Tuesday after two analysts raised concerns about the health of the casino operators' key markets, Las Vegas and Macau.
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3

Debt-Laden Casinos Squeezed by Slowdown By TAMARA AUDI and JEFFREY MCCracken
July 1, 2008; Page A1: Wall Street Journal

Corporate Structure

Gaming Zone:	South Central	
County:	Sumner	
Property Name:	Harrah's Kansas	
Company Name:	Sumner Gaming Joint Venture, LLC	
Parent Company:	Harrah's Sumner Investment Company, LLC	40%
	Sumner Gaming and Resorts, L.C.	60%

“Harrah’s Kansas” will be the operating casino of a joint venture company called Sumner Gaming Joint Venture consisting of Sumner Gaming and Resorts, L.C. and Harrah’s Sumner Investment Company, LLC. **The Harrah’s Sumner Investment Company LLC is the 40% Non-Managing Member.** It is a subsidiary of Harrah’s Operating Company Inc., a 100% owned subsidiary of Harrah’s Entertainment, Inc.

Sumner Gaming and Resorts, L.C. is a newly formed limited liability company formed in Kansas in August 2007. The company consists of a group of individual investors. **Sumner Gaming and Resorts will act as the managing Member with a 60% ownership interest.** Their responsibilities, subject to input and consultation with Harrah’s Sumner Investment Company will be to:

- manage the local aspects of the development of the Project e.g. obtaining utility services zoning permits, land use approvals and other entitlements
- act as the general contractor with regard to the development of the Project
- engage Harrah’s or an affiliate of Harrah’s to be the sole and exclusive manager of the Project pursuant to Management Agreement and
- engage Harrah’s or an affiliate of Harrah’s to provide construction management services pursuant to professional services agreement

Sumner Gaming and Resorts, L.C.

Sumner Gaming and Resorts L.C is a newly-formed Kansas limited liability company created in August 2007. Its members and their ownership interest are as follows:

Member	Ownership Interest
Bruce Christenson, Managing Member	28.333%
Bruce McPherson, Non-Managing Member	28.333%
Michael McPherson, Non-Managing Member	28.333%
Jeffrey Ungerer, Managing Member	4.166%
James Walker, Managing Member	8.333%
Miscellaneous Ownership Interest	2.502% *

*with no individual interest equal to or exceeding 0.5% of the Applicant

The Harrah's Sumner Investment Company LLC

Harrah's Operating Company, Inc. is the sole limited liability company member of Harrah's Entertainment, and 100% owner of both Harrah's Sumner Management Company LLC and Harrah's Sumner Investment Company LLC with power to control these LLCs. The Investment Company will have a non-management role and supply an equity contribution. The Harrah's Sumner Management Company LLC will operate as the management of the new casino, subject to ownership control by Sumner Gaming and Resorts. Effective January 28, 2008, Harrah's Entertainment Inc. became a privately held corporation when the company was formally purchased by Hamlet Holdings.

Overview of Sumner Gaming and Resorts, L.C.

Sumner Gaming and Resorts L.C is newly-formed limited liability company. Its major stockholders, Bruce Christenson, Bruce McPherson, and Michael McPherson have spent a life-time specializing in the development of residential and commercial real estate. All the stockholders have Kansas connections. **Sumner Gaming and Resorts will act as the managing Member with a 60% ownership interest.** With controlling interest, they will make the major policy decisions. The Harrah Management Group will be running the operational component of the casino hotel resort.

All the stockholders have provided net worth statements as well as tax returns for the last four years. It appears that they have the ability to contribute their share of the equity contribution needed for this project.

The combined joint venture of Sumner Gaming and Resorts with Harrah's Sumner Investment Company and with Harrah's Sumner Management Company managing the new casino, should result in a very viable investment combination.

Overview of Harrah's Entertainment, Inc.

Harrah's Entertainment considers itself to be one of the world's largest casino entertainment providers. Their business is primarily conducted through a wholly-owned subsidiary, Harrah's Operating Company, Inc. Harrah's owns, operates, and/or manages 51 casinos (under such names as Bally's, Caesars, Harrah's, Horseshoe, Rio, and its London Clubs casinos in the UK), primarily in the US and the UK. Operations include a wide range of venues for delivering gaming, including casino hotels, dockside and riverboat casinos, and Native American gaming establishments. It included operations in 12 different states in the United States. It includes mid-west properties in Kansas City and St. Louis, Missouri. Additional mid-west properties are in Illinois, Indiana, and Iowa.

Harrah's casino entertainment facilities include 32 land-based casinos, 12 riverboat or dockside casinos, three managed casinos on Indian lands, one combination thoroughbred racetrack and casino, one combination greyhound racetrack and casino, one combination harness racetrack and casino and one managed casino in Canada. The 32 land-based casinos include one in Uruguay, ten in the United Kingdom, two in Egypt and one in South Africa.

In 2005, Harrah's acquired rival Caesars Entertainment for \$9.4 billion in cash, stock, and debt. The transaction added 15 additional casinos around the world. The company assigned over \$2 billion goodwill. The deal cemented Harrah's as the world's largest gaming company, jumping over the merged MGM MIRAGE/Mandalay combination. Additional acquisitions since 2005 include the Imperial Palace in Las Vegas for \$373 million, London Clubs for \$591 million (which added 10 more properties), and the former Barbary Coast (now Bill's Gambling Hall) on the Las Vegas Strip at a cost of \$371 million.

In recent years, with fewer new markets opening for development, competition in existing markets has intensified. Many casino operators, including Harrah's, have invested in expanding existing facilities, developing new facilities, and acquiring established facilities in existing markets. This expansion has increased competition and this intense competition can be expected to continue.

Until January 28, 2008, the common stock of Harrah's Entertainment was traded on the New York Stock Exchange under the symbol "HET." On December 19, 2006, the board of directors approved and entered into an Agreement and Plan of Merger, (the "Merger Agreement," and the transactions contemplated thereby, the "Merger") by and among Hamlet Holdings LLC, a Delaware limited liability company ("Hamlet Holdings"), Hamlet Merger Inc., a Delaware corporation and a wholly-owned subsidiary of Hamlet Holdings ("Merger Sub") and Harrah's pursuant to which Hamlet Holdings would acquire all of the outstanding shares of common stock for \$90.00 per share. Hamlet Holdings is controlled by certain individuals affiliated with Apollo Global Management, LLC and TPG Capital, L.P. (collectively, the "Sponsors"). The Merger was completed on January 28, 2008. As a result of the Merger, the issued and outstanding shares of non-voting common stock and the non-voting preferred stock of Harrah's are owned by entities affiliated with the Sponsors and certain co-investors and members of management, and the issued and outstanding shares of voting common stock of Harrah's are owned by Hamlet Holdings. The Merger, the financing transactions related to the Merger and other related transactions consummated on January 28, 2008, had a transaction value of approximately \$29.7 billion.

Financial Position at 12/31/2007 and 3/31/2008

Harrah's Entertainment Earnings

Harrah's has been one of the top casino industry companies for many years. Part of their professional image was the result of a management development system that started from the first day an employee was hired. Each employee was indoctrinated with the Harrah's philosophy of customer service being the first priority. Each step up the corporate ladder required extensive training for all the management team. This has resulted in one of the most professional and knowledgeable management teams across each property as well as in corporate offices. The company is in fact the leader for the casino industry in total generation of revenues.

For the year ended 2007, as shown in Exhibit 1, Harrah's generated over \$10.8 billion in revenues. Its closest competitor, MGM Mirage was at \$7.6 billion and the next competitor, Las Vegas Sands, generated \$3.4 billion.

Exhibit 1 reveals that, for the years 2004 to 2007, revenues more than doubled for Harrah's. But, at the same time, Exhibit 1 shows that while revenues and earnings were

growing, the growth rate fell each year. Revenues and earnings dropped for the first time in the initial quarter of 2008. The major contribution to the first 2008 quarterly loss was the merger expenses (\$142 m) and interest expenses of \$557 million.

Exhibit 1: Earnings							
In millions							
	1stQt2008	1stqt2007	2007	2006	2005	2004	
Revenues	2,600.60	2,655.60	10,825.20	9,673.90	7,010.00	4,396.80	
Income before taxes	-359.10	2,273.60	892.50	834.80	554.10	513.00	
% earned before taxes	-0.14	0.86	0.08	0.09	0.08	0.12	
Annual Revenue growth rate	-0.0207		0.1190	0.3800	0.5943		
Earnings growth rate	-1.1579		0.0691	0.5066	0.0801		

Financial Viability

An analysis of the balance sheet and the cash flow statement provides evidence of possible trends and the ability to maintain a going concern. Liquidity ratios are used to measure the firm's ability to meet current obligations whereas solvency ratios tend to provide an indication of possible future cash flow problems.

Liquidity

The most common measure of a firm's ability to meet its current commitments is the current ratio. It compares current assets to current liabilities. The casino and gaming industry current ratio norm is 1.6. A look at Exhibit 2 demonstrates that Harrah's is below the norm (0.93) and has been dropping over the last few years.

On the other hand, Exhibit 2 finds that cash flow from operations (CFO) has increased each year since 2004. Harrah's has met its current operational needs and has cash left over to meet other commitments. Exhibit 2 shows that cash flows from operations (CFO) jumped from \$763 million in 2004 to nearly double that amount at \$1.5 billion in 2007.

But, recent news stories appear to indicate the highly leveraged company may be in trouble due to the impact of the current economy⁴. Harrah's in January completed a \$17.3 billion buyout by private equity firms Apollo Global Management LLC and TPG Capital LP which was financed by more than \$11 billion in debt. "They pushed it to the limit in terms of leveraging up and I feel its probably not getting any better," said Gimme Credit analyst Kim Noland. "Even though they throw up a lot of cash, they've got

⁴ (NEW YORK, June 17 (Reuters) - Harrah's Entertainment Inc's debt may weaken from already distressed levels as heavy capital spending and interest payments absorb cash flows at a time when the casino operator is also facing declining gambling revenues.

interest and maintenance capex that are going to eat up the positive, and then they'll have to go negative to fund its development capital spending," she said⁵.

Exhibit 2 provides information on the interest coverage ratio. It indicates the number of times that earnings before interest and taxes can meet current interest expenses. Given its large debt, it is below the industry norm of 3.6.

Exhibit 2: Liquidity Ratios

	1stQt2008	1stqt2007		2007	2006	2005	2004
Current Ratio	1.14	0.90		0.93	0.73	1.02	1.04
CFO	490	335		1,509	1,540	595	763
CFO/NI	-1.36	0.15		1.69	1.84	1.07	1.49
CFO/ CL	0.25	0.19		0.84	0.69	0.37	1.01
Interest Coverage	0.36	13.24		2.11	2.25	2.16	2.90

Solvency Ratios

Exhibit 3 provides a series of ratios that address the firm's ability to maintain financial flexibility in the future. An increasing amount of debt by a firm results in higher risk of not meeting future commitments when and if the economy turns sour. In the long run, a firm must be able to generate enough excess cash to not only run its operations but to also meet investment and financing commitments. The debt/equity Casino and Gaming industry norm is 2.4 whereas the norm for the service industry is only 1.2 and that for the S&P 500 is 0.8. This vast difference in norms would indicate the casino industry has grown by way of financing its acquisitions with debt instead of equity and that they are highly leveraged. Harrah's, for the last 3 years has been below the industry norm but still higher than the norm in other industries. The completion of the proposed merger that resulted in the restructuring of debt, added over \$11 billion in additional debt. A look at the first quarter 2008 debt/equity ratios finds a dramatic increase to 6.13 from the 2007 balance of 1.88. Recent headlines suggest that the downturn of the economy may reduce the earnings and the financial stability of Harrah's.

Exhibit 3: Solvency Ratios							
	1stQt2008	1stqt2007		2007	2006	2005	2004
Debt/Equity	6.13	1.95		1.88	1.99	1.95	2.53
Debt/Assets	0.65	0.54		0.53	0.54	0.54	0.60
CFO Interest charge	0.88	1.81		1.88	2.30	1.24	2.83
CFO/LT Debt	0.02	0.03		0.12	0.13	0.05	0.15
CFO/Capital Expend	1.41	0.77		1.09	0.61	0.52	1.18
Free Cash Flow	143	-100		129	-972	-554	118

While Exhibit 2 shows the significant increases in CFO over the last few years, Exhibit 3 illustrates that Harrah's has been using large amounts on capital expenditures. The

⁵ Ibid

CFO/Capital Expenditure ratio (also the free cash flow ratio) found that for the years 2005 and 2006, capital expenditure was substantially greater than the cash generated. That means that there was additional debt incurred to cover these expenditures.

Harrah's Kansas Proposal for Sumner County

Anticipated Project Funding in millions

	Harrah's Kansas	Additional Development	Total
Project Debt	\$330	\$56	\$386
Sumner Gaming Equity	\$79	\$19	\$98
Harrah's Equity	\$76	0	\$76
Total	\$485	\$75	\$560

The Sumner county proposal provides a 365 room hotel with a 69,000 square foot casino handling 2,000 slots and 50 table games. The company plans on contributing \$174 million in equity funding with Harrah's Sumner Investment Company funding \$76 million and Sumner Gaming and Resorts funding \$98 million. The remaining \$386 million is expected to be funded through Wells Fargo. A letter from Wells Fargo (Section II p11) indicates high confidence in its ability to put in place financing for this project. Expectations are that it will take the form of a senior secured revolving credit facility and a senior secured construction loan.

Harrah's equity contribution will be financed through a draw on the company's revolving credit facility. As of March 31, 2008, \$7.25 billion in borrowings was outstanding under the Credit Facilities with an additional \$0.2 billion committed to back letters of credit. After consideration of these borrowings and letters of credit, \$1.8 billion of additional borrowing capacity was available to the Company under the Credit Facilities as of March 31, 2008.

The Sumner equity contribution will be financed through cash contributions by the owners of Sumner Gaming and Resorts, L.C. The Sumner Gaming and Resort LC financial template shows an initial equity contribution of \$1.2 million. Additional expected contributions by members total up to \$39 million. This is still \$29 million short of the proposal's expected contributions. No additional discussion is provided on the funding shortage. The submitted proposal suggests that the bulk of this cash will be from existing personal cash or other liquid investments and/or personal lines of credit. See the confidential report on the net worth of these investors.

Additional Considerations

In connection with the Merger, as of March 31, 2008, \$7.7 billion of debt was retired, \$4.6 billion, of debt was retained and \$20.5 billion of new debt was issued. The current contractual debt obligations are \$25.2 billion.

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Exhibit 4: Future payments					
Per the March 31, 2008 10-Q					
Contractual Obligations(a)	Total	Less 1yr	1-3 yrs	4-5 yrs	>5 yrs
Debt	25,230.10	72.9	1,339.30	644.80	23,173.10
Capital lease obligations	2.7	1.0	1.6	0.1	
Estimated interest payments(c)	13,999.00	1,629.20	3,506.80	3,308.80	5,554.20
Operating lease obligations	2,447.30	95.4	146.6	131.8	2,073.50
Purchase orders obligations	82.9	82.9	—	—	—
Guaranteed payments to State of Louisiana	134.8	60	74.8	—	—
Community reinvestment	130.5	6.3	12.7	12.3	99.2
Construction commitments	1,289.60	1,289.60	—	—	—
Entertainment obligations	132.8	59.2	66.9	3.9	2.8
Other contractual obligations	100.2	55.2	9.2	5.7	30.1
Total	43,549.90	3,351.70	5,157.90	4,107.40	30,932.90

Exhibit 4 provides the expected future cash payments as of January 28, 2008 after adjusting for the new debt structure. Total future payments went from \$19.125 B to \$43.549 B.

Additional Construction Costs

Per submitted materials

Harrah's Atlantic City Expansion	\$585
Horseshoe Hammond Expansion in Indiana	\$485
Caesars Palace Expansion in Las Vegas	\$1,000
Margaretville in Biloxi, Mississippi	\$704

Total additional Funds	\$2,774

Concluding Points for Consideration

Positives

1. Harrah's is the largest gaming corporation in the world with 2007 revenues more than \$10.8 billion. The MGM Mirage is next at \$7.6 billion.
2. Total assets are in excess of \$37 billion.
3. Has consistently been one of the most profitable corporation in the industry.
4. Has a \$9.2 billion credit line to draw from and \$1.8 billion currently available.
5. Generating positive cash flow from operations.
6. CFO in 2007 was over \$1.5 billion.

Negatives

1. Current Ratio has a negative trend
2. Refinancing of debt leaves company very leveraged.
3. Total debt in excess of \$25 billion
4. Interest charges continue to increase
5. Capital expenditures exceed the CFO forcing company to utilize more debt financing.
6. No longer a publically traded company.
7. Debt and interest payments will use large amounts of CFO.

Additional factors

1. Owns or operates 51 casino operations world wide.
2. Very organized, very structured and professional
3. Has experience in running a diverse group of gaming properties
4. Has equivalent gaming properties in neighboring states.

Penn National Proposal for Sumner County

My Function in this review process is to:

- 1) Evaluate financial stability based on current corporate structure
- 2) Evaluate financial stability based on :
 - a. Financial liquidity
 - b. Financial solvency
 - c. Future commitments

Any financial analysis needs a comparative peer group base for the evaluation process. All current gaming jurisdictions provide analysis on a property basis, size or gaming revenues. Evaluation on a corporate level does not provide the same segmentation. There are a wider range of sizes and industry segments. It is more difficult to define peer groups.

Peer group composite

Different investment bankers and analysts create different peer groups. Casino type businesses could fall into the service industry, the entertainment industry, or the hospitality industry. Within these groups can be different sub-groups. One of the common groups used by gaming analysts is the “service industry” with a “Casino and Gaming” subgroup.

This subgroup currently consists of 60 different companies.¹ The top 20 of these corporations have market capitalization of \$100 million or more². The top corporations include several corporations who have submitted proposals: (June 11, 2008)

	Millions
1. Las Vegas Sands Corp. (LVS)	\$19,111
2. MGM Mirage (MGM)	11,797
3. Wynn Resorts, Limited (WYNN)	9,898
4. International Gaming Technology (IGT)	9,712
5. Melco PBL (MPEL)	4,359
6. Penn National Gaming (PENN)	3,729
13. Pinnacle Entertainment, Inc (PNK)	736

One of the largest casino companies in the world, Harrah's, is missing because it has been bought out by a private group of Investors (Hamlet Holdings) for a sum over \$29 billion. Before the takeover by Hamlet Holdings, Harrah's spent the last five years, buying up other well known major casino properties such as Bally's, Caesars, The Flamingo, Harvey's, Imperial Palace, Rio, and Showboat. It currently has over 51 properties around the world with the majority of them in the United States and England.

¹ I use information provided by Reuters Research, which is based on this composite of 60 firms. It also appears that Standard & Poor's also uses this composite. Note that these composites can be different for other financial research.

² Market capitalization represents the current market price times the total number of shares outstanding. The Casino and Gaming market price has decreased by 41% compared to S&P 1500 which declined by 13%.

The MGM Mirage is considered Harrah's major competitor. They have 23 wholly owned casino properties plus 3 other joint ventures. Included in the group of properties are the casinos once owned by Wynn and Circus Circus.

The composition of this group includes International Gaming Technology (IGT) (\$7.9 b), a company that does not own one single casino. Other companies include Great American Financial Corp. and Medical Institutional Services Corporation. Great American Financial Corp., formerly known as Interactive Gaming and Communications Corp., is a holding company that conducts business in the gaming industry through Intersphere Communications, Ltd. (PA), a software development, marketing and Internet communications company specializing in the Internet market. Medical Institutional Services Corp, formerly Go Call, Inc., together with its wholly owned subsidiaries, Go Cash, Ltd. and Go Call Canada, Inc.(\$290,000), is principally a provider of services to businesses engaged in electronic commerce on the Internet (e-commerce).

A analysis of corporations who have submitted Kansas proposals provide a sense of the diversity of the corporations and the problem with using any type of industry norms for comparative analysis.

Comparative Financial Information

	In 000's				
	Harrah's	Sands	Penn	Pinnacle	Butler Nat. Co.
Total Assets	23,357,700	11,466,517	4,967,032	2,193,544	20,444
Total Equity	6,626,900	2,260,274	1,120,962	1,052,359	10,648
Total Cld + ltd	12,440,400	7,572,330	2,974,922	841,301	6,971
Market Capitalization 7-14		14,280,900	2,117,000	562,370	25,850
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been financed by way of debt.³ The industry norm is sitting at 2.4 times. As can be seen, many of the current proposals come from companies that are highly leveraged. In the current economic environment, this could be a real deal breaker.

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July 1, 2008; Page A1: Wall Street Journal

Corporate Structure

Gaming Zone:	South Central
County:	Sumner County
Property Name:	Hollywood Casino-Wellington
Company Name:	Penn Sumner, LLC
Parent Company:	Penn National Gaming
Ownership:	100%

Overview of Penn National Gaming, Inc.

Penn National Gaming, Inc. ("Penn") and subsidiaries (collectively, the "Company") is a diversified, multi-jurisdictional owner and operator of gaming and pari-mutuel properties. Penn is the successor to several businesses that have operated as Penn National Race Course since 1972. Penn was incorporated in Pennsylvania in 1982 as PNRC Corp. and adopted its current name in 1994, when the Company became a public company. In 1997, the Company began its transition from a pari-mutuel company to a diversified gaming company with the acquisition of the Charles Town property and the introduction of video lottery terminals in West Virginia. Since 1997, the Company has continued to expand its gaming operations through strategic acquisitions, including the acquisitions of Hollywood Casino Corporation in March 2003, Argosy Gaming Company ("Argosy") in October 2005, Black Gold Casino at Zia Park in April 2007, and Sanford-Orlando Kennel Club in October 2007.

Penn National Gaming is one of the leading companies in the Casino and Gaming sub-industry of the service industry. It represents one of 60 companies in the casino and gaming sector. Based on market capitalization, the Las Vegas Sands (\$23.5 billion) is ranked number one with the MGM Mirage (\$13.1 billion) in second place. Penn National follows in sixth place with a market capitalization of \$3.9 B. (It has currently dropped to \$2.67 B.)

The Company now owns or operates nineteen facilities in fifteen jurisdictions, including Colorado, Florida, Illinois, Indiana, Iowa, Louisiana, Maine, Mississippi, Missouri, New Jersey, New Mexico, Ohio, Pennsylvania, West Virginia, and Ontario.

Financial Position at 12/31/2007 and 3/31/2008

Penn National Gaming Corporate Earnings

The financial strength of any corporation is the ability to generate positive earnings and cash flows to meet its current and long term obligations. Exhibit 1 shows that Penn has been able to generate a steady growth in revenues for all years including the first quarter of this year despite the downturn of the economy. Exhibit 1 shows that Penn has had an average revenue growth rate of 28% per year between 2004 and 2007. Penn acknowledges that most of the properties operate in mature competitive markets and as a

result, they expect future growth to come from prudent acquisitions of gaming properties, jurisdictional expansions (such as in Pennsylvania, Maine and Kansas) and property expansion in under-penetrated markets (Lawrenceburg property).

A higher cost of goods along with an increase in interest expenses has resulted in decreased earnings in 2007 and the first quarter of 2008. Compared with the casino and gaming industry average pre-tax return on revenues of 7.9%, Penn National has been able to maintain an 11% return since 2004.

Exhibit 1: Revenues	1 st Q 2008	1 st Q 2007	2007	2006	2005	2004
Revenues	646,146	626,337	2,565,737	2,351,463	1,486,406	1,205,515
Income before Tax	72,726	77,121	292,240	369,932	141,770	137,628
Before Tax Return %	.11	.12	.11	.16	.10	.11

But, all is not rosy with Penn National. A closer look at the properties shows that many of them are having declines in revenue. This has been offset by the new acquisitions and new openings of properties. Exhibit 2 shows that while net revenues increased \$17.2 million (from \$596 m to \$613 m), or 2.9%, for the three months ended March 31, 2008, as compared to the three months ended March 31, 2007, it was primarily due to the opening of the casino at Hollywood Casino at Penn National Race Course, the acquisition of Black Gold Casino at Zia Park and Sanford-Orlando Kennel Club, and the opening of the Argosy Casino Riverside hotel. These increases were offset by decreases in net revenues at 8 of the 13 older properties. This included big declines at Empress Casino Hotel, Hollywood Casino Aurora and Argosy Casino Alton. Penn suggests that the decreases were due to competitive pressures and the impact of the Illinois smoking ban that became effective on January 1, 2008. The firm also believes that the current economic conditions also played a role. Income from operations was even worse as 12 properties showed reduced earnings.

Exhibit 2: The results of operations by property for the three months ended March 31, 2008 and 2007

Three Months Ended March 31,	Net Revenues		Income (loss) from Operations	
	2008	2007	2008	2007
	(in thousands)			
Charles Town Entertainment Complex	\$ 122,512	\$ 119,596	\$ 29,645	\$ 30,723
Argosy Casino Lawrenceburg	118,244	121,858	34,889	37,414
Hollywood Casino Aurora	53,626	64,500	14,072	18,332
Empress Casino Hotel	44,644	59,613	6,380	10,601
Argosy Casino Riverside	46,801	41,715	12,353	10,007
Hollywood Casino Baton Rouge	34,766	34,881	11,986	12,587
Argosy Casino Alton	22,697	30,863	3,607	6,756
Hollywood Casino Tunica	24,562	26,596	4,556	5,004
Hollywood Casino Bay St. Louis	25,441	23,484	2,161	1,239
Argosy Casino Sioux City	14,271	14,117	3,736	3,522
Boomtown Biloxi	20,648	24,067	4,090	5,558
Hollywood Slots at Bangor	10,700	10,976	1,774	2,058
Bullwhackers	5,744	7,131	(459)	136
Black Gold Casino at Zia Park (1)	21,915	—	7,129	—
Casino Rama management service contract	3,985	3,474	3,595	3,188
Hollywood Casino at Penn National Race Course				
(2)	39,449	11,854	(1,379)	(2,115)
Raceway Park	1,587	1,533	(303)	(247)
Sanford-Orlando Kennel Club (3)	1,902	—	91	—
Earnings from Pennwood Racing, Inc.	—	—	—	—
Corporate overhead	—	—	(19,364)	(19,983)
Total	\$ 613,494	\$ 596,258	\$ 118,559	\$ 124,780

Financial Viability

An analysis of the balance sheet and the cash flow statement provides evidence of possible trends and the ability to maintain a going concern. Liquidity ratios are used to measure the firm's ability to meet current obligations whereas solvency ratios tend to provide an indication of possible future cash flow problems.

Liquidity

The most common measure of a firm's ability to meet its current commitments is the current ratio. It compares current assets to current liabilities. The casino and gaming industry current ratio norm is 1.6. A look at Exhibit 3 shows that Penn National is way below the norm at 0.61 and that this ratio has been decreasing over the last four years. A closer look at the balance sheet shows that current assets as a percentage of total assets have been declining while at the same time current liabilities have been increasing.

On the other hand, the cash flow statement provides evidence that Penn National has been able to meet its current operational needs and have plenty of cash left over to meet other commitments. Exhibit 3 provides evidence that Penn National has doubled its cash flows from operations (CFO) between 2004 and 2007. Yet, the cash flow from operations needs watching after showing a major decline for the first quarter of 2008.

Exhibit 3 also provides information on the cash interest charge ratio. It indicates the number of times that CFO can meet current interest expenses. Once again, Penn National is below the industry norm of 3.6.

Exhibit 3

Liquidity Ratios	1stQt2008	1stqt2007	2007	2006	2005	2004
Current Ratio	0.61	0.79	0.61	0.97	0.90	1.04
CFO	86,632	168,739	431,219	281,809	150,475	197,164
CFO/NI	1.19	2.19	1.48	0.76	1.06	1.43
CFO/ CL	0.18	0.47	0.87	0.68	0.44	1.18
Cash Interest Charge	2.56	2.62	2.51	2.92	2.66	2.87

Solvency Ratios

Exhibit 4 provides a series of ratios that address the firm's ability to maintain financial flexibility in the future. An increasing amount of debt by a firm results in higher risk of not meeting future commitments when the economy turns sour. It also means that a firm has less flexibility in financing choices. In the long run, a firm must be able to generate enough excess cash to not only run its operations but to also meet investment and financing commitments. The debt/equity Casino and Gaming industry norm is 2.4 whereas the norm for the service industry is only 1.2 and that for the S&P 500 is 0.8. This vast difference in norms would indicate that the casino industry has grown by way of financing its acquisitions with debt instead of equity and that they are highly leveraged. Penn National's ratio of 2.65 for 2007 provides evidence they have also taken this road to growth. It has a debt to assets ratio of .60. Analysts note that companies with debt/assets greater than 0.60 are also risky.

Exhibit 4

Solvency Ratios	1stQt2008	1stqt2007	2007	2006	2005	2004
Debt/Equity	2.62	2.90	2.65	3.07	5.10	2.16
Debt/Assets	0.60	0.62	0.60	0.63	0.66	0.53
CFO/LT Debt	0.03	0.06	0.14	0.10	0.05	0.23
CFO/Capital Expend	0.72	2.27	1.19	0.69	1.24	2.86
Free Cash Flow	-33,758	94,554	70,064	-127,074	29,340	128,207

When looking at the long term, can Penn generate enough cash to meet future commitments? The CFO/LT Debt ratio has been increasing but is still far from being able to pay off long term debt in the future. The CFO/Capital expenditure ratio indicates that the excess cash being generated can barely meet current investment needs, let alone the payment of long term debt. On the other hand, there was only one year that Penn was not able to cover its capital expenditures from operating cash flows (free cash flow).

Take-over Bid

On June 15, 2007, the Company announced that it had entered into a merger agreement that, at the effective time of the transactions contemplated thereby, would result in the Company's shareholders receiving \$67.00 per share. Specifically, the Company, PNG Acquisition Company Inc. ("Parent") and PNG Merger Sub Inc., a wholly-owned subsidiary of Parent ("Merger Sub"), announced that they had entered into an Agreement and Plan of Merger, dated as of June 15, 2007 (the "Merger Agreement"), that provides, among other things, for Merger Sub to be merged with and into the Company (the "Merger"), as a result of which the Company will continue as the surviving corporation and will become a wholly-owned subsidiary of Parent. Parent is indirectly owned by certain funds (the "Funds") managed by affiliates of Fortress Investment Group LLC ("Fortress") and Centerbridge Partners, L.P. ("Centerbridge").

Termination of Takeover Bid⁴

More than a year later (July 3, 2008), Penn announced that the \$6.1 billion takeover bid by Fortress Investment Group and Centerbridge Partners has been terminated. The end of the takeover bid could be a blessing for Penn. Under the termination agreement, Penn will receive \$1.475 billion in cash. It will consist of a break-up fee of \$225 million and a seven-year interest free loan of \$1.25 billion from the combined group of Fortress, Centerbridge, Wachovia Corp. and Deutsche Bank.

The \$1.25 billion debt will be classified as "redeemable preferred equity with a repurchase date in 2015. It can be paid off with cash, its own common stock, or a combination of the two. Preferred equity allows Penn to forgo any interest or dividend payments and if Penn uses the money to repay its debt, greatly reduces future required interest payments.

This infusion of cash will allow Penn to make a huge dent in its overleveraged debt structure of \$2.97 billion. Penn has stated that it will use the \$1.475 cash infusion to repay its existing debt and to acquire or develop additional gaming properties.

⁴ <http://www.reuters.com/articlePrint?articleId=USWNAS024420080703>; Penn National says takeover deal terminated Thu Jul 3, 2008 12:15pm EDT

Change in Balance Sheet

At 7/15/2008	3/31/2008	Addition	Pay \$1 b	Ending
New Cash from term.		1,475,000	1,000,000	475,000
cash	170,822	170,822		170,822
other current assets	115,463	115,463		115,463
total current assets	286,285	1,761,285		761,285
total fixed assets	140,740	1,404,740		1,404,740
Total other Assets	2,818,794	2,818,794		2,818,794
Total Assets	4,509,819	5,984,819		4,984,819
Total current				
Liabilities	361,243	361,243		361,243
Total long term debt	2,737,012	2,737,012	1,000,000	1,737,012
Total other liabilities	447,193	447,193		447,193
Total liabilities	3,545,448	3,545,448	1,000,000	2,545,448
Equity Debt		1,275,000		1,275,000
Equity	964,371	1,164,371		1,164,371
Total Equity		2,439,371		2,439,371
Total liab & Equity	4,509,819	5,984,819		4,984,819

Change in Ratios

	Prior Bal 3/31/2008	Addition 7/14/2008	Debt payment 7/14/2008
Current Ratio	0.61	4.88	2.11
Debt/Equity	2.62	1.12	0.71

The above charts provide possible options available to Penn management. The options are to bank the cash and then use it for possible new projects or to pay down a large portion of the debt. Either approach provides the company with major improvements in its balance sheet. The payoff of debt would also help increase earnings with reductions of interest payments. The weighted average interest rate on Penn's current debt is around 4.71%, thus a payoff of \$1 billion would reduce interest payments by \$47 million.

Needless to say, from the perspective of the Kansas Lottery Gaming Facility Review Board, the Penn proposals should now be more favorably considered. Reducing the debt will result in favorable debt/equity ratios as well as reasonable interest charges ratios.

Penn National Proposal for Sumner County

Property Name: Hollywood Casino-Wellington

Original submission

The Sumner county proposal would create a 500 room high end hotel with a 75,000 square foot casino handling 2000 slots and 50 table games. The cost would add up to \$534 million. Penn National will acquire the land at a cost of \$40 million and will pay the \$25 million license fee for a total equity contribution of \$65 million. The parent expects to cover the remaining \$469 million with a new line of credit for the LLC. This provides an equity contribution of only 12%, not likely to happen in the current market.

Revised submission

According to the July 11, 2008 presentation, Penn will do a phase in of the project. Phase 1 of the full scale casino resort includes a 350 room resort hotel. The casino would have a gaming floor of 70,000 square feet with 1,500 state of the art slots and 40 table games.

Including the \$25 million license fee, the total estimated cost for the revised submission proposal would be \$365 million.

Obviously, the infusion of the money from the failed merger can provide the needed cash for a reasonable equity investment in this Sumner county project.

As of this time, Penn has not provided a clear picture on the type of debt/equity contribution it is willing to work with. It is a question that should be addressed.

Additional Considerations

Penn National currently has \$3 billion in long term debt. It will have over \$940 million that is due within 3 years. Given the new infusion of cash from its failed merger, it should not need to worry much about meeting these future commitments.

Exhibit 5: Long-term Debt

Long-term debt, net of current maturities, is as follows:

	March 31, 2008	December 31, 2007
	(in thousands)	
Senior secured credit facility	\$ 2,531,250	\$ 2,496,625
\$200 million 6 ⁷ / ₈ % senior subordinated notes	200,000	200,000
\$250 million 6 ³ / ₄ % senior subordinated notes	250,000	250,000
Other long-term obligations	20,158	19,810
Capital leases	8,155	8,487
	3,009,563	2,974,922
Less current maturities of long-term debt	(97,629)	(93,452)
	<u>\$ 2,911,934</u>	<u>\$ 2,881,470</u>

The following is a schedule of future minimum repayments of long-term debt as of March 31, 2008 (in thousands):

Within one year	\$	97,629
1-3 years		847,490
3-5 years		1,812,544
Over 5 years		251,900
Total minimum payments	\$	<u>3,009,563</u>

Possible write downs of goodwill and intangible assets.

An analysis of the asset side of the balance sheet shows that Penn National has assets in excess of \$5 billion. A closer look finds that fixed assets total \$1.7 billion (35% of total assets). Close to 59% of the assets are classified as goodwill (\$2 billion) and intangible assets (\$818 million).⁵ If earnings continue to decline for certain properties, there is a good possibility that these goodwill and intangible assets would warrant possible write downs. Companies loaded with goodwill and intangible assets tend to raise red flags to the credit community. Creditors are looking for tangible assets that can be used as collateral. Penn National may have problems in the current economy in getting an increase in its lines of credit.

Additional Projects

The following table summarizes the expected capital project expenditures, other than capital maintenance expenditures and planned expenditures related to projects that have not yet been awarded, such as in Cherokee County and Sumner County, Kansas, by property for the year ended December 31, 2008, as well as the projects in their entirety:

Property	December 31, 2008	Project Total
	(in millions)	
Charles Town Entertainment Complex	\$ 16.0	\$ 23.0
Hollywood Casino at Penn National Race Course	87.0	326.0
Hollywood Slots at Bangor	87.0	139.0
Argosy Casino Lawrenceburg	102.0	328.0
Other	17.0	17.0
Totals	\$ 309.0	\$ 833.0

⁵ Goodwill represents the excess value paid above the fair value of the purchased assets.

Concluding Points for Consideration

Positives

1. Healthy growth rate in revenues.
2. Healthy growth rate in earnings.
3. Healthy growth rate in cash flows from operations (CFO).
4. CFO has exceeded capital expenditures.
5. Failed merger generates \$1.475 billion in cash.
6. The additional cash flow changes the financial flexibility of company.

Negatives

1. Maintains extremely low current ratio
2. Currently has high debt/equity ratio
3. First quarter cash flow significantly down
4. For current project, has not clearly defined its debt/equity financing approach.

Additional factors

1. One of the top Casino Corporations in America
2. Owns or operates nineteen facilities in fifteen jurisdictions
3. Has experience in running smaller properties
4. Has large number of employees and managers
5. After the failed merger, has the cash and or financing to close a deal for either of its projects.
6. Has cut back its original plans and is doing a two phase project. Taking a very conservative approach toward competition.

Proposal for Sumner County by Marvel Gaming, LLC

My Function in this review process is to:

- 1) Evaluate financial stability based on current corporate structure
- 2) Evaluate financial stability based on :
 - a. Financial liquidity
 - b. Financial solvency
 - c. Future commitments

Any financial analysis needs a comparative peer group base for the evaluation process. All current gaming jurisdictions provide analysis on a property basis, size or gaming revenues. Evaluation on a corporate level does not provide the same segmentation. There are a wider range of sizes and industry segments. It is more difficult to define peer groups.

Peer group composite

Different investment bankers and analysts create different peer groups. Casino type businesses could fall into the service industry, the entertainment industry, or the hospitality industry. Within these groups can be different sub-groups. One of the common groups used by gaming analysts is the “service industry” with a “Casino and Gaming” subgroup.

This subgroup currently consists of 60 different companies.¹ The top 20 of these corporations have market capitalization of \$100 million or more². The top corporations include several corporations who have submitted proposals: (June 11, 2008)

	Millions
1. Las Vegas Sands Corp. (LVS)	\$19,111
2. MGM Mirage (MGM)	11,797
3. Wynn Resorts, Limited (WYNN)	9,898
4. International Gaming Technology (IGT)	9,712
5. Melco PBL (MPEL)	4,359
6. Penn National Gaming (PENN)	3,729
13. Pinnacle Entertainment, Inc (PNK)	736

One of the largest casino companies in the world, Harrah's, is missing because it has been bought out by a private group of Investors (Hamlet Holdings) for a sum over \$29 billion. Before the takeover by Hamlet Holdings, Harrah's spent the last five years, buying up other well known major casino properties such as Bally's, Caesars, The

¹ I use information provided by Reuters Research, which is based on this composite of 60 firms. It also appears that Standard & Poor's also uses this composite. Note that these composites can be different for other financial research.

² Market capitalization represents the current market price times the total number of shares outstanding. The Casino and Gaming market price has decreased by 41% compared to S&P 1500 which declined by 13%.

Flamingo, Harvey's, Imperial Palace, Rio, and Showboat. It currently has over 51 properties around the world with the majority of them in the United States and England.

The MGM Mirage is considered Harrah's major competitor. They have 23 wholly owned casino properties plus 3 other joint ventures. Included in the group of properties are the casinos once owned by Wynn and Circus Circus.

The composition of this group includes International Gaming Technology (IGT) (\$7.9 b), a company that does not own one single casino. Other companies include Great American Financial Corp. and Medical Institutional Services Corporation. Great American Financial Corp., formerly known as Interactive Gaming and Communications Corp., is a holding company that conducts business in the gaming industry through Intersphere Communications, Ltd. (PA), a software development, marketing and Internet communications company specializing in the Internet market. Medical Institutional Services Corp, formerly Go Call, Inc., together with its wholly owned subsidiaries, Go Cash, Ltd. and Go Call Canada, Inc.(\$290,000), is principally a provider of services to businesses engaged in electronic commerce on the Internet (e-commerce).

A analysis of corporations who have submitted Kansas proposals provide a sense of the diversity of the corporations and the problem with using any type of industry norms for comparative analysis.

Comparative Financial Information

	In 000's				
	Harrah's	Sands	Penn	Pinnacle	Butler Nat. Co.
Total Assets	23,357,700	11,466,517	4,967,032	2,193,544	20,444
Total Equity	6,626,900	2,260,274	1,120,962	1,052,359	10,648
Total Cltd + ltd	12,440,400	7,572,330	2,974,922	841,301	6,971
Market Capitalization 7-14		14,280,900	2,117,000	562,370	25,850
Sales	10,825,200	2,950,567	2,565,737	1,068,790	14,681
Net income before Taxes	892,500	138,279	292,240	(1,851)	717
Return on Income	8.24%	4.69%	11.39%	-0.17%	4.88%
Return on Assets	3.82%	1.21%	5.88%	-0.08%	3.51%
Return on Equity	13.47%	6.12%	26.07%	-0.18%	6.73%
Current Ratio	93.01%	92.35%	61.29%	132.77%	203.12%
Debt/Equity	187.73%	335.02%	265.39%	79.94%	65.47%

As shown from the above table, the proposals have come from Harrah's, the giant in the industry with total assets exceeding \$23 billion, compared to Butler national with only

\$20 million in assets. Comparison of other financial strengths shows complete disparity in all categories of corporations. A substantial amount of the growth in the industry has been financed by way of debt.³ The industry norm is sitting at 2.4 times. As can be seen, many of the current proposals come from companies that are highly leveraged. In the current economic environment, this could be a real deal breaker.

Needless to say, with all the mergers and takeovers, and developments within the industry, there are many highly leveraged corporations that are susceptible to the current downturn of the economy. Current headlines include the following.

- 1) NEW YORK, June 10 (AP) - Shares of Las Vegas Sands Corp. fell to its lowest point in two years Tuesday after two analysts raised concerns about the health of the casino operators' key markets, Las Vegas and Macau.
- 2) CHICAGO, June 16 (Market Watch) Airfare hikes, capacity cuts start to pinch Las Vegas. Soaring fuel prices are starting to hit home in Las Vegas as cash-strapped airlines hike fares and cut capacity at McCarran International Airport - Sin City's tourism lifeline - leading to pressure on room rates and lower spending levels by visitors.
- 3) NEW YORK, June 17 (Reuters) - Harrah's Entertainment Inc's debt may weaken from already distressed levels as heavy capital spending and interest payments absorb cash flows at a time when the casino operator is also facing declining gambling revenues.

3

Debt-Laden Casinos Squeezed by Slowdown By TAMARA AUDI and JEFFREY MCCracken
July 1, 2008; Page A1: *Wall Street Journal*

Corporate Structure

Gaming Zone:	South Central
County:	Sumner County
Property Name:	Trailhead Casino Resort
Company Name:	Marvel Gaming, LLC
Parent Company:	Same
Ownership:	Newly formed group of Investors

Marvel Gaming LLC is a newly formed LLC that includes a combination of trusts and individuals, some with excellent gaming experience that is interested in developing one of the manager properties in Kansas. This group includes 10 different members of the Binion family, seven who have set up individual trusts. Other individual equity contributors include members of the Marvel Gaming management team. They include Roger Wagner, Jon Wolfe, Dominic Polizzotto, Karen Greene, Lloyd Buzzi, and Andrew J. Astrachen.

The investors obviously think highly of the management group given that their equity investment is less than one percent, but they will have a 13% ownership.

The investors have agreed to provide an equity contribution of \$62,513,000. With total estimated project costs at \$397,669,576, the equity will be 16 percent. The debt /equity ratio would be 5, substantially over the industry norm of 2.4. Marvel gaming does have a letter from Deutsche Bank Securities signifying a high interest in putting together a financing arrangement.

Financial Strength

This is a newly formed business entity. There is no background or history. But, it is composed of a group of investors who held stock interests in the gaming property operated by the Horseshoe Holding Company until it was sold to Harrah's Entertainment in 2004. It's intended management under the leadership of Roger Wagner is the same management team that operated the Horseshoe Holding Company. Roger Wagner was the President and COO for Horseshoe and has more than 40 years of experience in the industry. His management team has a similar background.

The investors have agreed to contribute \$62,513,000. There is currently no formal documentation or agreement. The investors have provided net worth statements and tax returns for four years. The net worth statements are broken down into liquid assets and other assets. Liquid assets are those that are capable of being converted into cash in a relatively short period of time. This information is considered confidential so no specific numbers will be discussed. If additional information is needed, a spreadsheet can be developed with the relevant information. Otherwise, what can be basically said is that the group has the financial ability to support this project.

As an investment group, there are plenty of liquid assets to meet the current \$63 million commitment. There would be additional assets remaining to more than cover any cash shortages.

While not being able to evaluate the lifestyle of the investment group, their tax returns show substantial taxable income along with substantial exempt income.

Marvel Proposal for Sumner County

Per July 11, 2008 presentation

1. Cost of Project	\$407,400,000	
2. Funding of project		Percentage
Equity financing	\$ 142,600,000	35.0%
Term loan	\$138,900,000	34.3%
Second mortgage	\$125,000,000	35.0%

The Sumner proposal would create a high rise 16 story hotel with 300 extra large rooms, including 172 suites. It also includes a 75,000 square foot casino handling 2,000 slots and 50 table games. The total cost is estimated to be \$407.4 million.

Marvel is contributing equity contributions of \$142.6 million to the project which will provide a 35% investment in the project. The financing is from Deutsche Bank.

Concluding Points for Consideration

Positives

1. New entity with experienced gaming management from a competitive market of Las Vegas.
2. Willing to provide a 35% equity investment. This is a solid vote of confidence.

Negatives

1. The management team has a Las Vegas gaming experience but lacks the mid-west market experience.
2. No track record in the development of new properties.

***Kansas Lottery
Gaming Facility Review Board
South Central Gaming Zone***

July 16, 2008



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Introduction

The Kansas Lottery Gaming Facility Review Board engaged the partners of Probe Strategic Services to conduct an assessment of the ancillary development and amenities associated with the management proposals for the Lottery Gaming Facilities (LGF) located in the four gaming zones.

To conduct this analysis, Probe examined the characteristics of the market. Based upon the market customer characteristics, the available products in the market area, and the data produced in the gaming market assessments generated in Task 1, a list of possible amenities was developed. In the case of the South Central Gaming Zone, we have examined the customer characteristics in 30, 60 and 100 miles radii and rings from each of the proposed exits from I35, Exit 19 and Exit 33. However, in developing our generic amenity list, we do not use a location specific approach.

Next, we examined each proposal's amenity package by considering the appropriateness of the individual amenity to the property, market, and customer characteristics. We then reviewed the entire amenity package and its alignment with the market and the operating strategy proposed by the prospective managers.

Finally, we compared consolidated versions of the prospective managers pro-formas in relation to each other and their stated visitation estimates to ascertain any differences or identify possible inconsistencies in assumptions.

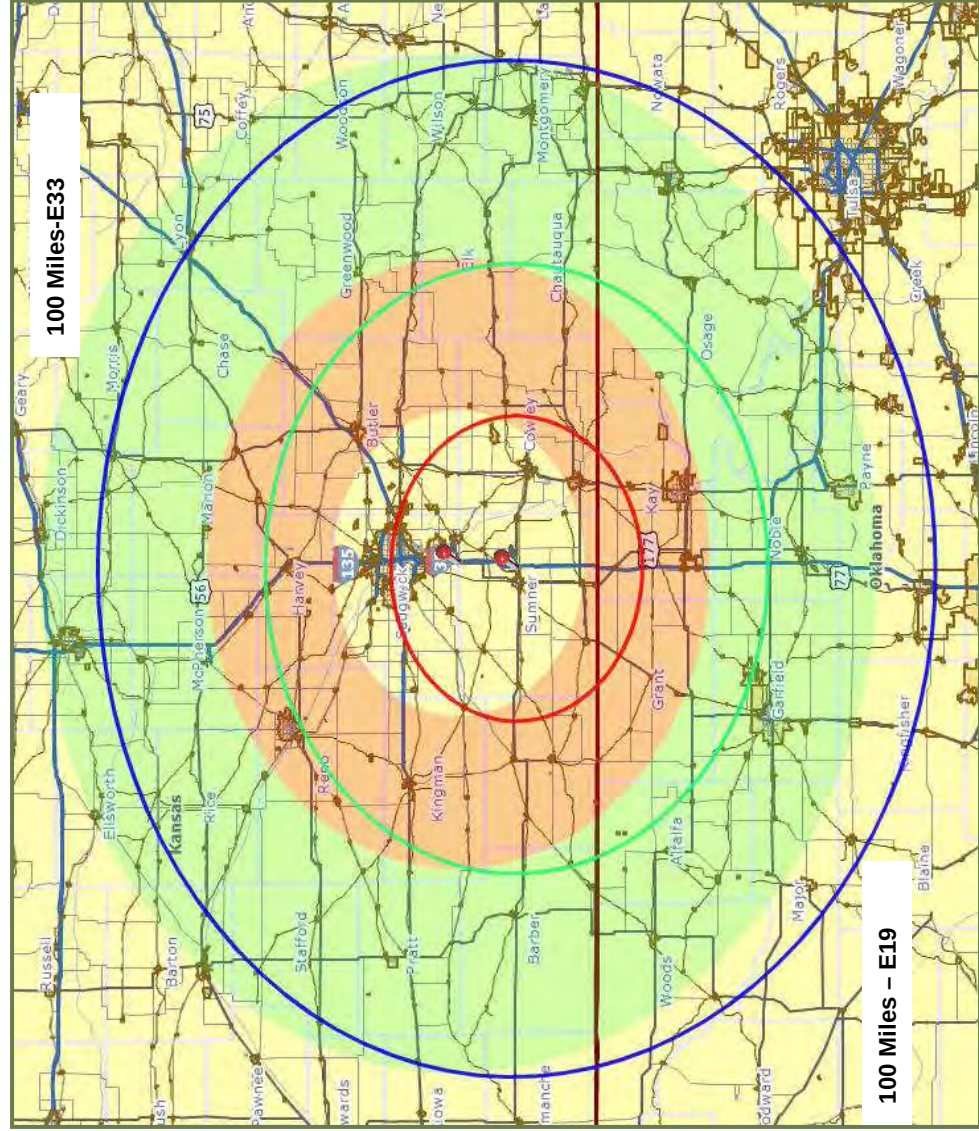
The proposals were examined in the overall context of their ability to fulfill the goals set out in Senate Bill 66:

- Maximize Revenues for the state of Kansas.
- Promote Tourism.
- Serve the best interests of the state of Kansas.

In our professional opinion, each of the amenity and ancillary development packages that are being proposed by the prospective managers are appropriate for their market and overall operating strategy and are sufficient to meet the needs of the visitor volume projected in Task 4 and by the separate market assessments presented by the applicants.

Market Assessment

Market Area



Three applications to manage a Lottery Gaming Facilities were submitted and endorsed for the South Central Gaming Zone in Sumner County. Two were proposed for locations off Exit 19 of Interstate 35 (I35), while one was proposed off Exit 33 of I35.

The closest major city to any proposed location is Wichita, KS with the major market location difference between the sites is that Exit 33 is located 14 miles closer to town compared to Exit 19.

In the regional market, the midpoint between the two proposed casino exits is located approximately 2 hours and 8 minutes from Oklahoma City, 2 hours and 18 minutes from Tulsa and 2 hours and 27 minutes from Topeka.

We have examined demographic data within radius miles from the location, using 30 mile, 60 mile and 100 mile radii. In the map to the left, the shaded areas depict the different distance radii from the Exit 33 site while the circles depict the radii from the Exit 19 site.

Data is presented for the 0-30, 0-60 and 0-100 mile radii.

Market Assessment

Demographic Composition – Population / Age

Population by Age	2008 Demographic Data Population Within						2008 Demographic Data Population Within					
	0-30 Miles			0-60 Miles			31-60 Miles			61-100 Miles		
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33
Total Population	383,685	561,342	720,678	780,854	1,234,457	1,255,419	336,993	219,512	513,779	474,565		
Average Age	35.1	35.2	36.1	36.4	37.1	36.9	37.4	39.9	38.6	38		
Adult Population Over 21	267,428	388,112	504,186	548,628	879,427	892,854	236,367	159,190	376,292	345,768		
Population 45 Years +	139,661	204,328	273,858	299,848	490,079	495,891	134,123	95,049	216,301	196,470		
Population 45 Years + %	52%	53%	54%	55%	56%	56%	57%	60%	57%	57%		

Within 30 miles of the Exit 19 location, there are 383,685 residents with an average age of 35.1 years; the comparable data from Exit 33 location is 561,342 population with an average age of 35.2 years. At this distance from Exit 19, there are 267,428 Adults over the age of 21, the comparable Adult population at Exit 33 is 388,112. 52% of the Adult population is over 45 years of age and totals 139,661 at exit 19; the comparable numbers for Exit 33 are 53% over 45 years, totaling 204,328.

Within 60 miles of the Exit 19 location, there are 720,678 residents with an average age of 36.1 years; the comparable data from Exit 33 location is 780,854 population with an average age of 36.4 years. At this distance from Exit 19, there are 504,186 Adults over the age of 21, the comparable Adult population at Exit 33 is 548,628. 54% of the Adult population is over 45 years of age and totals 273,858 at exit 19; the comparable numbers for Exit 33 are 55% over 45 years, totaling 299,848.

Within 100 miles of the Exit 19 location, there are 1,234,457 residents with an average age of 37.1 years; the comparable data from Exit 33 location is 1,255,419 population with an average age of 36.9 years. At this distance from Exit 19, there are 879,427 Adults over the age of 21, the comparable Adult population at Exit 33 is 892,854. 56% of the Adult population is over 45 years of age and totals 490,079 at exit 19; the comparable numbers for Exit 33 are 56% over 45 years, totaling 495,891.

Market Assessment

Demographic Composition - Race

Percent of Total Population by Race/Ethnicity	2008 Demographic Data Population Within						2008 Demographic Data Population Within					
	0-30 Miles			0-60 Miles			0-100 Miles			31-60 Miles		
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33
White	79%	79%	81%	81%	7%	81%	82%	83%	82%	89%	85%	85%
Black	7%	8%	7%	7%	7%	7%	5%	5%	6%	2%	3%	3%
American Indian	1%	1%	2%	2%	2%	2%	3%	2%	2%	2%	4%	4%
Asian or Pacific Islander	4%	4%	3%	3%	3%	3%	3%	3%	2%	1%	1%	2%
Some Other Race	0%	5%	5%	4%	5%	4%	5%	4%	5%	3%	4%	3%
Two or More Races	3%	3%	3%	3%	3%	3%	4%	3%	3%	3%	4%	4%
Hispanic Origin	10%	10%	9%	9%	9%	9%	7%	8%	8%	6%	4%	6%

Within 30 miles of the Exit 19 and the Exit 33 locations, there are no differences in the percentages of the White (79%), American Indian (1%), Asian or Pacific Islander (4%) and Hispanic (10%) populations. Within 30 miles of Exit 19 location, 7% of the population is Black; the comparable percentage from Exit 33 location is 8%.

Within 60 miles of the Exit 19 and the Exit 33 locations, there are no differences in the percentages of the White (81%), Blacks (7%) American Indian (2%), Asian or Pacific Islander (3%) and Hispanic (9%) populations.

Within 100 miles of the Exit 19 and the Exit 33 locations, there are no differences in the percentages of the Black (5%) and Asian or Pacific Islander (3%) populations. Comparing the two locations at 100 miles, there is a only a 1% difference for White, American Indian, and Hispanic populations.

Market Assessment

Demographic Composition – Educational Attainment

Percent of Total Population by Educational Attainment	2008 Demographic Data Population Within						2008 Demographic Data Population Within					
	0-30 Miles		31-60 Miles		61-100 Miles		60 Miles		100 Miles			
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33
No High School Diploma	13%	12%	12%	14%	15%	14%	12%	12%	13%	13%	13%	13%
High School Graduate	33%	31%	30%	34%	35%	34%	32%	32%	33%	33%	33%	33%
Some College	32%	31%	31%	33%	29%	29%	31%	32%	30%	31%	31%	31%
Bachelor Degree	23%	27%	28%	19%	21%	23%	25%	25%	24%	24%	24%	24%

Within 30 miles of the Exit 19 location or the Exit 33 location, there are 1% differences in the percentages of the No High School (13% at Exit 19 and 12% at Exit 33) and Some College (32% at Exit 19 and 31% at Exit 33) populations; 2% difference in High School Graduates population (33% at Exit 19 and 31% at Exit 33); and a 4% difference in the Bachelor Degree population (23% at Exit 19 and 27% at Exit 33).

Within 60 miles of the Exit 19 and the Exit 33 locations, there are no differences in the percentages of the No High School (12%), High School Graduates (32%), and Bachelor Degree (25%) populations. There is a 1% difference in Some College population (31% at Exit 19 and 32% at Exit 33).

Within 100 miles of the Exit 19 and the Exit 33 locations, there are no differences in the percentages of the No High School (13%), High School Graduates (33%), and Bachelor Degree (24%) populations. There is a 1% difference in Some College population (30% at Exit 19 and 31% at Exit 33).

Market Assessment

Demographic Composition – Financial

Per Capita	2008 Demographic Data Population Within						2008 Demographic Data Population Within					
	0-30 Miles		0-60 Miles		0-100 Miles		31-60 Miles		61-100 Miles			
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33
Median Disposable Income	\$ 16,368	\$ 17,187	\$ 16,392	\$ 16,286	\$ 15,361	\$ 15,471	\$ 16,531	\$ 14,684	\$ 14,188	\$ 14,299	\$ 14,299	\$ 14,299
Indexed to US	0.98	1.03	0.98	0.97	0.92	0.92	0.99	0.88	0.85	0.85	0.85	0.85
Mean Disposable Income	\$ 19,791	\$ 20,877	\$ 20,168	\$ 20,096	\$ 19,252	\$ 19,360	\$ 20,672	\$ 18,081	\$ 17,929	\$ 18,036	\$ 18,036	\$ 18,036
Indexed to US	0.88	0.93	0.90	0.89	0.86	0.86	0.92	0.80	0.80	0.80	0.80	0.80
Median Net Worth	\$ 33,597	\$ 41,626	\$ 39,160	\$ 38,952	\$ 35,264	\$ 34,984	\$ 46,162	\$ 33,319	\$ 31,005	\$ 29,185	\$ 29,185	\$ 29,185
Indexed to US	0.82	1.02	0.96	0.95	0.86	0.86	1.13	0.82	0.76	0.71	0.71	0.71
Mean Net Worth	\$ 136,704	\$ 160,734	\$ 154,899	\$ 155,933	\$ 149,414	\$ 150,418	\$ 176,225	\$ 143,604	\$ 141,500	\$ 140,474	\$ 140,474	\$ 140,474
Indexed to US	0.70	0.82	0.79	0.79	0.76	0.77	0.90	0.73	0.72	0.72	0.72	0.72

Within 30 miles of Exit 19, half the population (median) earns \$16,368 or more in disposable (after tax) income; within 60 miles, \$16, 392 or more; within 100 miles, \$15,361 or more. The average (mean) disposable income within 30 miles of Exit 19 is \$19,791; within 60 miles \$20,168; within 100 miles, \$19,252. The average (mean) net worth of the population within 30 miles is \$136,704; within 60 miles is \$154,899; with 100 miles is \$149,414.

Within 30 miles of Exit 33, half the population (median) earns \$17,187 or more in disposable (after tax) income; within 60 miles, \$16,286 or more; within 100 miles, \$15,471 or more. The average (mean) disposable income within 30 miles of Exit 33 is \$20,877; within 60 miles \$20,096; within 100 miles, \$34,984. The average (mean) net worth of the population within 30 miles is \$160,734; within 60 miles is \$155,933; with 100 miles is \$150,418.

We can compare the mean disposable incomes at various distances from the Exit locations to the U.S. Index. At 30 miles radius, location 33 is 5% closer to the national average in mean disposable income than location 19 (.88 for Exit 19; .93 at Exit 33). At 60 miles distance from each location, Exit 19 is 1% closer to the national average disposable income (.90 for Exit 19; .89 at Exit 33); at 100 miles, there is no difference (.86).

Market Assessment

Data Note on Index Construction and Sources

The following slides detail the resident population's **Market Potential Index** (MPI). This measures the relative likelihood of the adults in the specified trade area to exhibit certain consumer behavior or purchasing patterns compared to the U.S. average. An MPI of 100 represents the U.S. average.

These data are based upon national propensities to use various products and services, applied to local demographic composition. Thus, consumer behaviors in an area are inferred from the known behavior of persons with similar characteristics obtained from a representative national survey.

Usage data were collected by Mediarmk Research Inc. in a nationally representative survey of U.S. households.

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population
with Demographics similar to Market Area

Activity - Gaming	2008 Index of Participation in Activities						2008 Index of Participation in Activities		
	30 Miles			60 Miles			100 Miles		
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 33
Gambled at casino in last Year	90	95	92	91	89	89	94	83	85
Gambled at casino 6+ times in last Year	105	104	103	103	101	102	100	98	98
Played bingo in last 12 months	105	103	105	105	105	105	104	108	105
Bought lottery ticket in last 12 months	101	102	101	100	98	98	100	97	94
Played lottery: <2 times in last 30 days	96	98	96	95	92	92	96	87	86
Played lottery: 2-6 times in last 30 days	101	103	101	101	98	98	101	96	94
Played lottery: 7+ times in last 30 days	106	104	106	107	106	106	107	112	106

This chart presents, in part, the casino gambling and bingo playing indices that compare the market area of the study to the propensities of the national population with similar demographics. Generally, the propensity of this population is less likely to have gambled at a casino last year, but more likely to have attended a casino multiple times and to play bingo.

At a 30 miles radius from each exit, there is a difference of five units in the index for those who gambled at a casino last year (90 for Exit 19; 95 for Exit 33). At 60 miles, the difference is one unit (92 at Exit 19; 91 for Exit 33). There is no difference at 100 miles from each exit (index 89).

At a 30 miles radius from each exit, there is a difference of one unit in the index for those who gambled at a casino six or more times in the last year (105 for Exit 19; 104 for Exit 33). There is no difference at 60 miles from each exit (index 103). At 100 miles, the difference is one unit (101 at Exit 19; 102 for Exit 33).

At a 30 miles radius from each exit, there is a difference of two units in the index for those who played bingo in the last 12 months (105 for Exit 19; 103 for Exit 33). There is no difference in the index at 60 or 100 miles from each exit (index 105).

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population
with Demographics similar to Market Area

Activity - Dining and Eating Out	2008 Index of Participation in Activities						2008 Index of Participation in Activities		
	30 Miles			60 Miles			100 Miles		
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 33
Went to bar/night club in last Year	102	103	101	101	101	101	101	96	101
Dined out in last 12 months	96	100	98	98	98	96	100	93	94
Dine out < once a month	97	99	101	100	102	102	105	103	104
Dine out once a month	101	103	101	101	98	99	101	94	94
Dine out 2-3 times a month	95	97	97	97	97	98	101	97	97
									98
									94
									106
									96
									98

The population demographics at both Exits project a slightly above average propensity to attend a bar/night club in the last year. Both Exits have slightly lower than average propensity to dine out in the last 12 months. The exception is the population at Exit 33 within 30 mile radius that exhibits an average propensity to dine out.

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population
with Demographics similar to Market Area

Activity - Outdoor Sports	2008 Index of Participation in Activities						2008 Index of Participation in Activities		
	30 Miles			60 Miles			100 Miles		
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 33
Participated in golf	93	102	97	96	92	92	100	82	85
Play golf < once a month	93	103	97	96	90	90	101	79	80
Play golf 1+ times a month	91	98	96	96	95	95	102	89	93
Participated in boating (power)	100	102	104	104	106	107	108	108	110
Participated in fishing (fresh water)	113	109	116	117	126	125	121	136	138
Participated in motorcycling	104	107	108	108	110	110	113	110	113
Participated in horseback riding	100	100	104	104	109	109	109	114	116
Participated in hunting with rifle	109	101	117	118	140	138	125	158	170
Participated in hunting with shotgun	108	106	112	112	122	119	116	128	134
Participated in target shooting	104	104	108	108	112	112	113	120	118

We would expect the population in the area to participate in a variety of leisure activities at or above the national average. Outdoor activities such as hunting, target shooting, motorcycling, horseback riding and fishing are among those activities these customers enjoy based on their demographics. Participation in golf estimated to be slightly below the national average, but the population within 30 miles of Exit 33 has a slightly higher propensity to participate in golf as a sport.

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population
with Demographics similar to Market Area

Activity - Event Attendance	2008 Index of Participation in Activities						2008 Index of Participation in Activities		
	30 Miles		60 Miles		100 Miles		Index of Area Participation		
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	31-60 Miles	61-100 Miles	
Attended auto show in last 12 months	106	108	105	105	100	101	104	97	94
Attend auto racing (NASCAR)	108	109	109	108	108	107	110	104	106
Attend auto racing (not NASCAR)	110	109	109	109	110	109	109	108	111
Attend football game (college)	100	105	101	101	100	101	102	89	101
Attended movies in last 6 months	96	100	96	96	92	93	96	86	88
Attended movies in last 90 days:<1/month	99	102	100	99	96	97	101	92	93
Attended country music last year	112	113	116	116	117	117	120	124	120
Attended rock music Las Yeae	94	100	94	93	87	89	93	75	82

The area demographics forecasts a population likely to attend racing events, auto shows, college football games and country music shows. The population is slightly less likely to attend rock music concerts or attend a movie.

Market Assessment

Entertainment and Leisure Activities

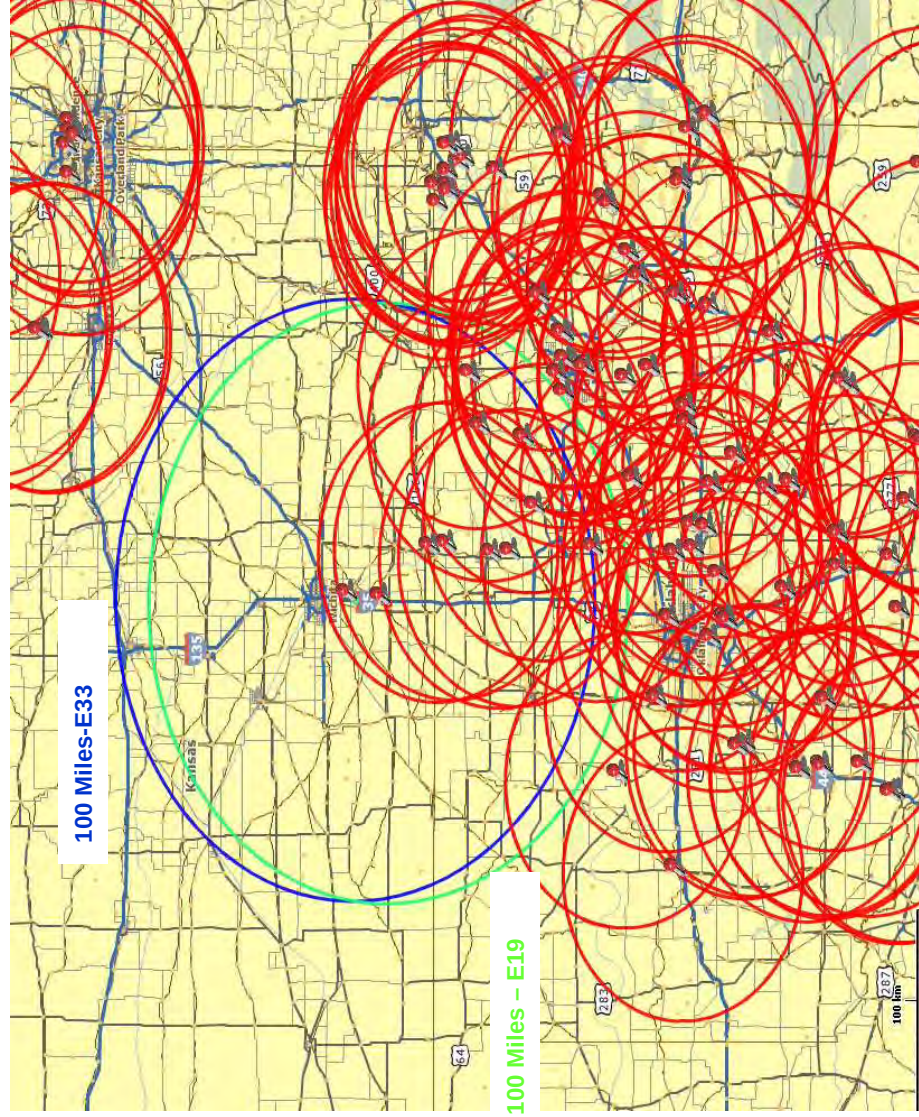
Based Upon Propensity of US Population
with Demographics similar to Market Area

Activity - Exercise	2008 Index of Participation in Activities						2008 Index of Participation in Activities		
	30 Miles			60 Miles			100 Miles		
	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 19	Exit 33	Exit 33
Participated in yoga	84	91	85	84	80	81	85	67	74
Participated in aerobics	90	99	91	90	81	82	92	67	68
Participated in jogging	91	97	92	91	88	89	93	76	82
Participated in basketball	102	105	101	101	101	103	101	92	102
Participated in bowling	109	112	108	107	104	105	106	95	98
Participated in football	102	103	101	100	102	104	99	93	103
Participated in volleyball	106	108	104	104	103	105	103	96	102
Participated in tennis	81	89	83	82	81	82	86	66	77
Participated in swimming	99	103	101	100	99	99	103	94	96

The demographics suggest a population in this area is less likely to participate in individual physical activities such as yoga, aerobics, and jogging. Participation in swimming is about average. However, the population is more likely to participate in team activities and sports such as basketball, bowling, football, and volleyball. Tennis is the only competitive sport with less than average participation.

Market Assessment

Regional Casino Competition



As reported in the Wells Task 1 *Kansas Casino Market Study* there are 54 gaming facilities located in the 150 mile trade area from the proposed property locations. For illustrative purposes, we present the following map of the greater regional trade area which includes Oklahoma City, Tulsa, Topeka and the Kansas City areas to visualize some of the trade overlap. The 100 mile radius for the Exit 19 location is shown in green, while the 100 mile radius for the Exit 33 location is in Blue.

The other three proposed LGFs are not depicted on this map. We believe that there will be limited competition from the other LGFs, and that competition will come from the Northeast Zone.

All the other gaming facilities in the area are depicted with a 50 mile red radius surrounding the property to illustrate the ubiquity of the competition in the area and the overlapping effects. The Oklahoma properties are almost all considered to be convenience properties with lesser amenities and more restrictive games and will have differential gravitational pulls in their area proportionate to their size and attractiveness. Oklahoma does not have a property with the potential attractiveness of the proposed properties. The market is well served at the convenience level with the availability of basic Indian facilities. Convenience will not be a driving reason for Oklahomans to visit Sumner County, other enticements must be offered.

Market Assessment

Market Area Offerings – Hotel and Convention

Hotel Supply

Total Hotels in MSA	108
Total Rooms in MSA	8,118
Upper Level Hotels in MSA	19
Upper Level Rooms in MSA	2,449

According to the Greater Wichita Convention and Visitors Bureau, there are approximately 3.4 million visits to the area each year, including overnights in hotels and in residences.

There are 108 hotels serving the Wichita MSA, with 8,118 rooms.

There are currently no Luxury hotels in the market. Nineteen hotels that are classified as “upper end of the market” with 2,449 rooms among them.

Utilizing Smith Travel Research data and Probe projections, we believe that the Average Daily Rate (ADR) in 2011 for an upscale room in the Wichita Market will be \$108 and the occupancy rate will be 72%.

Hotels with Convention Supply

Hotels with Convention (any)	41
Total Hotel Convention Space (sq ft)	192,444
Hotels with 10,000 sq ft or greater	8
Hotels with 30,000 sq ft or more	2

Of the 108 hotels in the market, 41 have some convention space totaling 192,444 sq ft. There are eight hotels with 10,000 sq ft or more space. There are two hotels with 30,000 sq ft or more. Both are Upper Level properties. There is an additional 195,500 sq ft of space in the Century II Performing Arts and Convention Center. There is also event space at the Kansas Coliseum, and a variety of non-traditional spaces located outside hotels throughout the city.

Market Assessment

Market Area Offerings - Entertainment

- Old Town entertainment district composed of restaurants, retail shops, nightclubs, galleries, and museums
- The open air Bradley Fair and Shops at Tallgrass with dining, lodging, and retail shops
- Waterfront area with fine dining, shopping, spas, a stocked lake, and nature trails
- Numerous family-centered attractions, the Wellington based Challenger Learning Center of Kansas, Exploration Place, the Sedgwick County Zoo, the Tanganyika Wildlife Park, and Rock River Rapids water park
- 36 Museums, including the Kansas Sports Hall of Fame and the Wichita Art Museum
- The Music Theatre of Wichita and the Grand Opera
- Tours, such as the Western Heritage Drive Tour and the Historic Trolley Tour
- Dinner theatre options, including the Cabaret Old Town dinner theatre and two "Chuckwagon Supper" dinner theatres
- Wichita Thunder Hockey and Wingnuts Baseball
- The 1300 seat Historic Orpheum Theatre which hosts a film series, plays and concerts
- The 28,500 sqft Cotillion which hosts concerts and events in the area.

The LGF will compete locally with other entertainment options. While the casino will be a unique offering in the local area, the amenity entertainment options will compete for non-gaming visits with other venues in the local region.

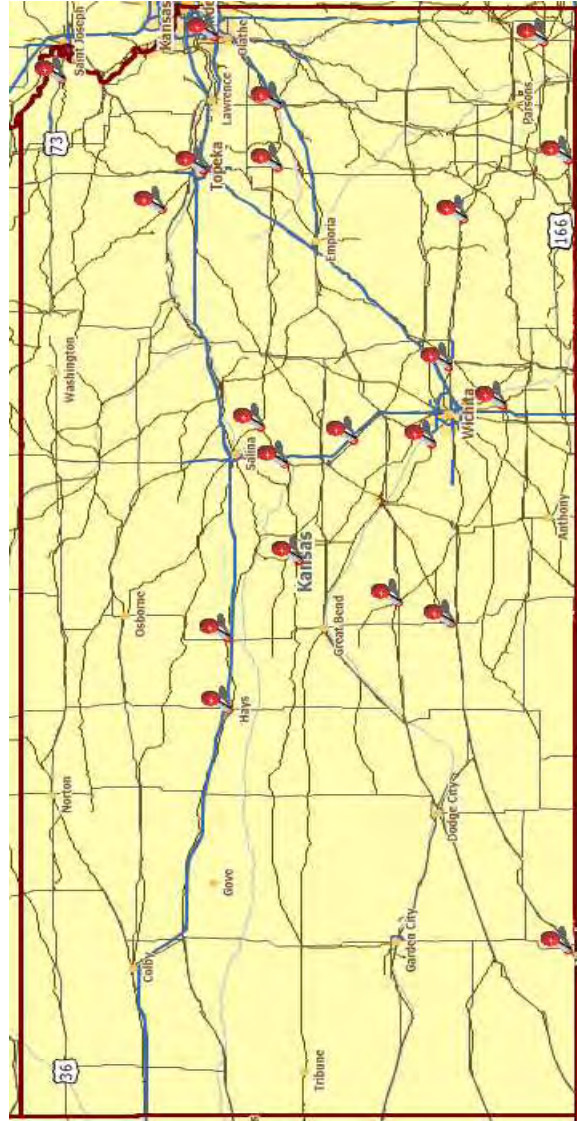
Wichita offers a variety of entertainment options. A selected list of entertainment venues is found in the box on this page.

The LGF will need to offer a unique set of non-gaming amenities to compliment the casino for gaming customers. The LGF will also need to provide a compelling reason for trial and repeat use among non-gaming customers.

Market Assessment

Market Area Offerings - Entertainment

Kansas Skeet Shooting and Sporting Clay Locations



Given the demographic propensity of the population to participate in hunting and shooting sporting activities, we examined the current supply of Skeet and Sporting Clay facilities in the current market place.

Throughout Kansas, there are 16 Sporting Clay facilities, including one in Bell Plaine located between Exits 19 and 33, and one in Augusta, east of Wichita.

There are 12 Skeet Shooting Facilities throughout Kansas, one located Northwest of Wichita in Colwich.

Market Assessment

Market Area Offerings - Entertainment

Regional Golf Demand

NGF Golf Demand Report	30 Miles	60 Miles	100 Miles
Index: Golfing Households	113	111	102
Index: Played by Residents	93	92	85
Index: Played Locally (less than 50 mi)	86	88	81
Index: Played Regionally (50-200 mi)	91	87	78
Index: Played on Vacation (more than 200 mi)	144	144	132
Index: Played at Seasonal Home	127	127	128
Index: Golfing Fees	78	78	73

Despite pronouncements that Baby Boomers everywhere would be flocking to golf courses and a nascent interest in the sport thanks to stars like Tiger Woods, golf courses remain a difficult business. We examined data from the National Golf Foundation for 30, 60 and 90 mile areas from Wichita to determine the local demand for Golf in relation to supply.

Based upon the demographic composition of the area, the Index of golfing households in the 30 mile area is 113, above the national average; however, rounds played by local residents is below the national level at 93. This is partially a function of the Northern Latitude location of the area, limiting the season. Residents within 30 miles are more likely to play regionally (91) compared to locally (86) and most likely to play on vacation (144).

Regional Golf Supply

NGF Golf Supply Report	30 Miles	60 Miles	100 Miles
Total	29	56	109
Public	20	38	71
Private	9	18	38
Resort	1	2	2

Regional Golf Supply Index

NGF Golf Supply Report	30 Miles	60 Miles	100 Miles
HH Supply Index: Total	109	85	77
HH Supply Index: Public	122	95	87
HH Supply Index: Private	87	70	61
HH Supply Index: Premium (>\$70)	0	0	0
HH Supply Index: Standard (\$40-\$70)	170	145	156
HH Supply Index: Value (<\$40)	81	61	54

Indices are based on a comparison to the US average of 100

There are a total of 29 courses within 30 miles of Wichita, 20 Public, 9 Private and 1 Resort (Terradyne Country Club). The local area is over supplied (109) compared to the national benchmark, and significantly oversupplied with regards to Public courses (122). There is an undersupply of Private (87) courses in the market, as well as an undersupply of Value (81) courses compared to the US benchmark. There is a vast oversupply of Standard courses (170).

Product Assessment

Potential Products

2012 Task 1 Estimates

Measure	Wells	Cummings	Average
Visitors	2,495,045	2,784,796	2,639,921
Revenues	\$175,687,880	\$213,457,000	\$194,572,440

Probe has been asked to examine the potential amenities assuming the Task 1 gaming revenue estimates. Operating under this instruction, we make the following assumptions:

Casino Size, 2000 slot machines with 50 table games.

The Task 1 estimates of visitation for this facility are located in the accompanying table.

Given these estimates, the average daily attendance would be 7233 with average win per patron of \$73. In a local environment such as this, approximately 55% to 60% of the visits to the property would occur over weekends and holidays. Visitation will peak on Saturday at about 1.6 times the daily average, or an expected 11,572 patrons on a typical Saturday. Facilities should be planned to meet this typical pattern, with excess capacity for peak days and times.

The number, level, and type of amenities proposed by any prospective manager will be dependent on company strengths, their interpretation of the market, and their operating strategy.

Product Assessment

Potential Products

Potential Products

F&B:

Buffet: (300-400 Seats). A live action exciting food product on par with a Las Vegas property to provide a resort, something out of the ordinary feel.

Café: (125-175 Seats) Local influenced dining establishment.

Specialty Restaurant: (100-150 seats) Steakhouse or other specialty restaurant

Food Court/Quick Serve: (50-75 Seats) Appeal to the budget/convenience gambler looking for an inexpensive and fast alternative.

Three to Four Casino bars: A center or main bar attraction, a bar with ability for live entertainment, a sports bar or other bar and a bar away from the casino perhaps co-located in a restaurant.

Retail:

Sundry and Gift Shop: Convenience items and logo gift items.

Hotel:

Rooms: 300-400 Upscale (Hilton/Hyatt/Marriott) with modern amenities. Would be used for casino guests, marketed regionally as a destination, utilized for local corporate business and regional association meetings and conventions. It would be positioned for intercept traffic on I-35, especially for north bound traffic.

Dual Use Convention/Entertainment space: Would be sized for use in entertainment as well as convention space.

Other Hotel Amenities: Pool with function space and cabanas; Spa; Executive meeting space

Additional Features:

Truck, and Bus Parking – Traffic intercept of I35 and marketed bus trips to outer regional markets.

RV park with full hook-ups.

Local Market:

Given the strong local market to be expected from Sumner and Sedgwick counties, additional potential products would include non-gaming activities that could be utilized throughout the year such as Bowling or Movie Theaters, noting that further investigation into the market would be warranted.

Proposal Assessment

The following pages contain Probe's assessment of each of the prospective managers' amenities..

For each proposal, we present an overview of the amenities offered, and then offer comments by area.

In addition to a description of the amenities, the consolidated pro formas for the third year of each operation are displayed where available. We present the third year as this will be the time when most properties would achieve stable operations. In relation to the prospective managers' estimates of gaming revenue, the proposals contain reasonable, albeit optimistic at times, estimates of performance.

The revenue projections for the ancillary products are relative to the amount of visitation each property would achieve. Should the properties achieve only the visitation projected in Task 4, ancillary revenue would decline in a proportionate manner.

It is worth highlighting for the board a potential difference that can emerge among the pro formas based upon the pricing of hotel rooms and the corporate strategy for accounting for revenue.

Utilizing Smith Travel Research data for the Wichita market, we believe that a 300 room casino property with the amenities described could achieve an ADR of \$127. in the third year of operations, or 2013.

Casinos will offer complimentary and discounted rooms to its casino segment of customers. Internally, the hotel department will charge the casino department a transfer price for the complimentary goods and services provided in the hotel for casino customers. Depending on the corporate strategy, the hotel may charge the casino a rate that yields up or down with the market, or a standard below market rate to the casino.

How this internal transfer price is set can affect the overall average daily rate as reported or projected. If the corporate strategy is to report revenue in the hotel, a higher market drive transfer price would be used. If the strategy is to show greater income in the casino department, there would be a larger differential between the transfer price and the market price.

Consequently, differences in average daily rates contained in the different proposals may not reflect actual prices paid in the market.

Proposal Assessment

Marvel Gaming

Ancillary Products Summary

Marvel Gaming has proposed a property operating as Trailhead Casino and Resort. The property will be located at a half mile off I-35, Exit 19 at the intersection of US 160 and Seneca Road. The casino will be 87,850 sq ft with 2000 slot machines and 65 table games. The following is an overview of the amenities and ancillary developments that will be available.

There will be five permanent dining outlets on property – with 3 permanent bars, an event bar and a seasonal bar and dining option.

Located on the property will be a 304 room hotel including 132 standard rooms, and 172 premium rooms with differentiated sizes utilizing up to 6 bays. The hotel will include a 1,860 sq ft spa and two pools, a 10,740 sq ft indoor pool space and an outdoor pool. The property will also have 2,500 sq ft of meeting space outside the events area.

There is 40,000 sq ft of convention space that can be broken into 5 break-out rooms and converted into a 2,000 seat entertainment venue (show).

They propose two retail spaces one 1,175 sq ft and another 1,860 sq ft along with 1,500 sq ft of additional retail space for the RV park and 1,500 sq ft for the events center.

Marvel Gaming has committed \$2.3 Million for improvements to the Wellington Golf Course.

Additional amenities include a sporting clay facilities and guiding hunting facility also equipped for fishing.

Also included in the additional development is a 100-space full service RV park.

There are 50 spaces in the proposal for Semi-truck parking.

Proposal Assessment

Marvel Gaming - Hotel

Hotel Rate and Occupancy Data	
Number of hotel rooms	304
Occupancy rate	90%
Y3 Average Daily Rate (ADR)	\$ 95
Leisure Percent of Occupied	80%
Business Percent of Occupied	20%
Percentage residents (< 100 miles)	80%
Percentage tourists (>100 miles)	20%
Year 3 Consolidated Pro Forma	
Rooms Sales	\$ 2,810
Complimentary rooms	6,557
TOTAL REVENUE	9,367
TOTAL HOTEL EXPENSES	4,772
TOTAL HOTEL INCOME	\$ 4,595
Hotel Revenue Ratios	
Comp sales as percent of Revenue	70%
Expenses as percent of Revenue	51%
Income as percent of Revenue	49%

The Trailhead hotel property is appropriate for the market and for the plan as proposed by Marvel Gaming.

As noted in their pro-forma spreadsheet submission, they plan for comp sales to be 70% of the hotel revenue. This is consistent with the stated plans and the previously demonstrated experience of the operators - to utilize their amenities extensively as complimentaries to drive gaming revenue.

The ADR of \$95 projected for year three of operation is under the Probe projected market price of \$127 for a casino property in Sumner county. The lower income as a percent of revenue for the Marvel Gaming property relative to the other proponents could be a function of a more liberal comping strategy, and/or a different method of accounting for comp or discounted rooms.

Proposal Assessment

Marvel Gaming - Food

Outlet	SEATING CAPACITY	Mean Spend/cover	THEME
Harvest Bounty Buffet	500	\$ 15.00	Iconic Kansas Buffet, Seven action kitchens, various food themes and origins
KC Prime Steakhouse	125	\$ 30.00	High end prime steakhouse and seafood, fine dining experience
Bistro	150	\$ 12.00	specialty restaurant, great quality at medium price point, theme not yet determined
Snack Bar	35	\$ 5.00	quick "pick and go" light snack bar fare, sandwiches, salads, burgers, takeout capabilities
Coffee Grab and Go	20	\$ 4.00	Starbucks execution
Pool Cabana Snack Bar	na	\$ 8.00	no theme, poolside cabana food and beverage
Room Service	na	\$ 15.00	no theme, in room dining service offered
Total	830	\$ 12.15	Average weighted by expected covers/day

The Marvel Gaming food outlets are appropriate to the market, and would complement their master brand of Trailhead. For instance, the buffet as an “Iconic Kansas” implementation. With 500 seats, it is the largest proposed buffet among the proponents.

The average price point is the lowest among the prospective managers at \$12.15. Given their estimate of the number of annual covers, they would expect to serve 41% of all visitors to the property (assuming one meal per visitor).

Comp sales are estimated at 57% of total food revenue, and the area overall is projected to have a slight loss, consistent with industry norms.

Year 3 Consolidated Pro Forma	
Food Sales	\$ 7,205
Complimentary Food Sales	9,606
TOTAL REVENUE	16,810
Cost of sales	8,827
GROSS MARGIN	7,983
TOTAL FOOD EXPENSES	8,188
TOTAL FOOD INCOME	\$ (205)
Food Revenue Ratios	
Comp sales as percent of Revenue	57%
Cost of sales as percent of Revenue	53%
Expenses as percent of Revenue	49%
Income as percent of Revenue	-1%

Proposal Assessment

Marvel Gaming – Beverage

Outlet	SEATING CAPACITY	THEME	Year 3 Consolidated Pro Forma	
Casino Center Bar	125	Elegant prairie style architecture bar, elegantly appointed, unique glass and light appointments, centerpiece attraction for the casino floor	Beverage Sales	\$ 5,346
Steakhouse and Bistro Bar	125	Elegant bar, centered between steakhouse and bistro, providing before and after dinner entertainment for restaurant patrons	Complimentary Beverage Sales	7,129
Sidewinders Casino Bar & Lounge	40	Casino bar complete with video poker, and a stage featuring live entertainment	TOTAL REVENUE	12,475
Poolside Cabana Bar	135	Poolside bar with seating and poolside cabana service (seasonal)	Cost of sales	3,573
Events Center Bar	20	Bar in events pre-function area to service events, concerts, etc.	GROSS MARGIN	8,902
			TOTAL BEVERAGE EXPENSES	4,931
			TOTAL BEVERAGE INCOME	\$ 3,971
			Beverage Revenue Ratios	
			Comp sales as percent of Revenue	57%
			Cost of sales as percent of Revenue	29%
			Expenses as percent of Revenue	40%
			Income as percent of Revenue	32%

The Marvel Gaming food outlets are appropriate to the market.

Comp sales are estimated at 57% of total beverage revenue. Given the inability to offer complimentary alcohol, this may be an over-estimate of actual comps. Income as a percent of revenue is estimated at 32%, which in light of the alcohol complimentary regulations relative to the complimentary sales projections may be high.

Proposal Assessment

Marvel Gaming – Convention/Entertainment

Marvel Gaming has proposed a 40,000 square foot facility that can be used for convention and entertainment purposes. The facility can be divided in to a total of 5 rooms. There is also an additional meeting space of 5 rooms totaling 2,500 sq ft.

Convention sales are consistent with the space available and projected usage.

The mixed use facility will have a seating capacity of 2,000 for entertainment and 2,500 for sporting events

As a mixed use facility, Marvel Sumner will have the ability to utilize the space for entertainment or conventions as it sees fit and can adapt to market conditions as they develop. This is an appropriate use of this space for the market.

Marvel will have entertainment in the Sidewinders Casino Bar & Lounge.

Entertainment sales as reported by Marvel Gaming does not include any complimentary sales, which is inconsistent with the sales strategy in other areas. Also inconsistent is the lack of a Cost of Sales line item. The entertainment loss appears to be a function of employee expenses relative to sales. It is feasible to show a loss in entertainment, it may prove useful to confirm this.

Year 3 Consolidated Pro Forma	
Convention Sales	\$ 4,183
Complimentary Convention Sales	-
TOTAL REVENUE	4,183
Cost of sales	1,771
GROSS MARGIN	2,412
TOTAL CONVENTION EXPENSES	2,134
TOTAL CONVENTION INCOME	\$ 278
Convention Revenue Ratios	
Comp sales as percent of Revenue	0%
Cost of sales as percent of Revenue	42%
Expenses as percent of Revenue	51%
Income as percent of Revenue	7%

Year 3 Consolidated Pro Forma	
Entertainment Sales	\$ 1,069
Complimentary Entertainment Sales	-
TOTAL REVENUE	1,069
Cost of sales	-
GROSS MARGIN	1,069
TOTAL ENTERTAINMENT EXPENSES	1,742
TOTAL ENTERTAINMENT INCOME	\$ (673)
Entertainment Revenue Ratios	
Comp sales as percent of Revenue	0%
Expenses as percent of Revenue	163%
Income as percent of Revenue	-63%

Proposal Assessment

Marvel Gaming – Retail

The Marvel Gaming Retail outlets are appropriate to the facility. The addition of the RV park retail outlet will serve to make that facility more desirable to the RV consumer.

Complimentary sales are 78% of revenue in the retail department. This is consistent with the Trailhead brand plan to engage in a complimentary policy to drive revenue. Sales ratios are consistent with industry norms.

Outlet	Square Feet
Outlet use and theme not yet determined	1,175
Outlet use and theme not yet determined	1,860
Events center retail, supports various events and	1,500
RV Park Sundries and Convenience Store	1,500

Year 3 Consolidated Pro Forma	
Retail Sales	\$ 446
Complimentary Retail Sales	1,598
TOTAL REVENUE	2,044
Cost of sales	878
GROSS MARGIN	1,166
TOTAL RETAIL EXPENSES	412
TOTAL RETAIL INCOME	\$ 754
Retail Revenue Ratios	
Comp sales as percent of Revenue	78%
Comp sales as percent of Revenue	43%
Expenses as percent of Revenue	20%
Income as percent of Revenue	37%

Proposal Assessment

Marvel Gaming – Additional

Marvel Gaming will offer an 1,860 square foot spa in the hotel, an amenity becoming standard across the industry which can be used for packages, and adds to the stature of the facility, but will not drive significant additional tourism as an operating entity.

Marvel will have two pools, one outdoor and one indoor. This is the only proposal with an indoor pool, a feature that provides them the opportunity to offer year round swimming.

Marvel Gaming will offer a championship sporting clay facility. This amenity is an excellent complementary product to the facility and will have above average appeal to the market demographic.

Marvel gaming will operate a 400 acre guided hunting facility, which will also provide seasonal fishing opportunities. This amenity is an excellent complementary product to both the overall brand given the market demographic propensity to participate in hunting but can also be utilized in concert with the sporting clay facility. This amenity is rarely offered at casinos.

Marvel will partner with the Wellington Golf course to offer it as an amenity.

The Marvel Gaming is proposing a 100 space RV park with full hookups. As noted it will include a dedicated convenience store and will also have its own recreation and activities area, including the property tennis courts. This comprehensive facility would add additional premium RV parking space in an underserved market along I-35.

There is parking for 50 trucks available to capture traffic on I-35.

Proposal Assessment

Penn Sumner

Ancillary Products Summary

Penn Sumner has proposed a property operating as Hollywood Casino. The property will be located at the South West corner of I-35, Exit 33 with a dedicated southbound toll booth exit. The casino will be 70,000 sq ft with 1500 slot machines and 40 table games. The following is an overview of the amenities and ancillary developments that will be available.

There will be five dining outlets on property – with 1 additional bar.

Located on the property will be a 350 room hotel including 333 standard rooms, 17 luxury suites. The hotel will include a 2,000 sq ft spa and 15,000 sq ft resort pool area. The hotel will also have 4,000 sq ft of meeting space outside the convention area.

There is 30,000 sq ft of convention space that can be divided into 4 break-out rooms and converted into a 1750 seat entertainment venue. In addition to this space, the sports bar will have entertainment seating for 220. While not referenced in any of the written submissions Probe was provided, the Penn National team referenced a I-Max like facility on the roof of the property.

They propose 1,500 sq ft of space for a combined Hollywood Memorabilia / Retail Center.

The proposal includes a 50 space RV park with full hook-ups and parking for 50 trucks.

Proposal Assessment

Penn Sumner - Hotel

Hotel Rate and Occupancy Data	
Number of hotel rooms	350
Occupancy rate	88%
Y3 Average Daily Rate (ADR)	\$ 150
Leisure Percent of Occupied	77%
Business Percent of Occupied	23%
Percentage residents (< 100 miles)	47%
Percentage tourists (>100 miles)	53%
Year 3 Consolidated Pro Forma	
Rooms Sales	\$ 8,384
Complimentary rooms	8,384
TOTAL REVENUE	16,767
TOTAL HOTEL EXPENSES	4,106
TOTAL HOTEL INCOME	\$ 12,661
Hotel Revenue Ratios	
Comp sales as percent of Revenue	50%
Expenses as percent of Revenue	24%
Income as percent of Revenue	76%

The Hollywood hotel property is appropriate for the market and for the plan as proposed by Penn Sumner.

As noted in the pro-forma spreadsheet submission, Penn Sumner plans for comp sales to be 50% of the hotel revenue. This is a standard applied across all departments.

The ADR of \$150 projected for year three of operation is over the Probe projected market price of \$127 for a casino property in Sumner county.

The first five year pro forma shows Hollywood growing their hotel revenue by raising occupancy from 80% in the first year to 95% by 2015 while maintaining price of \$150 across the period. Setting a high price and working to achieve occupancy is consistent with a strategy to establish an upscale property.

Proposal Assessment

Penn Sumner - Food

Outlet	SEATING CAPACITY	Mean Spend/cover	THEME
Epic Buffet	400	\$ 15.00	Featuring a broad range of menu items, salad bar, dessert bar, carving station
KC Prime Steakhouse	175	\$ 50.00	Signature Specialty Restaurant (steak/seafood)
Bistro	200	\$ 20.00	High energy Sports Bar and Entertainment Lounge - multi-use space
Hollywood Diner	125	\$ 12.00	Themed three meal restaurant
Creamery	40	\$ 8.00	Coffee and Pastry Shop
Total	940	\$ 16.72	Average weighted by expected covers/day

Year 3 Consolidated Pro Forma	
Food Sales	\$ 5,223
Complimentary Food Sales	5,223
TOTAL REVENUE	10,447
Cost of sales	3,769
GROSS MARGIN	6,678
TOTAL FOOD EXPENSES	6,520
TOTAL FOOD INCOME	\$ 158
Food Revenue Ratios	
Comp sales as percent of Revenue	50%
Cost of sales as percent of Revenue	36%
Expenses as percent of Revenue	62%
Income as percent of Revenue	1.5%

The Penn Sumner food outlets are appropriate to the market, and within its master brand of Hollywood. The themed dining at the Hollywood Diner is an example of the integration with the brand.

The average price point is \$16.72. Given the estimate of the number of annual covers, Penn Sumner expects to serve 41% of all visitors to the property (assuming one meal per visitor).

Comp sales are estimated at 50% of total food revenue, and the area overall is projected at 1.5%, consistent with industry norms.

Proposal Assessment

Penn Sumner - Beverage

Outlet	SEATING CAPACITY	THEME
Sports Bar & Entertainment Lounge	200	Sports Bar and Entertainment Lounge - Restaurant

The Penn Sumner Sports Bar is appropriate for the market demographics. The Sports Bar would also appeal to the market given the strong support of college sports in the area.

Comp sales are estimated at 50% of total beverage revenue. Given the inability to offer complimentary alcohol, this may be an over-estimate of actual comps. While the percentage of sales that are comps are high the overall income as a percent of revenue is estimated at 8%, and the percent of F&B sales that are beverage is 28% for Penn Sumner compared to 43% of Marvel Gaming (SGJV not available). While both numbers seem reasonable, there may be some impact of the acknowledgement of the lack of alcohol comps upon the Penn Sumner figures.

Year 3 Consolidated Pro Forma	
Beverage Sales	\$ 1,306
Complimentary Beverage Sales	1,306
TOTAL REVENUE	2,612
Cost of sales	784
GROSS MARGIN	1,828
TOTAL BEVERAGE EXPENSES	1,630
TOTAL BEVERAGE INCOME	\$ 198
Beverage Revenue Ratios	
Comp sales as percent of	50%
Cost of sales as percent of	30%
Expenses as percent of Revenue	62%
Income as percent of Revenue	8%

Proposal Assessment

Penn Sumner – Convention/Entertainment

Penn Sumner has proposed a 30,000 square foot Multi-Purpose Entertainment Venue - capable of hosting live concert and sporting events, trade shows, banquets and conventions. There is additional meeting space contained within the hotel that provides for four breakout rooms. Breakout room space for the convention area was not provided.

Complimentary convention sales are 50% of total sales, which is the standard value used in the Penn Sumner pro formas.

The Multi-Purpose Entertainment Venue as note can be used for live entertainment and seat 1,750 for a show.

As a mixed use facility, Penn Sumner will have the ability to utilize the space for entertainment or conventions as it sees fit and can adapt to market conditions as they develop. This is an appropriate use of this space for the market.

There will be live entertainment capabilities in the Sports Bar and Lounge.

Complimentary entertainment sales are 50% of total sales, which is the standard value used in the Penn Sumner pro formas.

Year 3 Consolidated Pro Forma	
Convention Sales	\$ 924
Complimentary Convention Sales	924
TOTAL REVENUE	1,849
Cost of sales	924
GROSS MARGIN	924
TOTAL CONVENTION EXPENSES	438
TOTAL CONVENTION INCOME	\$ 486
Convention Revenue Ratios	
Comp sales as percent of Revenue	50%
Cost of sales as percent of Revenue	50%
Expenses as percent of Revenue	24%
Income as percent of Revenue	26%

Year 3 Consolidated Pro Forma	
Entertainment Sales	\$ 1,929
Complimentary Entertainment Sales	1,929
TOTAL REVENUE	3,857
Cost of sales	1,929
GROSS MARGIN	1,929
TOTAL ENTERTAINMENT EXPENSES	1,424
TOTAL ENTERTAINMENT INCOME	\$ 505
Entertainment Revenue Ratios	
Comp sales as percent of Revenue	50%
Cost of sales as percent of Revenue	50%
Expenses as percent of Revenue	37%
Income as percent of Revenue	13%

Proposal Assessment

Penn Sumner – Retail

The Penn Sumner Retail outlets are appropriate to the size of the facility.

Complimentary sales are 50% of revenue in the retail department, a standard across the Penn National proposal.

Sales ratios are consistent with industry norms.

Outlet	Square Feet
Retail Center / Hollywood Memorabilia Museum	1500

Year 3 Consolidated Pro Forma	
Retail Sales	\$ 919
Complimentary Retail Sales	919
TOTAL REVENUE	1,837
Cost of sales	919
GROSS MARGIN	919
TOTAL RETAIL EXPENSES	201
TOTAL RETAIL INCOME	\$ 717
Retail Revenue Ratios	
Comp sales as percent of Revenue	50%
Cost of sales as percent of Revenue	50%
Expenses as percent of Revenue	11%
Income as percent of Revenue	39%

Proposal Assessment

Penn Sumner – Additional

Penn Sumner will offer a 2,000 square foot spa in the hotel, an amenity becoming standard across the industry which can be used for packages, and adds to the stature of the facility, but will not drive significant additional tourism as an operating entity.

Penn Sumner will utilize a collection of Hollywood memorabilia in a dual use retail/museum space.

Penn Sumner will have one outdoor pool.

Penn Sumner is proposing a 50 unit RV park to take advantage of the underserved area market and traffic on I-35.

There is parking for 50 trucks available to capture traffic on I-35.

There will be a dedicated southbound exit from I-35 with direct access to the property.

Proposal Assessment

Sumner Gaming Joint Venture

Ancillary Products Summary

Sumner Gaming Joint Venture (SGJV) has proposed a property operating as Harrah's Kansas. The property will be located at the South West corner of I-35, Exit 19. The casino will be 69,000 sq ft with 2000 slot machines and 50 table games. It will include a World Series of Poker branded poker room. The following is an overview of the amenities and ancillary developments that will be available.

There will be five dining outlets on property – with 3 bars.

Located on the property will be a 175 room hotel including 140 standard rooms, 30 premium rooms and 5 villas. The hotel will include a 4,275 spa, a resort-style pool, and tennis courts.

There is 30,000 sq ft of convention space that can be divided into 12 break-out rooms and converted into a 1500 seat entertainment venue. In addition to this space, one of the proposed bars is a cabaret, with seating for 225, and an outdoor concert facility that will seat 778 in fixed seats with an additional space for 5000 standing attendees.

They propose 1,702 sq ft of retail space for fashion/jewelry and an additional 895 sq ft for a sundries/gift shop.

Additional amenities of Harrah's Kansas include a golf course, golf school, and sporting clay facility.

In addition to the Harrah's Kansas property, the Sumner Gaming Joint Venture has a local partner that, to Probe's understanding, as part of the agreement with the state lottery, will develop additional lands on the East side of I-35. This will include a 100 room brand name limited service hotel and a 90 room brand name mid-service hotel. This additional development will also include a full service fueling station convenience store and 10,000 sq ft of retail.

Also included in the additional development is a 44-space full service RV park.

While not germane to attracting customers to the property, the agreement includes the development of 100 single family homes and 100 apartment units.

Proposal Assessment

SGJV - Hotel

Hotel Rate and Occupancy Data		
Number of hotel rooms	Harrahs	Additional
Occupancy rate	175	190
Y3 Average Daily Rate (ADR)	90%	
Leisure Percent of Occupied	\$ 147	
Business Percent of Occupied	67%	Not Provided
Percentage residents (< 100 miles)	33%	
Percentage tourists (>100 miles)	20%	
	80%	
Year 3 Consolidated Pro Forma		
Rooms Sales	\$ 4,122	
Complimentary rooms	4,303	
TOTAL REVENUE	8,425	Not Provided
TOTAL HOTEL EXPENSES	2,949	
TOTAL HOTEL INCOME	\$ 5,476	
Hotel Revenue Ratios		
Comp sales as percent of Revenue	51%	
Expenses as percent of Revenue	35%	Not Provided
Income as percent of Revenue	65%	

The Harrah's Kansas hotel property is appropriate for the market and for the plan as proposed by SHJV. There are some strategic questions that arise regarding the integration of the casino property with the additional development. As Harrah's has outlined that it will use its Total Reward program to drive visitation, we posit that there may be some tactical management issues with regards to utilizing the additional development rooms in concert with the resort property for events. It does, however, provide a way to offer differentiated rooms by price with regards to the intercept traveler.

As noted in the pro-forma spreadsheet submission, SGJV plans for comp sales to be 51% of the hotel revenue.

The ADR of \$147 projected for year three of operation is over the Probe projected market price of \$127 for a casino property in Sumner county. It is a smaller property and therefore may be able to command a higher rate. Additionally, because of the size of the hotel, Harrah's Kansas is able to project a larger percentage of business guests among the occupied rooms which would also contribute to a higher rate. The presence of a golf course and brand name golf school on the property would also provide the ability to drive rates.

Proposal Assessment

SGJV - Food

Outlet	SEATING CAPACITY	Mean Spend/ cover	THEME
Buffet	350	\$ 15.00	Letter of interest signed with Paula Deen to develop signature concept
Steakhouse	200	\$ 35.00	Steakhouse
Café	86	\$ 13.00	Café
Specialty Restaurant	225	\$ 21.00	Letter of interest signed with Toby Keith to develop signature concept
Food Court	100	\$ 9.00	4 outlets
Total	961	\$ 17.73	Average weighted by expected covers/day

The SGJV food outlets are appropriate to the market, and would work within their master brand of Harrah's Kansas.

The average price point is \$17.73, the highest among the prospective managers. Harrah's plans to co-brand their dining outlets with brands appropriate to the Kansas market (Paula Deen, Toby Keith) would help them achieve this price premium. The co-branded outlets would provide additional opportunities to promote visitation to the property. This would be the second execution of the Paula Deen buffet. Toby Keith establishments exist or are planned in tourist feeder markets of Kansas City (Harrah's), Oklahoma City, and Tulsa (Cherokee Casino Resort to add).

Given the SGJV estimate of the number of annual covers, they would expect to serve 30% of all visitors to the property (assuming one meal per visitor), 25% lower than either of the other the proposed applicants. Harrah's food pricing does contain a premium so one would expect lower sales in relation to lower priced offerings. However, since the visitor volume reported in the VISITATION & SPENDING spreadsheet submitted by SGJV includes visits to the additional development across the highway from the Harrah's Kansas Casino property, we believe the 30% figure to be an underestimate of the percentage served of actual visitors to the casino property. It may be useful for the applicant to supply visitation data for the facility vs the additional development.

SGJV reported Food pro forma data combined with Beverage and is presented on the following page.

Proposal Assessment

SGJV - Beverage

Outlet	SEATING CAPACITY	THEME
Sports Bar	135	Letter of interest signed with Anheuser Busch to collaborate on concept
Center Bar	32	Center Bar
Cabaret	225	Cabaret

The SGJV bar outlets are appropriate to the property and market. As with the food outlets, co-branding the sports bar provides the possibility for increased marketing synergy, creating additional awareness and trial customers.

Income as a percent of revenue is at the high range for the industry. The premium pricing strategy accounts for part of this difference. SGJV may also include convention food and beverage in this total while the other prospective managers may include these sales in the convention area.

Year 3 Consolidated Pro Forma	
F&B Sales	\$ 19,741
Complimentary F&B Sales	20,447
TOTAL REVENUE	40,188
Cost of sales	13,360
GROSS MARGIN	26,828
TOTAL F&B EXPENSES	17,871
TOTAL F&B INCOME	\$ 8,957
F&B Revenue Ratios	
Comp sales as percent of Revenue	51%
Cost of sales as percent of Revenue	33%
Expenses as percent of Revenue	44%
Income as percent of Revenue	22%

Proposal Assessment

SGJV – Convention/Entertainment

SGJV has proposed a 30,338 square foot Convention space that is convertible into an entertainment venue. The space can be converted into a maximum of 12 rooms, the most of any of the prospective managers. As opposed to the other proposals for Sumner county, this one does not contain additional meeting space in the hotel.

The Convention space is convertible into entertainment venue with capabilities to seat 1,500.

As a mixed use facility, SGJV will have the ability to utilize the space for entertainment or conventions as it sees fit and can adapt to market conditions as they develop. This is an appropriate use of this space for the market.

There is an additional Outdoor amphitheater proposed with fixed seating for 778 and additional space for 5,000 in standing room. Harrah's has indicated that Country Music Television could be a partner in programming this facility. This would be consistent with the Harrah's strategy of co-branding to leverage marketing reach and appeal.

There will also be a 225 seat Cabaret.

SGJV did not report convention or entertainment separately in their spreadsheet submission.

Proposal Assessment

SGJV – Retail

SGJV proposed retail is appropriate for the property.

There will be an additional fuel station and assorted retail in the development across the highway. There may be incremental induced gaming trips from those utilizing the additional development facilities over and above what would have been captured had the development not existed.

SGJV did not report retail separately in their spreadsheet submission.

Outlet	Square Feet	
	Harrah's	Additional
Boutique fashion / jewelery	1,702	
Sundries / Gift shop	895	
Full Service Fuel		N/A
Assorted Retail		10,000

Proposal Assessment

SGJV – Additional

SGJV will offer a 4,275 square foot spa in the hotel, an amenity becoming standard across the industry which can be used for packages and adds to the stature of the facility, but will not drive significant additional tourism as an operating entity.

SGJV will have one outdoor pool.

SGJV will offer a sporting clay facility. This amenity is an excellent complementary product to the facility and will have above average appeal to the market demographic. Harrah's currently operates a facility in Tunica, MS.

SGJV proposed a Booby Weed/Butch Harmon designed golf course on property. While casinos with golf courses are rarely thought to be profitable on their own, the ability to package the on-property course is an advantage for the casino marketing and the corporate meeting business. Harrah's will also be able to drive business from its Total Rewards program among known golfers. Note that the market assessment indicates that there is demand in the greater market for additional upper tier holes.

SGJV has proposed a Butch Harmon branded golf school. As with the golf course, Harrah's will have the ability to drive Total Rewards players as well as corporate travel to the property to utilize this facility. This is consistent with Harrah's co-branding strategy.

Additional amenities beyond the SGJV property will be developed by Harrah's development partner across I-35. In addition to other features mentioned previously, there will be parking for 44 RV units. This will take advantage of the underserved market in the area. However, it is worth noting that the parking is not on the main property, but rather across the street.

Housing has been proposed as part of the additional development. This will not have a measurable impact on the property.

Cross Proposal Assessment Ancillary Revenue as Percent of Gaming Revenue

Department	Marvel Gaming	Penn Sumner	SGJV
Casino	100%	100%	100%
Hotel	3.6%	7.7%	3.1%
Food & Beverage	11.3%	6.0%	14.7%
Other	3.3%	3.5%	1.4%
Ancillary Total	18.3%	17.2%	19.2%

Since gaming is the engine that drives the economics of the properties it is useful to examine the revenue lines as a percent of total gaming revenue.

When expressed as a percentage of gaming revenue, the total ancillary revenue projected by the three prospective LGF managers is similar, with Penn Sumner ancillary revenue at 17.2%, Marvel Gaming at 18.3% and SGJV at 19.2%.

The differences in revenue as a percent of gaming revenue are as follows:

In the hotel category, Penn Sumner projects a higher ADR for a larger number of rooms than the other prospective managers. This translates into over twice the hotel revenue as a percent of gaming revenue compared to the other prospective managers.

Likewise, Penn Sumner projects almost half as much F&B revenue as Marvel Gaming and less than half of SGJV as expressed as a percent of gaming revenue. This is partially due to a smaller amount of beverage sales relative to food sales in Penn Sumner's projections. It may also be due to a greater amount of comp sales in food and beverage in the Marvel Gaming Projections. Also, as noted previously, convention food and beverage sales may be included in the SGJV figures. Probe suggests verification of the alcohol comping policy in relation to beverage sales projections by the applicants.

Finally, when convention, retail, entertainment, and other items are combined into an Other category, SGJV Other revenue as a percent of Casino sales is 1.4% compared to 3.3% for Marvel and 3.5 % for Sumner. The Majority of this difference may be due to the exclusion of convention F&B in the Other category for SGJV.

Amenity/Development Summary

Casino	Marvel Gaming	Penn Sumner	SGJV
Sq Ft	87,850	70,000	69,000
Machines	2,000	1,500	2,000
Tables	65	40	50
HOTEL	Marvel Gaming	Penn Sumner	SGJV
Standard # Rooms	132	333	140
Premium # Rooms	172	17	35
Total	304	350	175
Standard Size	400 Sq Ft	392 Sq Ft	450 Sq Ft
Premium Size	550+ Sq Ft	830+ Sq Ft	975 + Sq Ft
Pool and Spa	Marvel Gaming	Penn Sumner	SGJV
Spa Size	1,860 Sq Ft	2,000 Sq Ft	4,275 Sq Ft
Pool	1 indoor and 1 outdoor	1 outdoor	1 outdoor
Restaurant	Marvel Gaming	Penn Sumner	SGJV
Café	Bistro - 150 Seats	Hollywood Diner -125 Seats	Café 86 seats
Buffett	Iconic Kansas -500 seats	Epic Buffet - 400 Seats	Paula Dean - 350 seats
Steak	125 -Seats	175 seats	200 seats
Quick Serve	Snack - 35 Seats	"Creamery" coffe/pastry 40 seats	100 Seats/4 outlets
Other	Starbucks -40 Seats	Sport bar 200 Seats	Toby Keith- 225 seats
Other	Coffee 20 seats		
Other	Seasonal Pool - 135 Seats		
Bars	Marvel Gaming	Penn Sumner	SGJV
Outlet #1	Casino Center Bar 125 Sq Ft	Sports Bar/Lounge 4,000 Sq Ft	Sports bar (Anheuser Busch) 1,800 Sq Ft
Outlet #2	Steakhouse and Bistro Bar 100 Sq Ft		Center Bar 850 Sq Ft
Outlet #3	Sidewinders Casino Bar & Lounge 40 Sq Ft		Cabaret 3,850 Sq Ft
Outlet #4	Poolside Cabana Bar 135 Sq Ft		
Outlet #5	Events Center Bar na Sq Ft		
Entertainment	Marvel Gaming	Penn Sumner	SGJV
Casino Area	Sidewinders	Sports Bar	Cabaret
Additional	Pool Deck can be utilized	200 seating	Outdoor amphitheater seat 778 stand 5,000
Meeting and Convention	Marvel Gaming	Penn Sumner	SGJV
Space	40,000 Sq Ft	30,000 Sq Ft	30,338 Sq Ft
Show Seating	2,000 Sq Ft	1,750 Sq Ft	1,500 Sq Ft
Breakout Rooms	5	6	12
Additional Space	2,500 Sq Ft - 5 rooms	4,000 Sq Ft - 4 rooms	
Retail	Marvel Gaming	Penn Sumner	SGJV
Outlet #1	1,175 Sq Ft	1,500 Sq Ft w/Museum	1,702 Sq Ft Fashion/Jewelry
Outlet #2	1,860 Sq Ft		895 Sq Ft Sundries
Outlet #3	1,500 Sq Ft - Events Center		10,000 Sq Ft - Additional Development
Outlet #4	1,500 Sq Ft -RV park sundries		
Other	Marvel Gaming	Penn Sumner	SGJV
Truck Parking	50 Spaces	50 Spaces	50 spaces in additional development
RV Parking	100 Spaces	50 Spaces	44 spaces in additional development
Exhibition	Wellington Golf Course partnership (\$2.3 M investment)	Hollywood Memorabilia Musuem	
Golf			Bobby Weed/Butch designed course on property
Tennis	Courts		Butch Harmon School of Golf Courts
Sporting Clays	Sporting Clay Facility		Sporting Clay Facility
Hunting	400 acre guided hunting and fishing		
Other			100 condos and 100 houses

**KANSAS RACING AND GAMING COMMISSION
LOTTERY GAMING FACILITY REVIEW BOARD**

**ECONOMIC IMPACTS OF PROPOSED GAMING FACILITIES
SOUTH CENTRAL ZONE (SUMNER COUNTY)**

JULY 2008

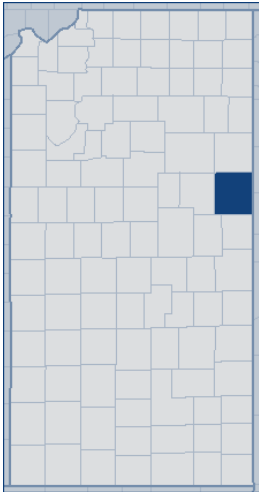


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INTRODUCTION

Civic Economics is pleased to present the Kansas Racing and Gaming Commission and the Lottery Gaming Facility Review Board with this economic impact analysis of the competing proposals for the South Central Gaming Zone. Fiscal impacts, covering benefits and costs to governmental bodies, are being prepared separately by Meridian Business Advisors.

Civic Economics utilizes IMPLAN, a product of the Minnesota Implan Group and an industry-standard tool for evaluating the impact of economic activities. Given the Board's statewide mandate, Civic Economics used Kansas as the operative study area and applied multipliers and other data from IMPLAN's Local Area Data File for the state rather than for smaller jurisdictions such as counties. Therefore, all impacts reported on the pages that follow are impacts on the State of Kansas.

Economic impacts analyses were conducted for two wholly separate phases of each proposal.

- Construction Impacts cover the development of Phase I of each proposal, including planning and design and actual construction of all facilities required by the applicant's contract with the Kansas Lottery Commission. Expenditures were assumed to occur entirely within 2010.
- Operating Impacts cover the first full year of operation. Because all applicants propose to open complete Phase I facilities in mid- to late- 2010, operating impacts were prepared for the year 2011.
- The report concludes with a discussion of the competitive impacts on existing businesses in the South Central Zone.

CONSTRUCTION IMPACTS

The construction phase of each proposed facility will generate substantial but temporary economic activity related to designing and building the gaming facilities and associated infrastructure. In each case, Civic Economics assumed that all expenditures would take place in the year 2010 for the simple reason that applicant submissions did not allow a more time specific analysis.

Inputs were derived from the Performance Templates submitted to the KRGC in June 2008. Where specific and verifiable deviations in development proposals were identified, inputs were changed accordingly. In the South Central Zone, this occurred only with regard to ancillary developments committed as part of the Sumner Resorts/Harrah's proposal.

The economic impact of any construction project is, as one might assume, driven primarily by the total expenditure on the facility. However, impacts will vary depending on the type of expenditure and the likelihood that such expenditures will be made in Kansas. For this analysis, Civic Economics consistently applied the Local Coefficients provided by IMPLAN, as these provide a credible estimate of local spending for each type of expenditure. It should be noted, though, that conscientious project managers with supportive clients can substantially increase the use of local contractors and suppliers. Therefore, the impacts described below may be seen as conservative.

Notes:

Excluded Items: Taking our lead from the analysts accustomed to working with gaming facilities, Furniture Fixtures & Equipment (FFE), Floor & Wall Coverings, and Gaming Equipment were not included in the impact inputs for any applicant. These items are quite specialized in the gaming industry and thus will come primarily from out of state.

Auxiliary Development: The Sumner Resorts/Harrah's proposal includes an ancillary development across the Kansas Turnpike to be developed by a Kansas partner to include 109 hotel rooms, a small retail building, RV parking, and residential spaces. These have been included in the construction impact analysis because they are included in the contract with the Lottery. However, it should be noted that such developments are likely to occur in close proximity to other Sumner County proposals, as well, wholly independent of the gaming contract.

Impact Reporting

The economic impacts are comprised of three separate categories. Each category is analyzed separately from one another in IMPLAN.

- **Economic Output** is the total production or sales derived from the project. For this study, the total construction costs and casino revenue are the basis for output.
- **Employment** is the total number of Kansans employed both on a full and part time basis in a given industry.
- **Wages** is the amount of salaries and benefits paid to Kansas employees.

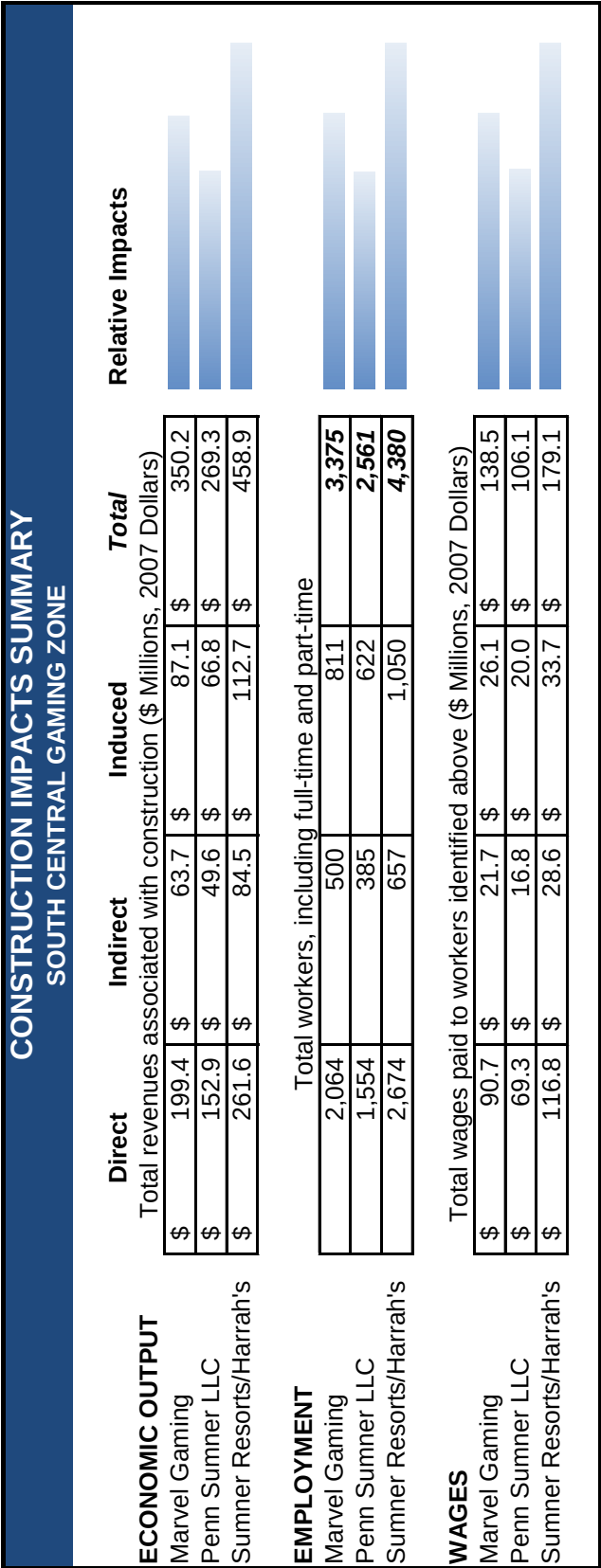
For each of the categories listed above a direct effect, indirect effect, and induced effect has been calculated.

- **Direct** effects capture the initial impact created. For construction impacts, this is based on the amount spent in each of a variety of categories in site preparation and facilities design and development. In this analysis, these were provided by the applicants.
- **Indirect** effects are additional impacts derived from businesses providing products or services to the selected industries. This can be restaurants purchasing supplies, the casino hiring a security firm, or the hotel purchasing advertising from a local radio station. Those are all examples of indirect effects.
- **Induced** effects are the result of increased household spending due to the direct and indirect effects. Employees of firms directly or indirectly affected by the project are buying new cars, homes, and groceries locally and this is detailed in the indirect effects.

Chart 1: Applicant Submissions and Model Inputs

APPLICANT SUBMISSION AND MODEL INPUT CORRESPONDENCE CONSTRUCTION ECONOMIC IMPACT ANALYSIS		
Applicant Submission Category	IMPLAN Category Applied	Notes
Buildings	Buildings	Construction of commercial and institutional buildings
Land	Land	Land purchases are not factored into economic impacts
Land improvements, excluding landscaping	Other new construction	
Landscaping	Other new construction	
Soft Costs, i.e. engineering, architectural, development fees	Architectural and engineering services	
Financing costs	None	Financing costs were not factored into the economic impacts
Public sector infrastructure	Split evenly with Highway, street, bridge, tunnel construction and Water, sewer, and pipeline	
Rolling stock	Motor vehicle and parts dealers	
Furniture, fixtures and equipment	None	Assumed purchases would be made out of state
Floor and wall treatments	None	Assumed purchases would be made out of state
Gaming equipment	None	Assumed purchases would be made out of state

Chart 2: Construction Impact Summary Chart



Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 3: Marvel Construction Economic Output

MARVEL GAMING CONSTRUCTION IMPACTS					
Code Sector		ECONOMIC OUTPUT (In 2007 Dollars)			
		Direct	Indirect	Induced	Total
1	11 Ag. Forestry, Fish & Hunting (AGG)	0	84,089	707,132	791,221
19	21 Mining (AGG)	0	1,960,256	979,529	2,939,785
30	22 Utilities (AGG)	0	836,780	2,230,610	3,067,391
33	23 Construction (AGG)	183,774,190	488,389	487,756	184,750,327
46	31-33 Manufacturing (AGG)	0	15,535,850	8,754,256	24,290,105
390	42 Wholesale Trade (AGG)	0	4,180,996	4,849,928	9,030,923
391	48-49 Transportation & Warehousing (AGG)	0	2,879,153	2,112,641	4,991,794
401	44-45 Retail trade (AGG)	6,084,997	6,939,275	10,863,904	23,888,173
413	51 Information (AGG)	0	1,757,808	2,399,525	4,157,335
425	52 Finance & insurance (AGG)	0	3,918,514	7,569,910	11,488,424
431	53 Real estate & rental (AGG)	0	3,443,375	4,244,168	7,687,543
437	54 Professional- scientific & tech svcs (AGG)	9,530,710	14,992,961	2,678,708	27,202,379
451	55 Management of companies (AGG)	0	797,866	639,896	1,437,762
452	56 Administrative & waste services (AGG)	0	3,205,925	1,505,070	4,710,994
461	61 Educational svcs (AGG)	0	42,206	1,089,088	1,131,293
464	62 Health & social services (AGG)	0	1,524	13,992,018	13,993,543
475	71 Arts- entertainment & recreation (AGG)	0	116,607	808,815	925,423
479	72 Accommodation & food services (AGG)	0	773,151	4,695,805	5,468,956
482	81 Other services (AGG)	0	1,144,144	3,324,677	4,468,820
495	92 Government & non NAICS (AGG)	0	593,987	13,204,687	13,798,673
		\$ 199,389,897	\$ 63,692,857	\$ 87,138,122	\$ 350,220,864

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 4: Marvel Construction Employment

MARVEL GAMING CONSTRUCTION IMPACTS						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag. Forestry, Fish & Hunting (AGG)	0	1	5	6	
19	21 Mining (AGG)	0	6	3	9	
30	22 Utilities (AGG)	0	2	4	6	
33	23 Construction (AGG)	1,927	4	5	1,936	
46	31-33 Manufacturing (AGG)	0	41	18	59	
390	42 Wholesale Trade (AGG)	0	25	29	54	
391	48-49 Transportation & Warehousing (AGG)	0	25	20	46	
401	44-45 Retail trade (AGG)	63	119	186	368	
413	51 Information (AGG)	0	5	8	13	
425	52 Finance & insurance (AGG)	0	24	44	67	
431	53 Real estate & rental (AGG)	0	23	34	58	
437	54 Professional- scientific & tech svcs (AGG)	75	118	26	219	
451	55 Management of companies (AGG)	0	4	4	8	
452	56 Administrative & waste services (AGG)	0	64	27	91	
461	61 Educational svcs (AGG)	0	1	22	23	
464	62 Health & social services (AGG)	0	0	178	178	
475	71 Arts- entertainment & recreation (AGG)	0	4	24	28	
479	72 Accommodation & food services (AGG)	0	14	93	107	
482	81 Other services (AGG)	0	16	73	89	
495	92 Government & non NAICS (AGG)	0	3	8	11	
		2,064	500	811	3,375	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 5: Marvel Construction Wages

MARVEL GAMING CONSTRUCTION IMPACTS						
Total Wages in 2007 Dollars						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	16,683	81,293		97,977
19	21 Mining (AGG)	0	476,326	237,481		713,807
30	22 Utilities (AGG)	0	164,622	430,675		595,297
33	23 Construction (AGG)	82,777,177	184,674	194,270		83,156,117
46	31-33 Manufacturing (AGG)	0	2,507,777	1,167,990		3,675,767
390	42 Wholesale Trade (AGG)	0	1,582,859	1,836,106		3,418,965
391	48-49 Transportation & Warehousing (AGG)	0	1,168,936	870,547		2,039,484
401	44-45 Retail trade (AGG)	2,775,213	2,793,127	4,381,021		9,949,360
413	51 Information (AGG)	0	413,646	486,601		900,247
425	52 Finance & insurance (AGG)	0	1,191,357	2,113,263		3,304,620
431	53 Real estate & rental (AGG)	0	591,443	724,449		1,315,892
437	54 Professional- scientific & tech svcs (AGG)	5,155,946	7,598,904	1,162,865		13,917,713
451	55 Management of companies (AGG)	0	346,204	277,658		623,862
452	56 Administrative & waste services (AGG)	0	1,738,521	737,450		2,475,971
461	61 Educational svcs (AGG)	0	18,570	496,050		514,619
464	62 Health & social services (AGG)	0	540	7,193,459		7,193,998
475	71 Arts- entertainment & recreation (AGG)	0	35,290	271,285		306,575
479	72 Accommodation & food services (AGG)	0	259,754	1,516,602		1,776,356
482	81 Other services (AGG)	0	471,314	1,504,134		1,975,448
495	92 Government & non NAICS (AGG)	0	135,247	387,175		522,421
		\$ 90,708,334	\$ 21,695,793	\$ 26,070,373	\$	138,474,497

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 6: Penn Sumner Construction Economic Output

PENN SUMNER CONSTRUCTION IMPACTS						
ECONOMIC OUTPUT (In 2007 Dollars)						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	63,016	541,935	604,951	
19	21 Mining (AGG)	0	1,608,098	750,697	2,358,794	
30	22 Utilities (AGG)	0	628,490	1,709,505	2,337,994	
33	23 Construction (AGG)	140,193,667	373,864	373,808	140,941,345	
46	31-33 Manufacturing (AGG)	0	12,281,931	6,709,127	18,991,057	
390	42 Wholesale Trade (AGG)	0	3,197,825	3,716,911	6,914,735	
391	48-49 Transportation & Warehousing (AGG)	0	2,337,202	1,619,095	3,956,297	
401	44-45 Retail trade (AGG)	644,103	5,172,019	8,325,932	14,142,053	
413	51 Information (AGG)	0	1,316,111	1,838,959	3,155,070	
425	52 Finance & insurance (AGG)	0	3,031,954	5,801,466	8,833,420	
431	53 Real estate & rental (AGG)	0	2,642,643	3,252,663	5,895,306	
437	54 Professional- scientific & tech svcs (AGG)	12,051,330	11,736,024	2,052,920	25,840,275	
451	55 Management of companies (AGG)	0	519,579	490,405	1,009,984	
452	56 Administrative & waste services (AGG)	0	2,572,908	1,153,461	3,726,370	
461	61 Educational svcs (AGG)	0	35,117	834,659	869,775	
464	62 Health & social services (AGG)	0	1,244	10,723,252	10,724,497	
475	71 Arts- entertainment & recreation (AGG)	0	95,244	619,863	715,107	
479	72 Accommodation & food services (AGG)	0	635,056	3,598,795	4,233,850	
482	81 Other services (AGG)	0	897,197	2,547,977	3,445,174	
495	92 Government & non NAICS (AGG)	0	444,482	10,119,865	10,564,346	
		\$ 152,889,100	\$ 49,590,004	\$ 66,781,293	\$ 269,260,399	

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 7: Penn Sumner Construction Employment

PENN SUMNER CONSTRUCTION IMPACTS						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	0.4	4.1	4.4	
19	21 Mining (AGG)	0.0	4.8	2.2	7.0	
30	22 Utilities (AGG)	0.0	1.3	3.4	4.7	
33	23 Construction (AGG)	1,453.2	3.3	3.4	1,459.9	
46	31-33 Manufacturing (AGG)	0.0	30.7	13.8	44.6	
390	42 Wholesale Trade (AGG)	0.0	19.3	22.4	41.6	
391	48-49 Transportation & Warehousing (AGG)	0.0	20.5	15.5	36.0	
401	44-45 Retail trade (AGG)	6.6	88.5	142.8	237.9	
413	51 Information (AGG)	0.0	4.0	5.7	9.7	
425	52 Finance & insurance (AGG)	0.0	18.2	33.6	51.7	
431	53 Real estate & rental (AGG)	0.0	17.6	26.3	43.9	
437	54 Professional- scientific & tech svcs (AGG)	94.3	92.1	19.7	206.1	
451	55 Management of companies (AGG)	0.0	2.9	2.7	5.6	
452	56 Administrative & waste services (AGG)	0.0	51.7	20.8	72.5	
461	61 Educational svcs (AGG)	0.0	0.7	17.1	17.8	
464	62 Health & social services (AGG)	0.0	0.0	136.5	136.5	
475	71 Arts- entertainment & recreation (AGG)	0.0	3.4	18.0	21.4	
479	72 Accommodation & food services (AGG)	0.0	11.5	71.3	82.8	
482	81 Other services (AGG)	0.0	12.4	56.2	68.6	
495	92 Government & non NAICS (AGG)	0.0	2.2	6.3	8.5	
		1554	385	622	2561	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 8: Penn Sumner Construction Wages

PENN SUMNER CONSTRUCTION IMPACTS					
Code	Sector	Total Wages in 2007 Dollars			
		Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	12,466	62,301	74,768
19	21 Mining (AGG)	0	391,206	182,001	573,208
30	22 Utilities (AGG)	0	122,845	330,063	452,908
33	23 Construction (AGG)	62,494,766	140,892	148,886	62,784,544
46	31-33 Manufacturing (AGG)	0	1,956,347	895,130	2,851,477
390	42 Wholesale Trade (AGG)	0	1,210,645	1,407,164	2,617,809
391	48-49 Transportation & Warehousing (AGG)	0	944,694	667,174	1,611,867
401	44-45 Retail trade (AGG)	293,759	2,081,789	3,357,549	5,733,097
413	51 Information (AGG)	0	308,074	372,923	680,997
425	52 Finance & insurance (AGG)	0	919,509	1,619,574	2,539,082
431	53 Real estate & rental (AGG)	0	455,061	555,206	1,010,267
437	54 Professional- scientific & tech svcs (AGG)	6,519,557	5,913,884	891,201	13,324,640
451	55 Management of companies (AGG)	0	225,451	212,794	438,245
452	56 Administrative & waste services (AGG)	0	1,397,558	565,170	1,962,727
461	61 Educational svcs (AGG)	0	15,459	380,164	395,623
464	62 Health & social services (AGG)	0	438,141	5,512,948	5,951,089
475	71 Arts- entertainment & recreation (AGG)	0	29,039	207,908	236,948
479	72 Accommodation & food services (AGG)	0	213,480	1,162,302	1,375,781
482	81 Other services (AGG)	0	363,882	1,152,743	1,516,625
495	92 Government & non NAICS (AGG)	0	101,471	296,724	398,195
		\$ 69,308,081	\$ 16,804,190	\$ 19,979,924	\$ 106,092,194

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 9: Sumner Resorts/Harrah's Construction Economic Output

SUMNER RESORTS/HARRAH'S CONSTRUCTION IMPACTS					
Code Sector		ECONOMIC OUTPUT (In 2007 Dollars)			
		Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	112,709	914,782	1,027,491
19	21 Mining (AGG)	0	2,694,528	1,267,170	3,961,698
30	22 Utilities (AGG)	0	1,057,075	2,885,631	3,942,705
33	23 Construction (AGG)	252,064,977	599,518	630,986	253,295,491
46	31-33 Manufacturing (AGG)	0	21,481,121	11,324,950	32,806,071
390	42 Wholesale Trade (AGG)	0	5,741,307	6,274,113	12,015,420
391	48-49 Transportation & Warehousing (AGG)	0	4,010,419	2,733,020	6,743,438
401	44-45 Retail trade (AGG)	0	9,758,518	14,054,099	23,812,618
413	51 Information (AGG)	0	2,156,709	3,104,149	5,260,858
425	52 Finance & insurance (AGG)	0	5,147,453	9,792,823	14,940,276
431	53 Real estate & rental (AGG)	0	4,197,639	5,490,470	9,688,109
437	54 Professional- scientific & tech svcs (AGG)	9,553,717	19,511,011	3,465,313	32,530,044
451	55 Management of companies (AGG)	0	870,064	827,801	1,697,864
452	56 Administrative & waste services (AGG)	0	3,856,856	1,947,034	5,803,890
461	61 Educational svcs (AGG)	0	51,006	1,408,899	1,459,904
464	62 Health & social services (AGG)	0	2,026	18,100,777	18,102,803
475	71 Arts- entertainment & recreation (AGG)	0	141,811	1,046,325	1,188,136
479	72 Accommodation & food services (AGG)	0	961,068	6,074,733	7,035,801
482	81 Other services (AGG)	0	1,453,728	4,300,968	5,754,696
495	92 Government & non NAICS (AGG)	0	744,574	17,082,252	17,826,826
		\$ 261,618,694	\$ 84,549,141	\$ 112,726,293	\$ 458,894,140

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 10: Sumner Resorts/Harrah's Construction Employment

SUMNER RESORTS/HARRAH'S CONSTRUCTION IMPACTS						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	0.6	6.8	7.5	
19	21 Mining (AGG)	0	8	3.7	11.7	
30	22 Utilities (AGG)	0	2.1	5.8	7.9	
33	23 Construction (AGG)	2598.8	5.2	5.8	2609.9	
46	31-33 Manufacturing (AGG)	0	57.1	23.4	80.5	
390	42 Wholesale Trade (AGG)	0	34.6	37.8	72.4	
391	48-49 Transportation & Warehousing (AGG)	0	34.3	26.2	60.6	
401	44-45 Retail trade (AGG)	0	166.9	241	407.9	
413	51 Information (AGG)	0	6.4	9.7	16.1	
425	52 Finance & insurance (AGG)	0	30.8	56.7	87.5	
431	53 Real estate & rental (AGG)	0	27.8	44.4	72.2	
437	54 Professional- scientific & tech svcs (AGG)	74.8	153.9	33.3	262	
451	55 Management of companies (AGG)	0	4.8	4.6	9.4	
452	56 Administrative & waste services (AGG)	0	77.1	35.1	112.1	
461	61 Educational svcs (AGG)	0	1	28.8	29.8	
464	62 Health & social services (AGG)	0	0	230.3	230.3	
475	71 Arts- entertainment & recreation (AGG)	0	5.1	30.4	35.5	
479	72 Accommodation & food services (AGG)	0	17.5	120.4	137.9	
482	81 Other services (AGG)	0	20.1	94.8	114.9	
495	92 Government & non NAICs (AGG)	0	3.7	10.6	14.3	
		2,674	657	1,050	4,380	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 11: Sumner Resorts/Harrah's Construction Wages

SUMNER RESORTS/HARRAH'S CONSTRUCTION IMPACTS						
Code	Sector	Total Wages in 2006 Dollars			Total	
		Direct	Indirect	Induced		
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	21,518	102,251		123,769
19	21 Mining (AGG)	0	637,031	298,704		935,734
30	22 Utilities (AGG)	0	200,998	541,705		742,703
33	23 Construction (AGG)	108,505,184	220,207	244,354		108,969,744
46	31-33 Manufacturing (AGG)	0	3,401,854	1,469,102		4,870,957
390	42 Wholesale Trade (AGG)	0	2,113,338	2,309,461		4,422,799
391	48-49 Transportation & Warehousing (AGG)	0	1,542,427	1,094,977		2,637,404
401	44-45 Retail trade (AGG)	0	3,819,057	5,510,464		9,329,521
413	51 Information (AGG)	0	489,172	612,048		1,101,220
425	52 Finance & insurance (AGG)	0	1,516,421	2,658,070		4,174,492
431	53 Real estate & rental (AGG)	0	702,669	911,213		1,613,883
437	54 Professional- scientific & tech svcs (AGG)	5,025,174	9,652,758	1,462,656		16,140,588
451	55 Management of companies (AGG)	0	367,070	349,240		716,309
452	56 Administrative & waste services (AGG)	0	2,028,789	927,567		2,956,356
461	61 Educational svcs (AGG)	0	21,818	623,933		645,751
464	62 Health & social services (AGG)	0	694	9,047,952		9,048,647
475	71 Arts- entertainment & recreation (AGG)	0	41,956	341,223		383,179
479	72 Accommodation & food services (AGG)	0	313,996	1,907,589		2,221,584
482	81 Other services (AGG)	0	574,711	1,891,903		2,466,615
495	92 Government & non NAICs (AGG)	0	165,247	486,989		652,237
		\$ 113,530,358	\$ 27,831,732	\$ 32,791,400	\$	174,153,489

Source: Applicant Submissions, IMPLAN, Civic Economics

OPERATING IMPACTS

This section of this report analyzes the economic impacts to be generated by each proposal in the first full year of operation, which is 2011 for all proposals. As with construction, economic impacts were calculated for the entire state of Kansas using the IMPLAN model.

Notes:

Gaming Revenue and Operational Scale: As requested by the Board, all applicants provided a detailed spreadsheet looking forward into several years of operations. In all cases, these sheets proceeded from an estimate of the gaming revenue to be earned at each facility, as estimated by the applicants. For this exercise, though, Civic Economics was asked to evaluate impacts based on the gaming revenue forecast by the Board's own consultants, Wells Gaming and Cummings & Associates. In the South Central Zone, these estimates were lower than the applicants had put forward, as illustrated in Chart 11 on the following page. Consequently, the economic impact of gaming activities relied on these lower revenue figures as an input into the model.

This analysis also assumes that, in general, non-gaming activities in proposed facilities would change in proportion with the gaming revenues, which was in this case a reduction. Chart 11 also illustrates those reductions in revenue.

Finally, our partners in this process, Probe Strategic Solutions, applied their specific expertise in the gaming industry to review and forecast revenues associated with hotel operations at those facilities offering one. In their opinion, reduced gaming revenue will not be reflected in reduced hotel occupancy as operators seek to fill rooms in order to provide casino patrons. Hotel revenues at the three attached luxury properties are based on an average daily rate of \$118.97 and 90% occupancy. For the two ancillary, mid-market hotels proposed by Sumner Resorts, revenues are based on an average daily rate of \$87.82 and 80% occupancy. In addition, this "revenue" measure is intended to guide the model by presenting market values to rooms that are frequently provided at reduced rates or free to gaming customers.

Chart 12: Revenue Forecast Adjustments

REVENUE FORECASTS, 2011 SOUTH CENTRAL GAMING ZONE (IN 2007 Dollars)				
GAMING REVENUE PROJECTIONS				
	Marvel	Penn Sumner	Sumner Resorts/Harrah's	
Estimated gaming revenue: Applicant	\$ 252,359,000	\$ 236,895,000	\$ 158,044,873	
Estimated gaming revenue: Wells	\$ 134,991,402	\$ 122,612,240	\$ 198,835,894	
Estimated gaming revenue: Cummings	\$ 130,200,000	\$ 123,500,000	\$ 174,200,000	
Average of Wells & Cummings	\$ 132,595,701	\$ 123,056,120	\$ 186,517,947	
Ratio of Wells/Cummings to Applicant	0.5254	0.5195	1.1802	
ADJUSTED NON-GAMING REVENUE PROJECTIONS				
	Marvel	Penn Sumner	Sumner Resorts/Harrah's	
Hotel Revenue	\$ 11,880,820	\$ 13,678,576	\$ 11,711,541	
Food Revenue	\$ 7,919,528	\$ 5,906,574	\$ 22,398,355	
Retail Revenue	\$ 1,049,370	\$ 2,681,550	n/a	
Other Revenue	\$ 3,368,416	\$ 3,997,593	\$ 2,527,714	

SOURCE: Applicant Submissions, Wells Gaming and Cummings & Assoc., Probe Strategic Solutions, Civic Economics

Total Impacts and Net Impacts: The layman might expect an economic impact analysis to quantify the output, employment, and wages of the totality of a proposed facility, which in this case would be built from total projected gaming revenues. However, such an analysis would substantially overstate the true economic impact the facility will have on the State of Kansas as it would, by design, incorporate the impact of money simply redirected from one local activity to another. The true economic impact of a facility is based on a more meaningful number, the net impact.

In this case, net economic impact identifies only that economic activity that is truly new to the jurisdiction. This new activity is made up of two components:

- a. **Export Revenue:** This refers to the portion of gaming revenues derived from non-Kansas visitors that would not, absent the proposed casino, have occurred in Kansas. This revenue is truly new to Kansas as out-of-state visitors spend money in the state they would not have otherwise spent.
- b. **Import Substitution Revenue:** This refers to the portion of gaming revenues derived from Kansas residents that would, absent the proposed casino, have occurred outside of Kansas. Again, this revenue is truly new to Kansas as Kansas residents repatriate out-of-state casino spending with in-state casino spending.
- c. **Redirected Local Activity:** The remainder of gaming revenue not accounted for above is not included in the net economic impact analysis, because it reflects casino spending by Kansans that would not otherwise have occurred in any casino. This revenue is not new to Kansas because it represents a diversion of other Kansas household income that previously went to innumerable alternative discretionary activities. However, there is a definite fiscal advantage to this activity in the form of additional taxes generated. These fiscal impacts are detailed in the report provided by Meridian Business Advisors.

These values were calculated from the reports of Wells and Cummings. Chart 12 on the following page summarizes the calculation of net new gaming revenues used to calculate net economic impact. It should be noted, and is reflected in this chart, that Wells and Cummings prepared and reported these calculations by different approaches; this chart reflects the detail available from each.

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 13: Net Revenues in Kansas

EXPORT AND IMPORT SUBSTITUTION IN KANSAS CASINOS, 2011				
SOUTH CENTRAL ZONE				
	Marvel Gaming	Penn Sumner	Sumner Resorts/Harrah's	
Wells				
Estimated Gaming Revenue	\$ 134,991,402	\$ 122,612,240	\$	198,835,894
Estimated Gaming Export				
Estimated Gaming Import Substitution	Wells methodology did not allow a breakdown of these values			
Net or New Revenue	\$ 75,199,538	\$ 64,439,443	\$	109,229,495
Cummings				
Estimated Gaming Revenue	\$ 130,200,000	\$ 123,500,000	\$	174,200,000
Estimated Gaming Export	\$ 14,900,000	\$ 12,400,000	\$	8,200,000
Estimated Gaming Import Substitution	\$ 47,600,000	\$ 42,800,000	\$	50,700,000
Net or New Revenue	\$ 62,500,000	\$ 55,200,000	\$	58,900,000
Average Net Revenue	\$ 68,849,769	\$ 59,819,722	\$	84,064,748
Net as a % of Gaming Revenue	51.0%	48.8%		42.3%

SOURCE: Wells, Cummings, Civic Economics

Final Input Modifications: In order to provide fair and equitable treatment of all applicants, Civic Economics determined to run the same model, with the same modifications, for each application. While necessary to the task at hand, this required some modest modifications and adaptations from the data provided by the applicants.

Among these adjustments, those for employment and labor were the most challenging. IMPLAN is designed to estimate wages and employment based on industry averages in the study jurisdiction. However, given the limited and nontraditional form of casino gaming in Kansas currently, it was not surprising that the Local Area Data Set estimated both total employment and wages substantially lower than what was indicated by the applicants. Upon careful analysis of the applicant submissions for both the Southeast and South Central Zones, it became apparent that we could not confidently apply the applicants' own values directly into the model; the ranges were simply too extreme and belied a somewhat haphazard completion of the submission templates by some applicants.

In order to correct for the inherently low productivity and wage numbers in the model, Civic Economics instead applied the average of all four applicants for each in worker productivity and wages, as shown at right:

APPLICANT SUBMISSION MODIFICATIONS OPERATION ECONOMIC IMPACT ANALYSIS			
Category	Harmonized Value		Notes
Revenue per employee	\$	146,960	Using an average of all casino applications
Wages per employee	\$	33,540	Using an average of all casino applications

We recognize that this approach produces outcomes that indicate all operate with the same level of labor intensity. In particular, it would appear to penalize Marvel Gaming which has made a strong case that the on-site presence of management personnel and its significantly higher offering of table games make it a particularly labor-intensive operation. However, had we simply used the values provided in the applications that unfairness would have been made substantially more pronounced, so we leave it to the applicants to make that case again.

Chart 14: Applicant Submission and Model Input

APPLICANT SUBMISSION AND MODEL INPUT CORRESPONDENCE OPERATION ECONOMIC IMPACT ANALYSIS		
Performance Template Category	IMPLAN Category	Notes
Estimated gaming revenue	Other amusement, gambling, and recreation industries	Modified first in terms of total revenue produced as estimated by Wells' and Cummings' reports. Also adjusted to only account for import substitution and export effects.
Hotel revenue	Hotels and motels, including casino hotels	Modified by Probe Strategic Solutions to represent the average revenues and occupancy rates for the region
Food revenue	Food services and drinking places	Modified to represent the same proportion of gaming revenue the casinos presented before the gaming revenue was modified by Wells and Cummings
Retail revenue	Miscellaneous store retailers	Modified to represent the same proportion of gaming revenue the casinos presented before the gaming revenue was modified by Wells and Cummings
Other revenue	Miscellaneous store retailers	Modified to represent the same proportion of gaming revenue the casinos presented before the gaming revenue was modified by Wells and Cummings

Impact Reporting

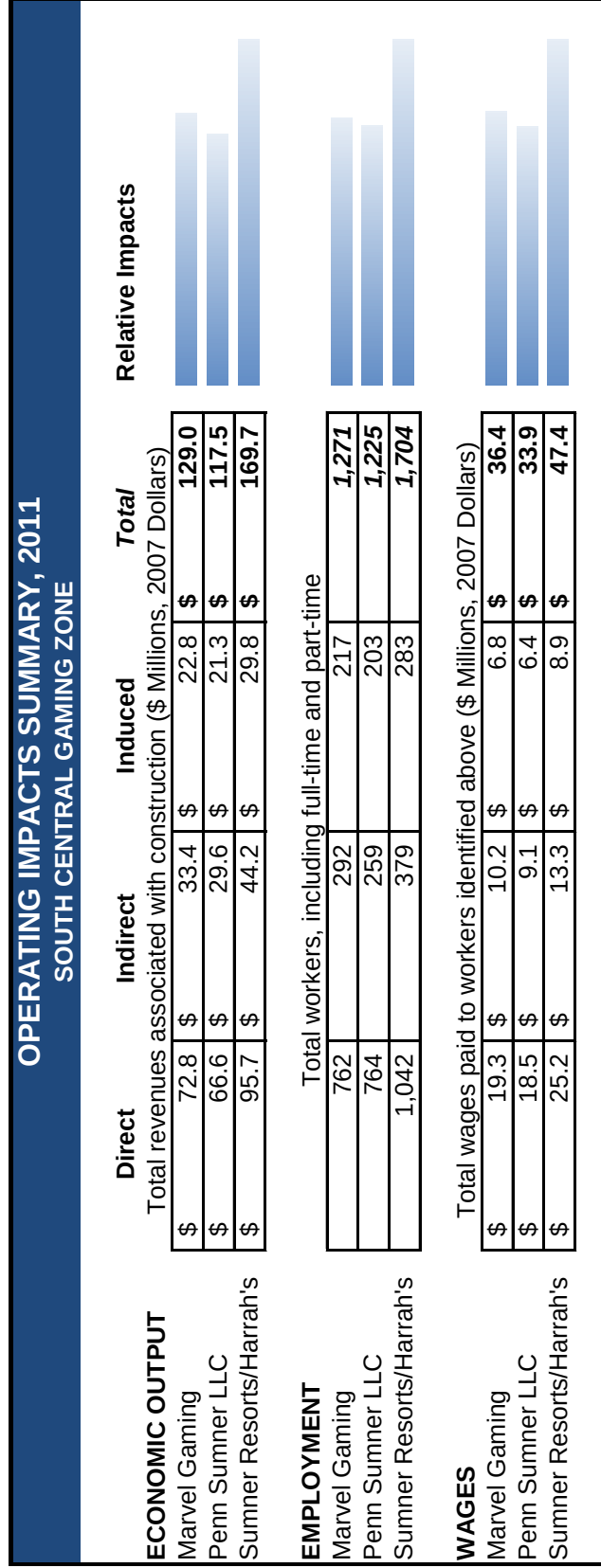
The economic impacts are comprised of three separate categories. Each category is analyzed separately from one another in IMPLAN.

- **Economic Output** is the total production or sales derived from the project. For this study, inputs are based upon projected gaming and non-gaming revenues.
- **Employment** is the total number of Kansans employed both full and part time in a given industry.
- **Wages** is the amount of salaries and benefits paid to Kansas employees.

For each of the categories listed above a direct effect, indirect effect, and induced effect has been calculated.

- **Direct** effects capture the initial impact created in Kansas.
- **Indirect** effects are additional impacts derived from businesses providing products or services to the selected industries. This can be restaurants purchasing supplies, the casino hiring a security firm, or the hotel purchasing advertising from a local radio station. Those are all examples of indirect effects.
- **Induced** effects are the result of increased household spending due to the direct and indirect effects. Employees of firms directly or indirectly affected by the project are buying new cars, homes, and groceries locally and this is detailed in the indirect effects.

Chart 15: Operating Impacts Summary Chart



Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 16: Marvel Gaming Operation Economic Output

MARVEL GAMING NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
ECONOMIC OUTPUT (In 2007 Dollars)					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	273,541	177,628	451,169
19	21 Mining (AGG)	0	498,205	256,078	754,283
30	22 Utilities (AGG)	0	1,573,921	584,091	2,158,013
33	23 Construction (AGG)	0	1,621,657	129,831	1,751,488
46	31-33 Manufacturing (AGG)	0	4,310,230	2,288,058	6,598,287
390	42 Wholesale Trade (AGG)	0	1,525,215	1,265,719	2,790,935
391	48-49 Transportation & Warehousing (AGG)	0	1,532,736	553,001	2,085,737
401	44-45 Retail trade (AGG)	3,866,131	662,729	2,834,189	7,363,049
413	51 Information (AGG)	0	2,345,966	629,439	2,975,405
425	52 Finance & insurance (AGG)	0	2,694,962	1,977,455	4,672,417
431	53 Real estate & rental (AGG)	0	4,759,745	1,107,898	5,867,643
437	54 Professional- scientific & tech svcs (AGG)	0	4,433,346	704,999	5,138,345
451	55 Management of companies (AGG)	0	1,022,695	167,734	1,190,429
452	56 Administrative & waste services (AGG)	0	2,527,120	396,069	2,923,189
461	61 Educational svcs (AGG)	0	31,049	284,093	315,142
464	62 Health & social services (AGG)	0	5,020	3,649,679	3,654,699
475	71 Arts- entertainment & recreation (AGG)	56,401,728	807,451	292,152	57,501,332
479	72 Accommodation & food services (AGG)	12,534,308	550,688	1,225,394	14,310,390
482	81 Other services (AGG)	0	993,236	867,865	1,861,101
495	92 Government & non NAICs (AGG)	0	1,228,134	3,445,174	4,673,308
Total		\$ 72,802,167	\$ 33,397,646	\$ 22,836,546	\$ 129,036,361

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 17: Marvel Gaming Operation Employment

MARVEL GAMING NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	2	1	4	
19	21 Mining (AGG)	0	2	1	2	
30	22 Utilities (AGG)	0	3	1	5	
33	23 Construction (AGG)	0	14	1	15	
46	31-33 Manufacturing (AGG)	0	12	5	17	
390	42 Wholesale Trade (AGG)	0	9	8	17	
391	48-49 Transportation & Warehousing (AGG)	0	18	6	23	
401	44-45 Retail trade (AGG)	143	12	50	204	
413	51 Information (AGG)	0	10	2	13	
425	52 Finance & insurance (AGG)	0	17	12	29	
431	53 Real estate & rental (AGG)	0	38	9	47	
437	54 Professional- scientific & tech svcs (AGG)	0	38	7	45	
451	55 Management of companies (AGG)	0	6	1	7	
452	56 Administrative & waste services (AGG)	0	47	7	54	
461	61 Educational svcs (AGG)	0	1	6	7	
464	62 Health & social services (AGG)	0	0	48	48	
475	71 Arts- entertainment & recreation (AGG)	384	33	6	423	
479	72 Accommodation & food services (AGG)	235	11	25	271	
482	81 Other services (AGG)	0	14	20	33	
495	92 Government & non NAICs (AGG)	0	5	2	8	
Total		762	292	217	1,271	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 18: Marvel Gaming Operation Wages

MARVEL GAMING					
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
Code	Sector	TOTAL WAGES (2007 Dollars)			
		Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	32,063	20,401	52,464
19	21 Mining (AGG)	0	120,946	62,085	183,031
30	22 Utilities (AGG)	0	322,849	112,800	435,649
33	23 Construction (AGG)	0	594,447	51,617	646,065
46	31-33 Manufacturing (AGG)	0	690,731	305,468	996,199
390	42 Wholesale Trade (AGG)	0	577,422	479,181	1,056,604
391	48-49 Transportation & Warehousing (AGG)	0	754,490	228,077	982,567
401	44-45 Retail trade (AGG)	2,089,783	266,757	1,142,935	3,499,474
413	51 Information (AGG)	0	586,097	127,833	713,929
425	52 Finance & insurance (AGG)	0	881,129	552,110	1,433,239
431	53 Real estate & rental (AGG)	0	796,885	189,136	986,021
437	54 Professional- scientific & tech svcs (AGG)	0	1,900,208	306,031	2,206,239
451	55 Management of companies (AGG)	0	443,760	72,782	516,542
452	56 Administrative & waste services (AGG)	0	1,259,892	194,204	1,454,096
461	61 Educational svcs (AGG)	0	13,621	129,397	143,018
464	62 Health & social services (AGG)	0	1,764	1,876,336	1,878,101
475	71 Arts- entertainment & recreation (AGG)	13,016,590	192,051	83,193	13,291,833
479	72 Accommodation & food services (AGG)	4,207,368	182,155	395,766	4,785,289
482	81 Other services (AGG)	0	343,941	392,607	736,547
495	92 Government & non NAICs (AGG)	0	268,878	101,191	370,069
Total		\$ 19,313,740	\$ 10,230,085	\$ 6,823,149	\$ 36,366,975

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 19: Penn Sumner Operation Economic Output

PENN SUMNER NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
ECONOMIC OUTPUT (In 2007 Dollars)					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	221,374	165,772	387,145
19	21 Mining (AGG)	0	443,343	238,986	682,329
30	22 Utilities (AGG)	0	1,404,015	545,106	1,949,121
33	23 Construction (AGG)	0	1,439,579	121,165	1,560,744
46	31-33 Manufacturing (AGG)	0	3,732,344	2,135,342	5,867,685
390	42 Wholesale Trade (AGG)	0	1,308,972	1,181,239	2,490,211
391	48-49 Transportation & Warehousing (AGG)	0	1,366,325	516,091	1,882,416
401	44-45 Retail trade (AGG)	5,845,109	598,366	2,645,023	9,088,497
413	51 Information (AGG)	0	2,097,894	587,427	2,685,321
425	52 Finance & insurance (AGG)	0	2,397,468	1,845,471	4,242,939
431	53 Real estate & rental (AGG)	0	4,230,524	1,033,951	5,264,475
437	54 Professional- scientific & tech svcs (AGG)	0	3,947,360	657,943	4,605,303
451	55 Management of companies (AGG)	0	955,706	156,539	1,112,245
452	56 Administrative & waste services (AGG)	0	2,277,028	369,633	2,646,661
461	61 Educational svcs (AGG)	0	27,907	265,131	293,038
464	62 Health & social services (AGG)	0	4,377	3,406,075	3,410,452
475	71 Arts- entertainment & recreation (AGG)	49,004,312	701,464	272,652	49,978,432
479	72 Accommodation & food services (AGG)	11,754,004	491,710	1,143,605	13,389,320
482	81 Other services (AGG)	0	882,484	809,938	1,692,422
495	92 Government & non NAICs (AGG)	0	1,097,747	3,215,225	4,312,973
Total		\$ 66,603,425	\$ 29,625,987	\$ 21,312,314	\$ 117,541,729

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 20: Penn Sumner Operation Employment

PENN SUMNER NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	2	1	3
19	21 Mining (AGG)	0	1	1	2
30	22 Utilities (AGG)	0	3	1	4
33	23 Construction (AGG)	0	13	1	14
46	31-33 Manufacturing (AGG)	0	10	5	15
390	42 Wholesale Trade (AGG)	0	8	7	15
391	48-49 Transportation & Warehousing (AGG)	0	16	5	21
401	44-45 Retail trade (AGG)	216	11	47	273
413	51 Information (AGG)	0	9	2	11
425	52 Finance & insurance (AGG)	0	15	11	26
431	53 Real estate & rental (AGG)	0	33	9	42
437	54 Professional- scientific & tech svcs (AGG)	0	34	7	40
451	55 Management of companies (AGG)	0	5	1	6
452	56 Administrative & waste services (AGG)	0	42	7	49
461	61 Educational svcs (AGG)	0	1	6	6
464	62 Health & social services (AGG)	0	0	45	45
475	71 Arts- entertainment & recreation (AGG)	334	29	5	368
479	72 Accommodation & food services (AGG)	215	10	23	247
482	81 Other services (AGG)	0	12	18	31
495	92 Government & non NAICs (AGG)	0	5	2	7
Total		764	259	203	1,225

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 21: Penn Sumner Operation Wages

PENN SUMNER NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	26,483	19,039	45,522
19	21 Mining (AGG)	0	107,628	57,941	165,569
30	22 Utilities (AGG)	0	287,981	105,271	393,252
33	23 Construction (AGG)	0	527,961	48,172	576,133
46	31-33 Manufacturing (AGG)	0	601,461	285,080	886,541
390	42 Wholesale Trade (AGG)	0	495,556	447,199	942,754
391	48-49 Transportation & Warehousing (AGG)	0	675,434	212,854	888,288
401	44-45 Retail trade (AGG)	3,159,492	240,850	1,066,650	4,466,991
413	51 Information (AGG)	0	524,416	119,301	643,717
425	52 Finance & insurance (AGG)	0	783,144	515,260	1,298,404
431	53 Real estate & rental (AGG)	0	707,163	176,512	883,675
437	54 Professional- scientific & tech svcs (AGG)	0	1,690,495	285,605	1,976,100
451	55 Management of companies (AGG)	0	414,693	67,924	482,617
452	56 Administrative & waste services (AGG)	0	1,128,838	181,241	1,310,079
461	61 Educational svcs (AGG)	0	12,243	120,760	133,003
464	62 Health & social services (AGG)	0	1,539	1,751,097	1,752,636
475	71 Arts- entertainment & recreation (AGG)	11,309,388	166,812	77,640	11,553,839
479	72 Accommodation & food services (AGG)	3,984,970	162,684	369,351	4,517,004
482	81 Other services (AGG)	0	307,634	366,401	674,035
495	92 Government & non NAICs (AGG)	0	240,517	94,437	334,955
Total		\$ 18,453,849	\$ 9,103,530	\$ 6,367,735	\$ 33,925,113

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 22: Sumner Resorts/Harrah's Operation Economic Output

SUMNER RESORTS/HARRAH'S NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011					
ECONOMIC OUTPUT (In 2007 Dollars)					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	555,136	231,409	786,544
19	21 Mining (AGG)	0	646,615	333,611	980,226
30	22 Utilities (AGG)	0	2,048,426	760,939	2,809,365
33	23 Construction (AGG)	0	2,034,188	169,141	2,203,328
46	31-33 Manufacturing (AGG)	0	6,467,420	2,980,823	9,448,242
390	42 Wholesale Trade (AGG)	0	2,372,555	1,648,946	4,021,501
391	48-49 Transportation & Warehousing (AGG)	0	2,053,050	720,436	2,773,486
401	44-45 Retail trade (AGG)	2,347,257	877,257	3,692,308	6,916,822
413	51 Information (AGG)	0	2,982,987	820,017	3,803,005
425	52 Finance & insurance (AGG)	0	3,449,201	2,576,176	6,025,377
431	53 Real estate & rental (AGG)	0	6,163,296	1,443,342	7,606,638
437	54 Professional- scientific & tech svcs (AGG)	0	5,554,311	918,455	6,472,766
451	55 Management of companies (AGG)	0	1,219,813	218,520	1,438,333
452	56 Administrative & waste services (AGG)	0	3,119,820	515,989	3,635,809
461	61 Educational svcs (AGG)	0	38,848	370,110	408,959
464	62 Health & social services (AGG)	0	6,275	4,754,713	4,760,988
475	71 Arts- entertainment & recreation (AGG)	68,865,840	1,036,834	380,609	70,283,280
479	72 Accommodation & food services (AGG)	24,519,332	750,846	1,596,411	26,866,588
482	81 Other services (AGG)	0	1,253,752	1,130,634	2,384,386
495	92 Government & non NAICs (AGG)	0	1,563,518	4,488,286	6,051,803
Total		\$ 95,732,429	\$ 44,194,148	\$ 29,750,875	\$ 169,677,446

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 23: Sumner Resorts/Harrah's Operation Employment

SUMNER RESORTS/HARRAH'S NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	4	2	6	
19	21 Mining (AGG)	0	2	1	3	
30	22 Utilities (AGG)	0	4	2	6	
33	23 Construction (AGG)	0	18	2	19	
46	31-33 Manufacturing (AGG)	0	18	6	24	
390	42 Wholesale Trade (AGG)	0	15	10	25	
391	48-49 Transportation & Warehousing (AGG)	0	23	7	30	
401	44-45 Retail trade (AGG)	87	15	65	167	
413	51 Information (AGG)	0	13	3	16	
425	52 Finance & insurance (AGG)	0	22	15	38	
431	53 Real estate & rental (AGG)	0	49	12	61	
437	54 Professional- scientific & tech svcs (AGG)	0	48	9	57	
451	55 Management of companies (AGG)	0	7	1	8	
452	56 Administrative & waste services (AGG)	0	58	10	68	
461	61 Educational svcs (AGG)	0	1	8	9	
464	62 Health & social services (AGG)	0	0	62	62	
475	71 Arts- entertainment & recreation (AGG)	469	43	8	519	
479	72 Accommodation & food services (AGG)	487	15	33	534	
482	81 Other services (AGG)	0	17	26	43	
495	92 Government & non NAICs (AGG)	0	7	3	10	
Total		1,042	379	283	1,704	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES, SOUTH CENTRAL GAMING ZONE

Chart 24: Sumner Resorts/Harrah's Operation Wages

SUMNER RESORTS/HARRAH'S NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2011						
TOTAL WAGES (2007 Dollars)						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	58,719	26,578	85,296	
19	21 Mining (AGG)	0	156,973	80,882	237,856	
30	22 Utilities (AGG)	0	418,590	146,953	565,543	
33	23 Construction (AGG)	0	745,837	67,246	813,083	
46	31-33 Manufacturing (AGG)	0	1,010,780	397,956	1,408,736	
390	42 Wholesale Trade (AGG)	0	898,212	624,265	1,522,477	
391	48-49 Transportation & Warehousing (AGG)	0	987,451	297,133	1,284,584	
401	44-45 Retail trade (AGG)	1,268,777	353,107	1,488,985	3,110,870	
413	51 Information (AGG)	0	741,499	166,537	908,036	
425	52 Finance & insurance (AGG)	0	1,128,309	719,274	1,847,583	
431	53 Real estate & rental (AGG)	0	1,028,892	246,401	1,275,293	
437	54 Professional- scientific & tech svcs (AGG)	0	2,376,573	398,690	2,775,263	
451	55 Management of companies (AGG)	0	529,292	94,818	624,110	
452	56 Administrative & waste services (AGG)	0	1,559,885	253,004	1,812,888	
461	61 Educational svcs (AGG)	0	17,044	168,575	185,619	
464	62 Health & social services (AGG)	0	2,208	2,444,445	2,446,654	
475	71 Arts- entertainment & recreation (AGG)	15,893,102	248,349	108,381	16,249,833	
479	72 Accommodation & food services (AGG)	8,050,762	248,197	515,594	8,814,554	
482	81 Other services (AGG)	0	436,253	511,478	947,731	
495	92 Government & non NAICs (AGG)	0	342,079	131,829	473,909	
Total		\$ 25,212,641	\$ 13,288,247	\$ 8,889,026	\$ 47,389,916	

Source: Applicant Submissions, IMPLAN, Civic Economics

NON-GAMING COMPETITIVE IMPACTS

Civic Economics was asked to address the issue of cannibalization of existing business with regard to the non-gaming amenities at the proposed gaming facilities.

Gaming Impact on Budgeting

Before delving into the specific amenities offered by each applicant, a note about gaming revenues is appropriate. In the discussion of Net Economic Impact above, the significant values of Import Substitution and Export Revenues were described and calculated. In addition, it was suggested that the remaining gaming revenues would represent new gaming spending in lieu of other household spending choices. The additional gaming spending beyond Import Substitution and Export Revenue in the South Central Zone is as follows:

NEW GAMING SPENDING BY KANSANS SOUTH CENTRAL REGION (2007 Dollars)		
Marvel Gaming	\$	63,745,932
Penn Sumner	\$	63,236,399
Sumner Resorts/Harrah's	\$	102,453,200

Source: Wells, Cummings, Civic Economics

It is beyond the scope of this study to evaluate the choices Kansas residents will make in determining how to make room in the household budget for this substantial additional gaming spending. However, it is likely that in a typical household increased gaming spending will be diverted from other leisure and entertainment pursuits.

Non-Gaming Competition for Non-Gaming Dollars

For this analysis, Civic Economics was asked to focus on the competition between existing businesses in the area of a proposed gaming facility and the non-gaming amenities proposed for development along with the gaming facility.

The relevant area for consideration is the Wichita MSA, including Sumner, Sedgwick, Butler, and Harvey Counties. As shown in the chart below, the Wichita area is best characterized as more solidly middle class than the state as a whole, presumably due to the extensive aircraft industry. As a result, though the average household income is slightly below the statewide average, the median is somewhat above it.

Chart 25: South Central Zone Demographics

SOUTHEAST ZONE, FOUR-COUNTY DEMOGRAPHICS 2007 DATA		
	SE Zone	State of Kansas
Population		
2012 Projection	603,280	2,811,082
2007 Estimate	591,356	2,768,030
Change	11,924	43,052
2007 Households by Household Income	228,932	1,075,666
Income Less than \$15,000	26,783	132,759
Income \$15,000 - \$24,999	25,762	124,454
Income \$25,000 - \$34,999	27,897	132,106
Income \$35,000 - \$49,999	39,478	184,004
Income \$50,000 - \$74,999	49,654	222,421
Income \$75,000 - \$99,999	28,618	125,535
Income \$100,000 - \$149,999	21,995	103,031
Income \$150,000 - \$249,999	6,307	36,223
Income \$250,000 - \$499,999	1,733	10,873
Income \$500,000 and over	705	4,260
2007 Est. Average Household Income	\$ 59,782	61,115
2007 Est. Median Household Income	\$ 47,928	47,107
2007 Est. Per Capita Income	\$ 23,391	24,102

Source: Claritas

The following excerpt from Chart 12 Summarizes the anticipated non-gaming revenue to be expected at each of the three proposed facilities:

In the case of both food & beverage and hotel revenue projections, it is expected that the actual out of pocket spend by visitors will be roughly half, with the remainder being provided as “comps” (complimentary offerings) by the casino management. Some degree of comps are also to be expected in retail and other revenue, as well.

Charts 26 and 27 on the following pages explore further the current state of competitive businesses in the Wichita MSA.

The overriding fact in this analysis of regional competition is that the proposed casino sites are a substantial distance from the population center of Wichita and its suburbs. Therefore, for a typical resident considering the evening’s dining and/or drinking options, distance will provide a real disincentive to making casual nongaming trips down the turnpike.

By contrast, residents of either Wellington or Mulvane will face far lower obstacles to a meal or other outing at the casino. At either site, then, local businesses in direct competition with non-gaming amenities will feel real pressure. Over time, however, the loss of customers to casino options will be made up by the arrival of new residents seeking to live close to casino jobs. If officials in either community are able to accommodate residential growth and protect the health of existing business districts, firms doing business there should fare well despite the presence of a massive competitor just down the road.

REVENUE FORECASTS, 2011 SOUTH CENTRAL GAMING ZONE (IN 2007 Dollars)				
ADJUSTED NON-GAMING REVENUE PROJECTIONS				
	Marvel	Penn Summer	Resorts/Harrah's	Summer
Hotel Revenue	\$ 11,880,820	\$ 13,678,576	\$ 11,711,541	
Food Revenue	\$ 7,919,528	\$ 5,906,574	\$ 22,398,355	
Retail Revenue	\$ 1,049,370	\$ 2,681,550	n/a	
Other Revenue	\$ 3,368,416	\$ 3,997,593	\$ 2,527,714	

SOURCE: Applicant Submissions, Wells Gaming and Cummings & Assoc., Probe Strategic Solutions, Civic Economics

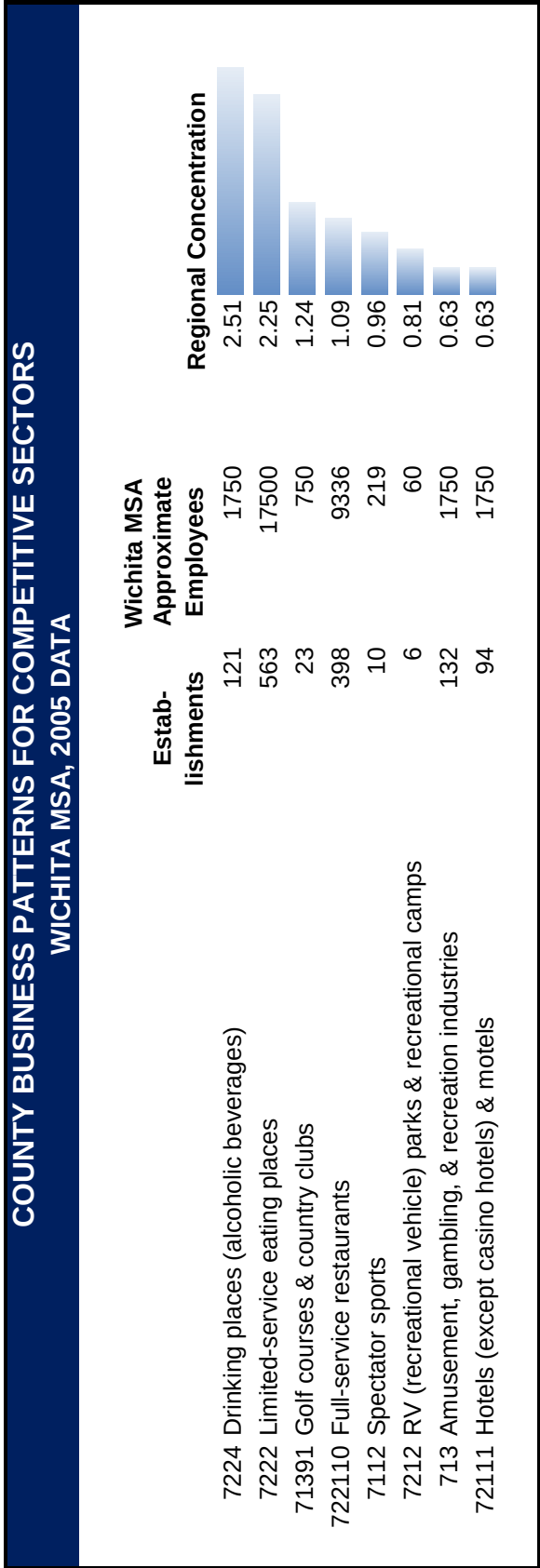
Chart 26: Retail Supply and Demand

RETAIL SUPPLY AND DEMAND SOUTH CENTRAL REGION, WICHITA MSA (2007)			
	Demand	Supply	Available Market
Foodservice and Drinking Places-722	\$ 777,904,314	\$ 821,671,023	(43,766,709)
Full-Service Restaurants-7221	\$ 350,851,276	\$ 346,757,000	4,094,276
Limited-Service Eating Places-7222	\$ 332,573,085	\$ 412,086,010	(79,512,925)
Special Foodservices-7223	\$ 64,248,591	\$ 40,352,010	23,896,581
Drinking Places -Alcoholic Beverages-7224	\$ 30,231,362	\$ 22,476,003	7,755,359
Clothing and Clothing Accessories Stores-448	\$ 423,209,607	\$ 339,010,944	84,198,663
Jewelry, Luggage, Leather Goods Stores-4483	\$ 59,124,053	\$ 55,572,013	3,552,040
Book Stores and News Dealers-45121	\$ 37,153,790	\$ 44,308,001	(7,154,211)
Florists-4531	\$ 18,305,757	\$ 11,811,983	6,493,774
Gift, Novelty and Souvenir Stores-45322	\$ 44,338,179	\$ 31,690,966	12,647,213

Source: Claritas

Among the food, beverage, and retail segments to be impacted by a new casino in Sumner County, only Limited Service Eating Places (including fast food, buffets, etc.) face an already saturated market. It is likely, however, that a strong supply of such restaurants reflects an unusually high local preference for fast food. More importantly, the significant driving distance from most of the area population to the proposed sites further alleviates any concern about cannibalization here. Civic Economics visited both Mulvane and Wellington and found it highly likely that local restaurants will face significant competition from a casino at either site.

Chart 27: County Business Patterns



Source: US Census Bureau, County Business Patterns

The Census Bureau's County Business Patterns database provides another look at the regional concentration of various business types in comparison with national averages. In 2005, the most recent year for which data was available, the Wichita area was blessed with abundant drinking places and limited service restaurants. In addition, the area is just above the national average in golf courses and country clubs (see below) and full service restaurants.

Most significantly, the area is, by this statistical measure, underserved by amusement-oriented businesses and hotels.

Civic Economics has not attempted to measure the hotel market opportunities for proposed casinos. Despite the distance from Wichita's business centers, however, the proposed meeting facilities will likely compete aggressively for small meetings with the Wichita Marriott and Hyatt Regency.

Chart 28: Existing Daily-Fee Golf Courses

WICHITA AREA DAILY-FEE GOLF COURSES				
Course Name	Holes	Type	Fee	Location
Auburn Hills	18	Municipal	\$ 36	443 S 135th St W, 67235
Braeburn GC	18	Daily Fee	\$ 30	4201 E 21st St N 67208
Echo Hills	18	Daily Fee	\$ 32	800 E 53rd St N 67219
Hidden Lakes	18	Daily Fee	\$ 36	6020 S Greenwiche Rd 67037
LW Clapp Memorial	18	Municipal	\$ 30	4611 E Harry St 67218
Macdonald	18	Municipal	\$ 40	840 N Yale Ave 67208
Pine Bay	9	Daily Fee	\$ 22	6615 S Grove St 67216
Sierra Hills	18	Daily Fee	\$ 27	13420 E Pawnee St 67230
Sim Park	18	Municipal	\$ 28	2020 W. Murdock 67203
Tex Colsolver	18	Municipal	\$ 40	1931 S. Tyler 67209
Wellington GC	18	Municipal	\$ 27	1500 W. Harvey Ave., 67152

Source: GolfLink.com and individual course websites

Finally, the prospect of a new and upmarket daily fee golf course at the Mulvane exit has raised some local concern. One applicant proposes to invest in an existing municipal course to alleviate that concern, but a review of the area golf market suggests that a new course at Harrah's, with daily fees in the range of \$50 or greater, will find little comparable competition in the region.

**FISCAL IMPACT--CONSTRUCTION
HARRAH'S KANSAS**

Construction period-months 24
Opening date Aug-10

Proposer's Estimates: 2009-2010						
	<u>State</u>	<u>City of Mulvane</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Mulvane Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 12,379,380	\$ 515,808	\$ 515,808	\$ 515,808	\$ -	
Property Tax	-	-	-	-	-	
Sales/Use Tax	-	-	158,512	-	-	
Income Tax	-	-	-	-	-	
Developer Contributions	4,706,055	9,387,060	-	-	-	
Total	\$ 17,085,435	\$ 9,902,868	\$ 674,320	\$ 515,808	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 4,670,791	\$ -	\$ -	\$ -	
Public Works	4,706,055	5,093,450	-	-	-	
Education	-	-	-	-	-	
Fire Protection	-	-	1,344,641	-	-	
EMS	-	-	465,108	-	-	
Total	\$ 4,706,055	\$ 9,764,241	\$ 1,809,749	\$ -	\$ -	
Surplus/(Deficit)	\$ 12,379,380	\$ 138,627	\$ (1,135,429)	\$ 515,808	\$ -	
Voluntary Contributions to State and Local Governments:						
1. Road/Street improvements estimated at \$4.7 million paid for by proposer (shown under state).						
2. Water/sewer improvements estimated at \$4.6 million paid for by proposer (shown under City).						
3. Storm drains estimated at \$0.46 million paid for by proposer (shown under City).						
4. Land, substation, and equipment for Law Enforcement, Fire and EMS estimated at \$4.3 million paid for by proposer (shown under City).						

Consultant's Estimates: 2009-2010						
	<u>State</u>	<u>City of Mulvane</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Mulvane Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ -	\$ -	\$ -	\$ -	\$ -	
Property Tax	170,406	6,058,488	6,411,682	-	5,450,254	
Sales/Use Tax	9,552,429	-	1,802,345	-	-	
Income Tax	6,584,591	-	-	-	-	
Building Fees	-	33,647	-	-	-	
Developer Contributions	4,706,055	9,387,060	-	-	-	
Total	\$ 21,013,480	\$ 15,479,195	\$ 8,214,027	\$ -	\$ 5,450,254	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 2,333,980	\$ -	\$ -	\$ -	
Public Works	4,706,055	27,401,456	-	-	-	
Education	-	-	-	-	23,615,634	
Building Inspection	-	126,866	-	-	-	
Fire Protection/EMS	-	4,588,393	-	-	-	
Total	\$ 4,706,055	\$ 34,450,694	\$ -	\$ -	\$ 23,615,634	
Surplus/(Deficit)	\$ 16,307,425	\$ (18,971,499)	\$ 8,214,027	\$ -	\$ (18,165,380)	

Consultant's Comments:

1. City of Mulvane costs for public works include Wastewater, Water and Electric departments (see Consultant's Estimates).
2. Developers Contribution to State Public Works is \$4.7 million. As MBA's analysis does not estimate costs associated with this department, the analysis uses the costs provided by the developer.

**FISCAL IMPACT--12 MONTHS OPERATING
HARRAH'S KANSAS**

Proposer's Estimates-1st Full Year					
	<u>State</u>	<u>City of Mulvane</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Mulvane Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing	\$ 49,517,520	\$ 2,063,230	\$ 2,063,230	\$ 2,063,230	
Property Tax					
Sales/Use Tax			634,048		
Income Tax					
Developer Contributions					
Total	\$ 49,517,520	\$ 2,063,230	\$ 2,697,278	\$ 2,063,230	\$ -
<u>COSTS:</u>					
Law Enforcement			\$ 251,282		
Public Works					
Education					
Fire Protection			392,083		
EMS			327,163		
Total	\$ -	\$ -	\$ 970,528	\$ -	\$ -
Surplus/(Deficit)	\$ 49,517,520	\$ 2,063,230	\$ 1,726,750	\$ 2,063,230	\$ -
Voluntary Contributions to Community and Governments (not included above):					

Consultant's Estimates: 1st Full Year					
	<u>State</u>	<u>City of Mulvane</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Mulvane Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing	\$ 44,452,320	\$ 1,852,180	\$ 1,852,180	\$ 1,852,180	\$ -
Property Tax	129,506	4,604,372	4,872,795	-	4,142,122
Sales/Use Tax	1,590,292	-	300,055	-	-
Income Tax	1,787,404	-	-	-	-
Building Fees	-	-	-	-	-
Developer Contributions	-	-	-	-	-
Total	\$ 47,959,522	\$ 6,456,552	\$ 7,025,030	\$ 1,852,180	\$ 4,142,122
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 711,636	\$ 1,210,902	\$ -	\$ -
Public Works	-	660,053	-	-	-
Education	-	-	-	-	908,642
Building Inspection	-	-	-	-	-
Fire Protection/EMS	-	1,089,152	-	-	-
Total	\$ -	\$ 2,460,841	\$ 1,210,902	\$ -	\$ 908,642
Surplus/(Deficit)	\$ 47,959,522	\$ 3,995,712	\$ 5,814,128	\$ 1,852,180	\$ 3,233,480

Consultant's Comments:

Harrah's	GGR Estimate	\$ 206,323,000	Visitors/Day	8,609
Consultants	GGR Estimate	\$ 185,218,000	Visitors/Day	7,108

FISCAL IMPACT--3 YEAR SUMMARY*
HARRAH'S KANSAS

* 2 Years Construction + 1 Year Operating

Proposer's Estimates						
	<u>State</u>	<u>City of Mulvane</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Mulvane Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 61,896,900	\$ 2,579,038	\$ 2,579,038	\$ 2,579,038	\$ -	
Property Tax	-	-	-	-	-	
Sales/Use Tax	-	-	792,560	-	-	
Income Tax	-	-	-	-	-	
Developer Contributions	4,706,055	9,387,060	-	-	-	
Total	\$ 66,602,955	\$ 11,966,098	\$ 3,371,598	\$ 2,579,038	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 4,670,791	\$ 251,282	\$ -	\$ -	
Public Works	4,706,055	5,093,450	-	-	-	
Education	-	-	-	-	-	
Fire Protection	-	-	1,736,724	-	-	
EMS	-	-	792,271	-	-	
Total	\$ 4,706,055	\$ 9,764,241	\$ 2,780,277	\$ -	\$ -	
Surplus/(Deficit)	\$ 61,896,900	\$ 2,201,857	\$ 591,321	\$ 2,579,038	\$ -	

Consultant's Estimates						
	<u>State</u>	<u>City of Mulvane</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Mulvane Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 44,452,320	\$ 1,852,180	\$ 1,852,180	\$ 1,852,180	\$ -	
Property Tax	299,912	10,662,861	11,284,478	-	9,592,376	
Sales/Use Tax	11,142,720	-	2,102,400	-	-	
Income Tax	8,371,995	-	-	-	-	
Building Fees	-	33,647	-	-	-	
Developer Contributions	4,706,055	9,387,060	-	-	-	
Total	\$ 68,973,002	\$ 21,935,748	\$ 15,239,058	\$ 1,852,180	\$ 9,592,376	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 3,045,616	\$ 1,210,902	\$ -	\$ -	
Public Works	4,706,055	28,061,508	-	-	-	
Education	-	-	-	-	24,524,276	
Building Inspection	-	126,866	-	-	-	
Fire Protection/EMS	-	5,677,545	-	-	-	
Total	\$ 4,706,055	\$ 36,911,535	\$ 1,210,902	\$ -	\$ 24,524,276	
Surplus/(Deficit)	\$ 64,266,947	\$ (14,975,787)	\$ 14,028,155	\$ 1,852,180	\$ (14,931,900)	

APPENDIX 1
BUILDOUT ASSUMPTIONS AND ESTIMATED CONSTRUCTION COST
AT FULL DEVELOPMENT

<u>YEAR</u>	<u>USE TYPE</u>	<u>SQUARE FEET CONSTRUCTED</u>	<u>ESTIMATED CONSTR. COST</u>	<u>ESTIM. CONSTR. MATERIALS COST</u>	<u>FF&E PURCHASES</u>
Year 1	Casino	23,000	\$ 25,131,991	\$ 7,843,241	\$ -
	Hotel	46,757	51,091,517	15,944,741	-
	Restaurants	13,842	15,124,724	4,720,154	-
	Entertainment	22,671	24,772,859	7,731,163	-
	Retail	866	945,910	295,201	-
Subtotal		107,136	117,067,000	36,534,500	-
Year 2	Casino	46,000	31,372,965	15,686,483	47,530,824
	Hotel	93,515	63,778,965	31,889,482	12,837,580
	Restaurants	27,683	18,880,614	9,440,307	3,800,334
	Entertainment	45,343	30,924,650	15,462,325	6,224,586
	Retail	1,731	1,180,806	590,403	237,675
Subtotal		214,272	146,138,000	73,069,000	70,631,000
TOTAL		321,408	\$ 263,205,000	\$ 109,603,500	\$ 70,631,000

APPENDIX 1, ASSUMPTIONS:

1. Construction of the development is estimated to take 24 months (August 2008 to August 2010).

	Sq. Footage	Other Information
Casino	69,000	2,000 slot machines, 50 table games
Hotel	140,272	140 guest rooms, 30 suites, and 5 pool villas
Restaurants	41,525	restaurants and bars
Entertainment	68,014	convention space, amphitheater, entertainment venue
Retail	2,597	
Total	321,408	

Source: Developer's application (final template).

2. Construction costs include only the gaming facility, not the additional development, and are estimated using above square footages and and cost breakdown provided by the developer in its template document (land is added in year 1, 33% of building are added in year 1, and remainder in year 2, FF&E added in year 2):

	Land	Building	FF&E*	Total**
	\$ 43,998,000	\$ 219,207,000	\$ 70,631,000	\$ 333,836,000

*FF&E-furniture, fixtures and equipment, including gaming equipment which is allocated to casino.

**Total amounts do not equal investment amounts as the analysis excludes soft costs such as engineering, architecture, finance and administration costs for property tax calculation purposes.

Source: Developer's application (final template).

3. Construction materials cost estimated at **50%** of building costs. This cost is estimated for sales tax purposes. Source: Discussions with commercial developers in Nevada.

APPENDIX 2
ESTIMATED PROPERTY TAX REVENUE AT
2007 PROPERTY TAX RATE

YEAR	USE TYPE	EST. REAL PROPERTY VALUE	EST. PERSONAL PROPERTY VALUE	CUMULATIVE PROPERTY VALUE	ESTIMATED ASSESSED VALUE	MULVANE SCHOOL DIST. REVENUE	CITY OF MULVANE REVENUE	SUMNER COUNTY REVENUE	STATE OF KANSAS REVENUE
Year 1	Casino	\$ 25,131,991	\$ -	\$ 25,131,991	\$ 6,282,998				
	Hotel	51,091,517	-	51,091,517	12,772,879				
	Restaurants	15,124,724	-	15,124,724	3,781,181				
	Entertainment	24,772,859	-	24,772,859	6,193,215				
	Retail	945,910	-	945,910	236,477				
Subtotal		117,067,000	-	117,067,000	29,266,750	\$ 1,404,102	\$ 1,560,796	\$ 1,651,786	\$ 43,900
Year 2	Casino	31,372,965	47,530,824	104,789,740	26,197,435				
	Hotel	63,778,965	12,837,580	129,240,807	32,310,202				
	Restaurants	18,880,614	3,800,334	38,259,414	9,564,853				
	Entertainment	30,924,650	6,224,586	62,665,281	15,666,320				
	Retail	1,180,806	237,675	2,392,768	598,192				
Subtotal		146,138,000	70,631,000	337,348,010	84,337,003	\$ 4,046,152	\$ 4,497,692	\$ 4,759,896	\$ 126,506
Year 3	Casino	-	-	106,507,508	26,626,877				
	Hotel	-	-	132,732,904	33,183,226				
	Restaurants	-	-	39,293,186	9,823,297				
	Entertainment	-	-	64,358,501	16,089,625				
	Retail	-	-	2,457,421	614,355				
Subtotal		-	-	345,349,520	86,337,380	\$ 4,142,122	\$ 4,604,372	\$ 4,872,795	\$ 129,506
TOTAL		\$ 263,205,000	\$ 70,631,000			\$ 9,592,376	\$ 10,662,861	\$ 11,284,478	\$ 299,912

APPENDIX 2, ASSUMPTIONS:

1. Tax rate will remain constant at 2007 amount:

Entity-Fund	Tax Rate*	*rate per \$1,000 of assessed value.
School District	\$ 47.9760	Rates include all funds for which property tax revenues are collected.
City	\$ 53.3300	
County	\$ 56.4390	
State	\$ 1.5000	

Source: "Budget Clerk Questionnaire" completed by representatives of the City of Mulvane, Kansas as provided by Kent Hixson, Manager, City of Mulvane.

2. Properties are valued using the fair market value approach. As no comparable sales data exists and this is considered to be a "new and unique" property, the analysis uses the replacement cost approach to value these properties. Source: "A Homeowner's Guide to Property Tax in Kansas." Kansas Department of Revenue.

3. Assessed value estimated at 25% of appraised value for both real and personal property.

Source: "Budget Clerk Questionnaire" completed by representatives of the City of Mulvane, Kansas as provided by Kent Hixson, Manager, City of Mulvane.

4. Appraised value is inflated 3% annually for real property and not inflated for personal property to account for depreciation.

**APPENDIX 3
SALES TAX REVENUE**

<u>YEAR</u>	<u>SQUARE FT. BUILT</u>	<u>CONSTRUCTION MATERIALS COST (\$)</u>	<u>FF&E PURCHASES</u>	<u>RETAIL SALES</u>	<u>TOTAL TAXABLE SALES</u>	<u>SUMNER COUNTY REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>
Year 1							
Casino	23,000	\$ 7,843,241	\$ -	-	\$ 7,843,241		
Hotel	46,757	15,944,741	-	-	15,944,741		
Restaurants	13,842	4,720,154	-	-	4,720,154		
Entertainment	22,671	7,731,163	-	-	7,731,163		
Retail	866	295,201	-	-	295,201		
Subtotal	107,136	36,534,500	-	-	36,534,500	\$ 365,345	\$ 1,936,329
Year 2							
Casino	46,000	15,686,483	47,530,824	-	63,217,307		
Hotel	93,515	31,889,482	12,837,580	-	44,727,062		
Restaurants	27,683	9,440,307	3,800,334	-	13,240,641		
Entertainment	45,343	15,462,325	6,224,586	-	21,686,911		
Retail	1,731	590,403	237,675	-	828,078		
Subtotal	214,272	73,069,000	70,631,000	-	143,700,000	\$ 1,437,000	\$ 7,616,100
Year 3							
Casino	-	-	-	-	-		
Hotel	-	-	-	-	-		
Restaurants	-	-	-	28,808,232	28,808,232		
Entertainment	-	-	-	-	-		
Retail	-	-	-	1,197,268	1,197,268		
Subtotal	-	-	-	30,005,501	30,005,501	\$ 300,055	\$ 1,590,292
TOTAL	321,408	\$ 109,603,500	\$ 70,631,000	\$ 30,005,501	\$ 210,240,001	\$ 2,102,400	\$ 11,142,720

APPENDIX 3, ASSUMPTIONS:

- Sales tax rate is as follows:

	<u>Designation</u>
	1.000% County
	5.300% State
	6.300% TOTAL
- Materials Cost - 50% of construction cost is assumed to be materials cost.
 Source: Discussion with Nevada contractors
- Retail sales based on \$ **435** per square foot. Source: Developer's template for first year retail revenue divided by retail square footage.
 Retail square footage in additional development is excluded.
- F&B sales based on \$ **654** per square foot. Source: Developer's template for first year F&B revenue divided by F&B square footage.
 Entertainment sales are not estimated as the developer does not provide sales estimates in the development template.
- Year 3 assumes first full year of operation.

APPENDIX 4
LOTTERY GAMING CONTRIBUTION REVENUE

<u>YEAR</u>		<u>ESTIMATED GAMING REVENUE</u>	<u>CITY OF MULVANE REVENUE</u>	<u>SUMNER COUNTY REVENUE</u>	<u>SEDGWICK COUNTY REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>	<u>STATE PROB. GAMBLING REVENUE</u>
Year 1	Casino	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year 2	Casino	-	-	-	-	-	-
Year 3	Casino	185,218,000	1,852,180	1,852,180	1,852,180	40,747,960	3,704,360
TOTAL		\$ 185,218,000	\$ 1,852,180	\$ 1,852,180	\$ 1,852,180	\$ 40,747,960	\$ 3,704,360

APPENDIX 4, ASSUMPTIONS:

1. Estimated Gross Gaming Revenue (GGR) is the average GGR estimated in Wells and Cummings reports:

Wells GGR \$ 198,836,000

Cummings GGR 171,600,000

Average \$ 185,218,000

Source: "Kansas Casino Market Study" by Wells Gaming Research dated July 7, 2008 and "Projections for Likely Gaming Revenues" by Cummings Associates dated July 7, 2008.

2. Local government revenue is estimated as follows:

State of Kansas **22%** of all lottery gaming revenues.

State Prob. Gambling **2%** of all lottery gaming revenues.

Sumner County **1%** of all lottery gaming revenues.

Sedgwick County **1%** of all lottery gaming revenues.

City of Mulvane **1%** of all lottery gaming revenues.

Source: SB 66.

3. Year 3 assumes first full year of operation.

**APPENDIX 5
STATE INCOME TAX REVENUE**

<u>YEAR</u>		<u>ESTIMATED PAYROLL EXPENDITURES</u>	<u>ESTIMATED PAYROLL/ EMPLOYEE</u>	<u>STATE OF KANSAS INCOME TAX REVENUE</u>
Year 1	Construction	\$ 57,724,273	\$ 63,294	\$ 3,292,296
	Operating	-	-	-
Subtotal		57,724,273	63,294	3,292,296
Year 2	Construction	57,724,273	63,294	3,292,296
	Operating	-	-	-
Subtotal		57,724,273	63,294	3,292,296
Year 3	Construction	-	-	-
	Operating	36,407,155	30,672	1,787,404
Subtotal		36,407,155	30,672	1,787,404
TOTAL		\$ 151,855,701	\$ 157,260	\$ 8,371,995

APPENDIX 5, ASSUMPTIONS:

- Estimated construction payroll is provided by the Developer at **\$ 115,448,546** during the construction phase of the project. This includes salaries only, no benefits are included.
A total of **912** construction employees are estimated annually.
Source: Developer's application (final template).
Note: Above payroll estimates equal an hourly wage without benefits of \$30, which seems higher than comparable salaries in Kansas.
- Estimated on-going operating payroll is estimated at **\$ 36,407,155** per year at full operation. This includes salaries only, no benefit costs are included.
A total of **1,187** employees are estimated annually.
Source: Developer's application (final template).
- Personal income tax revenue for the State is estimated as follows, using a 2007 schedule:
For a single person:
Taxable income between \$0 and \$15,000 is taxed at 3.5%
Taxable income between \$15,000 and \$30,000 is taxed at 6.25% plus the tax calculated on the first \$15,000
Taxable income over \$30,000 is taxed at 6.45% plus the tax calculated on the first \$30,000
Source: Kansas Department of Revenue. 2007 Kansas Individual Income Tax schedule.

APPENDIX 6

	2019	2018	2017	2016	2015
Total	\$ 321,408	\$ 48,405,973	\$ 20,392	\$ 13,255	\$ 33,647

APPENDIX 6, ASSUMPTIONS:

1. Construction Valuation is calculated as follows:

	Suggested Value/Sq.Ft.	
Casino	\$158.10	
Hotel	\$139.28	
Restaurants	\$135.49	
Entertainment	\$177.60	
Retail	\$97.99	
Building permit fee revenue is estimated in Year 1 for the entire development prior to construction. Source: "Building Valuation Data." Square Foot Construction Costs table provided by Kent Hixson, City Manager, Mulvane, Kansas, values for IIB style construction.		
2. Building permit fee calculation:		
\$	3,052 per first	
	\$1,000 of value.	
	\$	\$1,000,000 plus
		\$1.75 for each

- Source: "Development of Lottery Gaming Facility in Mulvane Infrastructure Development and Cost" document provided by Kent Hixson, City Manager, Mulvane, Kansas.
3. Plan Check fee revenue calculated at **65.0%** of building permit revenue.
- Source: "Development of Lottery Gaming Facility in Mulvane Infrastructure Development and Cost" document provided by Kent Hixson, City Manager, Mulvane, Kansas.
4. Revenue for mechanical, plumbing, and electrical permit fee and sewer tapping and water meter fees is not estimated as the construction details required for these estimates are unknown.

APPENDIX 7
SUMMARY OF ESTIMATED REVENUE

<u>YEAR</u>		<u>STATE OF KANSAS</u>	<u>SUMNER COUNTY</u>	<u>SEDGWICK COUNTY</u>	<u>CITY OF MULVANE</u>	<u>MULVANE SCHOOL DIST.</u>
Year 1	Property Tax	\$ 43,900	\$ 1,651,786	\$ -	\$ 1,560,796	\$ 1,404,102
	Sales Tax	1,936,329	365,345	-	-	-
	Gaming Revenue	-	-	-	-	-
	Income Tax Revenue	3,292,296	-	-	-	-
	Building Revenue	-	-	-	33,647	-
Subtotal		5,272,524	2,017,131	-	1,594,443	1,404,102
Year 2	Property Tax	126,506	4,759,896	-	4,497,692	4,046,152
	Sales Tax	7,616,100	1,437,000	-	-	-
	Gaming Revenue	-	-	-	-	-
	Income Tax Revenue	3,292,296	-	-	-	-
	Building Revenue	-	-	-	-	-
Subtotal		11,034,901	6,196,896	-	4,497,692	4,046,152
Year 3	Property Tax	129,506	4,872,795	-	4,604,372	4,142,122
	Sales Tax	1,590,292	300,055	-	-	-
	Gaming Revenue	44,452,320	1,852,180	1,852,180	1,852,180	-
	Income Tax Revenue	1,787,404	-	-	-	-
	Building Revenue	-	-	-	-	-
Subtotal		47,959,522	7,025,030	1,852,180	6,456,552	4,142,122
TOTAL		\$ 64,266,947	\$ 15,239,058	\$ 1,852,180	\$ 12,548,688	\$ 9,592,376

APPENDIX 7, ASSUMPTIONS:

1. State of Kansas revenue includes 2% gaming contribution revenue for problem gambling fund.

APPENDIX 8
CITY OF MULVANE
POLICE DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL CONSTR./ EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	2,333,980	2,333,980
Year 3	8	456,439	91,288	163,909	711,636
TOTAL	8	\$ 456,439	\$ 91,288	\$ 2,497,889	\$ 3,045,616

APPENDIX 8, ASSUMPTIONS:

- A total of **8** new employees will be required to service the development:

	# of Employees	Salary	Benefits	Total Cost
Officers	5	\$ 38,043	\$ 9,130	\$ 235,868
Detective	1	48,745	11,699	60,444
Sergeant	2	44,138	10,593	109,461
Total	8			\$ 405,773

Salary and benefits costs are increased 4% annually. Benefits are estimated at 24% of salaries.
Source: "Police" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.
 - Employee costs include a uniform allowance at **\$ 2,000** per officer. This cost is not added as it is estimated to be included under Services/Supplies above.
 - Source: "Police" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.
 - Services/supplies are estimated at **20%** of salaries/benefits. Previous fiscal impact studies conducted by MBA.
 - The following capital costs are expected to be incurred:

A total of 5 police vehicles (1.5 positions per vehicle) at a cost of **\$ 30,000** per vehicle. Maintenance cost is estimated at \$1,600 per vehicle annually. This amount is assumed to be included under Services/Supplies above.

Source: "Police" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.
 - A substation will be constructed to add approximately **10,000** square feet of space at a cost of **\$ 200,000** per square foot. Furniture, fixtures, and equipment (FF&E) will be purchased at a cost of **\$ 200,000**.

Source: "Police" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.
- Construction and FF&E costs are inflated 3% annually.

**APPENDIX 9
CITY OF MULVANE
FIRE DEPARTMENT COST PROJECTIONS**

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	4,588,393	4,588,393
Year 3	17	907,627	181,525	-	1,089,152
TOTAL	17	\$ 907,627	\$ 181,525	\$ 4,588,393	\$ 5,677,545

APPENDIX 9, ASSUMPTIONS:

- A total of **17** new employees will be required to service the development:

	# of Employees	Salary	Benefits	Total Cost
MICT	8	36,254	8,701	359,644
Firefighter	6	38,043	9,130	283,041
Fire Lieutenants	3	44,138	10,593	164,192
Total	17		\$ 24%	\$ 806,877

Salary and benefits costs are increased 4% annually. Benefits are estimated at Source: "Fire/EMS" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.
- Services/supplies are estimated at **20%** of salaries/benefits. Previous fiscal impact studies conducted by MBA.
- The following capital costs are expected to be incurred:

Quint Ladder Truck	\$ 750,000
Rescue Truck	200,000
Ambulance	125,000
\$ 1,075,000	inflated 3% annually.

A new fire station will be required at a cost of **\$ 3,250,000** including construction and equipment costs. This cost is inflated 3% annually.

Source: "Fire/EMS" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.

APPENDIX 10
CITY OF MULVANE
WASTEWATER TREATMENT DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	7,191,311	7,191,311
Year 3	1	53,253	10,651	-	63,904
TOTAL	1	\$ 53,253	\$ 10,651	\$ 7,191,311	7,255,215

APPENDIX 10, ASSUMPTIONS:

1. A new Wastewater Operator will be required to service the development with an annual salary of \$ 18,639 inflated 6% annually, the weighted average historical salary and benefits increase for this position.
 Source: "Wastewater Treatment" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.
2. Services/supplies are estimated at 20% of salaries and benefits. This includes a \$4,100 employee uniform allowance.
 Source: Previous fiscal impact studies conducted by MBA.
3. The following capital costs are expected to be incurred in 2008, inflated 3% annually:

Influent Pump Station	\$ 2,000,000
Aeration basin & digester	1,750,000
Cowskin Creek Pump Station	750,000
Cowskin Creek Crossing	45,000
River Crossing	225,000
14" Pressure Main	850,000
Sludge Disposal Land	400,000
21" Sewer Main Site to PS	700,000
Manholes	58,500
	\$ 6,778,500

Source: "Wastewater Treatment" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.

APPENDIX 11
CITY OF MULVANE
WATER TREATMENT DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	7,903,705	7,903,705
Year 3	5	305,800	61,160	-	366,960
TOTAL	5	\$ 305,800	\$ 61,160	\$ 7,903,705	\$ 8,270,665

APPENDIX 11, ASSUMPTIONS:

- A total of **5** new employees will be required to service the development.

	# of Employees	Salary	Benefits	Total Cost
Water Treatment Supervisor	1	\$ 40,382	\$ 13,435	\$ 53,817
Water Treatment Operator	3	32,026	19,158	153,552
Water Dist. Operator II	1	30,485	18,881	49,366
Total	5	\$ 102,893	\$ 51,474	\$ 256,735

Salary/benefits costs are inflated **6%** annually, the weighted average historical salary and benefits increase for these positions. Source: "Water Treatment" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.
- Services/supplies are estimated at **20%** of salaries and benefits. This includes a \$4,100 employee uniform allowance.

Source: Previous fiscal impact studies conducted by MBA.
- The following capital costs are expected to be incurred in 2008, inflated 3% annually:

1 MGD Reverse Osmosis WTP	\$ 4,200,000
16" DIP Distribution Pipe	1,105,000
Cowskin Creek Crossing	45,000
Refurbishing wells	175,000
13,000' of 14" pipe	650,000
River Crossing	150,000
Water Tower	1,125,000
	\$ 7,450,000

Source: "Water Treatment" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.

APPENDIX 12
CITY OF MULVANE
ELECTRIC DISTRIBUTION DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	12,306,440	12,306,440
Year 3	3	190,990	38,198	-	229,188
TOTAL	3	\$ 190,990	\$ 38,198	\$ 12,306,440	\$ 12,535,628

APPENDIX 12, ASSUMPTIONS:

1. A total of	3	new employees will be required to service the development.			
		<u># of Employees</u>	<u>Salary</u>	<u>Benefits</u>	<u>Total Cost</u>
Utility Dept. Assistant	1		\$ 28,219	\$ 20,985	\$ 49,204
Lead Operator C	1		33,652	21,919	55,571
Lead Operator B	1		33,652	21,919	55,571
Total	3		\$ 95,523	\$ 64,823	\$ 160,346
Salary/benefits costs are inflated 6% annually, the weighted average historical salary and benefits increase for these positions. Source: "Electric Distribution" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.					
2. Services/supplies are estimated at 20% of salaries and benefits. This includes a \$4,100 employee uniform allowance.					
Source: Previous fiscal impact studies conducted by MBA.					
3. The following capital costs are expected to be incurred in 2008, inflated 3% annually:					
69KV Substation	\$ 3,500,000				
69KV Transmission Line	2,100,000				
7KV Substation	1,500,000				
8MW Power Plant	4,500,000				
	\$ 11,600,000				
Source: "Electric Distribution" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas.					

APPENDIX 13
CITY OF MULVANE
BUILDING INSPECTION DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	1	41,509 \$	8,302 \$	25,750 \$	75,561
Year 2	1	42,754	8,551	-	51,305
Year 3	0	-	-	-	-
TOTAL		\$ 84,263	\$ 16,853	\$ 25,750	\$ 126,866

APPENDIX 13, ASSUMPTIONS:

1. A new Building Inspector will be required to service the development with an annual salary of \$ **7,800** inflated **3%** annually, the weighted average historical salary and benefits increase for this position. Half of this position is added in Year 1 and the remainder in Year 2.
Source: "Development of Lottery Gaming Facility in Mulvane Infrastructure Development and Cost" document provided by Kent Hixson, City Manager, Mulvane, Kansas.
2. Services/supplies are estimated at **20%** of salaries and benefits. This includes a \$2,000 employee training allowance.
Source: Previous fiscal impact studies conducted by MBA.
3. The following capital costs are expected to be incurred in 2008, inflated 3% annually:

Computer	\$ 2,000
Vehicle	20,000
Office furniture	3,000
	\$ 25,000

Source: "Development of Lottery Gaming Facility in Mulvane Infrastructure Development and Cost" document provided by Kent Hixson, City Manager, Mulvane, Kansas.

APPENDIX 14
CITY OF MULVANE
SUMMARY OF ESTIMATED COSTS

<u>YEAR</u>	<u>POLICE</u> <u>DEPARTMENT</u>	<u>FIRE/EMS</u> <u>DEPARTMENT</u>	<u>WASTEWATER</u> <u>DEPARTMENT</u>	<u>WATER</u> <u>DEPARTMENT</u>	<u>ELECTRIC</u> <u>DISTRIBUTION</u>	<u>BUILDING</u> <u>INSPECTION</u>	<u>ADMIN.</u> <u>OVERHEAD</u>	<u>TOTAL</u> <u>COSTS</u>
Year 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,561	\$ 5,704	\$ 81,265
Year 2	2,333,980	4,588,393	7,191,311	7,903,705	12,306,440	51,305	2,595,005	36,970,138
Year 3	711,636	1,089,152	63,904	366,960	229,188	-	185,771	2,646,611
TOTAL	\$ 3,045,616	\$ 5,677,545	\$ 7,255,215	\$ 8,270,665	\$ 12,535,628	\$ 126,866	\$ 2,786,480	\$ 39,698,015

APPENDIX 14, ASSUMPTIONS:

1. See Appendices 8-13 for detailed calculations of all department costs.
2. Administrative overhead costs estimated at **8%** of all department costs estimated in this analysis.
Source: City of Mulvane Budget. Three-year average indirect costs as percent of direct costs (2006-2008) for the General Fund.

	2006	2007	2008	Average
Direct				
Street	181,664	308,715	321,702	270,694
Fire	347,109	165,095	184,054	232,086
Police	745,699	828,963	852,523	809,062
Parks/Mowing	176,520	195,463	189,700	187,228
Sports Complex	127,051	144,130	147,200	139,460
Municipal Court	65,582	83,650	92,825	80,686
Ambulance	313,868	334,756	371,386	340,003
Inspection	55,951	61,820	64,336	60,702
Fire District 2	12,095	17,000	18,500	15,865
Bindweed	3,653	3,000	3,000	3,218
Total	2,029,192	2,142,592	2,245,226	2,139,003
Indirect				
Administration	144,087	157,461	157,000	152,849
Planning Commiss.	5,077	10,500	10,300	8,626
Total	149,164	167,961	167,300	161,475
% Indirect of Direct	7%	8%	7%	8%

APPENDIX 15
SUMNER COUNTY
SHERIFF DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL CONSTR./ EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	-	-
Year 3	9	740,161	470,742	83,240	1,294,142
TOTAL	9	\$ 740,161	\$ 470,742	\$ 83,240	\$ 1,294,142

APPENDIX 15, ASSUMPTIONS:

1. A total of **9** new employees will be required to service the development:

	# of Employees	Total Cost*
Patrol Officers	5	\$ 362,500
Detective	1	73,000
Detention Officers	5	222,500
Total	11	\$ 658,000

*Total Cost includes salary and benefits. Salary and benefits costs are increased 4% annually.

Source: Gerald Gilkey, Sumner County Sheriff.

3. Services/supplies and capital outlay are estimated as follows:

	2006	2005	Average
Personnel Services	\$ 939,491	\$ 863,355	\$ 901,423
Contractual (CC)	126,985	96,645	111,815
Commodities (CO)*	477,795	445,184	461,490
Capital Outlay (CO)	108,784	93,967	101,376
CC % of PS	64%	63%	64%
CO % of PS	12%	11%	11%

*Includes other jail expenses, juvenile detention, reimbursements and prisoner board costs.

Source: "Sumner County, Kansas Annual Financial Report" December 31, 2006. Two-year average (2005-2006) for the Sheriff's Department.

**APPENDIX 16
MULVANE SCHOOL DISTRICT
ESTIMATED COSTS**

<u>YEAR</u>	<u>SALARIES/ BENEFITS COSTS</u>	<u>SERVICES/ SUPPLIES COSTS</u>	<u>CAPITAL CONSTRUCTION COSTS</u>	<u>ESTIMATED TOTAL COSTS</u>
Year 1	\$ -	\$ -	\$ -	\$ -
Year 2	-	-	23,615,634	23,615,634
Year 3	757,202	151,440	-	908,642
TOTAL	\$ 757,202	\$ 151,440	\$ 23,615,634	\$ 24,524,276

APPENDIX 16, ASSUMPTIONS:

1. The following positions will be required to provide services to the children added by the development:

Position	# of Employees	Salary/Benefits	Total Costs
Principal	1	\$ 64,000	\$ 64,000
Clerical Staff	2	21,500	43,000
Teachers	10	48,060	480,600
Custodians	3	21,833	65,500
Cooks	3	13,333	40,000
	19		\$ 693,100

Salaries are inflated **3%** annually, based on weighted average
3-year salary increase for all positions.

Source: Dr. Donna Augustine-Shaw, Superintendent, Mulvane School District.

2. School services and supplies are estimated at **20%** of salary/benefits costs. Source: Previous fiscal impact studies conducted by MBA.

3. The following capital projects will be required:

Project	Square Footage	Cost/Sq.Ft.	Total Cost
New Elementary School	57,500	\$ 160.00	\$ 9,200,000
Grade School Gym Addition	8,000	170.00	1,360,000
High School Classroom Addition	65,000	180.00	11,700,000
Total	130,500		\$ 22,260,000

Cost is inflated 3% annually.

Source: Dr. Donna Augustine-Shaw, Superintendent, Mulvane School District.

APPENDIX 17
COMPARISON OF ESTIMATED REVENUE TO
ESTIMATED COSTS AND CUMULATIVE REVENUE SURPLUS

CITY OF MULVANE

<u>YEAR</u>	<u>PROJECT REVENUE</u>	<u>PROJECT COSTS</u>	<u>ANN'L REVENUE SURPLUS/ (DEFICIT)</u>	<u>CUMUL. SURPLUS/ (DEFICIT)</u>
Year 1	\$ 1,594,443	\$ 81,265	\$ 1,513,178	\$ 1,513,178
Year 2	4,497,692	36,970,138	(32,472,446)	(30,959,268)
Year 3	6,456,552	2,646,611	3,809,941	(27,149,327)
TOTAL	\$ 12,548,688	\$ 39,698,015	\$ (27,149,327)	

SUMNER COUNTY

<u>YEAR</u>	<u>PROJECT REVENUE</u>	<u>PROJECT COSTS*</u>	<u>ANN'L REVENUE SURPLUS/ (DEFICIT)</u>	<u>CUMUL. SURPLUS/ (DEFICIT)</u>
Year 1	\$ 2,017,131	\$ -	\$ 2,017,131	\$ 2,017,131
Year 2	6,196,896	-	6,196,896	8,214,027
Year 3	7,025,030	1,294,142	5,730,889	13,944,916
TOTAL	\$ 15,239,058	\$ 1,294,142	\$ 13,944,916	

*Only Sheriff department costs were estimated to compare to developer estimates; other impacts may include county roads, judicial, and other departments providing services to the development.

MULVANE SCHOOL DISTRICT

<u>YEAR</u>	<u>PROJECT REVENUE</u>	<u>PROJECT COSTS</u>	<u>ANN'L REVENUE SURPLUS/ (DEFICIT)</u>	<u>CUMUL. SURPLUS/ (DEFICIT)</u>
Year 1	\$ 1,404,102	\$ -	\$ 1,404,102	\$ 1,404,102
Year 2	4,046,152	23,615,634	(19,569,482)	(18,165,380)
Year 3	4,142,122	908,642	3,233,480	(14,931,900)
TOTAL	\$ 9,592,376	\$ 24,524,276	\$ (14,931,900)	

STATE OF KANSAS

<u>YEAR</u>	<u>PROJECT REVENUE</u>	<u>PROJECT COSTS*</u>	<u>ANN'L REVENUE SURPLUS/ (DEFICIT)</u>	<u>CUMUL. SURPLUS/ (DEFICIT)</u>
Year 1	\$ 5,272,524	\$ -	\$ 5,272,524	\$ 5,272,524
Year 2	11,034,901	-	11,034,901	16,307,425
Year 3	47,959,522	-	47,959,522	64,266,947
TOTAL	\$ 64,266,947	\$ -	\$ 64,266,947	

*No costs associated with this development are estimated for the State of Kansas on the assumption that all gaming facility-related costs will be covered by revenue generated by the development. However, it is expected that costs will be incurred by the Highway Patrol, Department of Transportation (highway maintenance), Department of Racing and Gaming, and the Kansas Lottery among others.

**FISCAL IMPACT--CONSTRUCTION
PENN SUMNER, LLC**

Construction period-months

27

Opening date

Dec 2010

Proposer's Estimates: 2009-2010							
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>		
<u>REVENUE:</u>							
Gaming Rev. Sharing	\$ 3,688,621	\$ 136,616	\$ 136,616	\$ 136,616	\$ -		
Property Tax	2,150	166,575	81,275	-	-		
Sales/Use Tax	158,635	110,198	26,838	-	-		
Income Tax	-	-	-	-	-		
Developer Contributions	10,055,000	2,646,000	-	-	-		
Total	\$ 13,904,406	\$ 3,059,389	\$ 244,729	\$ 136,616	\$ -		
<u>COSTS:</u>							
Law Enforcement	\$ -	\$ 491,886	\$ -	\$ -	\$ -		
Public Works	10,055,000	2,646,000	-	-	-		
Education	-	-	-	-	360,000		
Fire Protection/EMS	-	2,006,216	-	-	-		
Total	\$ 10,055,000	\$ 5,144,102	\$ -	\$ -	\$ 360,000		
Surplus/(Deficit)	\$ 3,849,406	\$ (2,084,713)	\$ 244,729	\$ 136,616	\$ (360,000)		
Voluntary Contributions to State and Local Governments:							
1. Road/Street improvements estimated at \$10.0 million paid for by proposer.							
2. Water/sewer improvements estimated at \$2.6 million paid for by proposer.							
Consultant's Estimates: 2009-2010							
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>		
<u>REVENUE:</u>							
Gaming Rev. Sharing	\$ -	\$ -	\$ -	\$ -	\$ -		
Property Tax	218,832	7,253,405	8,233,772	-	8,755,467		
Sales/Use Tax	12,514,148	2,951,450	2,361,160	-	-		
Income Tax	2,631,393	-	-	-	-		
Developer Contributions	10,055,000	-	-	-	-		
Total	\$ 25,419,373	\$ 10,204,855	\$ 10,594,932	\$ -	\$ 8,755,467		
<u>COSTS:</u>							
Law Enforcement	\$ -	\$ 1,485,260	\$ -	\$ -	\$ -		
Public Works	10,055,000	2,715,023	-	-	-		
Education	-	-	-	-	5,000,000		
Fire Protection/EMS	-	1,469,347	-	-	-		
Total	\$ 10,055,000	\$ 5,669,630	\$ -	\$ -	\$ 5,000,000		
Surplus/(Deficit)	\$ 15,364,373	\$ 4,535,225	\$ 10,594,932	\$ -	\$ 3,755,467		

Consultant's Comments:

- Proposer's and Consultants' GGR estimates reflect a 30% tax rate, 27% to state.
- City of Wellington costs for public works include Street, Wastewater and Electric departments (see Consultant's Estimates).
- Developers Contribution to State Public Works is \$10.1 million and to Sumner County Public Works, \$2.6 million.
As MBA's analysis does not estimate costs associated with these departments, the analysis uses the costs provided by the developer.

**FISCAL IMPACT--12 MONTHS OPERATING
PENN SUMNER, LLC**

Proposer's Estimates-1st Full Year					
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing	\$ 42,672,115	\$ 1,580,449	\$ 1,580,449	\$ 1,580,449	\$ -
Property Tax	25,800	1,998,900	975,300	-	-
Sales/Use Tax	1,857,528	1,313,167	314,693	-	-
Income Tax	-	-	-	-	-
Developer Contributions	-	-	-	-	-
Total	\$ 44,555,443	\$ 4,892,516	\$ 2,870,442	\$ 1,580,449	\$ -
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 522,529	\$ -	\$ -	\$ -
Public Works	-	-	-	-	-
Education	-	-	-	-	240,000
Fire Protection/EMS	-	1,410,865	-	-	-
Total	\$ -	\$ 1,933,394	\$ -	\$ -	\$ 240,000
Surplus/(Deficit)	\$ 44,555,443	\$ 2,959,122	\$ 2,870,442	\$ 1,580,449	\$ (240,000)
Voluntary Contributions to Community and Governments (not included above):					
1. To Challenger Learning Center \$4,132/month to retire mortgage until fully paid.					
2. To Wellington C of Commerce and Tourism Bureau up to \$62,440/year.					
3. To Sumner County economic development up to \$40,586/year.					
4. To restore historic building facades \$250,000 plus annual match of earnings on the fund.					

Consultant's Estimates: 1st Full Year					
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing	\$ 29,245,440	\$ 1,218,560	\$ 1,218,560	\$ 1,218,560	\$ -
Property Tax	165,718	5,492,902	6,235,321	-	6,630,394
Sales/Use Tax	383,548	90,459	72,368	-	-
Income Tax	1,663,327	-	-	-	-
Developer Contributions	-	-	-	-	-
Total	\$ 31,458,033	\$ 6,801,922	\$ 7,526,248	\$ 1,218,560	\$ 6,630,394
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 595,322	\$ 1,008,959	\$ -	\$ -
Public Works	-	134,775	-	-	-
Education	-	-	-	-	1,580,158
Fire Protection/EMS	-	1,033,572	-	-	-
Total	\$ -	\$ 1,763,669	\$ 1,008,959	\$ -	\$ 1,580,158
Surplus/(Deficit)	\$ 31,458,033	\$ 5,038,253	\$ 6,517,290	\$ 1,218,560	\$ 5,050,235

Consultant's Comments:

Penn National	GGR Estimate	\$ 158,044,873	Visitors/Day	5,885
Consultants	GGR Estimate	\$ 121,856,000	Visitors/Day	4,457

FISCAL IMPACT--3 YEAR SUMMARY*
PENN SUMNER, LLC

* 2 Years Construction + 1 Year Operating

Proposer's Estimates					
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing	\$ 46,360,736	\$ 1,717,065	\$ 1,717,065	\$ 1,717,065	\$ -
Property Tax	27,950	2,165,475	1,056,575	-	-
Sales/Use Tax	2,016,163	1,423,365	341,531	-	-
Income Tax	-	-	-	-	-
Developer Contributions	10,055,000	2,646,000	-	-	-
Total	\$ 58,459,849	\$ 7,951,905	\$ 3,115,171	\$ 1,717,065	\$ -
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 1,014,415	\$ -	\$ -	\$ -
Public Works	10,055,000	2,646,000	-	-	-
Education	-	-	-	-	600,000
Fire Protection/EMS	-	3,417,081	-	-	-
Total	\$ 10,055,000	\$ 7,077,496	\$ -	\$ -	\$ 600,000
Surplus/(Deficit)	\$ 48,404,849	\$ 874,409	\$ 3,115,171	\$ 1,717,065	\$ (600,000)

Consultant's Estimates					
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing	\$ 29,245,440	\$ 1,218,560	\$ 1,218,560	\$ 1,218,560	\$ -
Property Tax	384,550	12,746,307	14,469,093	-	15,385,861
Sales/Use Tax	12,897,696	3,041,909	2,433,528	-	-
Income Tax	4,294,720	-	-	-	-
Developer Contributions	10,055,000	-	-	-	-
Total	\$ 56,877,407	\$ 17,006,776	\$ 18,121,180	\$ 1,218,560	\$ 15,385,861
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 2,080,582	\$ 1,008,959	\$ -	\$ -
Public Works	10,055,000	2,849,798	-	-	-
Education	-	-	-	-	6,580,158
Fire Protection/EMS	-	2,502,918	-	-	-
Total	\$ 10,055,000	\$ 7,433,298	\$ 1,008,959	\$ -	\$ 6,580,158
Surplus/(Deficit)	\$ 46,822,407	\$ 9,573,478	\$ 17,112,222	\$ 1,218,560	\$ 8,805,703

APPENDIX 1
BUILDOUT ASSUMPTIONS AND ESTIMATED CONSTRUCTION COST
AT FULL DEVELOPMENT

<u>YEAR</u>	<u>USE TYPE</u>	<u>SQUARE FEET CONSTRUCTED</u>	<u>ESTIMATED CONSTR. COST</u>	<u>ESTIM. CONSTR. MATERIALS COST</u>	<u>FF&E PURCHASES</u>
Year 1	Casino	23,333	\$ 17,785,363	\$ 4,771,009	\$ -
	Hotel	151,467	115,452,414	30,970,661	-
	Restaurants	8,364	6,375,545	1,710,270	-
	Entertainment	14,000	10,671,218	2,862,605	-
	Retail	1,167	889,268	238,550	-
Subtotal		198,331	151,173,808	40,553,096	-
Year 2	Casino	46,667	19,084,034	9,542,017	44,595,627
	Hotel	302,933	123,882,645	61,941,322	60,467,239
	Restaurants	16,729	6,841,081	3,420,541	3,339,138
	Entertainment	28,000	11,450,421	5,725,210	5,588,961
	Retail	2,333	954,202	477,101	465,747
Subtotal		396,662	162,212,382	81,106,191	114,456,713
TOTAL		594,993	\$ 313,386,190	\$ 121,659,287	\$ 114,456,713

APPENDIX 1, ASSUMPTIONS:

1. Construction of the development is estimated to take 24 months (January 2009 to December 2010).

	Sq. Footage	Other Information
Casino	70,000	1500 slot machines, 40 table games
Hotel	454,400	333 guest rooms and 17 suites
Restaurants	25,093	restaurants and bars
Entertainment	42,000	1750 seat sporting event/convention space
Retail	3,500	retail center, museum, fitness
Total	594,993	

Source: Developer's revised application (final template).

2. Construction costs are estimated using above square footages and cost breakdown provided by Penn National in its template document (land is added in year 1, 33% of buildings are added in year 1 and remainder in year 2, FF&E added in year 2):

	Land	Building	FF&E*	Total**
	\$ 70,067,616	\$ 243,318,573	\$ 114,456,713	\$ 427,842,903

*FF&E-furniture, fixtures and equipment, including gaming equipment which is allocated to casino.

**Total amounts do not equal investment amounts as the analysis excludes soft costs such as engineering, architecture, finance and administration costs for property tax calculation purposes.

Source: Developer's revised application (final template).

3. Construction materials cost estimated at **50%** of building costs. This cost is estimated for sales tax purposes. Source: Discussions with commercial developers in Nevada.

APPENDIX 2
ESTIMATED PROPERTY TAX REVENUE AT
2007 PROPERTY TAX RATE

YEAR	USE TYPE	EST. REAL PROPERTY VALUE	EST. PERSONAL PROPERTY VALUE	CUMULATIVE PROPERTY VALUE	ESTIMATED ASSESSED VALUE	WELLINGTON SCHOOL DIST. REVENUE	CITY OF WELLINGTON REVENUE	SUMNER COUNTY REVENUE	STATE OF KANSAS REVENUE
Year 1	Casino	\$ 17,785,363	\$ -	\$ 17,785,363	\$ 4,446,341				
	Hotel	115,452,414	-	115,452,414	28,863,104				
	Restaurants	6,375,545	-	6,375,545	1,593,886				
	Entertainment	10,671,218	-	10,671,218	2,667,804				
	Retail	889,268	-	889,268	222,317				
Subtotal		151,173,808	-	151,173,808	37,793,452	\$ 2,268,174	\$ 1,879,053	\$ 2,133,025	\$ 56,690
Year 2	Casino	19,084,034	44,595,627	81,998,585	20,499,646				
	Hotel	123,882,645	60,467,239	303,265,871	75,816,468				
	Restaurants	6,841,081	3,339,138	16,747,030	4,186,758				
	Entertainment	11,450,421	5,588,961	28,030,736	7,007,684				
	Retail	954,202	465,747	2,335,895	583,974				
Subtotal		162,212,382	114,456,713	432,378,117	108,094,529	\$ 6,487,293	\$ 5,374,352	\$ 6,100,747	\$ 162,142
Year 3	Casino	-	-	83,120,674	20,780,168				
	Hotel	-	-	310,549,830	77,637,457				
	Restaurants	-	-	17,149,267	4,287,317				
	Entertainment	-	-	28,703,990	7,175,997				
	Retail	-	-	2,391,999	598,000				
Subtotal		-	-	441,915,759	110,478,940	\$ 6,630,394	\$ 5,492,902	\$ 6,235,321	\$ 165,718
TOTAL		\$ 313,386,190	\$ 114,456,713			\$ 15,385,861	\$ 12,746,307	\$ 14,469,093	\$ 384,550

APPENDIX 2, ASSUMPTIONS:

1. Tax rate will remain constant at 2007 amount:

Entity-Fund	Tax Rate*	*Rate per \$1,000 of assessed value.
School District	\$ 60.0150	
City	\$ 49.7190	
County	\$ 56.4390	
State	\$ 1.5000	

Source: "Sumner County 2007 Levies," provided by Shane Shields, Sumner County Clerk. Rates include all funds for which property tax revenues are collected.

2. Properties are valued using the fair market value approach. As no comparable sales data exists and this is considered to be a "new and unique" property, the analysis uses the replacement cost approach to value these properties. Source: "A Homeowner's Guide to Property Tax in Kansas." Kansas Department of Revenue.

3. Assessed value estimated at 25% of appraised value for both real and personal property.

Source: "Treasurer/Clerk" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

4. Appraised value is inflated 3% annually for real property and not inflated for personal property to account for depreciation.

**APPENDIX 3
SALES TAX REVENUE**

<u>YEAR</u>	<u>SQUARE FT. BUILT</u>	<u>CONSTRUCTION MATERIALS COST (\$)</u>	<u>FF&E PURCHASES</u>	<u>RETAIL SALES</u>	<u>TOTAL TAXABLE SALES</u>	<u>CITY OF WELLINGTON REVENUE</u>	<u>SUMNER COUNTY REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>
Year 1	Casino	23,333	\$ 4,771,009	\$ -	\$ 4,771,009			
	Hotel	151,467	30,970,661	-	30,970,661			
	Restaurants	8,364	1,710,270	-	1,710,270			
	Entertainment	14,000	2,862,605	-	2,862,605			
	Retail	1,167	238,550	-	238,550			
Subtotal	198,331	40,553,096	-	-	40,553,096	\$ 506,914	\$ 405,531	\$ 2,149,314
Year 2	Casino	46,667	9,542,017	-	9,542,017			
	Hotel	302,933	61,941,322	-	61,941,322			
	Restaurants	16,729	3,420,541	-	3,420,541			
	Entertainment	28,000	5,725,210	-	5,725,210			
	Retail	2,333	477,101	-	477,101			
Subtotal	396,662	81,106,191	114,456,713	-	195,562,904	\$ 2,444,536	\$ 1,955,629	\$ 10,364,834
Year 3	Casino	-	-	-	-			
	Hotel	-	-	-	-			
	Restaurants	-	-	6,056,230	6,056,230			
	Entertainment	-	-	344,400	344,400			
	Retail	-	-	836,122	836,122			
Subtotal	-	-	-	7,236,753	7,236,753	\$ 90,459	\$ 72,368	\$ 383,548
TOTAL	594,993	\$ 121,659,287	\$ 114,456,713	\$ 7,236,753	\$ 243,352,752	\$ 3,041,909	\$ 2,433,528	\$ 12,897,696

APPENDIX 3, ASSUMPTIONS:

1. Sales tax rate is as follows:

	<u>Designation</u>
1.250%	City
1.000%	County
5.300%	State
7.550%	TOTAL

Source: "All Jurisdictions and Rates in this Zip Code." Kansas Department of Revenue.

2. Materials Cost - 50% of construction cost is assumed to be materials cost.

Source: Discussion with Nevada contractors

3. Retail sales based on \$ **238.89** per square foot. Source: Developer's template for first full year retail revenue divided by retail square footage.

F&B sales based on \$ **241.35** per square foot. Source: Developer's template for first full year F&B revenue divided by F&B square footage.

Entertainment sales based on \$ **8.20** per square foot. Source: Developer's template for first full year entertainment revenue/entertainment square footage.

4. Year 3 assumes first full year of operation.

APPENDIX 4
LOTTERY GAMING CONTRIBUTION REVENUE

<u>YEAR</u>		<u>ESTIMATED GAMING REVENUE</u>	<u>CITY OF WELLINGTON REVENUE</u>	<u>SUMNER COUNTY REVENUE</u>	<u>SEDGWICK COUNTY REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>	<u>STATE PROB. GAMBLING REVENUE</u>
Year 1	Casino	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year 2	Casino	-	-	-	-	-	-
Year 3	Casino	121,856,000	1,218,560	1,218,560	1,218,560	26,808,320	2,437,120
TOTAL		\$ 121,856,000	\$ 1,218,560	\$ 1,218,560	\$ 1,218,560	\$ 26,808,320	\$ 2,437,120

APPENDIX 4, ASSUMPTIONS:

1. Estimated Gross Gaming Revenue (GGR) is the average GGR estimated in Wells and Cummings reports:

Wells GGR \$ 122,612,000

Cummings GGR 121,100,000

Average \$ 121,856,000

Source: "Kansas Casino Market Study" by Wells Gaming Research dated July 7, 2008 and "Projections for Likely Gaming Revenues" by Cummings Associates dated July 7, 2008.

2. Local government revenue is estimated as follows:

State of Kansas **22%** of all lottery gaming revenues.

State Prob. Gambling **2%** of all lottery gaming revenues.

Sumner County **1%** of all lottery gaming revenues.

Sedgwick County **1%** of all lottery gaming revenues.

City of Wellington **1%** of all lottery gaming revenues.

Source: SB 66.

3. Year 3 assumes first full year of operation.

**APPENDIX 5
STATE INCOME TAX REVENUE**

<u>YEAR</u>		<u>ESTIMATED PAYROLL EXPENDITURES</u>	<u>ESTIMATED PAYROLL/ EMPLOYEE</u>	<u>STATE OF KANSAS INCOME TAX REVENUE</u>
Year 1	Construction	\$ 24,539,508	\$ 43,410	\$ 1,315,697
	Operating	-	-	-
Subtotal		24,539,508	43,410	1,315,697
Year 2	Construction	24,539,508	43,410	1,315,697
	Operating	-	-	-
Subtotal		24,539,508	43,410	1,315,697
Year 3	Construction	-	-	-
	Operating	33,846,154	30,769	1,663,327
Subtotal		33,846,154	30,769	1,663,327
TOTAL		\$ 82,925,170	\$ 117,590	\$ 4,294,720

APPENDIX 5, ASSUMPTIONS:

- Estimated construction payroll is provided by the Developer at **\$ 49,079,016** during the construction phase of the project. This includes salaries only, no benefits are included.
A total of **565** construction employees are estimated annually.
Source: Developer's revised application (final template).
- Estimated on-going operating payroll is estimated at **\$ 33,846,154** per year at full operation. This includes salaries only, no benefit costs are included.
A total of **1,100** employees are estimated annually.
Source: Developer's revised application (final template).
- Personal income tax revenue for the State is estimated as follows, using a 2007 schedule:
For a single person:
Taxable income between \$0 and \$15,000 is taxed at 3.5%
Taxable income between \$15,000 and \$30,000 is taxed at 6.25% plus the tax calculated on the first \$15,000
Taxable income over \$30,000 is taxed at 6.45% plus the tax calculated on the first \$30,000
Source: Kansas Department of Revenue. 2007 Kansas Individual Income Tax schedule.

APPENDIX 6
SUMMARY OF ESTIMATED REVENUE

<u>YEAR</u>		<u>STATE OF KANSAS</u>	<u>SUMNER COUNTY</u>	<u>SEDGWICK COUNTY</u>	<u>CITY OF WELLINGTON</u>	<u>WELLINGTON SCHOOL DIST.</u>
Year 1	Property Tax	\$ 56,690	\$ 2,133,025	\$ -	\$ 1,879,053	\$ 2,268,174
	Sales Tax	2,149,314	405,531	-	506,914	-
	Gaming Revenue	-	-	-	-	-
	Income Tax Revenue	1,315,697	-	-	-	-
Subtotal		3,521,701	2,538,556	-	2,385,966	2,268,174
Year 2	Property Tax	162,142	6,100,747	-	5,374,352	6,487,293
	Sales Tax	10,364,834	1,955,629	-	2,444,536	-
	Gaming Revenue	-	-	-	-	-
	Income Tax Revenue	1,315,697	-	-	-	-
Subtotal		11,842,672	8,056,376	-	7,818,888	6,487,293
Year 3	Property Tax	165,718	6,235,321	-	5,492,902	6,630,394
	Sales Tax	383,548	72,368	-	90,459	-
	Gaming Revenue	29,245,440	1,218,560	1,218,560	1,218,560	-
	Income Tax Revenue	1,663,327	-	-	-	-
Subtotal		31,458,033	7,526,248	1,218,560	6,801,922	6,630,394
TOTAL		\$ 46,822,407	\$ 18,121,180	\$ 1,218,560	\$ 17,006,776	\$ 15,385,861

APPENDIX 6, ASSUMPTIONS:

1. State of Kansas revenue includes 2% gaming contribution revenue for problem gambling fund.

**APPENDIX 7
CITY OF WELLINGTON
STREETS DEPARTMENT COST PROJECTIONS**

<u>YEAR</u>	<u>ROAD MILES ADDED</u>	<u>ANNUAL MAINTENANCE COST/MILE</u>	<u>TOTAL MAINTENANCE COST</u>
Year 1	0.0	\$ 10,671	\$ -
Year 2	0.5	10,991	5,495
Year 3	0.0	11,321	5,660
TOTAL	0.5	\$ 32,982	\$ 11,156

APPENDIX 7, ASSUMPTIONS:

1. A total of **0.5** mile of Seneca Street will be annexed to the City for maintenance. Source: "Public Works-Streets" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas
2. Maintenance cost per mile is estimated at \$ **10,671** inflated 3% annually. Source: "Public Works-Streets" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

APPENDIX 8
CITY OF WELLINGTON
WASTEWATER TREATMENT DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	209,528	209,528
Year 3	2	87,566	41,549	-	129,114
TOTAL	2	\$ 87,566	\$ 41,549	\$ 209,528	\$ 338,642

APPENDIX 8, ASSUMPTIONS:

- A total of **2** new Wastewater Operators will be required to service the development.
 Source: "Wastewater Treatment" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Salary for new positions is estimated at \$ **13.60** per hour, based on the average of salary levels for this position.
 Salary is inflated 6% annually, 2% COLA and 4% merit increase.
 Source: "Wastewater Treatment" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Benefits are estimated at **30%** of salary costs.
 Source: "Wastewater Treatment" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Employee costs include a uniform allowance at \$ **500** per employee per year. These costs are not added as they are estimated to be included under Services/Supplies above. Source: "Wastewater Treatment" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Services/supplies are estimated at **47%** of salaries and benefits.

	2006	2007	2008	Average
Personnel Services	\$ 188,040	\$ 191,737	\$ 191,649	\$ 190,475
Contractual	34,183	36,000	36,000	35,394
Commodities	54,652	55,150	55,150	54,984
% of PS	47%	48%	48%	47%

Source: City of Wellington Budget. Three year average contractual and commodities costs as percent of personnel services costs (2006-2008) for the Sewage Treatment department.
- The following capital costs are expected to be incurred in 2008, inflated 3% annually:

Pickup truck	\$ 27,500
Cleaning/vacuum truck	150,000
Bobcat equipment	20,000
	\$ 197,500

Source: "Wastewater Treatment" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

APPENDIX 9
CITY OF WELLINGTON
POLICE DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL CONSTR./ EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	1,485,260	1,485,260
Year 3	7	432,629	52,874	109,819	595,322
TOTAL	7	\$ 432,629	\$ 52,874	\$ 1,595,079	2,080,582

APPENDIX 9, ASSUMPTIONS:

- A total of 7 new employees will be required to service the development:

	# of Employees	Salary/Benefits	Total Cost
Officers	5	\$ 57,773	\$ 288,865
Detective	1	57,773	57,773
Records Clerk	1	37,968	37,968
Total	7		\$ 384,606

Salary and benefits costs are increased 4% annually.
Source: "Police" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Employee costs include a uniform allowance at \$ 3,000 per officer. This cost is not added as it is estimated to be included under Services/Supplies above.
- Source: "Police" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
Services/supplies are estimated at 12% of salaries and benefits.

	2006	2007	2008	Average
Personnel Services	\$ 1,113,342	\$ 1,126,621	\$ 1,119,986	\$ 1,119,983
Contractual	79,164	78,660	81,722	79,849
Commodities	50,628	61,085	59,375	57,029
% of PS	12%	12%	13%	12%

Source: City of Wellington Budget. Three-year average contractual and commodities costs as percent of personnel services costs (2006-2008) for the Police department.
- The following capital costs are expected to be incurred:

A total of 3 police vehicles at a cost of \$ 33,500 per vehicle. 2,000 square feet of space.

A substation will be constructed to add approximately

Source: "Police" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

Construction cost is estimated at \$ 150 per square foot. Source: Previous FI analyses conducted by MBA.

Furniture, fixtures and equipment (FF&E) costs are estimated at \$ 1,100,000 Source: "Fire/EMS" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas. The new police substation is expected to share the space with the fire station.

Construction and FF&E costs are inflated 3% annually.

APPENDIX 10
CITY OF WELLINGTON
FIRE DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	1,469,347	1,469,347
Year 3	16	915,938	117,634	-	1,033,572
TOTAL	16	\$ 915,938	\$ 117,634	\$ 1,469,347	\$ 2,502,918

APPENDIX 10, ASSUMPTIONS:

- A total of **16** new employees will be required to service the development:

	# of Employees	Salary	Benefits	Total Cost
Captain	3	\$ 40,945	\$ 14,065	\$ 165,029
Lieutenant	6	38,553	13,243	310,772
Firefighter/EMICT	3	35,890	12,328	144,655
Firefighter/EMS	3	35,235	12,103	142,015
Fire Prevention Officer	1	38,553	13,243	51,795
Total	16		\$ 34%	\$ 814,265

Salary and benefits costs are increased 4% annually. Benefits are estimated at
Salary amounts are averages for each positions' salary range.
Source: "Fire/EMS" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Employee costs include a uniform and training cost of **\$ 12,000** a year. This cost is not added as it is estimated to be included under Services/Supplies above.
- Source: "Fire/EMS" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

Services/supplies are estimated at **13%** of salaries and benefits.

	2006	2007	2008	Average
Personnel Services	\$ 1,279,805	\$ 1,296,456	\$ 1,326,777	\$ 1,301,013
Contractual	81,533	81,873	93,846	85,751
Commodities	75,267	83,250	85,500	81,339
% of PS	12%	13%	14%	13%

Source: City of Wellington Budget. Three year average contractual and commodities costs as percent of personnel services costs (2006-2008) for the Fire & Ambulance department.
- The following capital costs are expected to be incurred:

Aerial Platform	\$ 1,000,000
Ambulance	200,000
Rescue Truck	185,000
Total	\$ 1,385,000

inflated 3% annually.

Source: "Fire/EMS" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

A new fire station will be required and will share space with the new police substation. Costs are shown for Police Department, Appendix 9.

APPENDIX 11
CITY OF WELLINGTON
ELECTRIC DISTRIBUTION DEPARTMENT COST PROJECTIONS

YEAR	TOTAL COST OF IMPROVEMENTS	% ATTRIBUTED TO DEVELOPMENT	TOTAL DEVELOPMENT COST
Year 1	\$ -	0%	\$ -
Year 2	6,030,000	41%	2,500,000
Year 3	-	0%	-
TOTAL	\$ 6,030,000		\$ 2,500,000

APPENDIX 11, ASSUMPTIONS:

1. The following Electric Distribution department improvements are required:

Short-Term Improvements
69 kV switching station \$ 825,000
Construction of 5.5 miles of 69 kV lines 660,000
69-13.2 substation with 3-13.2 kV bays 600,000
20/25 MVA 69-13.2 kV transformer 1,200,000
Construction of 3-13.2 kV feeders 165,000
Padmount transformers and underground feeder 300,000

Long Term Improvements
69-13.2 substation at turbine site 520,000
20/25 69-13.2 kV transformer 1,200,000
13.2 kV tie to gas turbine substation 25,000
Tie from 69 kV switchyard to gas turbine switchyard 35,000
Complete 69 kV loop between substations 500,000
Total Cost \$ **6,030,000**
- Source: "Electric Distribution" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
2. Approximately \$ 2,500,000 of all improvements or 41% will be attributed to the casino development. Source: Conversations with Gus Collins, City Manager, Wellington, Kansas.

APPENDIX 12
CITY OF WELLINGTON
SUMMARY OF ESTIMATED COSTS

<u>YEAR</u>	<u>STREETS DEPARTMENT</u>	<u>WASTEWATER DEPARTMENT</u>	<u>POLICE DEPARTMENT</u>	<u>FIRE/EMS DEPARTMENT</u>	<u>ELECTRIC DISTRIBUTION</u>	<u>ADMIN. OVERHEAD</u>	<u>TOTAL COSTS</u>
Year 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year 2	5,495	209,528	1,485,260	1,469,347	2,500,000	1,167,933	6,837,563
Year 3	5,660	129,114	595,322	1,033,572	-	363,312	2,126,981
TOTAL	\$ 11,156	\$ 338,642	\$ 2,080,582	\$ 2,502,918	\$ 2,500,000	\$ 1,531,246	\$ 8,964,544

APPENDIX 12, ASSUMPTIONS:

1. See Appendices 7-11 for detailed calculations of all department costs.
2. Administrative overhead costs estimated at **21%** of all department costs estimated in this analysis.
Source: City of Wellington Budget. Three-year average indirect costs as percent of direct costs (2006-2008) for the General Fund.

	2006	2007	2008	Average
Direct				
Police	1,254,091	1,273,666	1,317,991	1,281,916
Fire/Ambulance	1,443,305	1,469,579	1,506,123	1,473,002
Auditorium	39,030	31,700	30,500	33,743
Park	212,473	240,515	243,470	232,153
Swimming Pool	40,927	26,425	44,100	37,151
Street	717,887	828,742	886,689	811,106
Cemetery	77,933	97,264	105,958	93,718
Engineering	304,034	320,833	335,425	320,097
Legal	124,565	129,395	131,522	128,494
Lake	120,439	145,024	144,237	136,567
Total	4,334,684	4,563,143	4,746,015	4,547,947
Indirect				
Mayor/Council	14,709	21,221	21,521	19,150
City Manager	110,341	137,345	183,057	143,581
City Clerk	278,651	294,493	318,137	297,094
Utility Collections	247,651	280,901	284,417	270,990
Public Works	84,277	88,296	98,176	90,250
General Services	69,527	79,005	71,216	73,249
Janitorial	43,487	44,577	39,601	42,555
Total	848,643	945,838	1,016,125	936,869
% Indirect of Direct	20%	21%	21%	21%

**APPENDIX 13
SUMNER COUNTY
SHERIFF DEPARTMENT COST PROJECTIONS**

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL CONSTR./ EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	-	-
Year 3	9	577,055	367,007	64,897	1,008,959
TOTAL	9	\$ 577,055	\$ 367,007	\$ 64,897	\$ 1,008,959

APPENDIX 13, ASSUMPTIONS:

1. A total of **9** new employees will be required to service the development:

	<u># of Employees</u>	<u>Total Cost*</u>
Patrol Officers	3	\$ 217,500
Detective	1	73,000
Detention Officers	5	222,500
Total	9	\$ 513,000

*Total Cost includes salary and benefits. Salary and benefits costs are increased 4% annually.

Source: Gerald Gilkey, Sumner County Sheriff.

3. Services/supplies and capital outlay are estimated as follows:

	2006	2005	Average
Personnel Services	\$ 939,491	\$ 863,355	\$ 901,423
Contractual (CC)	126,985	96,645	111,815
Commodities (CO)*	477,795	445,184	461,490
Capital Outlay (CO)	108,784	93,967	101,376
CC % of PS	64%	63%	64%
CO % of PS	12%	11%	11%

*Includes other jail expenses, juvenile detention, reimbursements and prisoner board costs.

Source: "Sumner County, Kansas Annual Financial Report" December 31, 2006. Two-year average (2005-2006) for the Sheriff's Department.

**APPENDIX 14
WELLINGTON SCHOOL DISTRICT
ESTIMATED COSTS**

<u>YEAR</u>	<u>SALARIES/ BENEFITS COSTS</u>	<u>SERVICES/ SUPPLIES COSTS</u>	<u>CAPITAL CONSTRUCTION COSTS</u>	<u>ESTIMATED TOTAL COSTS</u>
Year 1	\$ -	\$ -	\$ -	\$ -
Year 2	-	-	5,000,000	5,000,000
Year 3	1,316,798	263,360	-	1,580,158
TOTAL	\$ 1,316,798	\$ 263,360	\$ 5,000,000	\$ 6,580,158

APPENDIX 14, ASSUMPTIONS:

1. A new elementary school could possibly be required with the following positions and salaries due to the casino/hotel development.

Position	# of Employees	Salary Costs	Benefits Costs	Total Costs
Teachers	20	\$ 40,000	\$ 10,000	\$ 1,000,000
Para-profess.	5	10,000	-	50,000
School Admin.	1	70,000	17,500	87,500
	26			\$ 1,137,500

Source: Rick Weiss, Superintendent, Wellington School District.

Benefits estimated at 30% of salary. Source: Previous fiscal impact studies conducted by MBA.

No benefits estimated for paraprofessional employees as they are assumed to be part-time employees.

Salaries are inflated **5%** annually.

Source: Rick Weiss, Superintendent, Wellington School District.

2. School services and supplies are estimated at **20%** of salary/benefits costs. Source: Previous fiscal impact studies conducted by MBA.
3. A new school will be required to absorb the increased student population. Costs are estimated at **\$ 5,000,000** and will include construction and furniture, fixtures and equipment (FF&E) costs. Source: Rick Weiss, Superintendent, Wellington School District.

APPENDIX 15
COMPARISON OF ESTIMATED REVENUE TO
ESTIMATED COSTS AND CUMULATIVE REVENUE SURPLUS

CITY OF WELLINGTON

<u>YEAR</u>	<u>PROJECT REVENUE</u>	<u>PROJECT COSTS</u>	<u>ANN'L REVENUE SURPLUS/ (DEFICIT)</u>	<u>CUMUL. SURPLUS/ (DEFICIT)</u>
Year 1	\$ 2,385,966	\$ -	\$ 2,385,966	\$ 2,385,966
Year 2	7,818,888	6,837,563	981,325	3,367,292
Year 3	6,801,922	2,126,981	4,674,941	8,042,232
TOTAL	\$ 17,006,776	\$ 8,964,544	\$ 8,042,232	

SUMNER COUNTY

<u>YEAR</u>	<u>PROJECT REVENUE</u>	<u>PROJECT COSTS*</u>	<u>ANN'L REVENUE SURPLUS/ (DEFICIT)</u>	<u>CUMUL. SURPLUS/ (DEFICIT)</u>
Year 1	\$ 2,538,556	\$ -	\$ 2,538,556	\$ 2,538,556
Year 2	8,056,376	-	8,056,376	10,594,932
Year 3	7,526,248	1,008,959	6,517,290	17,112,222
TOTAL	\$ 18,121,180	\$ 1,008,959	\$ 17,112,222	

*Only Sheriff department costs were estimated to compare to developer estimates; other impacts may include county roads, judicial, and other departments providing services to the development.

WELLINGTON SCHOOL DISTRICT

<u>YEAR</u>	<u>PROJECT REVENUE</u>	<u>PROJECT COSTS</u>	<u>ANN'L REVENUE SURPLUS/ (DEFICIT)</u>	<u>CUMUL. SURPLUS/ (DEFICIT)</u>
Year 1	\$ 2,268,174	\$ -	\$ 2,268,174	\$ 2,268,174
Year 2	6,487,293	5,000,000	1,487,293	3,755,467
Year 3	6,630,394	1,580,158	5,050,235	8,805,703
TOTAL	\$ 15,385,861	\$ 6,580,158	\$ 8,805,703	

STATE OF KANSAS

<u>YEAR</u>	<u>PROJECT REVENUE</u>	<u>PROJECT COSTS*</u>	<u>ANN'L REVENUE SURPLUS/ (DEFICIT)</u>	<u>CUMUL. SURPLUS/ (DEFICIT)</u>
Year 1	\$ 3,521,701	\$ -	\$ 3,521,701	\$ 3,521,701
Year 2	11,842,672	-	11,842,672	15,364,373
Year 3	31,458,033	-	31,458,033	46,822,407
TOTAL	\$ 46,822,407	\$ -	\$ 46,822,407	

*No costs associated with this development are estimated for the State of Kansas on the assumption that all gaming facility-related costs will be covered by revenue generated by the development. However, it is expected that costs will be incurred by the Highway Patrol, Department of Transportation (highway maintenance), Department of Racing and Gaming, and the Kansas Lottery among others.

**FISCAL IMPACT--CONSTRUCTION
MARVEL GAMING LLC**

Construction period-months 24
Opening date Sept 2010

Proposer's Estimates: 2009-2010					
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing	\$ -	\$ -	\$ -	\$ -	\$ -
Property Tax	56,250	1,567,150	2,004,700	-	1,626,811
Sales/Use Tax	-	122,884	98,307	-	-
Income Tax	-	-	-	-	-
Developer Contributions	2,000,000	22,000,000	-	-	-
Total	\$ 2,056,250	\$ 23,690,034	\$ 2,103,007	\$ -	\$ 1,626,811
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 3,913,100	\$ -	\$ -	\$ -
Public Works	2,000,000	19,000,000	-	-	-
Education	-	-	-	-	-
Fire Protection/EMS	-	1,127,500	-	-	-
Total	\$ 2,000,000	\$ 24,040,600	\$ -	\$ -	\$ -
Surplus/(Deficit)	\$ 56,250	\$ (350,566)	\$ 2,103,007	\$ -	\$ 1,626,811
Voluntary Contributions to State and Local Governments (included above):					
1. Road/Street improvements estimated at \$2.0 million paid for by proposer (under State)					
2. Water/sewer improvements estimated at \$19.0 million paid for by proposer (under Wellington).					
3. 2-bay fire/ems/law enforcement substation built on-site; \$800K ladder truck; training tower built in community; total cost estimated at \$3.0 million, all paid for by proposer (under Wellington).					

Consultant's Estimates: 2009-2010					
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing	\$ -	\$ -	\$ -	\$ -	\$ -
Property Tax	156,337	5,181,952	5,882,342	-	6,255,050
Sales/Use Tax	7,972,848	1,880,389	1,504,311	-	-
Income Tax	6,048,756	-	-	-	-
Developer Contributions	2,000,000	22,000,000	-	-	-
Total	\$ 16,177,941	\$ 29,062,340	\$ 7,386,653	\$ -	\$ 6,255,050
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 1,485,260	\$ -	\$ -	\$ -
Public Works	2,000,000	2,715,023	-	-	-
Education	-	-	-	-	5,000,000
Fire Protection/EMS	-	1,469,347	-	-	-
Total	\$ 2,000,000	\$ 5,669,630	\$ -	\$ -	\$ 5,000,000
Surplus/(Deficit)	\$ 14,177,941	\$ 23,392,711	\$ 7,386,653	\$ -	\$ 1,255,050

Consultant's Comments:

1. Developers Contribution to State Public Works is \$2.0 million. As MBA's analysis does not estimate costs associated with this department, the analysis uses the costs provided by the developer.
2. Public works costs for City of Wellington include WasteWater, Street and Electrical department costs (see Consultant's Estimate).

**FISCAL IMPACT--12 MONTHS OPERATING
MARVEL GAMING LLC**

Proposer's Estimates-1st Full Year						
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 49,458,816	\$ 2,060,784	\$ 2,060,784	\$ 2,060,784	\$ -	
Property Tax	101,250	1,662,591	2,843,439	-	2,183,774	
Sales/Use Tax	-	307,210	245,768	-	-	
Income Tax	-	-	-	-	-	
Developer Contributions	-	-	-	-	-	
Total	\$ 49,560,066	\$ 4,030,585	\$ 5,149,991	\$ 2,060,784	\$ 2,183,774	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 697,000	\$ -	\$ -	\$ -	
Public Works	-	-	-	-	-	
Education	-	-	-	-	49,500	
Fire Protection/EMS	-	1,792,000	-	-	-	
Total	\$ -	\$ 2,489,000	\$ -	\$ -	\$ 49,500	
Surplus/(Deficit)	\$ 49,560,066	\$ 1,541,585	\$ 5,149,991	\$ 2,060,784	\$ 2,134,274	
Voluntary Contributions to Communities and Governments (not included above):						
1. Local community contributions in 1st year of operations of \$1.0 million.						
2. Sumner County economic growth fund, funded with 1.0% of GGR.						
3. Contribute \$2.3 million to Wellington Golf Club.						
4. Committed to program to provide employees with matching funds of 5% of down payment on house, not to exceed \$7,500.						

Consultant's Estimates: 1st Full Year						
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 31,810,920	\$ 1,325,455	\$ 1,325,455	\$ 1,325,455	\$ -	
Property Tax	115,275	3,820,893	4,337,323	-	4,612,138	
Sales/Use Tax	2,237,656	527,749	422,199	-	-	
Income Tax	2,291,112	-	-	-	-	
Developer Contributions	-	-	-	-	-	
Total	\$ 36,454,962	\$ 5,674,096	\$ 6,084,977	\$ 1,325,455	\$ 4,612,138	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 595,322	\$ 1,008,959	\$ -	\$ -	
Public Works	-	134,775	-	-	-	
Education	-	-	-	-	1,580,158	
Fire Protection/EMS	-	1,033,572	-	-	-	
Total	\$ -	\$ 1,763,669	\$ 1,008,959	\$ -	\$ 1,580,158	
Surplus/(Deficit)	\$ 36,454,962	\$ 3,910,428	\$ 5,076,018	\$ 1,325,455	\$ 3,031,979	

Consultant's Comments:

Marvel	GGR Estimate	\$ 217,333,855	Visitors/Day	8,250
Consultants'	GGR Estimate	\$ 132,545,500	Visitors/Day	4,955

FISCAL IMPACT--3 YEAR SUMMARY*
MARVEL GAMING LLC

* 2 Years Construction + 1 Year Operating

Proposer's Estimates					
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing	\$ 49,458,816	\$ 2,060,784	\$ 2,060,784	\$ 2,060,784	\$ -
Property Tax	157,500	3,229,741	4,848,139	-	3,810,585
Sales/Use Tax	-	430,094	344,075	-	-
Income Tax	-	-	-	-	-
Developer Contributions	2,000,000	22,000,000	-	-	-
Total	\$ 51,616,316	\$ 27,720,619	\$ 7,252,998	\$ 2,060,784	\$ 3,810,585
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 4,610,100	\$ -	\$ -	\$ -
Public Works	2,000,000	19,000,000	-	-	-
Education	-	-	-	-	49,500
Fire Protection/EMS	-	2,919,500	-	-	-
Total	\$ 2,000,000	\$ 26,529,600	\$ -	\$ -	\$ 49,500
Surplus/(Deficit)	\$ 49,616,316	\$ 1,191,019	\$ 7,252,998	\$ 2,060,784	\$ 3,761,085

Consultant's Estimates					
	<u>State</u>	<u>City of Wellington</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Wellington Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing	\$ 31,810,920	\$ 1,325,455	\$ 1,325,455	\$ 1,325,455	\$ -
Property Tax	271,612	9,002,844	10,219,665	-	10,867,187
Sales/Use Tax	10,210,504	2,408,138	1,926,510	-	-
Income Tax	8,339,868	-	-	-	-
Developer Contributions	2,000,000	22,000,000	-	-	-
Total	\$ 52,632,903	\$ 34,736,437	\$ 13,471,630	\$ 1,325,455	\$ 10,867,187
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 2,080,582	\$ 1,008,959	\$ -	\$ -
Public Works	2,000,000	2,849,798	-	-	-
Education	-	-	-	-	6,580,158
Fire Protection/EMS	-	2,502,918	-	-	-
Total	\$ 2,000,000	\$ 7,433,298	\$ 1,008,959	\$ -	\$ 6,580,158
Surplus/(Deficit)	\$ 50,632,903	\$ 27,303,138	\$ 12,462,671	\$ 1,325,455	\$ 4,287,029

APPENDIX 1
BUILDOUT ASSUMPTIONS AND ESTIMATED CONSTRUCTION COST
AT FULL DEVELOPMENT

<u>YEAR</u>	<u>USE TYPE</u>	<u>SQUARE FEET CONSTRUCTED</u>	<u>ESTIMATED CONSTR. COST</u>	<u>ESTIM. CONSTR. MATERIALS COST</u>	<u>FF&E PURCHASES</u>
Year 1	Casino	29,283	\$ 23,805,297	\$ 6,048,891	\$ -
	Hotel	70,275	57,128,649	14,516,306	-
	Restaurants	19,685	16,002,525	4,066,218	-
	Entertainment	21,633	17,586,384	4,468,674	-
	Health Club/Spa	620	504,017	128,070	-
	Retail	<u>2,012</u>	<u>1,635,344</u>	<u>415,539</u>	<u>-</u>
Subtotal		143,508	116,662,216	29,643,699	-
Year 2	Casino	58,567	24,195,565	12,097,783	36,427,676
	Hotel	140,550	58,065,226	29,032,613	15,425,324
	Restaurants	39,370	16,264,873	8,132,437	4,320,847
	Entertainment	43,267	17,874,698	8,937,349	4,748,505
	Health Club/Spa	1,240	512,279	256,140	136,090
	Retail	<u>4,023</u>	<u>1,662,154</u>	<u>831,077</u>	<u>441,560</u>
Subtotal		287,017	118,574,796	59,287,398	61,500,000
TOTAL		430,525	\$ 235,237,012	\$ 88,931,097	\$ 61,500,000

APPENDIX 1, ASSUMPTIONS:

1. Construction of the development is estimated to take 24 months (September 2008 to September 2010).

	Sq. Footage	Other Information
Casino	87,850	2,000 slot machines, 65 table games
Hotel	210,825	132 guest rooms and 172 suites
Restaurants	59,055	restaurants and bars
Entertainment	64,900	sporting event/convention space
Health Club/Spa	1,860	
Retail	<u>6,035</u>	
Total	430,525	

Source: Developer's application (final template).

2. Construction costs are estimated using above square footages and cost breakdown provided by the developer in its template document (land is added in year 1, 33% of buildings are added in year 1 and remainder in year 2, FF&E added in year 2):

	Land	Building	FF&E*	Total**
	\$ 57,374,818	\$ 177,862,194	\$ 61,500,000	\$ 296,737,012

*FF&E-furniture, fixtures and equipment, including gaming equipment which is allocated to casino.

**Total amounts do not equal investment amounts as the analysis excludes soft costs such as engineering, architecture, finance and administration costs for property tax calculation purposes.

Source: Developer's application (final template).

3. Construction materials cost estimated at **50%** of building costs. This cost is estimated for sales tax purposes. Source: Discussions with commercial developers in Nevada.

APPENDIX 2
ESTIMATED PROPERTY TAX REVENUE AT
2007 PROPERTY TAX RATE

<u>YEAR</u>	<u>USE TYPE</u>	<u>EST. REAL PROPERTY VALUE</u>	<u>EST. PERSONAL PROPERTY VALUE</u>	<u>CUMULATIVE PROPERTY VALUE</u>	<u>ESTIMATED ASSESSED VALUE</u>	<u>WELLINGTON SCHOOL DIST. REVENUE</u>	<u>CITY OF WELLINGTON REVENUE</u>	<u>SUMNER COUNTY REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>
Year 1	Casino	\$ 23,805,297	\$ -	\$ 23,805,297	\$ 5,951,324				
	Hotel	57,128,649	-	57,128,649	14,282,162				
	Restaurants	16,002,525	-	16,002,525	4,000,631				
	Entertainment	17,586,384	-	17,586,384	4,396,596				
	Health Club/Spa	504,017	-	504,017	126,004				
	Retail	1,635,344	-	1,635,344	408,836				
Subtotal		116,662,216	-	116,662,216	29,165,554	\$ 1,750,371	\$ 1,450,082	\$ 1,646,075	\$ 43,748
Year 2	Casino	24,195,565	36,427,676	85,142,697	21,285,674				
	Hotel	58,065,226	15,425,324	132,333,058	33,083,265				
	Restaurants	16,264,873	4,320,847	37,068,321	9,267,080				
	Entertainment	17,874,698	4,748,505	40,737,178	10,184,294				
	Health Club/Spa	512,279	136,090	1,167,506	291,877				
	Retail	1,662,154	441,560	3,788,118	947,030				
Subtotal		118,574,796	61,500,000	300,236,878	75,059,220	\$ 4,504,679	\$ 3,731,869	\$ 4,236,267	\$ 112,589
Year 3	Casino	-	-	86,604,148	21,651,037				
	Hotel	-	-	135,840,290	33,960,073				
	Restaurants	-	-	38,050,745	9,512,686				
	Entertainment	-	-	41,816,838	10,454,209				
	Health Club/Spa	-	-	1,198,449	299,612				
	Retail	-	-	3,888,515	972,129				
Subtotal		-	-	307,398,985	76,849,746	\$ 4,612,138	\$ 3,820,893	\$ 4,337,323	\$ 115,275
TOTAL		\$ 235,237,012	\$ 61,500,000			\$ 10,867,187	\$ 9,002,844	\$ 10,219,665	\$ 271,612

APPENDIX 2, ASSUMPTIONS:

1. Tax rate will remain constant at 2007 amount:

Entity-Fund	Tax Rate*	*rate per \$1,000 of assessed value.
School District	\$ 60.0150	
City	\$ 49.7190	
County	\$ 56.4390	
State	\$ 1.5000	

Source: "Sumner County 2007 Levies," provided by Shane Shields, Sumner County Clerk. Rates include all funds for which property tax revenues are collected.

2. Properties are valued using the fair market value approach. As no comparable sales data exists and this is considered to be a "new and unique" property, the analysis uses the replacement cost approach to value these properties. Source: "A Homeowner's Guide to Property Tax in Kansas," Kansas Department of Revenue.

3. Assessed value estimated at 25% of appraised value for both real and personal property.

Source: "Treasurer/Clerk" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

4. Appraised value is inflated 3% annually for real property and not inflated for personal property to account for depreciation.

**APPENDIX 3
SALES TAX REVENUE**

<u>YEAR</u>	<u>SQUARE FT. BUILT</u>	<u>CONSTRUCTION MATERIALS COST (\$)</u>	<u>FF&E PURCHASES</u>	<u>RETAIL SALES</u>	<u>TOTAL TAXABLE SALES</u>	<u>CITY OF WELLINGTON REVENUE</u>	<u>SUMNER COUNTY REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>
Year 1	Casino	29,283	\$ 6,048,891	\$ -	\$ 6,048,891			
	Hotel	70,275	14,516,306	-	14,516,306			
	Restaurants	19,685	4,066,218	-	4,066,218			
	Entertainment	21,633	4,468,674	-	4,468,674			
	Health Club/Spa	620	128,070	-	128,070			
	Retail	2,012	415,539	-	415,539			
Subtotal	143,508	29,643,699	-	-	29,643,699	\$ 370,546	\$ 296,437	\$ 1,571,116
Year 2	Casino	58,567	12,097,783	-	12,097,783			
	Hotel	140,550	29,032,613	-	29,032,613			
	Restaurants	39,370	8,132,437	-	8,132,437			
	Entertainment	43,267	8,937,349	-	8,937,349			
	Health Club/Spa	1,240	256,140	-	256,140			
	Retail	4,023	831,077	-	831,077			
Subtotal	287,017	59,287,398	61,500,000	-	120,787,398	\$ 1,509,842	\$ 1,207,874	\$ 6,401,732
Year 3	Casino	-	-	-	-			
	Hotel	-	-	-	-			
	Restaurants	-	-	36,885,394	36,885,394			
	Entertainment	-	-	744,936	744,936			
	Health Club/Spa	-	-	-	-			
	Retail	-	-	4,589,586	4,589,586			
Subtotal	-	-	-	42,219,916	42,219,916	\$ 527,749	\$ 422,199	\$ 2,237,656
TOTAL	430,525	\$ 88,931,097	\$ 61,500,000	\$ 42,219,916	\$ 192,651,013	\$ 2,408,138	\$ 1,926,510	\$ 10,210,504

APPENDIX 3, ASSUMPTIONS:

1. Sales tax rate is as follows:

<u>Designation</u>
1.250% City
1.000% County
<u>5.300% State</u>
7.550% TOTAL

Source: "All Jurisdictions and Rates in this Zip Code." Kansas Department of Revenue.

2. Materials Cost - 50% of construction cost is assumed to be materials cost.

Source: Discussion with Nevada contractors

3. Retail sales based on \$ **760** per square foot. Source: Developer's template for first year retail revenue divided by retail square footage.

F&B sales based on \$ **625** per square foot. Source: Developer's template for first year F&B revenue divided by F&B square footage.

Entertainment sales based on \$ **11.48** per square foot. Source: Developer's template for first year entertainment revenue divided by entert. square footage.

4. Year 3 assumes first full year of operation.

APPENDIX 4
LOTTERY GAMING CONTRIBUTION REVENUE

<u>YEAR</u>		<u>ESTIMATED GAMING REVENUE</u>	<u>CITY OF WELLINGTON REVENUE</u>	<u>SUMNER COUNTY REVENUE</u>	<u>SEDGWICK COUNTY REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>	<u>STATE PROB. GAMBLING REVENUE</u>
Year 1	Casino	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year 2	Casino	-	-	-	-	-	-
Year 3	Casino	132,545,500	1,325,455	1,325,455	1,325,455	29,160,010	2,650,910
TOTAL		\$ 132,545,500	\$ 1,325,455	\$ 1,325,455	\$ 1,325,455	\$ 29,160,010	\$ 2,650,910

APPENDIX 4, ASSUMPTIONS:

1. Estimated Gross Gaming Revenue (GGR) is the average GGR estimated in Wells and Cummings reports:

Wells GGR \$ 134,991,000

Cummings GGR 130,100,000

Average \$ 132,545,500

Source: "Kansas Casino Market Study" by Wells Gaming Research dated July 7, 2008 and "Projections for Likely Gaming Revenues" by Cummings Associates dated July 7, 2008.

2. Local government revenue is estimated as follows:

State of Kansas **22%** of all lottery gaming revenues.

State Prob. Gambling **2%** of all lottery gaming revenues.

Sumner County **1%** of all lottery gaming revenues.

Sedgwick County **1%** of all lottery gaming revenues.

City of Wellington **1%** of all lottery gaming revenues.

Source: SB 66.

3. Year 3 assumes first full year of operation.

APPENDIX 5
STATE INCOME TAX REVENUE

<u>YEAR</u>		<u>ESTIMATED PAYROLL EXPENDITURES</u>	<u>ESTIMATED PAYROLL/ EMPLOYEE</u>	<u>STATE OF KANSAS INCOME TAX REVENUE</u>
Year 1	Construction	\$ 57,724,113	\$ 39,029	\$ 3,024,378
	Operating	-	-	-
Subtotal		57,724,113	39,029	3,024,378
Year 2	Construction	57,724,113	39,029	3,024,378
	Operating	-	-	-
Subtotal		57,724,113	39,029	3,024,378
Year 3	Construction	-	-	-
	Operating	46,656,000	30,695	2,291,112
Subtotal		46,656,000	30,695	2,291,112
TOTAL		\$ 162,104,226	\$ 108,753	\$ 8,339,868

APPENDIX 5, ASSUMPTIONS:

- Estimated construction payroll is provided by the Developer at \$ 115,448,226
during the construction phase of the project. This includes salaries only, no benefits are included.
A total of **1,479** construction employees are estimated annually.
Source: Developer's application (final template).
- Estimated on-going operating payroll is estimated at \$ 46,656,000 per year at full
operation. This includes salaries only, no benefit costs are included.
A total of **1,520** employees are estimated annually.
Source: Developer's application (final template).
- Personal income tax revenue for the State is estimated as follows, using a 2007 schedule:
For a single person:
Taxable income between \$0 and \$15,000 is taxed at 3.5%
Taxable income between \$15,000 and \$30,000 is taxed at 6.25% plus the tax calculated on the first \$15,000
Taxable income over \$30,000 is taxed at 6.45% plus the tax calculated on the first \$30,000
Source: Kansas Department of Revenue. 2007 Kansas Individual Income Tax schedule.

APPENDIX 6
SUMMARY OF ESTIMATED REVENUE

<u>YEAR</u>		<u>STATE OF KANSAS</u>	<u>SUMNER COUNTY</u>	<u>SEDGWICK COUNTY</u>	<u>CITY OF WELLINGTON</u>	<u>WELLINGTON SCHOOL DIST.</u>
Year 1	Property Tax	\$ 43,748	\$ 1,646,075	\$ -	\$ 1,450,082	\$ 1,750,371
	Sales Tax	1,571,116	296,437	-	370,546	-
	Gaming Revenue	-	-	-	-	-
	Income Tax Revenue	3,024,378	-	-	-	-
Subtotal		4,639,242	1,942,512	-	1,820,628	1,750,371
Year 2	Property Tax	112,589	4,236,267	-	3,731,869	4,504,679
	Sales Tax	6,401,732	1,207,874	-	1,509,842	-
	Gaming Revenue	-	-	-	-	-
	Income Tax Revenue	3,024,378	-	-	-	-
Subtotal		9,538,699	5,444,141	-	5,241,712	4,504,679
Year 3	Property Tax	115,275	4,337,323	-	3,820,893	4,612,138
	Sales Tax	2,237,656	422,199	-	527,749	-
	Gaming Revenue	31,810,920	1,325,455	1,325,455	1,325,455	-
	Income Tax Revenue	2,291,112	-	-	-	-
Subtotal		36,454,962	6,084,977	1,325,455	5,674,096	4,612,138
TOTAL		\$ 50,632,903	\$ 13,471,630	\$ 1,325,455	\$ 12,736,437	\$ 10,867,187

APPENDIX 6, ASSUMPTIONS:

1. State of Kansas revenue includes 2% gaming contribution revenue for problem gambling fund.

APPENDIX 7
CITY OF WELLINGTON
STREETS DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u>ROAD MILES ADDED</u>	<u>ANNUAL MAINTENANCE COST/MILE</u>	<u>TOTAL MAINTENANCE COST</u>
Year 1	0.0	\$ 10,671	\$ -
Year 2	0.5	10,991	5,495
Year 3	0.0	11,321	5,660
TOTAL	0.5	\$ 32,982	\$ 11,156

APPENDIX 7, ASSUMPTIONS:

1. A total of **0.5** mile of Seneca Street will be annexed to the City for maintenance. Source: "Public Works-Streets" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas
2. Maintenance cost per mile is estimated at \$ **10,671** inflated 3% annually. Source: "Public Works-Streets" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

APPENDIX 8
CITY OF WELLINGTON
WASTEWATER TREATMENT DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	209,528	209,528
Year 3	2	87,566	41,549	-	129,114
TOTAL	2	\$ 87,566	\$ 41,549	\$ 209,528	\$ 338,642

APPENDIX 8, ASSUMPTIONS:

- A total of **2** new Wastewater Operators will be required to service the development.
 Source: "Wastewater Treatment" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Salary for new positions is estimated at \$ **13.60** per hour, based on the average of salary levels for this position.
 Salary is inflated 6% annually, 2% COLA and 4% merit increase.
 Source: "Wastewater Treatment" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Benefits are estimated at **30%** of salary costs.
 Source: "Wastewater Treatment" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Employee costs include a uniform allowance at \$ **500** per employee per year. These costs are not added as they are estimated to be included under Services/Supplies above. Source: "Wastewater Treatment" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Services/supplies are estimated at **47%** of salaries and benefits.

	2006	2007	2008	Average
Personnel Services	\$ 188,040	\$ 191,737	\$ 191,649	\$ 190,475
Contractual	34,183	36,000	36,000	35,394
Commodities	54,652	55,150	55,150	54,984
% of PS	47%	48%	48%	47%

Source: City of Wellington Budget. Three year average contractual and commodities costs as percent of personnel services costs (2006-2008) for the Sewage Treatment department.
- The following capital costs are expected to be incurred in 2008, inflated 3% annually:

Pickup truck	\$ 27,500
Cleaning/vacuum truck	150,000
Bobcat equipment	20,000
	\$ 197,500

Source: "Wastewater Treatment" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

APPENDIX 9
CITY OF WELLINGTON
POLICE DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL CONSTR./ EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	1,485,260	1,485,260
Year 3	7	432,629	52,874	109,819	595,322
TOTAL	7	\$ 432,629	\$ 52,874	\$ 1,595,079	2,080,582

APPENDIX 9, ASSUMPTIONS:

- A total of 7 new employees will be required to service the development:

	# of Employees	Salary/Benefits	Total Cost
Officers	5	\$ 57,773	\$ 288,865
Detective	1	57,773	57,773
Records Clerk	1	37,968	37,968
Total	7		\$ 384,606

Salary and benefits costs are increased 4% annually.
Source: "Police" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Employee costs include a uniform allowance at \$ 3,000 per officer. This cost is not added as it is estimated to be included under Services/Supplies above.
Source: "Police" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Services/supplies are estimated at 12% of salaries and benefits.

	2006	2007	2008	Average
Personnel Services	\$ 1,113,342	\$ 1,126,621	\$ 1,119,986	\$ 1,119,983
Contractual	79,164	78,660	81,722	79,849
Commodities	50,628	61,085	59,375	57,029
% of PS	12%	12%	13%	12%

Source: City of Wellington Budget. Three-year average contractual and commodities costs as percent of personnel services costs (2006-2008) for the Police department.
- The following capital costs are expected to be incurred:

A total of 3 police vehicles at a cost of \$ 33,500 per vehicle. 2,000 square feet of space.
A substation will be constructed to add approximately 2,000 square feet of space.
Source: "Police" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

Construction cost is estimated at \$ 150 per square foot. Source: Previous FI analyses conducted by MBA.
Furniture, fixtures and equipment (FF&E) costs are estimated at \$ 1,100,000 Source: "Fire/EMS" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas. The new police substation is expected to share the space with the fire station.
Construction and FF&E costs are inflated 3% annually.

APPENDIX 10
CITY OF WELLINGTON
FIRE DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	1,469,347	1,469,347
Year 3	16	915,938	117,634	-	1,033,572
TOTAL	16	\$ 915,938	\$ 117,634	\$ 1,469,347	2,502,918

APPENDIX 10, ASSUMPTIONS:

- A total of **16** new employees will be required to service the development:

	# of Employees	Salary	Benefits	Total Cost
Captain	3	\$ 40,945	\$ 14,065	\$ 165,029
Lieutenant	6	38,553	13,243	310,772
Firefighter/EMICT	3	35,890	12,328	144,655
Firefighter/EMS	3	35,235	12,103	142,015
Fire Prevention Officer	1	38,553	13,243	51,795
Total	16		\$ 34%	\$ 814,265

Salary and benefits costs are increased 4% annually. Benefits are estimated at
Salary amounts are averages for each positions' salary range.
Source: "Fire/EMS" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.
- Employee costs include a uniform and training cost of \$ **12,000** a year. This cost is not added as it is estimated to be included under Services/Supplies above.
- Source: "Fire/EMS" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

Services/supplies are estimated at **13%** of salaries and benefits.

	2006	2007	2008	Average
Personnel Services	\$ 1,279,805	\$ 1,296,456	\$ 1,326,777	\$ 1,301,013
Contractual	81,533	81,873	93,846	85,751
Commodities	75,267	83,250	85,500	81,339
% of PS	12%	13%	14%	13%

Source: City of Wellington Budget. Three year average contractual and commodities costs as percent of personnel services costs (2006-2008) for the Fire & Ambulance department.
- The following capital costs are expected to be incurred:

Aerial Platform	\$ 1,000,000
Ambulance	200,000
Rescue Truck	185,000
	\$ 1,385,000

inflated 3% annually.

Source: "Fire/EMS" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

A new fire station will be required and will share space with the new police substation. Costs are shown for Police Department, Appendix 9.

APPENDIX 11
CITY OF WELLINGTON
ELECTRIC DISTRIBUTION DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u>TOTAL COST OF IMPROVEMENTS</u>	<u>% ATTRIBUTED TO DEVELOPMENT</u>	<u>TOTAL DEVELOPMENT COST</u>
Year 1	\$ -	0%	\$ -
Year 2	6,030,000	41%	2,500,000
Year 3	-	0%	-
TOTAL	\$ 6,030,000		\$ 2,500,000

APPENDIX 11, ASSUMPTIONS:

1. The following Electric Distribution department improvements are required:

Short-Term Improvements	
69 kV switching station	\$ 825,000
Construction of 5.5 miles of 69 kV lines	660,000
69-13.2 substation with 3-13.2 kV bays	600,000
20/25 MVA 69-13.2 kV transformer	1,200,000
Construction of 3-13.2 kV feeders	165,000
Padmount transformers and underground feeder	300,000
Long Term Improvements	
69-13.2 substation at turbine site	520,000
20/25 69-13.2 kV transformer	1,200,000
13.2 kV tie to gas turbine substation	25,000
Tie from 69 kV switchyard to gas turbine switchyard	35,000
Complete 69 kV loop between substations	500,000
Total Cost	\$ 6,030,000

Source: "Electric Distribution" Questionnaire provided by Gus Collins, City Manager, Wellington, Kansas.

2. Approximately \$ 2,500,000 of all improvements or 41% will be attributed to the casino development. Source: Conversations with Gus Collins, City Manager, Wellington, Kansas.

APPENDIX 12
CITY OF WELLINGTON
GOLF CLUB REVENUE AND COST PROJECTIONS

<u>YEAR</u>	<u>ESTIMATED REVENUE</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>REQUIRED CONTRIBUTION</u>
Year 1	\$ -	0	\$ -	-	\$ -
Year 2	-	0	-	-	-
Year 3	572,886	27	671,674	423,029	521,817
TOTAL	\$ 572,886		\$ 671,674	\$ 423,029	\$ 521,817

APPENDIX 12, ASSUMPTIONS:

- Revenue generated by the golf course renovation is estimated at \$ **540,000** a year.
 Source: Letter dated May 16, 2008 from the Wellington Golf Club addressed to Gus Collins, City Manager, Wellington, Kansas.
 Revenue inflated 3% annually starting in Year 1.
- A total of **27** new employees will be required to service the development:

	# of Employees	Ave. Salary/Benefits	Total Cost
Assistant Golf Pro	3	\$ 35,000	\$ 105,000
Golf Course Mechanic	1	35,000	35,000
Assistant Course Superintendent	1	35,000	35,000
Golf Course Laborers	6	35,000	210,000
Grill Staff	4	35,000	140,000
Part Time Staff	<u>12</u>	<u>8,000</u>	<u>96,000</u>
Total	27	\$	621,000

Average full time employee salary and benefits estimated at \$ **35,000** and for part time employees at \$ **8,000** a year, inflated 4% annually.
 Source: Letter dated May 16, 2008 from the Wellington Golf Club addressed to Gus Collins, City Manager, Wellington, Kansas.
- Services/supplies are estimated at **63%** of salaries and benefits.

	2006	2007	2008	Average
Personnel Services	\$ 188,443	\$ 206,621	\$ 216,447	\$ 203,837
Contractual	50,205	55,425	55,875	53,835
Commodities	72,233	72,900	78,500	74,544
% of PS	65%	62%	62%	63%

Source: City of Wellington Budget. Three-year average contractual and commodities costs as percent of personnel services costs (2006-2008) for the Golf Fund.

APPENDIX 13
CITY OF WELLINGTON
SUMMARY OF ESTIMATED COSTS

<u>YEAR</u>	<u>STREETS</u> <u>DEPARTMENT</u>	<u>WASTEWATER</u> <u>DEPARTMENT</u>	<u>POLICE</u> <u>DEPARTMENT</u>	<u>FIRE/EMS</u> <u>DEPARTMENT</u>	<u>ELECTRIC</u> <u>DISTRIBUTION</u>	<u>GOLF</u> <u>CLUB</u>	<u>ADMIN.</u> <u>OVERHEAD</u>	<u>TOTAL</u> <u>COSTS</u>
Year 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year 2	5,495	209,528	1,485,260	1,469,347	2,500,000	-	1,167,933	6,837,563
Year 3	5,660	129,114	595,322	1,033,572	-	521,817	470,806	2,756,291
TOTAL	\$ 11,156	\$ 338,642	\$ 2,080,582	\$ 2,502,918	\$ 2,500,000	\$ 521,817	\$ 1,638,739	\$ 9,593,854

APPENDIX 13, ASSUMPTIONS:

1. See Appendices 7-12 for detailed calculations of all department costs.
2. Administrative overhead costs estimated at **21%** of all department costs estimated in this analysis.
Source: City of Wellington Budget. Three-year average indirect costs as percent of direct costs (2006-2008) for the General Fund.

	2006	2007	2008	Average
Direct				
Police	1,254,091	1,273,666	1,317,991	1,281,916
Fire/Ambulance	1,443,305	1,469,579	1,506,123	1,473,002
Auditorium	39,030	31,700	30,500	33,743
Park	212,473	240,515	243,470	232,153
Swimming Pool	40,927	26,425	44,100	37,151
Street	717,887	828,742	886,689	811,106
Cemetery	77,933	97,264	105,958	93,718
Engineering	304,034	320,833	335,425	320,097
Legal	124,565	129,395	131,522	128,494
Lake	120,439	145,024	144,237	136,567
Total	4,334,684	4,563,143	4,746,015	4,547,947
Indirect				
Mayor/Council	14,709	21,221	21,521	19,150
City Manager	110,341	137,345	183,057	143,581
City Clerk	278,651	294,493	318,137	297,094
Utility Collections	247,651	280,901	284,417	270,990
Public Works	84,277	88,296	98,176	90,250
General Services	69,527	79,005	71,216	73,249
Janitorial	43,487	44,577	39,601	42,555
Total	848,643	945,838	1,016,125	936,869
% Indirect of Direct	20%	21%	21%	21%

APPENDIX 14
SUMNER COUNTY
SHERIFF DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL CONSTR./ EQUIPMENT</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	-	-
Year 3	9	577,055	367,007	64,897	1,008,959
TOTAL	9	\$ 577,055	\$ 367,007	\$ 64,897	\$ 1,008,959

APPENDIX 14, ASSUMPTIONS:

1. A total of **9** new employees will be required to service the development:

	# of Employees	Total Cost*
Patrol Officers	3	\$ 217,500
Detective	1	73,000
Detention Officers	5	222,500
Total	9	\$ 513,000

*Total Cost includes salary and benefits. Salary and benefits costs are increased 4% annually.

Source: Gerald Gilkey, Sumner County Sheriff.

3. Services/supplies and capital outlay are estimated as follows:

	2006	2005	Average
Personnel Services	\$ 939,491	\$ 863,355	\$ 901,423
Contractual (CC)	126,985	96,645	111,815
Commodities (CO)*	477,795	445,184	461,490
Capital Outlay (CO)	108,784	93,967	101,376
CC % of PS	64%	63%	64%
CO % of PS	12%	11%	11%

*Includes other jail expenses, juvenile detention, reimbursements and prisoner board costs.

Source: "Sumner County, Kansas Annual Financial Report" December 31, 2006. Two-year average (2005-2006) for the Sheriff's Department.

**APPENDIX 15
WELLINGTON SCHOOL DISTRICT
ESTIMATED COSTS**

<u>YEAR</u>	<u>SALARIES/ BENEFITS COSTS</u>	<u>SERVICES/ SUPPLIES COSTS</u>	<u>CAPITAL CONSTRUCTION COSTS</u>	<u>ESTIMATED TOTAL COSTS</u>
Year 1	\$ -	\$ -	\$ -	\$ -
Year 2	-	-	5,000,000	5,000,000
Year 3	1,316,798	263,360	-	1,580,158
TOTAL	\$ 1,316,798	\$ 263,360	\$ 5,000,000	\$ 6,580,158

APPENDIX 15, ASSUMPTIONS:

1. A new elementary school could possibly be required with the following positions and salaries due to the casino/hotel development.

Position	# of Employees	Salary Costs	Benefits Costs	Total Costs
Teachers	20	\$ 40,000	\$ 10,000	\$ 1,000,000
Para-profess.	5	10,000	-	50,000
School Admin.	<u>1</u>	70,000	17,500	87,500
	26		\$	1,137,500

Source: Rick Weiss, Superintendent, Wellington School District.

Benefits estimated at 30% of salary. Source: Previous fiscal impact studies conducted by MBA.

No benefits estimated for paraprofessional employees as they are assumed to be part-time employees.

Salaries are inflated **5%** annually.

Source: Rick Weiss, Superintendent, Wellington School District.

2. School services and supplies are estimated at **20%** of salary/benefits costs. Source: Previous fiscal impact studies conducted by MBA.
3. A new school will be required to absorb the increased student population. Costs are estimated at **\$ 5,000,000** and will include construction and furniture, fixtures and equipment (FF&E) costs. Source: Rick Weiss, Superintendent, Wellington School District.

APPENDIX 16
COMPARISON OF ESTIMATED REVENUE TO
ESTIMATED COSTS AND CUMULATIVE REVENUE SURPLUS

CITY OF WELLINGTON

<u>YEAR</u>	<u>PROJECT</u> <u>REVENUE</u>	<u>PROJECT</u> <u>COSTS</u>	<u>ANN'L REVENUE</u> <u>SURPLUS/</u> <u>(DEFICIT)</u>	<u>CUMUL.</u> <u>SURPLUS/</u> <u>(DEFICIT)</u>
Year 1	\$ 1,820,628	\$ -	\$ 1,820,628	\$ 1,820,628
Year 2	5,241,712	6,837,563	(1,595,851)	224,777
Year 3	5,674,096	2,756,291	2,917,805	3,142,583
TOTAL	\$ 12,736,437	\$ 9,593,854	\$ 3,142,583	

SUMNER COUNTY

<u>YEAR</u>	<u>PROJECT</u> <u>REVENUE</u>	<u>PROJECT</u> <u>COSTS*</u>	<u>ANN'L REVENUE</u> <u>SURPLUS/</u> <u>(DEFICIT)</u>	<u>CUMUL.</u> <u>SURPLUS/</u> <u>(DEFICIT)</u>
Year 1	\$ 1,942,512	\$ -	\$ 1,942,512	\$ 1,942,512
Year 2	5,444,141	-	5,444,141	7,386,653
Year 3	6,084,977	1,008,959	5,076,018	12,462,671
TOTAL	\$ 13,471,630	\$ 1,008,959	\$ 12,462,671	

*Only Sheriff department costs were estimated to compare to developer estimates; other impacts may include county roads, judicial, and other departments providing services to the development.

WELLINGTON SCHOOL DISTRICT

<u>YEAR</u>	<u>PROJECT</u> <u>REVENUE</u>	<u>PROJECT</u> <u>COSTS</u>	<u>ANN'L REVENUE</u> <u>SURPLUS/</u> <u>(DEFICIT)</u>	<u>CUMUL.</u> <u>SURPLUS/</u> <u>(DEFICIT)</u>
Year 1	\$ 1,750,371	\$ -	\$ 1,750,371	\$ 1,750,371
Year 2	4,504,679	5,000,000	(495,321)	1,255,050
Year 3	4,612,138	1,580,158	3,031,979	4,287,029
TOTAL	\$ 10,867,187	\$ 6,580,158	\$ 4,287,029	

STATE OF KANSAS

<u>YEAR</u>	<u>PROJECT</u> <u>REVENUE</u>	<u>PROJECT</u> <u>COSTS*</u>	<u>ANN'L REVENUE</u> <u>SURPLUS/</u> <u>(DEFICIT)</u>	<u>CUMUL.</u> <u>SURPLUS/</u> <u>(DEFICIT)</u>
Year 1	\$ 4,639,242	\$ -	\$ 4,639,242	\$ 4,639,242
Year 2	9,538,699	-	9,538,699	14,177,941
Year 3	36,454,962	-	36,454,962	50,632,903
TOTAL	\$ 50,632,903	\$ -	\$ 50,632,903	

*No costs associated with this development are estimated for the State of Kansas on the assumption that all gaming facility-related costs will be covered by revenue generated by the development. However, it is expected that costs will be incurred by the Highway Patrol, Department of Transportation (highway maintenance), Department of Racing and Gaming, and the Kansas Lottery among others.



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INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA – UAW

RON GETTELFINGER, *PRESIDENT*

ELIZABETH BUNN, *SECRETARY-TREASURER*

VICE-PRESIDENTS: GENERAL HOLIEFIELD • BOB KING • CAL RAPSON • JIMMY SETTLES • TERRY THURMAN

July 9, 2008

***Via E-Mail – krqc@ksracing.org and
Facsimile – 785-296-0900***

Mr. Matt All, Chairman
Lottery Gaming Facility Review Board
700 SW Harrison, Suite 420
Topeka, Kansas 66603-3754

Dear Mr. All:

On behalf of the UAW Kansas Community Action Program (CAP) Council and UAW Region 5, covering 17 states, including the State of Kansas, I appreciate the opportunity to provide public comment on Harrah's Entertainment's casino proposal for the South Central Gaming Zone.

When the Kansas legislature agreed in 2007 to allow for an expansion of gaming in the state, it instructed the Kansas Lottery Commission to "adopt standards to promote the integrity of the gaming and finances of lottery gaming facilities." Enabling legislation emphasized managerial competence and financial resources as criteria for evaluating a prospective gaming facility manager. The attached submission by the UAW addresses our belief that Harrah's fails to live up to these required standards.

There are serious questions about the financial outlook of Harrah's and Apollo Global, the company that bought 50% of Harrah's in a leveraged buyout that closed in January 2008. Multiple analysts report that Harrah's is over-leveraged as a result of rapid expansion at a time of declining revenue due to an unprecedented downturn in the casino industry.

Harrah's acquisition by Apollo Global and the leveraged buyout firm TPG left it burdened with debt and high interest rate payments. It is unclear whether Harrah's will be able to meet its obligations to creditors, and as Harrah's struggles to meet these financial obligations, it may have serious problems financing a project in Sumner County.

Harrah's has also indicated that it can fund the Kansas project with bank financing in the amount of not less than \$315 million. The letters of credit evidencing this financing were issued in October 2007, months before Harrah's leveraged buyout. The letter from Wells Fargo Bank has escape clauses for the prospective lenders should there be material adverse

Mr. Matt All
July 9, 2008
Page 2

changes in Harrah's financial condition or in the financial, bank loan syndication, or capital markets.

According to Harrah's most recent quarterly report filed with the SEC, the company has already incurred several significant obligations against the \$1.8 billion credit facility it has assured the State of Kansas will be the primary source of financing its Mulvane Development.

Not only are there important questions about Harrah's' financial health, but also about its management practices, including its promises of good employee relations. In its flagship markets in Las Vegas and Atlantic City it has not always behaved as a responsible casino operator.

Thousands of casino dealers in Atlantic City, responding to deteriorating wages and benefits, recently voted overwhelmingly to form a union with the UAW, yet Harrah's subsidiary, Bally's Park Place, Inc., has violated federal labor law by refusing to bargain with the union at its Atlantic City casino, according to the National Labor Relations Board.

In Las Vegas, Harrah's and two senior employees currently face criminal charges for violations of the building and fire codes that may have put the public at risk. Although these criminal complaints have not yet reached court verdicts, the allegations are serious enough that they should be a factor in the Lottery Gaming Facility Review Board's deliberations in choosing a company to operate a casino in the state.

Given these significant questions regarding Harrah's' financial outlook and a pattern of questionable management practices, we believe that Harrah's will be a bad bet for Kansas.

Thank you very much for your consideration of the UAW's submission.

Sincerely,

A handwritten signature in cursive script that reads "Jim Wells" followed by a small slash and the letters "mal".

Jim Wells
Director
UAW Region 5

JW:mal
opeiu494
Attachment

cc: Mr. James Bergfalk
Mr. Bob Boaldin
Mr. Garry Boston
Mr. Jack Brier
Mr. Dean Farrell
Mr. Stephen Martino, Kansas Racing and Gaming Commission
The Honorable Kathleen Sebelius
Dr. Jackie Vietti

Harrah's Entertainment, Inc.: A Bad Bet for Kansas

A report for the
Kansas Lottery Gaming Facility Review Board

July 9, 2008

Region 5, United Automobile, Aerospace and
Agricultural Implement Workers of America (UAW)
721 Dunn Road
Hazelwood, MO 63072

Harrah's Entertainment, Inc.: A Bad Bet for Kansas

When the Kansas legislature agreed in 2007 to allow for an expansion of gaming in the state, it instructed the Kansas Lottery Commission “adopt standards to promote the integrity of the gaming and finances of lottery gaming facilities.”¹ Enabling legislation emphasized managerial competence and financial resources as criteria for evaluating a prospective gaming facility manager. This submission addresses the failure of one bidder – Harrah's Entertainment, Inc. – to live up to these required standards.

Notwithstanding its claims to be able to provide the financial resources, good jobs, and managerial competence sought by the state, Harrah's is a bad bet for Kansas. A closer look at its record indicates that there are serious threats to its financial stability due not only to its own actions, but to the practices of Apollo Global Management, LLC (“Apollo Global”), the company that bought 50% of Harrah's in a leveraged buyout that closed in January 2008. The interest on the buyout debt has caused Harrah's to incur a substantial quarterly loss in the first quarter of 2008, reversing its prior profitability. Harrah's bonds are now trading at a substantial discount to par, signaling the credit market's belief that there is a meaningful likelihood of default.

Harrah's 50% shareholder, Apollo Global, owns and operates numerous unregulated leveraged buyout funds. Five portfolio companies, representing 67% of the value of Apollo Global's most recent buyouts, including Harrah's, are not making enough money to pay their creditors. These problems are heightened by Apollo Global's lack of transparency and the absence of effective government regulation of Apollo Global's business, including conflicts of interests potentially affecting Harrah's financial stability.

Not only are there important questions about Harrah's financial health, but also about its management practices, including its promises of good employee relations. In its flagship markets in Las Vegas and Atlantic City it has not always behaved as a responsible casino operator. In Las Vegas, Harrah's and two senior employees currently face criminal charges for violations of the building and fire codes that may have put the public at risk. Finally, the company's promises of good employee relations have proven hollow. Thousands of casino dealers in Atlantic City, responding to deteriorating wages and benefits, recently voted overwhelmingly to form a union with the United Auto Workers, yet Harrah's Bally's Park Place, Inc. subsidiary has violated federal labor law by refusing to bargain with the union at its Atlantic City casino, according to the National Labor Relations Board.²

Kansas is beginning a bold experiment in economic development; this is no time to add to the risk by betting on Harrah's financial integrity or managerial competence.

FACILITY MANAGERS: KANSAS' MINIMUM REQUIREMENTS

Under the Kansas Expanded Lottery Act (KELA), and subsequent policy statements from the Kansas Lottery Commission, a prospective manager has to prove to the Commission's satisfaction that it has sufficient access to financial resources to support the activities required of a Lottery Gaming Facility Manager.³ Moreover, the state's Lottery Gaming Facility Review Board may consider the applicant's gaming management experience to determine whether the statutory gaming management experience requirement is met.⁴ The Board will determine which applicant "best maximizes revenue, encourages tourism, and serves the best interest of Kansas."⁵

HARRAH'S PLAN

Sumner Gaming Joint Venture, LLC (SGJV) is proposing to build and manage a casino venture to be named Harrah's Kansas, off the Kansas Turnpike (Interstate 35) near the City of Mulvane, in Sumner County. SGJV is composed of Sumner Investment Company, a subsidiary of Harrah's Entertainment, Inc., and Sumner Gaming & Resorts, LC, an entity comprised of five individuals.

SGJV plans a \$490 million "investment in infrastructure" (\$425 million for the primary enterprise, with \$65 million for an "Additional Development"), and expects to open the facility in March 2010.⁶

The development will include:

- Casino with 2,000 machines and 50 table games
- Hotel (175 rooms total)
- Five restaurants/dining areas
- Three bars
- Spa and health club
- Convention/concert/conference event center
- Outdoor amphitheater
- Retail outlet
- 18-hole golf course, clubhouse and golf school
- Sporting clay, shooting course and hunting areas
- Police/EMS/fire substation
- An "Additional Development" consisting of a 100-room hotel, 44-space RV park, multi-tenant retail center, gas station/convenience store, 100 apartment units, and 100 residential lots.

The project will be financed by member equity and non-recourse debt. The non-recourse debt will be for \$315 million; Harrah's equity will be \$68 million, and Sumner's equity will be \$67 million. Harrah's equity contribution will come through a draw on the

company's credit facility.⁷ Total investment, should SGJV be selected, would exceed \$1 billion.⁸

The proposed SGJV project is competing with two alternative proposed projects to be located near Wellington in Sumner County. For its casino/hotel, Penn National Gaming, Inc. has proposed an "investment in infrastructure" of \$340 million for a casino hotel and Marvel Gaming has proposed a \$368 million "investment in infrastructure" in its facility.⁹

1. Financial Strength and Managerial Competence – the Scheutz Report

In the contract between the Kansas Lottery and SGJV, the prospective manager affirms that it "has sufficient access to financial resources to support the activities required of it by this agreement and the [KELA]."¹⁰

This assessment was repeated in an analysis conducted by Richard Scheutz for the Kansas Lottery Commission,¹¹ who concluded SGJV possesses the financial means to make Harrah's Kansas a success:

The company's senior secured credit facility alone passes this test without even considering the obvious financial health of the company [in] terms of its cash on balance sheet, its substantial operations and holdings, and its cash flow.¹²

According to Scheutz's analysis, the credit facility as of December 31, 2007 was \$1.81 billion.¹³

Scheutz also asserts that Harrah's meets the management requirements specified in KELA because "this company did not become what is probably the largest gaming firm in the world by being poorly managed."¹⁴

In its summary of reasons why it should be selected as the gaming facility manager, "Here in the Heartland," SBJV asserts – in a passage titled "Character" – that "truly great resort operators" are "distinguished not by the facilities they build, but by the legacies they build in the communities they call home."¹⁵ Harrah's claims that throughout its history it has gone to "extraordinary lengths to forge strong bonds with its customers, employees and communities," and has shared "the company's success with the men and women on the business's front-lines by offering them generous benefits and career-advancement opportunities..."

2. Scheutze Report Ignores Impact of Harrah's Leveraged Buyout

Scheutze's analysis is incomplete and should not be relied upon, because although his report was delivered months after the leveraged buyout closed, it does not consider or analyze the effects of the leveraged buyout on Harrah's earnings, capital structure, its ability to raise capital in the future, or the risk to Kansas of default associated with doing business with Harrah's.

In particular, the report does not consider the transformation the 2008 buyout had on Harrah's profitability, which went from \$185 million quarterly profit in the first quarter of 2007 to a \$187 million loss in the first quarter of 2008.

FINANCIAL HEALTH OR FINANCIAL RISK?

1. Background on Harrah's owner, Apollo Global

Harrah's was bought in January 2008 for \$17.7 billion in a joint venture between leveraged buyout firms Apollo Global Management and TPG Capital. As a result, Harrah's fate is inextricably intertwined with its parents, and it is essential, when evaluating Harrah's position to consider carefully Apollo Global's circumstances.

Apollo Global's predecessor, "Apollo," was founded in 1990 and is a "global alternative asset manager with a track record of successful private equity, distressed debt and mezzanine investing." The firm has \$40.3 billion in assets under management – \$30.2 billion in "private equity," which are leveraged buyout funds, and \$10.1 billion in its "capital markets business." The capital markets business includes hedge funds that invest in mezzanine finance, distressed debt, and senior secured debt.¹⁶

Until July 2007, "Apollo" was the brand name used by the leveraged buyout funds and hedge funds established and controlled by Leon Black, Joshua Harris and Marc Rowan, Apollo's managing partners. In July, Apollo's partners created "Apollo Global" as the parent company for the Apollo leveraged buyout funds and hedge funds. Apollo Global owns a 28.9% economic interest in the investment managers that advise Apollo's leveraged buyouts and hedge funds.

In a private transaction last summer, the Abu Dhabi Investment Authority ("ADIA") and the California Public Employees' Retirement System ("CalPERS") each purchased a 30.8% financial stake in Apollo Global. In August, Apollo Global sold an additional \$900 million of equity in a private offering.

2. Harrah's "is facing what insiders and analysts call its biggest challenge in years," according to the *Wall Street Journal*.¹⁷

Harrah's CEO Gary Loveman told the *Wall Street Journal*, "[t]his is the toughest environment we've faced."¹⁸

In the only quarter since Harrah's was taken private, it recorded a net loss of \$187.8 million, compared to net income of \$185.3 million during the first quarter of 2007.¹⁹ This represents a \$373.1 million decline in net income. Part of Harrah's losses may be attributed to a 2.1% decline in revenue. A much larger portion of the losses, however, is due to increased interest payments on \$17.4 billion in additional debt Harrah's took on to

finance the leveraged buyout completed by Apollo Global and TPG on January 28, 2008.²⁰

Nearly all of the difference in Harrah's net income is due to a \$371.8 million increase in interest payments. In the two months between the time the leveraged buyout was completed and the end of the quarter, Harrah's paid \$467.9 million in interest. This is a 262% increase in interest payments over the same period a year earlier.²¹

Bloomberg recently reported, "prices show Harrah's [bonds] are also at risk of default." The news agency reported that Harrah's "risk[s] bankruptcy under the weight of their debt," and that, "The cost of protecting Harrah's bonds from default in the credit-default swaps market has almost doubled since the start of the year, Bloomberg data show."²² The company announced in a July 2, 2008 SEC filing that it intends to issue additional debt instead of making cash payments on \$1.5 billion of debt.²³

Harrah's recent decision to issue more debt instead of making cash payments to its lenders will further impair its cash flow. Not only does the additional debt issuance increase the principal amount of Harrah's outstanding debt, but it also means that the company will be forced to pay a higher interest rate on these obligations. KDP Investment Advisors, Inc. lowered its recommendation on Harrah's bonds to "hold" from "buy" following the company's July 2 announcement.²⁴

As Reuters reported on June 17, 2008, "Harrah's Entertainment Inc.'s debt may weaken from already distressed levels as heavy capital spending and interest payments absorb cash flows at a time when the casino operator is also facing declining gambling revenues."²⁵

In a recent report on the future profitability of the gaming industry, Goldman Sachs analysts stated:

Private equity firms certainly helped push land and company valuation up the past few years. However, so far they have made few changes strategically or with senior management of the major casinos, suggesting that the financial terms rather than strategic ideas may have been the appeal of going private. Private equity seemed to use inexpensive debt and more of it to acquire gaming companies but it remains unclear how they will return value to their funds.

In this difficult macro environment it seems especially hard to see how being private with more leverage conveys a competitive advantage. In addition, we suspect that private equity firms have underestimated the need for capital improvements just to maintain relevance for the consumer and compete with the property next door. This may become more of an issue as more properties open up and these older, now private equity owned, properties move down on the relevance to the consumer food chain.²⁶

Goldman Sachs also expressed concern because a large portion of the Harrah's leveraged buyout was financed using structured financing similar to the financing used for subprime mortgages. If Harrah's cannot make payments, the banks that financed the deal may be forced to take over the casinos. The banks would be left scrambling to obtain the necessary casino operating licenses or would be forced to hire another licensed operator to run the facilities.

According to Christopher Snow, a CreditSights analyst in New York, Harrah's is "pretty liquid through 2010, and that's when people start to get less comfortable with the name." Snow added, "They are looking at a pretty high wall of maturities starting in 2010 and going through to 2011 and afterward."²⁷ Unfortunately for Harrah's – and for the citizens of Kansas – this is precisely the moment when the Harrah's Kansas casino and hotel is scheduled to open. At a time when Harrah's is struggling to keep up with its existing financial obligations, it is hard to imagine how the company would finance a new project like Harrah's Kansas.

Nonetheless, Harrah's has staked its Sumner County expansion on, in turn, the company's senior secured credit facility, and – in the words of the Lottery Commission's consultant, "the obvious financial health of the company on terms of its cash on balance sheet, its substantial operations and holdings, and its cash flow."²⁸

3. The Lottery Gaming Facility Review Board Needs to Investigate Whether Under Current Market Conditions, Harrah's Primary Financing is Still Available

Harrah's has represented to the commission that it has bank financing in the amount of not less than \$315 million.²⁹ The letters of credit evidencing this financing were issued in October 2007, months before Harrah's leveraged buyout. The letter from Wells Fargo Bank has escape clauses for the prospective lenders should there be material adverse changes in Harrah's financial condition or in the financial, bank loan syndication, or capital markets.

Since that time, Harrah's has incurred substantial leveraged buyout debt and has gone from being a profitable company to being an unprofitable company. At the same time there has been a general withdrawal in bank credit provision globally, and in particular a dramatic unwillingness on the part of commercial banks to lend in the context of leveraged buyouts.³⁰ On its face, these would appear to give the banks the complete ability to walk away from their commitment letters. At a minimum the commission should insist before entertaining SGJV's proposal any further that Harrah's obtain commitment letters from these lenders dated today.

4. \$1.8 billion Credit Facility is Already Insufficient for Harrah's Existing Capital Commitments

According to Harrah's most recent quarterly report filed with the SEC, the company has already incurred several significant obligations against the \$1.8 billion credit facility that

Consultant Scheutz assured the Lottery Commission will be the primary source of financing for Harrah's Mulvane development. Specifically, the 10Q filing lists obligations (in millions of dollars) amounting to more than \$1.8 billion:

- \$14.4: Indian casino management contracts³¹
- \$60: State of Louisiana
- \$1,663.5: Construction-related commitments
- \$54.6: Severance agreements for 23 executives³²
- \$15.8: Employment agreements

The quarterly report does not acknowledge Kansas commitments; however, it does enumerate several obligations (in millions of dollars) incurred for on-going and proposed construction and renovation projects, which alone amount to \$2.13 billion, including:

- \$137.7: Harrah's Atlantic City
- \$613.8: Margaritaville Casino & Resort, Biloxi
- \$189.7: Horseshoe Hammond, Hammond, Indiana
- \$1,187.2: Caesars Palace Las Vegas

Recently, Harrah's announced it will continue with a \$650 million expansion of the Cherokee Casino in North Carolina, though details of financing have not been publicly disclosed.³³ Harrah's manages the casino on behalf of the Eastern Band of Cherokee Indians.

If the primary source of finance the company has identified is already significantly encumbered, the other sources – “cash on balance sheet, its substantial operations and holdings, and its cash flow” – are also problematic. It remains to be seen how these could provide sources of financing for the Mulvane project, as Harrah's is experiencing declining revenue and increased interest payments on debt incurred to complete the leveraged buyout. Moreover these two conditions are connected: as discussed above, Harrah's recent decision to issue more debt instead of making cash payments to its lenders will further impair its cash flow.

Nor is the situation likely to improve soon. Standard & Poor's Ratings Services recently revised its rating outlook on Harrah's Entertainment Inc. from “stable” to “negative,” “reflecting expectations that operating performance for the rest of 2008, and probably well into 2009, will stay pressured given weak economic conditions.”³⁴ S&P also affirmed Harrah's ‘B+’ corporate credit rating, reflecting its high debt leverage. S&P expects,

that the company will not generate positive free operating cash flow over the next few years, given a relatively aggressive pipeline of development activities and heightened debt service obligations.

If Harrah's is facing difficult circumstances, these conditions are heightened by Apollo Global's problems, which will be explored in the following sections.

- 5. Despite the fact that Apollo Global controls more than \$40 billion of assets, it is not subject to any meaningful regulation. It is now seeking access to the public markets and has intentionally structured an Initial Public Offering (IPO) to prohibit regulators and private investors from being able to police its operations.**

In preparation for a public offering, Apollo created a web of corporations and partnerships that filter investment returns to Apollo Global. The complex structure created in preparation for the IPO has provided enough information to fill Apollo Global's 300-page preliminary offering document filed with the SEC without disclosing any material information about Apollo Global's operations or the details of the leveraged buyouts and hedge funds whose performance determines the health of this business.

Apollo Global's preliminary prospectus provides extensive detail about the web of entities that it has created to hold various types of interests in the income streams generated by its hedge funds and leveraged buyout funds. However, the disclosures provide no material information about these funds' ongoing ability to produce returns or even to remain solvent.

Financial regulation has failed to keep up with the realities of the marketplace, characterized by globalization, innovation, and the convergence of lending and investing activities. This has allowed institutions like Bear Stearns and Apollo Global to perform functions similar to federally insured commercial banks without fulfilling the regulatory requirements, including risk management and transparency, Congress deemed necessary to prevent another systemic financial crisis after the Great Depression.

A. Apollo Global's activities are similar to Bear Stearns' but it is not subject to comparable regulation.

Apollo Global manages \$40.3 billion in assets, including \$30.2 billion in leveraged buyout funds and \$10.1 billion in hedge funds.³⁵ A large portion of Apollo Global's \$10.1 billion in hedge fund assets are invested in loans from leveraged buyouts. For example, the firm "established two new senior credit opportunity funds in late 2007 in order to take advantage of the supply-demand imbalances in the leveraged finance market." One of these funds raised \$106.5 million last October and purchased \$1 billion in corporate debt.³⁶

Like a bank, Apollo Global's funds take cash contributions from third parties and use their contributions to make long-term loans and invest in illiquid assets. If investors in the firm's hedge funds simultaneously seek to redeem their investments, the funds may not have sufficient liquidity to fulfill redemption requests.³⁷ As hedge funds halt redemptions, investors may panic, thereby increasing the potential for self-reinforcing asset liquidations and price declines.³⁸ Apollo Global discloses, generally, the existence

of this risk but does not describe to what extent Apollo Global may provide capital infusions to its hedge funds if they cannot meet their liquidity demands.

B. There is inadequate information for investors or regulators to assess the risk associated with Apollo Global's use of leverage.

The disclosed value of Apollo Global's assets under management does not provide a clear picture of the extent to which lenders to a variety of Apollo-related firms and other interested third parties, such as the State of Kansas are exposed to default risks due to Apollo Global's use of debt.

Apollo Global has not disclosed details about its use of leverage; instead it states, "in many leveraged buyout investments, indebtedness may constitute 70% or more of a portfolio company's total debt and equity capitalization, including debt that may be incurred in connection with the investment."³⁹

To estimate Apollo Global's total exposure to leveraged buyouts debt, we assume that Apollo Global's reported \$30.2 billion in leveraged buyout assets under management refers to the equity investments made by limited partners in the leveraged buyout funds and they use debt to finance 70% of the purchase price of each portfolio company. This means that Apollo Global's total portfolio company debt exceeds \$100 billion. It is impossible, based on Apollo Global's disclosures to assess the implications for Apollo Global and for its individual portfolio companies of a default by one or more other Apollo Global portfolio companies. In light of the fact that five portfolio companies — representing 67% of the value of Apollo Global's most recent buyouts — do not have operating earnings sufficient to cover their debt servicing requirements, this situation presents a set of risks that are inappropriate for the State of Kansas to assume given that the state has other possible partners.

6. Leveraged buyout firms, generally, are suffering from problems in the credit markets. Apollo Global appears to be in an even more difficult financial position than its competitors.

A. Apollo has been identified by Moody's as being particularly irresponsible in managing its portfolio companies' debt.

According to a study of leveraged buyouts completed by the top U.S. firms since 2002, ratings agencies were more likely to downgrade debt issued by Apollo Global's portfolio companies than any other firm. Downgrades were most likely made in response to poor financial performance or increased leverage.

The implications of this study are twofold — the true value of Apollo Global's portfolio companies' outstanding debt is much greater than \$70 billion and its portfolio companies are increasingly likely to default.

In 36% of Apollo Global's buyouts, portfolio companies took on additional debt in order to allow Apollo Global's partners to cash out within a year of the buyout.⁴⁰ The firm advertises that its managers are more motivated to make sure the companies that Apollo Global buys are successful because they have invested some of their own money. By allowing the managers to cash out early in the investment period, Apollo Global eliminates the alignment of interest it claims is "fundamental to [its] business model."⁴¹

B. Apollo Global is struggling to repay lenders in five portfolio companies representing 67% of the value of its most recent buyouts. This does not include Linens' N Things, which recently defaulted on \$1.35 billion in debt.

In May, Linens 'N Things ("Linens"), one of Apollo Global's portfolio companies, filed for Chapter 11 bankruptcy protection and defaulted on \$1.35 billion in debt. It is too soon to determine the impact of Linens' reorganization on its lenders and counterparties or the investors in the leveraged buyout fund that bought Linens. Fitch Ratings has predicted that, because of the loose lending terms that were common during the recent leveraged buyout cycle, investors' recovery on junk bonds that default, like Linens' \$1.35 billion in debt, will be substantially lower than in the past.⁴²

Other Apollo Global portfolio companies, including Claire's, Realogy, Berry Plastics, Momentive Performance, and Harrah's recently took on additional debt to fulfill their obligations to creditors when they could not make cash interest payments.⁴³ Apollo Global's disclosures provide a list of its 16 most recent leveraged buyouts and the "transaction value" the firm has assigned to each portfolio company, which includes debt, equity and transaction fees and expenses. The combined value of these five portfolio companies represents 67% of the value of Apollo Global's most recent buyouts.⁴⁴ Notably, Linens is not included in Apollo Global's disclosure of its most recent buyouts.

Many of the leveraged buyouts completed during the recent boom used debt financing that lacked many of the traditional protections that allow bondholders to mitigate losses when borrowers face insolvency. These "covenant-lite" loans often omit limits on borrowers' debt-to-income ratios and allow them to make interest payments by issuing additional debt to the lender instead of paying in cash (payment-in-kind or "PIK" toggles).⁴⁵

Of the 37 companies that have PIK toggle notes, nine have used the PIK option to conserve cash since 2006.⁴⁶ Five are owned and operated by Apollo Global: Claire's, Realogy, Berry Plastics, Momentive Performance, and Harrah's.⁴⁷

Apollo acquired Berry Plastics for \$2.25 billion. Last September, Berry Plastics used the PIK option for \$500 million of notes. In April, the company was forced to refinance an additional \$520 million of notes and issued \$530.6 million of floating-rate notes. At the time of the refinancing, S&P issued a release warning about the company's excessive leverage.⁴⁸

Momentive Performance, a large producer of silicone-based products, was created by Apollo in 2006 when it purchased GE's Advanced Materials unit for \$3.778 billion. At the end of March, the company had \$3.15 billion of long-term debt and \$9.67 million of short-term borrowings.⁴⁹ The long-term debt includes \$300 million of notes with a PIK option, which the company chose to exercise.⁵⁰

In May 2007, Apollo contributed \$595.7 million in equity for the \$3.1 billion leveraged buyout of Claire's, a costume jewelry store located in malls around the world.⁵¹ The remaining \$2.5 billion was financed using various forms of debt, including \$350 million of PIK toggle notes.⁵² Despite a slight increase in sales over the previous year when Claire's net income was \$188.76 million, it suffered a \$43 million loss in the most recent fiscal year after making \$150 million in interest payments, compared to \$0.1 billion the previous year.⁵³ Claire's took advantage of the PIK option in May, and will have to pay an additional 75 basis points in interest on the new \$350 million note as a result.⁵⁴

Realogy is the parent company of Century 21, Coldwell Banker and ERA.⁵⁵ Apollo purchased the company in a leveraged buyout for \$6.6 billion last year, using \$2 billion of equity. Realogy had \$7.269 billion in outstanding short and long-term debt at the end of the first quarter.⁵⁶ After a 96.7% decline in profitability in 2007, Realogy informed investors that it would utilize the PIK option and issued an additional \$32 million of notes to cover interest payments on \$550 million of existing notes.⁵⁷ As a result of this and the use of a revolving line of credit to pay interest on other debt, the company's outstanding debt increased by \$239 million.⁵⁸

By increasing their borrowings to pay outstanding debts, these companies will have to expend larger portions of their revenue to make interest payments. This increases the probability that they will default on their loans. It also increases bondholders' exposures because they now hold larger amounts of the companies' debt.

7. Apollo Global's activities are particularly risky because it is not required to comply with laws that prohibit financial intermediaries that provide similar services from engaging in conflicted transactions.

The separation of banking and commerce is a well-established principle in the U.S. financial system. One reason for the separation is the concern that banks may provide preferential loan terms to affiliates. When financial intermediaries, like the leveraged buyout funds and hedge funds managed by Apollo Global, act as both lenders and borrowers conflicts of interest are created that may increase incentives for lenders to make unduly risky loans that threaten the overall financial stability of the lending institution and, in some circumstances, the global economy. Lenders that are affiliated with borrowers may also overlook certain provisions intended to prevent the lender from suffering excessive losses in an attempt to allow the borrower to continue operations.⁵⁹

These conflicts of interest may become a problem for Apollo Global, which has been reported to be considering purchasing leveraged loans from Citigroup. According to an

April 14 article in the *Financial Times*, Citigroup will allow investors to cherry-pick from the loans Citigroup made to finance at least seven large leveraged buyouts and “private equity groups were likely to focus on loans linked to deals they knew well.”⁶⁰ Among the loans Citigroup hopes to sell is \$1.2 billion of loans used to finance Apollo Global and TPG’s buyout of Harrah’s!⁶¹

HARRAH’S MANAGEMENT PRACTICES

In its submissions to the Kansas Lottery Commission, Harrah’s proudly references its management experience in Las Vegas and Atlantic City. Yet a closer look at the company’s behavior in these two prime markets raises serious questions about the company’s suitability for Kansas.

In recent months Harrah’s has been rocked by a scandal growing out of unpermitted and uninspected renovations at two of its flagship Las Vegas facilities. A number of building and fire code violations have yielded criminal charges against the company and two senior managers. Even before these charges were filed, Harrah’s CEO Gary Loveman described these incidents as

the most disturbing issues I have faced in my five years as CEO. I am troubled that in Las Vegas, they may have jeopardized our most precious asset: the confidence and trust of our guests and employees.⁶²

The revelations of the threat to public safety were made by courageous whistleblowers, whose calls were ignored by the company and by public authorities. They received a hearing only when they brought their concerns to the *Las Vegas Review-Journal*, which conducted a two-month investigation and broke the story in October 2007.⁶³

1. Las Vegas Building and Fire Code Violations

On January 30, 2008 the Clark County District Attorney charged two Harrah’s employees with 17 misdemeanor counts in a criminal complaint arising from unpermitted construction at two Harrah’s casinos – Harrah’s Las Vegas and the Rio Hotel and Casino – and at a third location, a warehouse occupied by a Harrah’s remodeling subsidiary that was involved in the illegal renovations.

A. Building Code Violations and Criminal Charges

Robert Bruna, who has been charged with 12 misdemeanor counts, was head of engineering at Harrah’s Las Vegas when the charges were filed, but has since been promoted to director of non-gaming compliance for all Harrah’s Las Vegas properties, notwithstanding his potential criminal liability.⁶⁴ The charges against Bruna stem from unpermitted construction involving multiple locations at Harrah’s Hotel and Casino.⁶⁵ The acts affected guest rooms and other sites including:

- 4th-19th floors and odd numbered rooms on the 30th through 34th floors as well as the 35th floor of the North Carnival Towers
- 35th floor of the South Carnival Towers
- 19th through 23rd floors, North Mardi Gras Tower
- Basement rooms including the sewage ejector pump room and Risk Management and Security
- 2nd floor surveillance center; human resources; training room/office/sewing room; and corridor offices
- 3rd floor Shared Services
- Casino level piano bar

David A. Matthews, identified as the facilities director at Rio,⁶⁶ was charged with five misdemeanor counts stemming from unpermitted construction at multiple sites at the Rio Hotel and Casino as well as at a warehouse in Las Vegas that housed a Harrah's subsidiary that provided construction, supervision and labor for room renovation projects.⁶⁷ The alleged acts affected guest rooms and other sites at the Rio including:

- 19th floor of the Rio Hotel and Casino
- 3rd through 18th floors in the Ipanema Tower
- Honeymoon Suites 3001 and 3002 in the Masquerade Tower
- 3rd through 19th floors in the Ipanema Tower, Carioca Suites

Arraignments have been set for both men on August 26, 2008.

While the criminal complaints do not provide details of the violations, their seriousness may be gleaned from press accounts and from an audit conducted for Clark County's Building Department. Some of the most egregious occurred on the 19th floor of the Rio Hotel's Ipanema Tower.

Phil Rosenquist, Assistant County Manager told the *Review-Journal* that inspectors had found evidence on the 19th floor of "cores (holes drilled) through the concrete that have not been appropriately sealed." According to the *Review-Journal*, he was referring to holes drilled in the slab that serves as floor and ceiling between two stories of a building, that allow plumbing, electrical wiring or other utilities to pass between stories. These holes must be sealed by an approved method to prevent smoke spread between floors in a fire.⁶⁸

According to the *Review-Journal*, Harrah's managers maintained the work did not require permits or inspections because it was merely "cosmetic." But workers told the *Review-Journal* that the 19th floor had been entirely gutted of its guest rooms as part of the remodeling, with the central guest corridor's walls as the only original interior walls left standing.⁶⁹ In an editorial, the *Review-Journal* quoted Las Vegas Josh Costello, who did demolition and electrical work on the renovation project, and said,

“There were no walls left,” aside from those of the main guest corridor as the hotel converted the 600-square-foot suites on the 19th floor into 1,200-square-foot suites. “You could stand at one end of the tower and look at the other end of the tower.”⁷⁰

According to the *Review-Journal*, “fire safety requires inspection of new walls between adjacent guest rooms to verify the installation’s fire rating, which designates the length of time a wall can keep fire on one side from reaching the other side. If the 19th floor suites are new work, as workers contend, the walls have not been inspected.”⁷¹

B. Fire Code Violations and Criminal Charges

On May 28, 2008 the Clark County District Attorney charged Harrah's Entertainment, Inc with six misdemeanor counts in a criminal complaint alleging the company failed to obtain permits and directed workers or employed contractors who made changes to fire alarm and fire extinguishing systems at three of its Las Vegas hotels, including:⁷²

- Removing equipment from the fire doors on the 23rd floor of the Flamingo Hotel and Casino and installing the equipment on the fire doors located on the 26th floor “so that the door on the 26th floor would pass the required fire inspection.” According to press reports, the switch left the 23rd floor less protected from fire: with the part missing, the door could not automatically close at the onset of heat, flames or smoke.⁷³
- Removing or changing warning strobe lights and synchronization modules on the 4th floor of the Mardi Gras Tower and on floors 19 through 29 of the North Carnival Tower of the Harrah’s Hotel and Casino.
- Removing fire alarm devices from the walls and rewiring the alarm and fire extinguishing systems on the 19th floor of the Ipanema Tower at the Rio Hotel and Casino so no troubles would appear on the fire alarm panel located in the hotel’s fire command center.
- Relocating fire sprinklers at the Rio without a permit.

Harrah’s has been summonsed to appear in court on August 26.

Fires are not abstract threats in Las Vegas. The city has a sad history of devastating hotel fires, stretching back to a 1980 conflagration at the MGM Grand, ignited by an electrical ground fault, that killed 85 people, injured 700 others and caused at least \$30 million in damage.⁷⁴ In January 2008, a three-alarm fire at MGM-Mirage’s Monte Carlo Hotel Casino – reportedly caused by welders working on the roof without proper county permits – injured 17 people and forced 6,000 guests and employees to evacuate. The fire and shutdown for repairs cost some \$100 million in damage and lost business.⁷⁵

The possible threats to public safety posed by Harrah’s building and fire code violations were revealed only through the persistent and courageous actions of whistleblowers. Yet, according to newspaper reports, the company chose to ignore their concerns.⁷⁶ It is

unknown how long the substandard conditions persisted in their properties before the media finally broke the story and provoked the authorities into action.

Although these criminal complaints have not yet reached court verdicts, the allegations are serious enough that they should be a factor in the Lottery Gaming Facility Review Board's deliberations in choosing a company to operate a casino in the state. Public safety must be a top concern and the bidding companies' records in such matters must be considered. Furthermore, given that the promotion of tourism is one of the primary reasons for the expansion of gaming, the LGFRB should ensure that the company that is allowed to build and operate the casino does not have a reputation for building code and fire code violations that would discourage tourists from frequenting the casino.

2. Good Jobs and Working Conditions?

SGJV asserts, in its summary of reasons why it should be selected as the gaming facility manager, its positive relationship with its employees, and that it has offered the men and women "on the business's front-lines...generous benefits and career-advancement opportunities..."⁷⁷ Indeed, Harrah's has been willing to work constructively with its employees' unions in Las Vegas and certain other locations. Unfortunately, the company has displayed a different attitude towards its casino dealers. These employees are surely on the business's "front-lines," but their treatment at Harrah's hands suggests that they have been excluded from its definition of community.

A few examples from Atlantic City will suffice.

In June 2007, full-time and regular part-time dealers, keno, and simulcast employees at Bally's – one of Harrah's four properties in Atlantic City – voted by more than two-to-one to form a union with the United Auto Workers to negotiate to improve their working conditions. Our members are employees at Bally's and residents of communities throughout New Jersey. As such, they are an early warning system for the state as to the role that the casino is playing in the community.

When New Jersey voters approved gaming in 1976, the casino industry made a commitment to provide good jobs to the people of Atlantic City and New Jersey. The UAW and our members in Atlantic City's casinos are committed to the vision of the gaming industry that the New Jersey Casino Control Act articulates:

The tourist, resort and convention industry of this State constitutes a critical component of its economic structure and, if properly developed, controlled and fostered, is capable of providing a substantial contribution to the general welfare, health and prosperity of the State and its inhabitants.⁷⁸

In the time that we have represented employees at Bally's Atlantic City, we have learned about a number of troubling practices at the casino that threaten the gaming industries' positive contribution to the community.

A. Federal Labor Law Violations

Bally's dealers began organizing a union in late 2006. After gaining support from a super-majority of workers they filed a petition with the National Labor Relations Board requesting a union representation election. In June 2007, Bally's dealers voted by more than two-to-one to form a union and looked forward to a productive relationship in which they would be able to negotiate the terms and conditions of their work. Bally's management objected to the conduct of the election, but an Administrative Law Judge dismissed its objections in October 2007. Bally's then appealed to the full National Labor Relations Board in Washington, D.C. which dismissed the company's complaints in a bipartisan ruling on April 11, 2008 and certified the UAW as the dealers' collective bargaining agent.

Less than two weeks later, Bally's Atlantic City stated its refusal to recognize and bargain with the workers' union. The UAW filed charges alleging Bally's was violating the National Labor Relations Act by refusing to bargain. On June 27, 2008 the NLRB found that Bally's had "violated federal labor law by refusing to recognize and bargain with the [UAW] as the exclusive collective-bargaining representative of employees in the appropriate unit..."⁷⁹

Bally's admitted its refusal to bargain, but contested the validity of the UAW's certification based on its earlier objections to the election. Granting summary judgment, the NLRB said Bally's did not offer any newly discovered or previously unavailable evidence, nor did it allege any special circumstances that would require the Board to reexamine the decision made in the earlier representation proceeding.⁸⁰

In addition to ignoring a government conducted union representation election at Bally's, Harrah's has run afoul of federal labor law standards in two other areas. The NLRB has issued a complaint against Bally's for dismissing workers for union activity and a fact-finding trial was conducted in early 2008. We are presently awaiting a decision; in the meantime the dismissed employees have not been rehired.

The NLRB has also issued a complaint against Bally's because the casino has stripped former Claridge employees of much of their seniority, without negotiating with our union.⁸¹ When Harrah's Entertainment acquired the Claridge in 2002, management assured employees that they would keep their seniority. However, earlier this year, dealers learned that their seniority would be dated to December 2002, regardless of how long they have worked at the Claridge. The major economic impact of the seniority change is that if there are layoffs, very senior people may be among the first to go. In addition, dealers have had to re-bid their days off causing many of the more senior workers to have new schedules that complicate their ability to take care of their parents or of young children in the families. A trial on this matter is set for July 2008.

B. Diminishing Quality of Life

A number of our members have described why they became dealers. In many cases, they were motivated by their enjoyment of other people and the stability of the job. Although these dealers remain energized by providing quality service and a fun experience to their customers, their jobs have become less rewarding. The quality of life that the casino offers its employees has diminished as income decreases and health benefits become more expensive. As their wages stagnate, dealers also tell us that they are required to perform work without pay.

Dealers report their incomes are dropping. Although many people believe dealers to be the best-paid employees of the casinos, most of their income depends on the “tokens” (or tips) given by customers. However, dealers have reported that the tokens – always relatively low at Bally’s – have been dropping. They tell us that the company has been driving its higher stakes players to newer Harrah’s properties, and those players take their higher tips with them. In addition, the advent of electronic table games has resulted in fewer tips, as players are rushed from game to game with only a brief window to tip the dealers. Wages have not made up the difference lost on tokens or created by rising inflation. One dealer who started three years ago has seen a base wage increase of only 50¢ during his tenure. Another reported that he got no raise at all to his \$4,635 base rate last year. The local economy is weakened when employees have less to spend at the grocery store, restaurants, and other businesses.

In addition, employees entitled to health insurance (those averaging more than 30 hours a week) have been hit with significantly higher premiums (\$76/week) for less comprehensive coverage than they had last year. While the cost of health insurance is burdensome, some part-time dealers at Bally’s are not allowed to purchase health insurance at all. While the individual dealers and their families feel the pinch – as they run to second and third jobs, or hustle to pick up extra days at Bally’s – our communities feel the real pain. People working multiple jobs have added obstacles to participating fully in their families or in civic life. Furthermore, those who do not have health insurance are more likely to rely on safety-net healthcare, public insurance, and hospitals for their care, and their conditions are likely to be more advanced and costly at the time they first present to a doctor. Uninsured workers are also more likely to face financial difficulty resulting from medical needs.

Dealers also report that they must spend considerable time working for the company during which they are not paid. Each week each dealer must attend one or two “buzz meetings” – mandatory meetings where they learn about events and promotions, and where management talks with them about performance. These meetings start 10 minutes before a worker’s shift and they are not paid for them. Although they clock in early, they are paid only from the time their shift officially starts. Furthermore, buzz meetings usually run long, causing dealers to work late on those days.

On every other day, dealers are required to be at their posts five minutes before their shifts begin, time for which they are not paid. Although they clock in early, they are not paid before the scheduled shift-start time.

One worker relates an even more insidious form of unpaid working time. Because of his long tenure at the casino, he has reached the pay cap for a dual-rate dealer/floorperson. In his most recent evaluation, he was denied a bonus and told that he would have to do outside community service to qualify for his bonus. When he asked how his evaluator could know whether he did community service on his own time or not, the evaluator responded that the community service would have to be sponsored by Harrah's. While employees believe in community service, bonuses are supposed to reflect their performance on the job, rather than being a pay-off for service that is supposed to be voluntary.

C. Fire Safety

Dealers in Atlantic City are concerned about Bally's fire safety procedure. They feel they have neither the training nor the information to keep themselves safe if a dangerous situation arises.

In conversation with many dealers – with tenures ranging from 3 years to 28 years – we have not come across a single dealer who has been present for a fire drill of any kind. One dealer, Evelyn Rodriguez, in testimony to the New Jersey Casino Control Commission, said that dealers do not know which exit to use in the event of fire because training has been inadequate, and because there is no marker to indicate the nearest exit; nor do they know where to turn to get further information.⁸² Moreover, if they have to evacuate, they have no system to check in so that supervisors know who has been accounted for. In fact, numerous dealers report that when the fire alarm sounds, they are required to continue dealing without a pause.

Casino-hotels must have sound emergency procedures to prevent harm to employees and customers. This is not only a sign of a company's "character" or its good community relations, it is the law. Yet Harrah's is currently facing criminal charges for violations of Las Vegas' fire codes, while its employees report practices that suggest a cavalier attitude towards fire safety at Bally's in Atlantic City.

Harrah's is certainly correct that in selecting a manager for its gaming facilities, Kansas should choose a company of character, attuned to the legacy it builds in the community and to the need to share its success with its employees. Unfortunately, the company's track record in both Las Vegas and Atlantic City raises serious questions about Harrah's performance. Here in the Heartland, as Harrah's puts it, Kansas authorities should pay attention to what Harrah's does, not what it promises.

CONCLUSION

Notwithstanding its claims to provide the financial wherewithal and managerial competence sought by the state, Harrah's is in fact a bad bet for Kansas. Multiple analysts report that it is over-leveraged as a result of rapid expansion at a time of declining revenue due to an unprecedented downturn in the casino industry. Moreover, its late 2007 acquisition in a leveraged buy-out by Apollo Group and TPG has left it burdened with debt and high interest rate payments, while introducing further uncertainties of exposure to Apollo's problems. Apollo Group's own massive debt, the insolvency of one of its portfolio companies (and potential insolvency of others), and its lack of transparency in an unregulated industry could generate ripple effects that could further worsen Harrah's position.

Kansas is embarking on a bold experiment in economic development, and the state has wisely set high standards for its facility managers' financial integrity and managerial competence. This is no time for the state to add risk to its new venture by betting on Harrah's.

NOTES

- ¹ Kansas Expanded Lottery Act (Senate Bill 66), Sec 3.(c) (<http://www.kslottery.com/ExpandedLotteryAct/SB66.pdf>, accessed July 2, 2008).
- ² “Decision and Order,” Bally’s Park Place, Inc. d/b/a Bally’s Atlantic City and International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, AFL–CIO, Case 4–CA–36109, National Labor Relations Board, June 27, 2008.
- ³ “Application and Review Procedures for Lottery Gaming Facility Manager Contracts Pursuant to the Kansas Expanded Lottery Act,” p. 2 (http://www.kslottery.com/ExpandedLotteryAct/GamingApplicationProcedure_4_30_07.pdf, accessed July 2, 2008).
- ⁴ Kansas Attorney General Opinion No. 2007-19, July 16, 2007, pp. 2-3 (http://www.kslottery.com/ExpandedLotteryAct/AttorneyGeneralOpinionNo_2007_19.pdf, accessed July 2, 2008).
- ⁵ Kansas Expanded Lottery Act (Senate Bill 66), Sec 5.(b); and Supplemental Note on Senate Bill No. 66, as Amended by House Committee of the Whole, Revised, Session of 2007, pp. 3-4 (<http://www.kslottery.com/ExpandedLotteryAct/SuppNoteSB66.pdf>, accessed July 2, 2008).
- ⁶ “Overview of Sumner Gaming Joint Venture (SC2),” (<http://www.kslottery.com/ExpandedLotteryAct/ContractsSCZone/SumnerGamingJointVentureHarrah%27sOverview.pdf>, accessed July 2, 2008).
- ⁷ “Overview of Sumner Gaming Joint Venture (SC2),” (<http://www.kslottery.com/ExpandedLotteryAct/ContractsSCZone/SumnerGamingJointVentureHarrah%27sOverview.pdf>, accessed July 2, 2008); and “Harrah’s Kansas Casino Resort South Central Gaming Zone Sumner County: A General Note on the Analyses,” p. 6-7. These two documents provide slightly different figures for the overall cost of the project: \$490 million and \$450 million, respectively.
- ⁸ “Introduction,” Sumner Gaming Joint Venture, LC, p. 9 (http://www.co.sumner.ks.us/admin/forms/22_347.pdf, accessed July 7, 2008).
- ⁹ “Overview of Penn Sumner, LLC (SC3),” (<http://www.kslottery.com/ExpandedLotteryAct/ContractsSCZone/PennSumnerOverview.pdf>, accessed July 7, 2008); “Overview of Marvel Gaming (SC4),” (<http://www.kslottery.com/ExpandedLotteryAct/ContractsSCZone/MarvelGamingOverview.pdf>, accessed July 7, 2008).
- ¹⁰ “Lottery Gaming Facility Management Contract between the Kansas Lottery and Sumner Gaming Joint Venture, L.C., 6.k), p. 7 (<http://www.kslottery.com/ExpandedLotteryAct/ContractsSCZone/SumnerGamingJointVentureHarrah%27sContract.pdf>, accessed July 2, 2008).
- ¹¹ “Kansas Lottery Commission hires consultant to review casino contracts,” Associated Press, January 17, 2008.
- ¹² “Harrah’s Kansas Casino Resort South Central Gaming Zone Sumner County: A General Note on the Analyses,” p. 7.
- ¹³ “Harrah’s Kansas Casino Resort South Central Gaming Zone Sumner County: A General Note on the Analyses,” p. 7.
- ¹⁴ “Harrah’s Kansas Casino Resort South Central Gaming Zone Sumner County: A General Note on the Analyses,” p. 6.
- ¹⁵ “Harrah’s Kansas: ‘Here in the Heartland,’” Executive Summary, pp. 3-4 (http://www.co.sumner.ks.us/admin/forms/22_343.pdf, accessed July 7, 2008).
- ¹⁶ Apollo S-1 at 1-3 (April 7, 2008). (http://www.sec.gov/Archives/edgar/data/1411494/000119312508077312/ds1.htm#jbc38793_23).
- ¹⁷ “Debt-Laden Casinos Squeezed by Slowdown,” *Wall Street Journal*, July 1, 2008.
- ¹⁸ “Debt-Laden Casinos Squeezed by Slowdown,” *Wall Street Journal*, July 1, 2008.
- ¹⁹ “Harrah’s Entertainment Reports 2008 First-Quarter Results,” Press Release, Harrah’s Entertainment, Inc., May 9, 2008 (http://media.corporate-ir.net/media_files/irol/84/84772/1Q08_Earnings_Release.pdf).
- ²⁰ “In connection with the Merger, \$7.7 billion, face amount, of our debt was retired, \$4.6 billion, face amount, of our debt was retained and \$20.5 billion, face amount, of new debt was issued, resulting in a very

different debt structure for the successor entity.” “Quarterly Report Pursuant to §13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended March 31, 2008,” Harrah’s Entertainment, Inc. (<http://www.sec.gov/Archives/edgar/data/858339/000119312508116726/d10q.htm>).

²¹ Estimate based on pro-rata portion of \$185.8 million in debt payments made throughout the first quarter of 2007. “Quarterly Report Pursuant to §13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended March 31, 2008,” Harrah’s Entertainment, Inc. (<http://www.sec.gov/Archives/edgar/data/858339/000119312508116726/d10q.htm>).

²² “Casino Bonds Crush Harrah’s,” Bloomberg, June 3, 2008 (www.bloomberg.com/apps/news?pid=newsarchive&sid=ahcZizlDmX_QM).

²³ “Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934,” Harrah’s Entertainment, Inc., (Form 8-K), July 2, 2008 (<http://www.sec.gov/Archives/edgar/data/858339/000119312508145809/d8k.htm>).

²⁴ “Harrah’s Opts to Pay Interest on Notes with More Debt (Update 2),” Bloomberg, July 2, 2008.

²⁵ “Harrah’s risky as capex spending continues,” Reuters, June 17, 2008.

²⁶ “Americas: Gaming; The essentials of gaming investing,” Goldman Sachs Global Investment Research, April 9, 2008.

²⁷ “Harrah’s risky as capex spending continues,” Reuters, June 17, 2008.

²⁸ “Harrah’s Kansas Casino Resort South Central Gaming Zone Sumner County: A General Note on the Analyses,” p. 7 (<http://www.kslottery.com/ExpandedLotteryAct/ContractsSCZone/SumnerGamingJointVenture/Harrah%a27sAnalyses.pdf>, accessed July 2, 2008).

²⁹ “Confirmation of Financial Resources,” letter from Clark Wood, Senior Vice President, Wells Fargo Bank to Sumner Gaming Joint Venture, LLC, October 16, 2007 (http://www.co.sumner.ks.us/admin/forms/22_344.pdf, accessed July 7, 2008).

³⁰ “Reducing Systemic Risk in a Dynamic Financial System,” Address before the Economic Club of New York by Timothy Geithner, President and Chief Executive Officer, Federal Reserve Bank of New York, June 9, 2008 (<http://www.newyorkfed.org/newsevents/speeches/2008/tfg080609.htm>); see also, “Aversion to Risk Deepens Credit Woes,” *New York Times*, March 7, 2008.

³¹ This is a conservative estimate of obligations merely for the 12 months beginning April 1, 2008, based on an aggregate monthly commitment of \$1.2 million for three contracts that extend for periods of up to 68 months. See “Quarterly Report Pursuant to §13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended March 31, 2008, Harrah’s Entertainment, Inc., p. 15 (<http://www.sec.gov/Archives/edgar/data/858339/000119312508116726/d10q.htm>).

³² This figure does not include a “tax gross-up payment,” “that would be payable to the executive if the executive becomes entitled to severance payments which are subject to federal excise tax imposed on the executive.” “Quarterly Report Pursuant to §13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended March 31, 2008, Harrah’s Entertainment, Inc., p. 16 (<http://www.sec.gov/Archives/edgar/data/858339/000119312508116726/d10q.htm>).

³³ “Harrah’s expansion continues in lean times,” *Citizen Times* (Asheville, NC), July 7, 2008;

“Harrah’s Cherokee Casino will stick with expansion,” Associated Press, July 7, 2008.

³⁴ “Harrah’s outlook cut to negative on expected weak operating performance,” Thomson Financial, July 4, 2008.

³⁵ Apollo S-1 at 1-3, April 7, 2008

(http://www.sec.gov/Archives/edgar/data/1411494/000119312508077312/ds1.htm#jbc38793_23).

³⁶ Apollo S-1 at 144, April 7, 2008

(http://www.sec.gov/Archives/edgar/data/1411494/000119312508077312/ds1.htm#jbc38793_23).

³⁷ “In a declining market, the pace of redemptions and consequent reduction in our Assets Under Management could accelerate. The decrease in revenues that would result from significant redemptions in our hedge funds could have a material adverse effect on our businesses, revenues, net income and cash flows.” Apollo S-1 at 46, April 7, 2008

(http://www.sec.gov/Archives/edgar/data/1411494/000119312508077312/ds1.htm#jbc38793_23).

³⁸ “Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of

defaults by the other institutions.” Apollo S-1 at 48, April 7, 2008
http://www.sec.gov/Archives/edgar/data/1411494/000119312508077312/ds1.htm#ibc38793_23).

³⁹ Apollo S-1 at 38-39, April 7, 2008
http://www.sec.gov/Archives/edgar/data/1411494/000119312508077312/ds1.htm#ibc38793_23).

⁴⁰ “Apollo and Carlyle each had 10 deals downgraded, the largest absolute number of downgrades, representing 45% and 25% of their deals, respectively.” “Private Equity: Tracking the Largest Sponsors,” Moody’s Global Corporate Finance, February 2008, p. 3.

⁴¹ Apollo S-1 at 148, April 7, 2008
http://www.sec.gov/Archives/edgar/data/1411494/000119312508077312/ds1.htm#ibc38793_23).

⁴² “Recovery prospects poor on many U.S. junk bonds - Fitch,” Reuters, April 24, 2008.

⁴³ “Apollo’s Momentive Opts to Repay Bonds With More Debt,” Bloomberg, May 29, 2008
<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aEgRhZDmTsc0>; “S&P Release on Berry Plastics,” Reuters, April 15, 2008 (<http://uk.reuters.com/article/oilRpt/idUKWNA326720080415>).

⁴⁴ Apollo S-1 at 152, April 7, 2008
http://www.sec.gov/Archives/edgar/data/1411494/000119312508077312/ds1.htm#ibc38793_23).

⁴⁵ “Bondholders Lucky to Get 10 Cents in Looming Defaults,” Bloomberg, April 23, 2008
http://www.bloomberg.com/apps/news?pid=newsarchive&sid=ah5Lg9TW9B_M).

⁴⁶ “Apollo’s Momentive Opts to Repay Bonds With More Debt,” Bloomberg, May 29, 2008
<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aEgRhZDmTsc0>).

⁴⁷ “Apollo’s Momentive Opts to Repay Bonds With More Debt,” Bloomberg, May 29, 2008
<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aEgRhZDmTsc0>; “S&P Release on Berry Plastics,” Reuters, April 15, 2008 (<http://uk.reuters.com/article/oilRpt/idUKWNA326720080415>).

⁴⁸ “S&P Release on Berry Plastics,” Reuters, April 15, 2008
<http://uk.reuters.com/article/oilRpt/idUKWNA326720080415>).

⁴⁹ “Quarterly Report for the quarter ended March 31, 2008,” Momentive Performance Materials Inc., p. 17
http://www.momentive.com/geam/en/HomePage/Home/docs/10-Q_3.30.08.pdf).

⁵⁰ “Apollo’s Momentive Opts to Repay Bonds With More Debt,” Bloomberg, May 29, 2008
<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aEgRhZDmTsc0>).

⁵¹ “Offer to Exchange,” Claire’s Stores, Inc., Prospectus, January 25, 2008
http://www.sec.gov/Archives/edgar/data/34115/000089109208000445/c29992_424b3.htm).

⁵² Claire’s Stores, Inc. 10-K, April 1, 2007
<http://www.sec.gov/Archives/edgar/data/34115/000095014408003183/g12864e10vk.htm#tocpage>).

⁵³ Claire’s Stores, Inc. 10-K, April 1, 2007
<http://www.sec.gov/Archives/edgar/data/34115/000095014408003183/g12864e10vk.htm#tocpage>).

⁵⁴ “Pik and Roll: Companies Seize on Perks of Loose Lending Terms,” *Wall Street Journal*, May 19, 2008.

⁵⁵ Apollo S-1 at 150, April 7, 2008
http://www.sec.gov/Archives/edgar/data/1411494/000119312508077312/ds1.htm#ibc38793_23). The Realogy leveraged buyout was consummated on April 10, 2007. Claire’s delisted from the New York Stock Exchange on May 29, 2007. See “Form 10-Q for the Quarterly Period Ended March 31, 2008,” Realogy Corporation, (<http://www.realogy.com/documents/REALOGY10Q51408.pdf>); “Offer to Exchange,” Claire’s Stores, Inc., Prospectus, January 25, 2008
http://www.sec.gov/Archives/edgar/data/34115/000089109208000445/c29992_424b3.htm).

⁵⁶ Realogy 10-Q, March 31, 2008 (<http://www.realogy.com/documents/REALOGY10Q51408.pdf>).

⁵⁷ “Company Update: Realogy Corporation,” Goldman Sachs, May 20, 2008.

⁵⁸ “[O]n April 11, 2008, the Company notified the holders of the Senior Toggle Notes of our intent to utilize the PIK Interest option to satisfy the October 2008 interest payment obligation. The impact of this election is expected to increase the principal amount of our Senior Toggle Notes by \$32 million on October 15, 2008. On May 12, 2008, the borrowings under our revolving credit facility were \$340 million compared to \$45 million at March 31, 2008. The increase in borrowings is primarily related to the Company utilizing the revolving credit facility to pay \$239 million of interest on the senior secured credit facility and the Notes in April 2008.” Realogy 10-Q, March 31, 2008
<http://www.realogy.com/documents/REALOGY10Q51408.pdf>).

- ⁵⁹ "[T]he Gramm-Leach-Bliley Act did not end the separation of banking and commercial activity. A depository institution still generally cannot directly invest in shares of commercial firms, even those acquired as part of merchant banking activities of a parent; and a financial holding company can hold such shares only long enough to enable their sale. In addition, a financial holding company cannot 'routinely manage or operate such company or entity except as may be necessary or required to obtain a reasonable return on investment upon resale or disposition.' ... Generally, a bank's transactions with an 'affiliate' cannot exceed 10% of the bank's capital. A bank's transactions with all affiliates cannot exceed 20% of the bank's capital. Furthermore, covered transactions between a bank and an affiliate 'shall be on terms and conditions that are consistent with safe and sound banking practices,' and loans to affiliates must effectively be over-secured. Finally, a bank or subsidiary cannot conduct a transaction with an affiliate on terms that are more favorable than it extends, or would extend, to non-affiliated companies in similar transactions. Generally speaking, a bank can become an 'affiliate' of a debtor for these purposes if it exercises significant control over the debtor." "Debt as a lever of control: Commercial lending and the separation of banking and commerce," Adam Feibelman, *University of Cincinnati Law Review*, Spring, 2007.
- ⁶⁰ "Citi allows loan 'cherry picking'," *Financial Times*, April 14, 2008 (<http://www.ft.com/cms/s/0/674bf5fa-0a5f-11dd-b5b1-0000779fd2ac.html>).
- ⁶¹ "Deutsche Bank Seeks to Sell Up to \$20 Billion of Debt," *Wall Street Journal*, April 14, 2008.
- ⁶² "Remodeling Controversy: Harrah's shuts subsidiary; Supervisors of renovations included in mass layoff," *Las Vegas Review-Journal*, Dec. 13, 2007. Loveman's statement was conveyed in an email message to employees, the text of which was reproduced in the *Review-Journal*.
- ⁶³ See the articles published in the *Review-Journal* from early October, 2007, including, "Building Permits and Safety Inspections: Rio rooms close; County inspectors looking at remodeling work in hotel tower," October 3, 2007; "Former Employee Alerts State OSHA," October 3, 2007; "Harrah's: Tower open, safe," October 3, 2007. The newspaper published extensively on the matter in subsequent months.
- ⁶⁴ "Officials agree to delay charges," *Las Vegas Review-Journal*, April 2, 2008.
- ⁶⁵ *State of Nevada vs. Robert John Bruna*, No. 08M02474X (Justice Court, Las Vegas Township, Clark County, Nevada, filed January 30, 2008).
- ⁶⁶ "Harrah's audit of remodeling since '00 stays under wraps," *Las Vegas Review-Journal*, April 18, 2008.
- ⁶⁷ "Harrah's audit of remodeling since '00 stays under wraps," *Las Vegas Review-Journal*, April 18, 2008; *State of Nevada vs. David A. Matthews*, No. 08M02494X (Justice Court, Las Vegas Township, Clark County, Nevada, filed January 30, 2008); "Remodeling Controversy: Harrah's shuts subsidiary; Supervisors of renovations included in mass layoff," *Las Vegas Review-Journal*, December 13, 2007.
- ⁶⁸ "Harrah's: Tower open, safe," *Las Vegas Review-Journal*, October 4, 2007.
- ⁶⁹ "Harrah's: Tower open, safe," *Las Vegas Review-Journal*, October 4, 2007; "Just a little 'cosmetic work,'" *Las Vegas Review-Journal*, October 5, 2007.
- ⁷⁰ "Just a little 'cosmetic work;' What was county doing when it came to Rio inspections?" *Las Vegas Review-Journal*, October 5, 2007.
- ⁷¹ "Rio rooms close," *Las Vegas Review-Journal*, October 3, 2007.
- ⁷² *State of Nevada vs. Harrah's Entertainment, Inc.*, No. 08M15543X (Justice Court, Las Vegas Township, Clark County, Nevada, filed May 28, 2008). See also "Casino owner Harrah's hit with Vegas fire safety summonses," Associated Press, May 30, 2008, and "Complaint: Fire codes violated," *Las Vegas Review-Journal*, May 30, 2008.
- ⁷³ "Complaint: Fire codes violated," *Las Vegas Review-Journal*, May 30, 2008.
- ⁷⁴ "Hotel disaster plans must consider an array of exposures; Fire seen as the topmost exposure among risk managers and underwriters in hospitality industry," *Business Insurance*, June 16, 2008.
- ⁷⁵ "Fire chief: No charges to be filed in Las Vegas casino blaze," Associated Press, March 26, 2008.
- ⁷⁶ "Building Permits and Safety Inspections: Rio rooms close; County inspectors looking at remodeling work in hotel tower," *Las Vegas Review-Journal*, October 3, 2007; "Just a little 'cosmetic work:' What was county doing when it came to Rio inspections?" *Las Vegas Review-Journal*, October 5, 2007.
- ⁷⁷ "Harrah's Kansas: 'Here in the Heartland,'" Executive Summary, pp. 3-4 (http://www.co.sumner.ks.us/admin/forms/22_343.pdf, accessed July 7, 2008).
- "Harrah's Kansas Casino Resort South Central Gaming Zone Sumner County: A General Note on the Analyses," p. 5.

⁷⁸ New Jersey Casino Control Act, Article 1.5:12-1

(http://www.nj.gov/casinos/actreg/act/docs_article01/cca-article01.pdf)

⁷⁹ “Decision and Order,” Bally’s Park Place, Inc. d/b/a Bally’s Atlantic City and International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, AFL–CIO, Case 4–CA–36109, National Labor Relations Board, June 27, 2008.

⁸⁰ See also, “Bally’s in Atlantic City Ordered To Recognize, Bargain With Auto Workers,” *Daily Labor Report*, No. 129, July 7, 2008.

⁸¹ In 2002 Bally’s then-owner, Park Place Entertainment, acquired the Claridge and merged the historic casino-hotel with Bally’s. “Park Place Seeks Permission to Merge Claridge with Bally’s Atlantic City; With New ‘Claridge Tower,’ Bally’s Would Become Boardwalk’s Largest Casino Resort,” *Business Wire*, Sept 23, 2002.

⁸² Evelyn Rodriguez, testimony read by Scott Montani of the United Auto Workers during public comment at the New Jersey Casino Control Commission, public hearing, June 18, 2008.

From: jcgriff@juno.com [mailto:jcgriff@juno.com]
Sent: Wednesday, July 16, 2008 5:18 PM
To: Lottery Info
Subject: Casino developers

We attended all of the sessions of casino proposals in Belle Plain, Sumner County on July 10 & 11. After listening to the proposals, we were impressed with Marvel Gaming because of their plan to work with and build up existing businesses in the Wellington area. They promise to help improve and develop the golf course, gun clubs, and businesses that already exist. We feel this is a definite advantage to the economic structure of our area, as opposed to the other proposals that want to bring in a lot of outside businesses to compete with the local enterprises. It has been our experience that when a large business comes into an area, the small local business usually go out of business because they suffer considerable losses because they cannot compete.

We feel that the City Council of Mulvane has dealt unfairly with the citizens of Sumner County that live at or near Exit 33. Six landowners approached Mulvane and Harrah's and obtained their support. Over 150 homeowners in the immediate area will be directly affected if Harrah's is awarded the contract. We urge you to not consider Harrah's proposal.

Thank you,
Thomas Griffin
Verlene Griffin

From: KRGK Mailbox
Sent: Tuesday, July 15, 2008 8:19 AM
To: Jay Hall; Linda Pendarvis
Subject: FW: Kansas Lottery Gaming Facility Review Board

From: Buz Nye [mailto:buznye@yahoo.com]
Sent: Monday, July 14, 2008 4:36 PM
To: KRGK Mailbox
Subject: Kansas Lottery Gaming Facility Review Board

Message to the Review Board

Ref: South Central Kansas Casino Location

Dear Sirs and Madam:

After sitting through the two days of hearings at Belle Plaine last week and reading the proposals in detail, I would like to point out a few observations. I was not a speaker at the hearings.

1. All proposals for the destination resort seem to recognize the Harrah's proposal as the most desirous in terms of being a destination resort to truly bring a larger and more wealthy clientele to Kansas. The Penn and Marval proposals seemed to very defensive on this issue and were not convincing in their arguments that they would bring more revenue to the State of Kansas or become a true destination resort....it appeared the they would supply just another casino.
2. The drainage issue near Harrah's proposed site would be corrected by allowing their proposal, as the water needs for their golf course could likely use additional run off water from adjoining properties and store that run off water in retention and detention ponding.

My personal experience is that the City of Mulvane is very thorough in their site planning and drainage issues for new construction.

3. The nearby residents can easily have a voice with the City of Mulvane...they only need to request consent annexation for their adjoining properties. Of the "150 homes" nearby Exit 33 quoted by these folks, only a very small contingent of the residents were on site to express their displeasure.

4. I've had an employee for five years who drives to work daily from Caldwell to Mulvane. It doesn't seem too far for him to drive to work from one of the southern most cities in Kansas and Sumner County, in his opinion.

5. There is no doubt, regardless of the location approved, that a large contingent of the customer base will come from Wichita. In the thousands of trips made to the facility over the next few years, how much more gasoline will be used, and how will the location effect the increase of the carbon footprint for a casino facility in the area? An Exit 33 location will obviously allow for less waste of a currently finite resource, crude oil.

6. Most importantly, your charge is to choose the best location for THE STATE OF KANSAS, not just Sumner County or Wellington. The Sumner County Board of Commissioners continually admitted that all they cared about was the welfare of their county, and that the best option for the State of Kansas was not a part of their selection criteria.

In considering these points listed and the others points presented, it would seems that Harrah's and Sumner Gaming Joint Venture LLC should be your obvious choice.

Thank you for the opportunity to offer my opinion.

Byron Nye

213 S Brook Forest Rd

Derby, Kansas

From: KRGC Mailbox
Sent: Monday, July 14, 2008 8:21 AM
To: Linda Pendarvis; Jay Hall
Subject: FW: Sumner County Casino

Importance: High

From: msdoss [mailto:msdoss1@cox.net]
Sent: Sun 7/13/2008 12:32 PM
To: KRGC Mailbox
Subject: Sumner County Casino

Dear Board,

As a property owner in Mulvane, KS I would like to voice my support for the Harrah's/Mulvane Casino site. Having to work out of town this week I was unable to attend the meetings in Belle Plaine. However, I want you to know that even though it has not always been presented properly, the Harrah's site has a very large backing in the Mulvane area. Many of us find it interesting and very biased that most of the Sumner County Commissioners, being from the Wellington area, have not given the proper recognition due the Mulvane casino supporters. Many Mulvane residents in SG County actually voted against the SG County Casino proposal hoping it would provide Mulvane with the possibility of a casino instead. We would welcome the opportunity for our area and feel that it would benefit the entire state to a much greater extent than either Wellington site. I personally find Penn National's threats now, not to continue with their Cherokee County casino unless they receive the Sumner County casino, unprofessional and downright deceitful. If I were on the board, because of this threat alone, I would eliminate their proposal completely. Since financing seems to be their issue, if they did not have to fund the Wellington site they would have more than enough to build the smaller Cherokee County casino, problem solved.

Harrah's is the only proposal which offers a destination casino to bring in tourists from across the region and entire nation. The other two will be considered "regional casinos" of which there are currently about 8 within the neighboring Oklahoma region. Neither Wellington site offers enough to draw those Oklahoma residents into Kansas when they have numerous similar facilities within their own state. Only Harrah's, an additional 10 minutes north, would offer the wider range of entertainment, resort facilities, and national backing to bring in tourists from outside the local regions. For this reason, I, along with many Mulvane residents, feel that this is the only choice for the state of Kansas. This will serve both Sumner County and the entire Sunflower State the greatest.

Thank you for your time.

Sincerely,
Carla J. Doss

From: Melvin Matlock [mailto:mjmatlock@embarqmail.com]
Sent: Friday, July 11, 2008 9:45 PM
To: Stephen Martino
Subject: Sumner County Road & Bridge Director

Mr. Martino

My name is Melvin Matlock, I am the Sumner County Road and Bridge Director.

I spoke at the July 11th meeting in Belle Plaine, Ks. I spoke about drainage problems at the exit 33 location. I know all about 0 run off for new construction sites. I was in the construction buisness for 33 years. I know that they are designed to have 0 run off for a 50,or 100 year storm, but when the retention ponds fill up as they did these last two spring, they run over and there is run off. I can guarantee there would have been run off these last two years.

We have been declaired a disaster for the last two years by our Governor in areas where the exit 33 site drains to. I would be more than happy to come to you with drainage maps to show you first hand what the drainage looks like. The people who live along this stream filled one of our Sumner county court rooms a short time ago to complain about flooding. I am trying to cut off any future water problems because we cannot stand another drop of water on the north end of our county.

I trully dont care which Casino you decide on because I dont go to them. The county commissioners have not encouraged me to speak about these problems. I have not been involved in any of the Casino selection process. I have tried to stay neutral because I deal with people from Mulvane as well as Wellington.

I have three bridge crews who do nothing but build bridges. We know about drainage. Out of 105 counties in Kansas, we have the second highest number of bridges in the state. We are second because we have three large rivers, and four large creeks running through our county. We build our own bridges because we cant afford to contract out that many structures. I said all that to help you understand that we know about drainage.

Let me know if I can better explain our problem with drainage maps. A picture is worth a thousand words.

Yours Trully
Melvin Matlock
Sumner County Road & Bridge Director
1-620-326-1136

From: Linda Pendarvis
Sent: Thursday, July 17, 2008 12:47 PM
To: Jay Hall
Subject: FW: SUMNER COUNTY CASINO

From: KRGC Mailbox
Sent: Thursday, July 10, 2008 8:28 AM
To: Linda Pendarvis
Subject: FW: SUMNER COUNTY CASINO

From: John Larsen [mailto:lrnsfrms@hit.net]
Sent: Wed 7/9/2008 9:08 PM
To: KRGC Mailbox
Subject: SUMNER COUNTY CASINO

Dear Sir, I am a lifelong resident of Sumner County and would like to throw my support towards a central casino site at Wellington exit #19. The majority of Wellington has been in favor of a Wellington location since day one. We, the voters, were thrilled for the opportunity to even get to vote on expanded gambling in Sumner County. Although we thought it was a longshot, the community rallied together and the vote for expanded gambling passed. Then we had to wait to see what Sedgwick county voters would do. When the vote failed to pass in Sedgwick this community pulled together again waiting to see what the state would do. I am trying to get accross the point that for the last few years the residents of Sumner County have been consistant with wanting the casino developement here in the heart of this county. I went to the meetings regarding zoning, the meetings when the casino developers made their proposals to the County Commissioners, and even got to be there in November when the Commissioners gave local endorsement to the 2 casino bids for the Wellington location. There was hardly any opposition towards a Wellington site at any of these meetings, but the Mulvane residents came out in huge numbers to voice opposition against any Mulvane exit #33 casino. It was only after the Sumner County Commissioners made their endorsements for the 2 Wellington locations that any support started to be heard for a Mulvane casino. I think the residents of Sumner County can be proud we have made it this far. Wellington has been consistant from the beginning about the desire to have a casino here in the central part of the county. This would benefit all the surrounding communities. Whereas, a casino at exit #33 would greatly benefit Sedgwick county, the same county that voted against the expanded gambling issue. Why should all of Wellington's hard work go to Sedgwick County. I have heard so many different studies that seem to change depending on what figures they input and seemingly manipulate and

inflate just to make a case in favor of a certain developer. I don't think Penn Gaming should get the contract since they already have the contract in Cherokee County. That would seem like a monopoly. I am very much against Harrah's proposal also. I think they have too many negatives to overcome. For example, there is a lot of opposition in the Mulvane area from residents living accross from their proposed site. Their site also has many flooding issues to be dealt with. Building accross from all the homes could possibly make the flooding worse. The city of Mulvane has a pending lawsuit against them regarding the annexation process it used to grant an endorsement for the developers @ exit #33. I still think it seems like the Mulvane area didn't realize what it was missing out on until after Sumner County Commissioners endorsed the 2 Wellington sites. The Sumner County Commissioners listened to the residents throughout the whole process, followed all the guidelines set up by the state. It is so important that the people were a part of the process and that we were heard. Finally, I would like to give my full support to the Marvel Gaming/Trailhead Casino proposal at Wellington. I think they have the best design and plan for this whole county. They are the only proposal that is going all in on their plan, not in Phases. They are committed to this area and sincerely want to be a part of this community and have already demonstrated that commitment. I would like to thank you for your time in reading this letter. Sincerely, Martha Larsen

John Larsen
lrsnfrms@hit.net

EarthLink Revolves Around You.

From: Linda Pendarvis
Sent: Thursday, July 17, 2008 12:48 PM
To: Jay Hall
Subject: FW: Sumner County Casino

From: KRGK Mailbox
Sent: Thursday, July 10, 2008 8:27 AM
To: Linda Pendarvis
Subject: FW: Sumner County Casino

From: John Larsen [mailto:lrsnfrms@hit.net]
Sent: Wed 7/9/2008 9:44 PM
To: KRGK Mailbox
Subject: Sumner County Casino

Dear Gentlemen,

My name is John Larsen. I am a Farmer Stockman and lifetime resident of Sumner County. I am writing to you in regards to the casino proposal for Sumner County and would like to bring something to your attention. First, I'm sure you have 3 very good companies bidding for the job here in Sumner County. But, I would like to point out to you the exit #33 Mulvane site has issues that I believe are not in the best interest of the State of Kansas or Sumner County and its residents. This site is close to the Sedgwick County line. It has definite problems with water and flooding in the surrounding area. Mulvane is 80% inside Sedgwick County or there about. Sedgwick County voted No on the casino issue. Sumner County voted yes. If the state is really serious about the economic developement of the area, then it should be in the center of the county and not on the county line where most if not all of the economic impact will be in Sedgwick County. Also, of the 3 companies, only Marvel Gaming has stated they will build all of their proposal at once, not in phases like the other 2 have stated. Penn was the only proposal for Cherokee County. I do not believe it would be in the best interest of the State to have one company awarded 2 contracts from the State to manage 2 casinos in different areas. Therefore, it is my opinion that with the opposition from Mulvane residents and flooding concerns, lawsuits, etc against Harrah's and Penn having already been awarded a contract for eastern Kansas, the very best decision would be to award the contract for Sumner County to Marvel Gaming/Trailhead Casino. Marvel Gaming would be in the center of the county to benefit the entire area and they are the only proposal that would build the entire plan as proposed, not in varied phases like the other 2 developers.

Sincerely, John Larsen

John Larsen
lrsnfrms@hit.net

EarthLink Revolves Around You.

From: Linda Pendarvis
Sent: Thursday, July 17, 2008 12:49 PM
To: Jay Hall
Subject: FW: WELLINGTON CASINO

From: KRGc Mailbox
Sent: Wednesday, July 09, 2008 8:26 AM
To: Linda Pendarvis
Subject: FW: WELLINGTON CASINO

From: Brigitte DeJarnett [mailto:blossoms@sutv.com]
Sent: Tue 7/8/2008 3:51 PM
To: KRGc Mailbox
Subject: WELLINGTON CASINO

Kansas Racing and Gaming Commission
Attn: Steve Martino

Thank you for taking the time to read this email. I am writing to you concerning the Sumner County Casino site. I have followed the issue of site location from the start and I am hoping that the commission will make the right decision in August.

It is clear that there is alot of opposition to a Mulvane site. There is NO OPPOSITION to the Wellington site, we here in Wellington are welcoming a casino with open arms.

Sumner County is the selected county...Mulvane is located primarily in Sedgwick county. This means that Sedwick county, which voted against having the casino will be getting it anyway if the Mulvane site is selected.

The city of Mulvane and it's city manager have used some very questionable tactics to annex in land, and proceed with getting the casino there. It is no wonder there is so much animosity between the NO people and the ones that are trying by any means possible to get Mulvane selected.

There is also the fact that the Wellington site's proposed companies are both much more community friendly than Harrah's. Harrah's plan is very self contained with all amenities being onsite and primary profits going to Harrah's. Marvel & Penn companies both have better plans to benefit the existing businesses and facilities of the town.

Even if the commission does not take all of the underlying issues into account, the people have voted, SUMNER COUNTY means SUMNER COUNTY, not a location touching the border of Sumner county.
Thank you for your time.

Brigitte DeJarnett
Blossoms By Brigitte, Inc.
116 S. Washington Ave.
Wellington, KS 67152
620-326-2900

From: Linda Pendarvis
Sent: Thursday, July 17, 2008 12:49 PM
To: Jay Hall
Subject: FW: Wellington Casino

From: Stephen Martino
Sent: Tuesday, July 08, 2008 9:20 AM
To: Linda Pendarvis
Subject: RE: Wellington Casino

Please print off this message and keep it so we can forward it to the Review Board at some point.

--slm

From: Linda Pendarvis
Sent: Tuesday, July 08, 2008 8:35 AM
To: Stephen Martino
Subject: FW: Wellington Casino

From: KRGK Mailbox
Sent: Tuesday, July 08, 2008 8:17 AM
To: Linda Pendarvis; Don Cawby
Subject: FW: Wellington Casino

From: Perry Wiley [mailto:phwiley@sutv.com]
Sent: Mon 7/7/2008 11:39 PM
To: KRGK Mailbox
Subject: Wellington Casino

Dear Steve Martino: I am confident that you have been checking out the Casino proposals for Sumner Co. as I have.

After looking over the different proposals, my feeling is that Marvel Gaming is the best fit. Over the fifteen year contract, their projected contribution to the state and Sumner Co. exceeds all the other proposals.

Also, I think they will bring new residents to our area which will create a new housing market, a growth in our school population, and additional retail

business, just to name a few of the benefits.

I hope you have a good informative meeting in Belle Plaine. Good luck.

Thank you,

Perry Wiley
Panhandle Railroad Museum