

AGENDA

KANSAS LOTTERY GAMING FACILITY REVIEW BOARD

9 am, Monday, October 26, 2009 and
9 am, Tuesday, October 27, 2009

Topeka Performing Arts Center
214 SE 8th Street
Topeka, Kansas 66603

A. CALL TO ORDER

B. APPROVAL OF THE AGENDA

C. BOARD ITEMS

1. Presentation by William Eadington, Ph.D., University of Nevada-Reno, on economic dimensions of the Kansas Expanded Lottery Act bid process for licenses in the South Central and Northeast gaming zones
2. Kansas Lottery Gaming Facility Review Board consultant information and presentations regarding the northeast gaming zone
 - a. Will Cummings, Cummings Associates, on revenue projections
 - b. Richard Wells and Susan Gossi, Wells Gaming Research, on revenue projections
 - c. Randy Jardine, Construction Cost Systems, on construction cost analysis
 - d. Grant Govertsen and Bill Lerner, Union Gaming Group, on the financial status of the applicant
 - e. Dennis Conrad and Scott Cooper, Raving Consulting, on analysis of non-gaming amenities
 - f. Matt Cunningham and Dan Houston, Civic Economics, on economic impacts
 - g. Candace Evert and Eugenia Larmore, Meridian Business Advisors, on fiscal impacts
3. Applicant response:
 - a. Kansas Entertainment, LLC (45 minutes)
4. Kansas Lottery Gaming Facility Review Board consultant information and presentations regarding the South Central gaming zone
 - a. Will Cummings, Cummings Associates, on revenue projections

- b. Richard Wells and Susan Gossi, Wells Gaming Research, on revenue projections
 - c. Randy Jardine, Construction Cost Systems, on construction cost analysis
 - d. Grant Govertsen and Bill Lerner, Union Gaming Group, on the financial status of the applicant
 - e. Dennis Conrad and Scott Cooper, Raving Consulting, on analysis of non-gaming amenities
 - f. Matt Cunningham and Dan Houston, Civic Economics, on economic impacts
 - g. Candace Evert and Eugenia Larmore, Meridian Business Advisors, on fiscal impacts
5. Applicant response:
- a. Chisholm Creek Casino Resort, LLC (45 minutes)

D. OTHER MOTIONS

E. STAFF REPORTS

- 1. Executive Director

F. ADJOURNMENT

Report by
William Eadington, Ph.D.
University of Nevada-Reno

ECONOMIC DIMENSIONS OF THE BID PROCESS FOR LOTTERY GAMING FACILITIES' LICENSES IN THE SOUTH CENTRAL AND NORTHEAST ZONES UNDER THE KANSAS EXPANDED LOTTERY ACT

Prepared by William R. Eadington, Ph.D.
October, 2009

INTRODUCTION

The Review Board, representing the State of Kansas, has experienced a considerably different economic environment in 2009 as compared to 2008 as it has gone through the exercise of allocating Lottery Gaming Facility Licenses to applicants for the South Central and Northeastern Zones. Questions have been raised by some members of the Review Board over how much the State has been disadvantaged by the altered economic circumstances of 2009 in its formal duties of allocating the remaining Zone licenses. Others have asked the consultants to examine the question: "Is this the best project that can be achieved from the perspective of the interests of the State of Kansas?" The purpose of this analysis is to provide some insight on these issues in light of the remaining two applications for Lottery Gaming Facility licenses in Kansas.

The economic recession of 2007-2009, and the dramatic events in the financial markets that were triggered by the subprime mortgage crisis and subsequent financial institution crises over the same period brought about substantial adverse changes to the circumstances confronting most gaming companies. The changed environment also altered perceptions and attitudes about the profitability and viability of casino operations and capital investments in new casino projects in general, especially within the financial community. These altered perceptions have had significant effects on the Kansas bidding process.

CASINO MARKETS IN GENERAL

Prior to 2008, there was a generally accepted belief that casino gaming in the United States remained a generally under-supplied product. Where gaming was absent, the introduction of casinos would result in relatively predictable revenue generation and participation. In locales with existing mature market casino industries, casino gaming was considered relatively recession-resilient (though not recession-proof) because of the apparent willingness of casino customers to continue spending on gaming in spite of difficult economic times.

However, the severity of the current economic recession and the failure or near-failure of many major financial institutions created a much different environment, with the implication that consumer behavior linked to casino gaming may have changed markedly from its historic patterns. In prior economic recessions, such as 1990-91 and 2001, one could observe slowdowns in the rate of growth of spending on gambling in most gaming

markets, but casino gaming revenue performance fared better than many other industries in coming through the recessions.

In discussing trends in the casino industry, it is useful to distinguish between what has happened in Las Vegas and trends in the rest of the United States. For most gaming markets besides Las Vegas, there is a fairly predictable pattern. Legalization of casinos (assuming initially that there is an absence of available casino gaming in the region) leads to an initial period of rapid growth in revenues and high profits; one can refer to this as the “ramp-up” period, and it typically lasts for about five years. Once the market stabilizes, then revenue performance follows a “mature market” status, where future growth in gaming revenues more or less track the growth in aggregate personal incomes in the catchment area.

Individual mature casino markets can be analyzed and adjusted for internal changes in competition (i.e. new casinos opening within that market), external competitive issues (i.e. cross-border competition from casinos in nearby jurisdictions), changes in regulations or constraints governing casino operations (i.e. smoking bans in that jurisdiction or competing jurisdictions; changes in wagering limits, permitted games, permitted hours of operation, etc.) In this manner, gaming revenue performance is relatively predictable, using the general techniques of gravity models and competitive assessment, as has been done on behalf of the Review Board by Wells Gaming Research and Cummings and Associates.

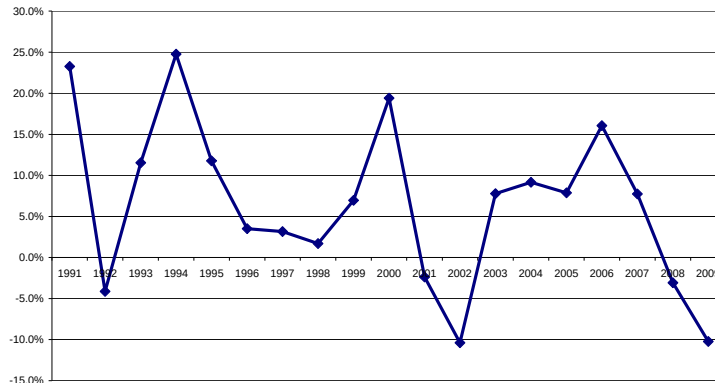
LAS VEGAS

Las Vegas needs to be analyzed differently than other gaming markets. Because it has evolved into a larger, far more diversified, and far more complex destination casino resort area in comparison to any other locale in America, the effects of the economic storms on Las Vegas have been more severe and more dramatic than other gaming destinations in 2008-2009. The importance of looking at Las Vegas, from Kansas’ perspective, is because so many of the potential applicants for all four original Zone licenses have a significant presence in Las Vegas, and most of these have been dramatically affected by that city’s economic downturn. This is likely the primary explanation as to why MGM, Harrah’s, Las Vegas Sands, and Golden Gaming either pulled out of the bidding process in spite of the quality of their proposals in 2008, or chose not to participate for the remaining three Zone licenses in 2009.

As the country’s largest gaming center, between 1989 and 2007, Las Vegas has generated much of its own business cycle, linked to the openings of major new mega-casinos. (See Figure 1.) The pattern that described the fluctuations in gaming revenue growth in Las Vegas over that period can be described as follows: When a new mega-casino or a cluster of such casinos opened, visitation and gaming spend would increase for about a year following the major openings, after which time growth rates would subside to lower (but usually positive) levels. Major clusters of new mega-casinos opened on the Las Vegas Strip in 1989-1990, 1993, 1998-2000, 2005, and 2007-2008.

Interestingly, and to the alarm of the major casino companies, the opening of the \$1.8 billion Palazzo in December 2007 and the \$2.5 billion Wynn Encore in December 2008, did not create any sign of a “new mega-casino bump.” Something had fundamentally changed.

FIGURE 1
LAS VEGAS STRIP (\$72 m+) GGR GROWTH
RATES, 1991-2009



The effect of the surprisingly deep reductions in gross gaming revenues in Las Vegas triggered by the recession and financial crisis of 2007-2009 caught many of the major gaming companies in a position where they were substantially over-leveraged. Las Vegas Sands and MGM Mirage were both involved with unprecedented capital investments in the Cotai Strip (Macau: \$12 billion) and CityCenter (Las Vegas: \$8.5 billion) respectively. Wynn Resorts was building Wynn Encore in Las Vegas (\$2.5 billion) and Wynn Encore in Macau (\$700 million). Boyd Gaming was developing the \$4.5 billion Echelon in Las Vegas. Furthermore, Station Casinos wrapped up a \$7 billion Leveraged Buy-Out (LBO) in November 2007, and Harrah’s completed a \$17 billion LBO in January 2008. Penn National was scheduled to complete its \$6.1 billion LBO in June 2008.

Prior to late 2007, the capital markets had viewed the casino industry in a very favorable light. Besides the projects mentioned above, construction was under way for development of the \$4 billion Cosmopolitan, adjacent to Bellagio, and the \$3 billion Fontainebleau, near the north end of the Las Vegas Strip. Other significant multi-billion dollar projects were on the drawing boards or in the pipeline, driven by the view that Las Vegas could only succeed. Indeed, in 2007 the Elad Group paid \$1.25 billion (\$35 million per acre for 35 acres) at the site of the former New Frontier Casino on the Strip in anticipation of building a mega-casino modeled on the Plaza Hotel in New York City.

The effect of the dramatic reductions in demand not only for gaming in Las Vegas, but also for non-gaming amenities, created a cash flow crunch for all of the above companies. With the exception of Wynn Resorts and Penn National, the remainder of the above-mentioned companies came very close to bankruptcy as of spring 2009. This is reflected

in the share prices of the publicly traded companies, which had declined dramatically between October 2007 and March 2009 as shown below in Table 1.

TABLE 1
SHARE PRICES FOR CASINO COMPANIES
OCTOBER 2007 TO MARCH 2009

Company	Date	Share Price	Date	Share Price	Change
MGM	10/9/07	99.75	3/6/09	1.99	-98%
LVS	10/8/07	138.25	3/6/09	1.77	-98.7%
Wynn	10/22/07	164.65	3/6/09	15.40	-90.6%
Boyd	10/9/07	45.25	3/6/09	2.96	-93.5%

Of the companies that attempted LBOs, Station declared Chapter 11 bankruptcy in June 2009, though Harrah's so far has managed to remain solvent. The venture capital partnership that contracted to acquire Penn National, Fortress/Centerbridge, paid about \$1.5 billion in July 2008 to negate their contractual obligations to Penn shareholders. This is one of the primary reasons why Penn National has ended up with a strong balance sheet in 2009.

As a result of the recession and financial crisis, most of the major gaming companies were effectively removed as potential competitors for bidding on the various Kansas Lottery Gaming Facility licenses in 2009. One could extend the list to include Golden Gaming, whose primary assets have likely been compromised by the Station bankruptcy filing and legal actions subsequent to that. The withdrawal of Foxwood's as a bidder in 2009 is certainly related to their financial difficulties concerning existing debt, declining cash flows, and political pressures within the Pequot tribe to keep distributions (i.e. dividends) close to their historic levels.

In summary, the pool of potentially competent, interested, and eligible companies that otherwise may have competed for valuable Lottery Gaming Facility licenses in Kansas was decimated by the economic events of the past 24 months. That led to the situation where now there remains only a single applicant each for the South Central and Northeastern Zones, and no applicant for the Southeastern Zone.

THE ECONOMIC CIRCUMSTANCES FOR THE ZONE BIDS IN KANSAS

In spite of the turmoil in the national economy and the financial stress experienced by so many gaming companies, there has not been much change in the underlying economic realities associated with the potential value of the Lottery Gaming Facility licenses for Sumner and Wyandotte Counties from 2007 to the present. (This is reflected in the estimated gaming revenue generation and visitation for proposed casino projects in the Northeast Zone and South Central Zone in 2008 and 2009 by Wells Gaming Research,

summarized in Table 2 and Table 3.) In Sumner County, the winning bidder will receive an exclusive right to offer casino gaming services in the general Wichita metropolitan area, with only a low probability that such a geographic monopoly could be disturbed either by slots at a race track in Wichita or by a tribal casino in the Wichita area. Such a gaming license has substantial potential economic value, not much different than was the case in 2007-2008. In Wyandotte County, the Lottery Gaming Facility license would permit its holder to build a purpose-built land-based casino entertainment complex that could compete very well against the existing four riverboat casino operations in the Kansas City, Missouri marketplace.

TABLE 2
PROPOSALS FOR NORTHEAST ZONE, 2008 AND 2009
PHASE 1 SIZE, VISITATION, AND PROJECTED GAMING REVENUES
(IN 2013)

Capacities & Amenities	Kansas Entertainment Phase 1 (2009 bid)	Legends Sun (2008 bid)	Pinnacle Entertainment (2008 bid)	Golden Heartland Phase 1 (2008 bid)	Kansas Entertainment Hard Rock (2008 bid)
Capital Investment	\$361,000,000	\$767,000,000	\$650,000,000	\$660,000,000	\$706,000,000
Gaming Revenues:	\$156,000,000	\$168,000,000	\$199,000,000	\$184,000,000	\$234,000,000
Visitor Projections:	2.1 million	2.3 million	2.7 million	2.5 million	3.1 million
Casino:					
Square Footage	100,000	131,000	100,000	132,000	125,100
# of Slots	2,300	2,000	2,300	2,500	3,000
# of Table Games	61	60	60	80	90
# of Poker tables	25	25	25	18	50
Hotel Rooms	0	350	500	300	300

Source: Wells Gaming Research

TABLE 3
PROPOSALS FOR SOUTH CENTRAL ZONE, 2008 AND 2009
PHASE 1 SIZE, VISITATION, AND PROJECTED GAMING REVENUES
(IN 2013)

Capacities & Amenities	Chisholm Creek Phase I (2009 bid)	Harrah's Phase 1 (2008 bid)	Marvel's Trailhead (2008 bid)	Penn National's Hollywood (2008 bid)
Capital Investment	\$125,000,000	\$450,000,000	\$393,000,000	\$365,000,000
Gaming Revenues:	\$144,000,000	\$210,000,000	\$143,000,000	\$129,000,000
Visitor Projections:	2.0 million	2.9 million	1.8 million	1.7 million
Casino:				
Square Footage	54,475	70,000	65,000	70,000
# of Slots	1,300	2,000	2,000	1,500
# of Table games	30	50	65	40
# of Poker tables	Not Specified	9	18	Not Specified
Hotel Rooms	0	365	304	350

Source: Wells Gaming Research

For both the Wyandotte County and Sumner County bids in 2009, the following observations can be made. First, the reduction in the number of bidders from three to one in each Zone creates a situation where the State is disadvantaged in terms of its ability to extract additional economic rents in the form of “sweeteners” from the winning bidders. In a competitive bidding environment, applicant companies would look at the prospect of having an exclusive license and prepare their proposals in terms of what would maximize their expected profitability for such a license; then they would provide additional dimensions to their proposals which could not otherwise be justified on a profitability basis, but which would enhance their chances of winning the bid. In this manner, competing applicants would add incremental dimensions—“sweeteners”—to their proposals which (in their judgment) would make their projects more attractive to the State’s decision-makers.

This pattern was apparent with the bids that were submitted in the fall of 2007 and contested during the Review Board process over the summer of 2008. For example, in 2008, it may have been difficult for bidding companies in both Sumner and Wyandotte Counties to justify the number of hotel rooms proposed, golf courses, themed and branded restaurants, enclosed parking, and other sweeteners on strictly a *Return on Invested Capital* (ROIC) basis. However, such add-ons made particular projects apparently more attractive than they otherwise would have been to decision-makers, and thereby enhanced the likelihood of specific bidders winning the votes of members of the Review Board.

In a non-competitive bidding environment, the motivation to put forward a proposal that will maximize the expected profitability for the applicant for the license remains. However, there is no incentive to offer sweeteners (as defined above) except to reduce the risk that the application might be deemed unacceptable to the Review Board members. Thus, the effective net loss for the State of Kansas is a weakening of its bargaining power that otherwise might have resulted in sweeteners that would enhance the value of the winning applications for the State of Kansas in terms of, say, greater tourist drawing power.

If the remaining applicants were bidding for the two Zone licenses in a normal economic environment, then one could expect that they would put forward applications that would maximize the value of their respective capital investments in light of the anticipated market conditions, based on their respective professional judgments and assessments. In other words, the Sumner County bid should reflect what a profit-maximizing gaming company would develop if it were granted a monopoly license in that marketplace, and the Wyandotte County bid would reflect what a profit-maximizing gaming company would develop if it were granted an exclusive license in that somewhat more competitive marketplace.

However, 2009 is not a normal economic environment, especially with respect to the availability of debt financing at a reasonable rate. According to conversations with representatives of financial institutions with track records of financing casino developments, there is very little financing presently available for “green field” casino projects regardless of their economic potential. Thus, the Chisholm Creek proposal has put forward an “all cash” bid that will require no debt financing. The Kansas Entertainment proposal hopes to fully finance its project, but in their responses, they have indicated they will provide 100% equity financing if need be. In all likelihood, constraints on capital resulted in Phase 1 proposals that are smaller than projects that would optimize the return on invested capital for both Zones.

If the applicants can be trusted to be competent and stable self-interested casino gaming owners and operators, and if they are deemed capable of constructing their Phase 1 facilities, then even if they begin their casino operations with facilities that are smaller and less endowed than what would be optimal for themselves, it can be reasonably expected that, once their gaming facilities are in operation and generating positive cash flow, they will be able to generate reasonably priced debt financing for further expansions to move closer to an optimal configuration. (In anticipation of this eventuality, the Consulting Team decided to develop the *Raving Consulting Alternative Minimum Casino Resort Scenario*. Though this is not necessarily the optimal size of a gaming facility in light of the anticipated market conditions, it is undoubtedly closer to the optimum than the capital constrained Phase 1 proposals from both remaining applicants.)

CAN HOTEL ROOMS BE CONSIDERED “SWEETENERS”?

The capital constrained and non-competitive applications for the South Central Zone and the Northeast Zone have resulted in Phase 1 applications that do not contain any hotel rooms. This raises two important questions that the Review Board needs to contemplate related to the legal mandate of the Kansas Expanded Lottery Act (2007), which states that the Review Board should “... determine which contract best maximizes revenue, encourages tourism and otherwise serves the interests of the people of Kansas.” First, can one argue that a Lottery Gaming Facility without hotel rooms can reasonably be considered to “encourage tourism?” Second, if gaming licenses are granted to the applicants where they have no legal obligation to build hotel rooms, can we expect to see hotel rooms built by the applicants as part of a strategy to maximize their expected future earnings from the projects?

On the tourism question, a Lottery Gaming Facility without hotel rooms is clearly not as tourist-friendly as one that has hotel rooms. Nonetheless, such a facility would still encourage tourism to the extent that out-of-state customers would visit the casino as day-trip-visitors, or as overnight visitors who would utilize other hotel accommodations. In the Kansas City, Kansas market, a Lottery Gaming Facility would draw a significant number of Missouri visitors from the Kansas City, Missouri metropolitan market with or without a hotel. In the general Wichita market, a Lottery Gaming Facility in Mulvane would attract some customers from Oklahoma, as well as other out-of-state residents who were visiting the Wichita area. Empirical estimates of such visitation can be found in the Wells, Cummings, and Civic Economics consultant reports.

For the second question, the answer is less clear. Both Zone casinos are going to be predominantly “local and regional market” casinos, in the sense that a very high proportion of the spending done at those facilities will come from residents of the respective metropolitan areas regardless of the addition of a hotel. Whether it is in the financial interests of a license holder to build hotel rooms in either case depends on the trade-offs inherent between the costs of construction of hotel facilities versus the anticipated incremental revenues (gaming and non-gaming) that can be expected with a hotel of a specified size (in number of hotel rooms) and quality. Many casinos in limited competition marketplaces provide a moderate number of hotel rooms to cater to their “best customers” as well as to those who prefer to spend the evening, even though they may live within reasonable distance of the casino. Some insights into this question can be provided by looking at casinos in other monopoly or limited competition markets, and noting whether or not they chose to build hotel rooms (when they were not obligated by conditions of their licenses to do so.)

Table 4 provides a sampling of various casinos that experience limited competition in their marketplaces and are located within short driving distances of metropolitan markets; the Table reports the number of slot machines and hotel rooms at their facilities. Some of these casinos with no hotel rooms have indicated that they have long-term plans to develop hotel rooms. The others with hotel rooms offer only a moderate number of rooms in comparison to the proposals that the Review Board saw in 2008, suggesting

that, at least for that bidding cycle, many of the hotel rooms proposed were offered as “sweeteners.” Thus, should either or both of the applicants be given licenses for their proposals, the number of hotel rooms that would ultimately be developed will not likely exceed 200 in either venue.

TABLE 4
SELECT CASINOS, SLOT MACHINE COUNTS, AND HOTEL ROOM COUNTS

CASINO	LOCATION	NUMBER OF SLOT MACHINES	NUMBER OF HOTEL ROOMS
Thunder Valley	Sacramento, CA	3,200	0
Cache Creek	Brooks, CA	3,130	200
Red Hawk	Shingle Springs, CA	2,122	0
Jackson Rancheria	Jackson, CA	1,525	146
Par-a-Dice	East Peoria, IL	1,100	201
Grand Victoria	Rising Sun, IN	1,371	201
Belle Terra	Belle Terra, IN	1,600	297
Empress	Joliet, IL	1,194	100
Horseshoe	Hammond, IN	3,200	0
Mystic Lakes	Prior Lake, MN	4,500	586

Source: www.casinocity.com

WHAT IF THE REVIEW BOARD DECIDES NOT TO AWARD LICENSES?

One possibility with one or both Zones is that the Review Board might decide the present application is not adequate in terms of “...best maximizing revenue, encouraging tourism and otherwise serving the interests of the people of Kansas.” If the applications were sent back to the Kansas Lottery for renegotiation, it is difficult to predict how long it would take before new or revised applications could be successfully negotiated with the Lottery, and if so, whether they would result in substantial improvements for the State of Kansas.

In light of the above discussion, if the current applications are deemed inadequate by the Board, it would likely be because, in the opinion of the Board, there was an absence of competition in the bidding process resulting in less (or no) “sweeteners,” and thus did not encourage *enough* tourism and maximize revenue and other benefits for the State of Kansas..

It is possible that renegotiation might lead to a re-opening of the “Request for Proposal” process, which might increase the pool of applicants. However, it is difficult to predict whether this would result in a substantive improvement (from the perspective of the Review Board) in the quantitative and qualitative dimensions of future negotiated contract applications. It is reasonable to assume that the issue of the availability of debt

capital at reasonable rates will only improve as the economy normalizes and the national economic recession transforms into a substantial recovery.

What can be said with some degree of certainty is that if one or both of the current applications are not successful, then the opening of Lottery Gaming Facilities in one or both of the Zones would be delayed, perhaps by between 18 and 36 months (or perhaps indefinitely), depending on the vagaries of the process. (It is possible that, if the current applicants are not successful, the State may choose not to repeat the bidding process one more time.)

The cost to the State of Kansas, in terms of tax revenues foregone because of the absence of gaming operations, can be roughly estimated for delays of various lengths. Based on the Extended Kansas Lottery Act, the State of Kansas is not only the technical owner of the Lottery Gaming Facility, but because it is entitled to 22% of the gaming revenues, it is the largest potential beneficiary from a financial perspective. (Another 5% of gaming revenues would accrue to local governments and to problem gambling treatment and substance abuse programs.)

Based on revenue estimates provided by Wells Gaming Research and Cummings & Associates, the Phase 1 projects in Sumner and Wyandotte Counties would generate annualized Gross Gaming Revenues of about \$144 million and \$156 million respectively (in 2013 dollars). The State's annual share of these revenues would be about \$66 million per annum. Thus, a delay of one, two or three years in the opening of both casinos, under the simplest analysis, would result in foregone revenues to the State of Kansas of about \$66 million, \$132 million, or \$198 million, respectively.

A more thorough analysis of the fiscal implications of delay of granting licenses to the South Central and Northeast Zones can be determined by extrapolating the fiscal impacts as put forward by the Meridian Business Advisors report. Based on their analysis, once both casinos are in full operation, taxes from all sources (gaming, sales, income and property) will contribute approximately \$83 million per annum to the State of Kansas, and an additional \$16 million to the counties and special districts. (This breaks down into \$45 million to the State and \$10 million to the Unified Government in Wyandotte County, and \$38 million to the State and \$6 million to Sumner and Sedgwick Counties, and school and fire districts from the Chisholm Creek project.) Estimated costs associated with the new casinos would be negligible at the State level, about 5% of Unified Government revenues for Wyandotte County, and about 40% of local government revenues for Sumner and Sedgwick Counties. Thus, the annualized net loss to state and local governments of postponing the projects per annum would be in the range of about \$95 million.

Finally, based on the findings of Civic Economics, new spending in Kansas brought about by the Phase 1 casinos (in terms of export (tourist) spending and import substitution) would be \$190 million per annum in 2013 dollars (\$126 million for Kansas Entertainment and \$64 million for Chisholm Creek.) This injection of new spending into

the Kansas economy is the most important long term contributor to new job creation and economic growth linked to the Lottery Gaming Facility projects.

CONCLUSIONS

In light of the unusual events that led up to the bidding process for the South Central and Northeastern Zones in 2009, the Review Board should weigh and evaluate the following questions:

1. Do the project applications, as presented, meet the minimum standards and objectives of the law?
2. Are the applicants able to build their Phase 1 proposals on an all equity basis without having to access debt financing?
3. Once operations are under way, will the applicants have the ability and willingness to develop the Lottery Gaming Facilities to their fullest potential, in terms of maximizing the value of the licenses for the applicants themselves? If so, how long will that take?
4. Does the evidence show that the State would be demonstrably better off by accepting either or both of the applications?
5. Might the State be better off by sending the applications back to the Lottery for renegotiation until the proposals reflect what could occur in a competitive bidding environment with normal economic conditions? If they did, how long would the projects be delayed, and what is the risk they would be permanently cancelled? What would be the total costs of delay if that avenue was pursued?

In light of the fact that for each Zone under consideration, there is only one applicant, the Review board members must vote “yes” or “no” on that applicant. Carefully answering the above questions based on all the evidence and analysis produced by the applicants and the Review Board consultants should be useful in coming to appropriate decisions.

Reports and Evaluations of
Lottery Gaming Facility Review Board
Consultants to Kansas Entertainment Proposal

Cummings Associates

Projections for the Performance of New Gaming Facilities in Kansas

October 19, 2009

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Appendix B: Gaming Revenue Projections – Baseline	
Appendix C: Detail for Sources of Consumer Spending	
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List of Exhibits

(Following the Executive Summary)

A. Summary of Projections

(Following the main body of text, but before the Appendices)

1. Northeast Kansas Area: Casino Locations
2. South-Central Kansas: Casino Location
3. Portion of Model Inputs
4. Gaming-Device “Power Ratings”
5. Projected Power Ratings (etc.)
6. Projections for Kansas Entertainment Phase 1
7. Projections for Kansas Entertainment Raving Minimum
8. Projections for Kansas Entertainment Full Build-Out
9. Projections for Chisholm Creek Phase 1
10. Projections for Chisholm Creek Raving Minimum
11. Projections for Chisholm Creek Full Build-Out
12. Summary of Projections

Projections for the Performance of New Gaming Facilities in Kansas

Executive Summary

The Kansas Lottery Gaming Facility Review Board retained Will Cummings, the author of this report to assess the prospects for likely future gaming revenues at two casinos currently under consideration: Kansas Entertainment LLC, at the Kansas International Speedway in Kansas City, and Chisholm Creek, proposed for the northern edge of Sumner County in South-Central Kansas.

To do this, I have developed and applied “gravity” models, which are used by analysts in assessing many types of consumer behavior. With regard to casino gaming, they are based essentially on the demographics of the areas surrounding each facility, in particular the number of adults residing at various distances, and the ratio of actual gaming revenues obtained to such adult populations at existing facilities. *Access time*, not mileage per se, and population density are the most critical variables. Previous projections based on gravity models have proved, in my opinion, reasonably accurate, and more often conservative than aggressive.

One key concept that I employ throughout my analyses is what I call the “Power Rating” of a casino and/or market. (I focus heavily on slot revenues, because they comprise roughly 90% of the gaming win and an even greater proportion of the profits of almost all casinos in the Midwest.) A Power Rating of 100 represents spending on slot machines that averages \$700 per adult in the market, adjusted for distance, competition, and other factors. This Power Rating is an extension of the “Fair Share” concept. If a casino, for example, has 20% of the slots within a market but attracts 22% of the slot revenues, then it is getting 110% of its “fair share.” My extension involves the element of comparison not just with other casinos in the area but also with the size and distribution of the surrounding population.

I have selected \$700 as the benchmark for slot power ratings based on analysis of many markets across the U.S. This figure appears typical of new casinos in the Midwest that are fairly ordinary, while not taxed too highly or subject to capacity constraints. I therefore call this benchmark “Midwest Standard.” (The corresponding figure for table games is just \$90.)

I developed projections for each facility under three scenarios: Phase I as proposed by each applicant, an alternative initial configuration suggested by Raving Consulting, and a representative fully-built-out configuration suggested by each applicant. The Phase I scenarios do *not* include hotels on-site; all the others do.

With or without these hotels, I expect Kansas’s casinos to perform somewhat better than the Midwest averages. While physically more modest than those proposed in these zones last year, I have projected their likely slot power ratings (based on synergy with area attractions in Kansas City, a slightly “rural” position at Chisholm Creek [rural casinos typically do better], fit, finish

and amenities by way of capital expenditures per gaming position, spaciousness by way of square footage per gaming position, and hotel rooms per gaming position) to range from 102.6 to 103.9. For comparison, the slot power ratings of the best casinos in Kansas City, Missouri, range from 101 to 106, and those of the most recently-constructed major casinos in Iowa from 102 to 107.

In addition to its impact on power ratings, I have reflected the addition of a hotel in some scenarios by extending the “reach” of each casino from its initial 120 or 150 miles (Chisholm Creek and Kansas Entertainment, respectively, with the latter benefiting from existing hotels nearby) to an ultimate figure of 200 miles, which I find typical for casinos with hotels attached.

In coordinated assumptions, Wells Gaming Research and I have assumed zero growth between 2009 and 2010, then three percent inflation into the future. We have assumed 2013 is the year of “stabilized operations” for comparing our projections with those of the applicants’ Phase 1s, and 2015 as the year for which to present projections for each facility at the representative full build-out configuration suggested by its proponent.

My projections for the two gaming facilities are summarized in Exhibit A.

For Kansas Entertainment Phase 1, I project total gaming revenues at \$203.3 million in 2013. With full build-out, assuming that occurs in 2015, I project total gaming revenues at \$261.6 million. These are reasonably close, in my opinion, to the applicant’s projections, which are \$220.2 million and \$326.8 million, respectively (especially because the latter may be for a year well beyond 2015).

For Chisholm Creek Phase 1, I project total gaming revenues at \$163 million, substantially *higher* than the applicant’s \$121.1 million in 2013. Though Chisholm Creek’s Phase 1 facility will be modest, I believe that its situation as effectively “the only game in town” will yield more revenue than they expect.

At full build-out, however, which I once again assume will occur by 2015 while the applicant may not, I project \$192.8 million in total gaming revenues versus the applicant’s \$230 million. Our positions are now reversed: Chisholm Creek’s full-build projections are 19% higher than mine. This is not large in absolute terms (again, especially considering the likely timing difference), but I believe their expectation that such a large *increment* would result from full build-out is unduly aggressive. I would not expect that build-out in this type of market to yield \$110 million in additional gaming revenues each year. In effect, I believe that Chisholm Creek is likely to get more bang for their buck from their *first* \$100 million in CapEx, and less from their second, than they do.

Exhibit A: Summary of Projections

Phase 1s, in 2013 Dollars

(at 3% per annum, skipping 2010)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win		
					Cummings (\$mn)	Applicant (\$mn)	%
Kansas Entertainment / Northeast Zone:							
Phase I as proposed	2,300	103.1	\$171.7	\$204	\$203.3	\$220.2	108%
Raving Minimum	2,300	103.3	\$176.4	\$210	\$209.2		
Chisholm Creek / South-Central Zone:							
Phase I as proposed	1,300	102.6	\$140.8	\$297	\$163.0	\$121.1	74%
Raving Minimum	1,300	103.4	\$145.4	\$306	\$168.3		

Full Build-Outs, in 2015 Dollars

(at 3% per annum, skipping 2010)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win	
					Cummings (\$mn)	Applicant (\$mn)
Kansas Entertainment / Northeast Zone:						
Full Build-Out	3,000	103.9	\$222.9	\$204	\$261.6	\$326.8 * 125% *
Chisholm Creek / South-Central Zone:						
Full Build-Out	2,000	102.9	\$166.7	\$228	\$192.8	\$230.0 * 119% *

* Applicant's projections not specifically for 2015; if further in future, should be deflated to compare with Cummings.

Projections for the Performance of New Gaming Facilities in Kansas

1. Introduction

In 2007, the State of Kansas enacted legislation that authorizes casino gaming in Kansas in the form of “Kansas Lottery Gaming Facilities.” The Kansas Lottery, Racing and Gaming Commission, and Lottery Gaming Facility Review Board have subsequently engaged in two rounds of applications for Lottery Gaming Facility management contracts. As a part of this process, the Lottery Gaming Facility Review Board retained Will Cummings, the author of this report, to assess the prospects for likely future gaming revenues at the various casinos under consideration. In this round of the process, there are two: Kansas Entertainment, LLC, a joint venture of Penn National Gaming and International Speedway Corporation, at the Kansas International Speedway in Kansas City, Kansas, and Chisholm Creek, a consortium led by Lakes Entertainment, Inc., at the northern edge of Sumner County in South-Central Kansas.

Section 2 describes the gravity-model methodology that I have used in brief; I have provided much more detail in Appendix A.

Section 3 describes the major assumptions underlying my analyses. Section 4 presents my projections for likely gaming revenues at the casino proposed by Kansas Entertainment under three scenarios (Phase 1 as proposed by the applicant, an alternative initial configuration suggested by Raving Consulting, and a representative fully-built-out configuration suggested by the applicant), and Section 5 presents my projections for Chisholm Creek under three corresponding scenarios.

Section 6 presents a summary of my conclusions.

2. Methodology

In order to develop my projections for Kansas, I first conducted detailed analyses of the performance of the casinos and gaming-device facilities nearby, and those most comparable in other states, in relation to the demographics of the market areas that surround them. “Geography,” by which I primarily mean the distribution of population, is the most important factor underlying the performance of gaming facilities, as it is indeed for the sales of most consumer goods and services.

My methodology is described in detail in Appendix A. In brief, it is based on the number of adults residing at various distances from each gaming facility in an area, and the ratio of actual revenues obtained to such numbers of adults so distributed. I apply “gravity models” that incorporate data for various geographic subunits in each market such as its adult population, per capita income, urban/rural nature, and distance to the nearest casino(s) and/or race-track gaming-device facilities (or relevant group(s) of such facilities).¹ From these parameters, I estimate the “distance-adjusted” adult population of each market. This figure is intended to represent the effective market population “as if” the entire population resided within ten miles of a gaming-device facility.² In order to do this on a detailed basis, I conducted this analysis by zip code throughout Kansas and in the nearest portions of Missouri. The model also covers the rest of Missouri, all of the other states neighboring Kansas, and portions of many other states nearby to

¹ These are called “gravity” models because in their simplest form, they are similar to Newton’s Law of Gravitation: the “attraction” of each competing facility is inversely proportional to the square of its distance from the relevant population. Because economists named Reilly and Huff pioneered their application to retail sales, they are now called “Reilly” or, more commonly, “Huff models.”

² And also had per capita income of \$20,000 and was urban in nature, i.e., part of a defined metropolitan statistical area. These relationships are based upon statistical analysis of these models and of survey data from several large casino markets. The ten-mile area reflects no special figure; it is simply a benchmark intended to represent convenient access.

ensure complete coverage of all the markets of interest. For the areas most remote from Kansas, I used counties as the basic elements of analysis.³

A portion of my detailed gravity model for slot machines is illustrated in **Exhibit 3** (note that this exhibit extends over two pages, and presents just a small portion of this model). In addition to the demographic data regarding each zip code, a second set of inputs describes its distance from each of many current or potential gaming facilities or groups of such facilities: the three race tracks of Kansas (assumed for this analysis to *not* proceed with the development of their gaming facilities, as they have stated they will not do so under current law), the two prospective casinos examined here, the five existing Indian casinos in Kansas, and the casinos of Missouri, Iowa, Colorado, and all other states in the region.

The model takes the distance (or travel time) *from* each geographic market segment *to* each of the competing gaming-device facilities, identifies the closest such facility, and based on that distance, estimates a “distance-adjusted” adult population for each market segment. Again, these figures represent the number of adults that would generate the estimated level of spending if they all lived within ten miles of the facility. For the State as a whole (and for all the adjoining markets), these figures are lower than the actual adult population, because most people live more than ten miles from such a facility. The model then distributes the distance-adjusted adult populations of each market segment across all the competing facilities, depending upon distance and attractiveness.

In order to project likely revenues for the alternative sites, I analyzed not only the markets nearby but also many other major markets across the country in similar fashion. The results are

³ Because I had similar models available from other studies, I actually analyzed all of Iowa, most of Indiana and some of Illinois by zip code. I have also studied much of the Northeast on this detailed

summarized in **Exhibit 4**. This exhibit presents an index that I call a “power rating” for each of the facilities (or groups thereof) in the major markets of the Midwest and Northeastern U.S.⁴ These power ratings represent annual spending on slot machines (and/or VLTs) per “distance-adjusted” adult compared to a representative “Midwest Standard” figure of \$700 (the middle yellow bar in each exhibit). Annual spending averaging \$770 per (distance-adjusted) adult would translate into a power rating of 110 (the upper yellow bar); \$630 into a power rating of 90 (the lower yellow bar).

(I have conducted similar analyses of and developed a corresponding model for table games. As electronic gaming devices now comprise 80% to 90% of the revenues of most casinos in the U.S., I focus heavily on them. The corresponding “Midwest Standard” benchmark for consumer spending on table games is just \$90 per distance-adjusted adult per year.)

This exhibit presents the broad range of markets in three groups: Northeastern U.S. in the first column, medium to large markets elsewhere in the second column, and very rural markets in the third column. Rural facilities often do very well.⁵ More competitive markets also generally

basis, as well as the markets of New Mexico.

⁴ It may be helpful to consider these power ratings as a kind of extension of the “fair share” concept that is often used to compare different gaming facilities. If, for example, all the slot machines in a given market average \$200 in win per day as a group, a facility at which they win \$240 per day is said to do 120% of its “fair share.” One that wins \$180 per machine per day is said to do just 90% of its fair share.

The concepts behind my power ratings are similar, but include analyses of the surrounding demographics. If there are many people and few machines in an area (Chicago, for example), each machine *should* win a lot each day. In rural Iowa, on the other hand, there are many more machines and many fewer people. A facility with the same power rating will win much less per machine per day than in Chicago, but will do equally well in attracting spending from the (smaller) surrounding population.

⁵ As described in Appendix A, there are at least three reasons why rural facilities appear to do well: (i) it is easier to get around in those areas, (ii) there is less commercial leisure and entertainment competition, and (iii) there appears to be a “survival bias” (in small markets, often only the best survive, so these are therefore overrepresented in the statistics).

attract higher rates of spending, but as they may be either urban or rural I have not devoted a separate column to them.

The four full-scale casinos that currently serve the Kansas City area are highlighted by pale green shading. Their power ratings have actually increased somewhat since 2008 due to the abolition of loss limits in that State:

Facility	Slot Rating FY2008	Slot Rating 2009
Harrahs North Kansas City	103.5	105.6
Argosy Riverside	97.2	103.2
Ameristar KC	98.6	100.9
Isle of Capri	80.9	81.3

Most other slot power ratings have changed very little since my analyses in 2008. In contrast to Nevada and a few other places like Connecticut, where sharp declines in casino revenues have attracted much attention, *most* regional casino markets have seen consumer spending hold fairly steady through the recent recession.

I reviewed the performance of the casinos not only in Kansas City, Missouri, but also across Missouri, Iowa, and the rest of the Midwest in order to develop the specific assumptions described in the next section. These are basically that the new casinos look and perform very similar(ly) to those in KCMO, and the newest in Iowa, within the limits of their specific configurations (no hotels or meeting facilities in Phase 1, for example).

The resulting projections are presented in Sections 4 and 5.

3. Major Assumptions

In general, I have assumed that the people of Kansas will be similar to those of the rest of the Midwest in terms of “propensity to gamble,” that its facilities will be broadly comparable to those elsewhere, and that they will operate within the parameters of the current state law.

Exhibit 5 presents my assumptions regarding the “power ratings” of the new facilities under each of the three scenarios I have examined. While admittedly somewhat subjective, I have attempted to quantify the impacts of the configuration of the proposed casino under each scenario on both the power ratings and “reach” that would likely apply. For power ratings, I have included synergy with area attractions (the Legends Mall, Nebraska Furniture Mart, and Cabela’s at the Speedway, as well as the Speedway itself), the slightly “rural” position of Chisholm Creek (again, rural facilities do better), fit, finish and amenities by way of capital expenditures per gaming position, spaciousness by way of square footage per gaming position, and hotel rooms per gaming position.⁶

At Kansas Entertainment, the proposed Phase 1 configuration comprises 2,300 slot machines, 61 table games, no hotel, and modest options regarding food and beverage. Raving Consulting’s alternative “minimum” configuration (with the same size casino) includes 200 hotel rooms, meeting space, and slightly more F&B. Kansas Entertainment’s suggested full build-out configuration includes 3,000 slot machines, 75 tables, 500 hotel rooms, and additional amenities.⁷

⁶ Wells Gaming Research quantifies these, and many other characteristics of each casino, in the “mass index” that they use in their gravity models. My power ratings are generally more of a top-down approach; theirs is more bottom-up.

⁷ I have not attempted to quantify the impacts of food and beverage nor other amenities except implicitly and fuzzily through my consideration of bricks-and-mortar dollars per gaming position.

At Chisholm Creek, Phase 1 includes 1,300 slot machines, 30 table games, no hotel, and even more modest food and beverage. Raving's alternative minimum configuration adds 100 hotel rooms here, but relatively more food and beverage, etc. The applicant's suggested full build-out includes 2,000 slots, 50 tables (perhaps including poker), and 150 hotel rooms.

The resulting power ratings range from 102.6 to 103.9. For comparison, the slot power ratings of the best casinos in Kansas City, Missouri, range from 101 to 106, and those of the most recently-constructed major facilities in Iowa from 102 to 107.

In addition to its impact on power rating, I have followed my standard procedures in varying the "reach" of each facility depending on the proximity of hotel rooms. If a gaming facility has a hotel on-site, then I begin to fade its "attractiveness" (at a rate greater than the inverse-square-laws of Newton and Reilly) at 200 miles.⁸ Without *any* hotel rooms nearby (as will be the case for Chisholm Creek Phase 1), I begin this fade at 100 to 120 miles, as it must essentially rely on day-trippers. With some hotel rooms in the immediate vicinity (as for Kansas Entertainment), I begin the fade at the intermediate distance of 150 miles.

I have assumed that the new Boot Hill Casino opens in Dodge City as scheduled late this year, and that its (ultimate) performance is similar to that which I projected last year. (I have in fact used my current models to update those projections, but they are not materially different.) I have assumed no other significant new casinos, or video lottery terminals, in Kansas or in the neighboring areas of adjoining states.

To develop projections based on these assumptions, I took the detailed model illustrated (in part) in Exhibit 3, calculated the numbers of "distance-adjusted" adults likely to patronize the

⁸ This low-pass filter is entirely empirical. Few regional casinos, even those than can fairly be characterized as full-fledged destination resorts, draw well from beyond this distance.

new facilities, and then applied the average rates of spending for each (\$700 for slot machines and \$90 for table games). The results are described below.

For Chisholm Creek in the South-Central Zone I have added an estimate of the potential contribution from passers-by on the Kansas Turnpike, where long-distance traffic averages 14,600 vehicles per day (roughly one-quarter of these are trucks). Casinos in Iowa and New Mexico in somewhat more remote situations appear to obtain incremental slot revenues on the order of one to two dollars per passing vehicle. I have assumed fifty cents per passing vehicle at Chisholm Creek, less than that elsewhere, due to the competing attractions of nearby Wichita. I have assumed no such “traffic intercept” revenues at Kansas Entertainment, figuring that most such traffic would be stopping in the Kansas City area anyway and thereby captured in the average rates of spending per local resident.⁹

All my analyses and projections were initially developed in terms of 2009 dollars. I then inflated these projections to “then-year” dollars for comparability with the applicants’ projections.

There will likely be initial (first-year) transients on the order of ten to twenty percent as each new facility works out its kinks. In particular, it will take some time to develop the players list upon which its critical targeted marketing efforts will depend. In the markets with less experience (Dodge City and the South-Central Zone), this process may be somewhat more

⁹ These ratios are based on the experience elsewhere which, in my opinion, appropriately reflects the contributions of long-distance travelers who are likely to stop in major metropolitan areas like Kansas City.

intense and extended. After this period, however, assuming recovery to “normal” economic conditions,¹⁰ I expect “outyear” win to grow by roughly three percent per year.

In coordination with Wells Gaming Research, I have used 2013 as the year of “stabilized operations” for comparing my Baseline projections with the applicants’, and 2015 as the year for which to present projections for each facility at the representative full build-out configuration suggested by its proponent.

¹⁰ Though not until well into 2010. Specifically, for my future-dollar projections, I have assumed zero growth between 2009 and 2010, then three percent per year into the future.

4. Projections for Kansas Entertainment

My projections for Kansas Entertainment Phase 1, along with those for the other major casinos in the region following its opening, are summarized in **Exhibit 6**. In 2013, I project slot win at \$171.7 million, or \$204/slot/day, and total gaming win at \$203.3 million.

For comparison, the applicant projects total gaming win at \$220.2 million. The difference of eight percent between our projections is not significant. When I assess their projection via my methodology, the power rating that I infer is 106.1. My projection is that Kansas Entertainment will win 106% of its “fair share” of the market. Their projections, when I plug them into my model, imply a fair share of roughly 117%. These are all very reasonable figures.¹¹

My projections for Raving Consulting’s alternative minimum configuration, which most prominently includes 200 hotel rooms in Phase 1, are presented in **Exhibit 7**. With this configuration, I project total gaming win at \$209.2 million in 2013. This represents an increase of \$5.9 million from Phase 1 as proposed by the applicant, which equates to roughly \$80 per hotel room per night. As a *net* figure, this appears very reasonable to me.

Exhibit 8 presents my projections for “full build-out” as suggested by the applicant, which includes 3,000 slot machines, 75 table games, and 500 hotel rooms. In 2015, I project slot win at \$222.9 million under this scenario, also \$204/slot/day, and total gaming win at \$261.6 million.

For comparison, the applicant projects total gaming win at \$326.8 million with this configuration, 25% higher than my projections. It is not clear, however, whether the applicant

¹¹ In addition to my point estimate, I have used my model to develop likely “high” and “low” estimates for total gaming revenues. These are intended to represent one standard deviation above and below my point estimate; that is, there is roughly one chance out of three that the actual value will fall

expects this figure in 2015 or at some later date. If later, their figure should be discounted to bring it back to 2015 dollars to compare with mine. Since the difference between our figures is otherwise modest, as such projections go, I am not concerned with it.¹²

My projection for Kansas Entertainment at full build-out implies that it will win 105% of its fair share of the market under this scenario. This is actually slightly less than the 106% I project for Phase 1, but its 3,000 slots here will comprise 26% of the total market, while its initial 2,300 comprised only 21%. It is very hard to grow so much in size and increase “fair share” at the same time.

When I assess their full-build-out projection via my methodology, the power rating that I infer is 111.5, which results in winning 128% of their fair share of the market. While above average, these figures remain reasonable. They are a far cry from this zone in 2008, when three of the four applicants projected that they would win at least 153% of their fair share.

outside of this range. My low estimate for Phase 1 in 2013 is \$171.6 million; my high estimate is \$239.8 million. The applicant’s projections are well within this range.

¹² My one-standard-deviation low-to-high range for full build-out in 2015 is \$221 million to \$308.4 million. Since the applicant’s projection of \$326.8 million may be for a much later year than 2015, it may well fall within this range on an apples-to-apples basis.

5. Projections for Chisholm Creek

My projections for Phase 1 at Chisholm Creek are summarized in **Exhibit 9**. In 2013, I project slot win at \$140.8 million, or \$297/slot/day, and total gaming win at \$163 million.¹³

For comparison, the applicant projects total gaming win at just \$121.1 million in 2013, which is 26% less than my figure. When I assess their projection via my methodology, the power rating that I infer is just 90.

This is a substantial difference. While *some* facilities do perform at such low levels, they are typically old riverboats, capacity-constrained, and/or burdened by high tax rates. Though Chisholm Creek's Phase 1 facility will be modest, I believe its situation as effectively "the only game in town" should yield revenues far closer to my estimate than to theirs.

My projections for Raving Consulting's alternative minimum configuration, which includes 100 hotel rooms in Phase 1, are presented in **Exhibit 10**. Under this scenario, I project total gaming win at \$168.3 million in 2013. This represents an increase of \$5.3 million from Phase 1 as proposed by the applicant, which equates to roughly \$145 per hotel room per night. As a *net* figure, this appears high on the surface, but is likely reasonable given (a) Chisholm Creek's monopoly position (it can be more selective in granting freebies to its players) and (b) the additional food and beverage amenities that Raving also added under this scenario. Chisholm Creek is starting from a very low base there.

Exhibit 11 presents my projections for "full build-out" as suggested by the applicant, which includes 2,000 slot machines, 50 table games, and 150 hotel rooms. In 2015, I project slot win at \$166.7 million under this scenario, or \$228/slot/day, and total gaming win at \$192.8

¹³ My range from low to high for Chisholm Creek Phase 1 is \$148.7 million to \$177.9 million.

million.¹⁴ This is a relatively modest increase from Phase 1, but in my opinion, rightfully so. In a monopoly market like South-Central Kansas, adding capacity and/or amenities is likely to have far less impact than in a more competitive market like Kansas City.

For comparison, the applicant projects total gaming win under this scenario at \$230 million, 19% higher than my projections. As with Kansas Entertainment, however, it is not clear that the applicant expects this figure in 2015 rather than some later date. If later, their figure should be discounted to bring it back to 2015 dollars to compare with mine. Since the difference between our figures is otherwise modest, as such projections go, I am not concerned with it.

I am, however, concerned with the *difference* between the applicant's expectations for its gaming revenues under Phase 1 (\$121 million) and upon full build-out (\$230 million). In a monopoly market like this, I would not expect the addition of roughly \$100 million in capital expenditures to an existing facility to have this sort of impact unless that facility was seriously undersized to start with. That is not the case here. I believe Chisholm Creek is likely to get more bang for their buck from the first \$100 million that they invest than they do, and less from their second.

When I assess their full-build-out projection via my methodology, the power rating that I infer is 115.7. While significantly above average, it is comparable to the level that I estimate for the typical casino in Louisiana and Mississippi. If South-Central Kansas turns out to be a market like these, total revenues of \$230 million could be very achievable.

As in the Northeast Zone, this applicant's projections are in any case far more reasonable than those in 2008. When plugging their projections into my models, I inferred that last year's applicants in the South-Central Zone implicitly expected power ratings ranging from 123 to 134.

¹⁴ My range from low to high for full build-out (in 2015\$) is \$175.9 million to \$210.8 million.

Only the massive increase between Chisholm Creek's expectations for Phase 1 and those for its ultimate full build-out appears questionable to me.

6. Conclusions

Exhibit 12 summarizes my projections for these two gaming facilities.

For Kansas Entertainment, I project the total gaming revenues of its Phase 1 project at \$203.3 million in 2013. With full build-out, assuming that occurs in 2015, I project total gaming revenues at \$261.6 million. These are reasonably close, in my opinion, to the applicant's projections, which are \$220.2 million and \$326.8 million, respectively (again, especially considering that the latter may be for a year well beyond 2015).

For Chisholm Creek, I project the total gaming revenues of its Phase 1 project at \$163 million, substantially *higher* than the applicant's expectation of \$121.1 million in 2013.

At full build-out, however, which I once again assume will occur by 2015 though the applicant may not, I project \$192.8 in total gaming revenues, versus Chisholm Creek's projection of \$230 million. The difference of 19% is not large in absolute terms (again, a timing difference is likely), but the expectation that going to their full build-out is likely to yield \$110 million in additional gaming revenues each year appears unduly aggressive. In effect, I believe that Chisholm Creek is likely to get more bang for their buck from their *first* \$100 million in CapEx, and less from their second, than they do.

My analyses and projections are based upon the assumptions described herein. Some of these assumptions will inevitably not materialize, and unanticipated events and circumstances will occur. The actual results will therefore vary from my projections, and such variations may be material.

Cummings Associates

Projections for the Performance of New Gaming Facilities in Kansas

Exhibits

October 19, 2009

List of Exhibits

Exhibit

- A Summary of Projections
- 1 Northeast Kansas Area: Casino Locations
- 2 South-Central Kansas: Casino Location
- 3 Portion of Model Inputs
- 4 Gaming-Device "Power Ratings"
- 5 Projected Power Ratings (etc.)
- 6 Projections for Kansas Entertainment Phase 1
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- 8 Projections for Kansas Entertainment Full Build-Out
- 9 Projections for Chisholm Creek Phase 1
- 10 Projections for Chisholm Creek Raving Minimum
- 11 Projections for Chisholm Creek Full Build-Out
- 12 Summary of Projections

Exhibit 1: Northeast Kansas Area: Casino Locations

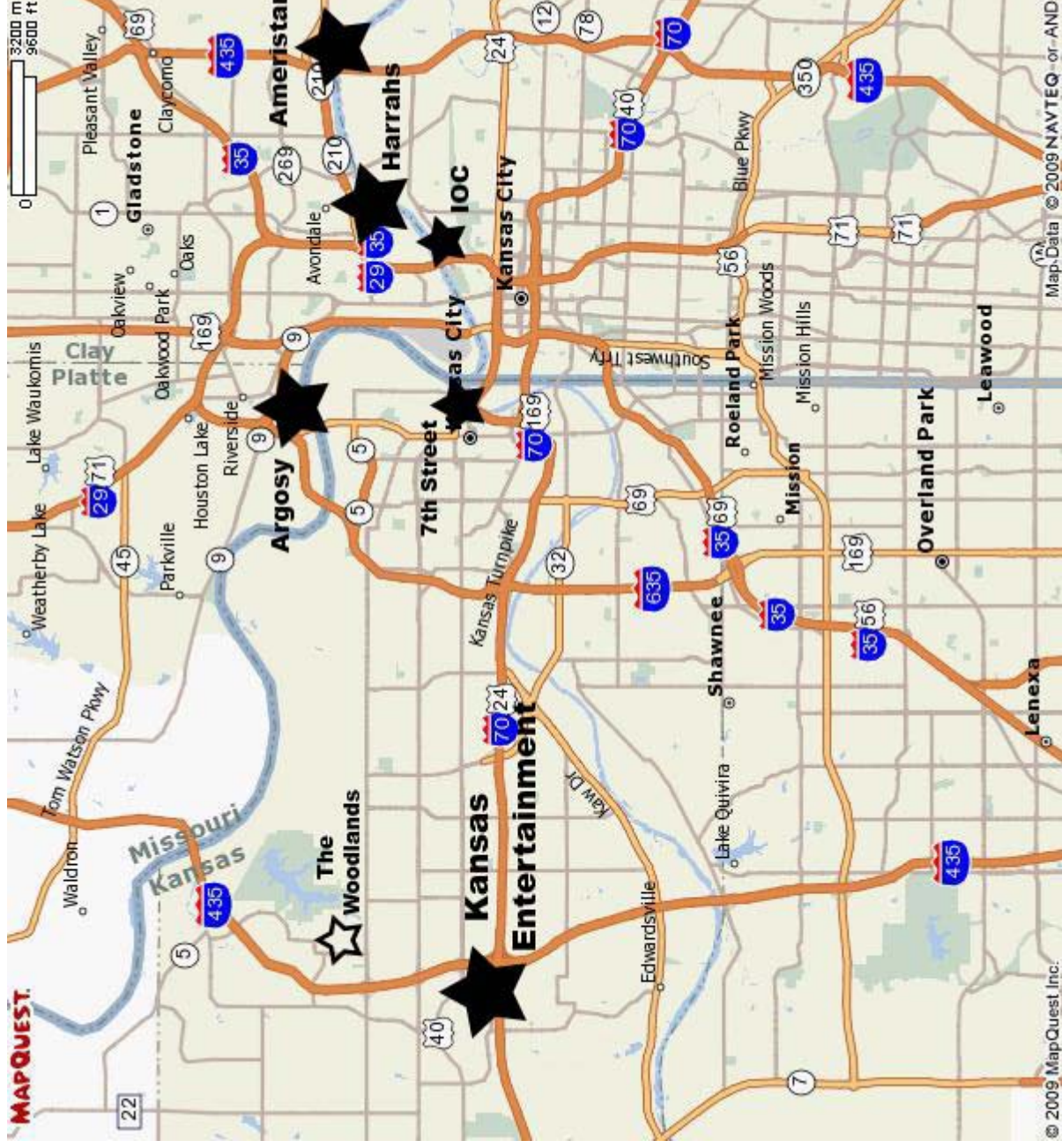


Exhibit 2: South-Central Kansas: Casino Location

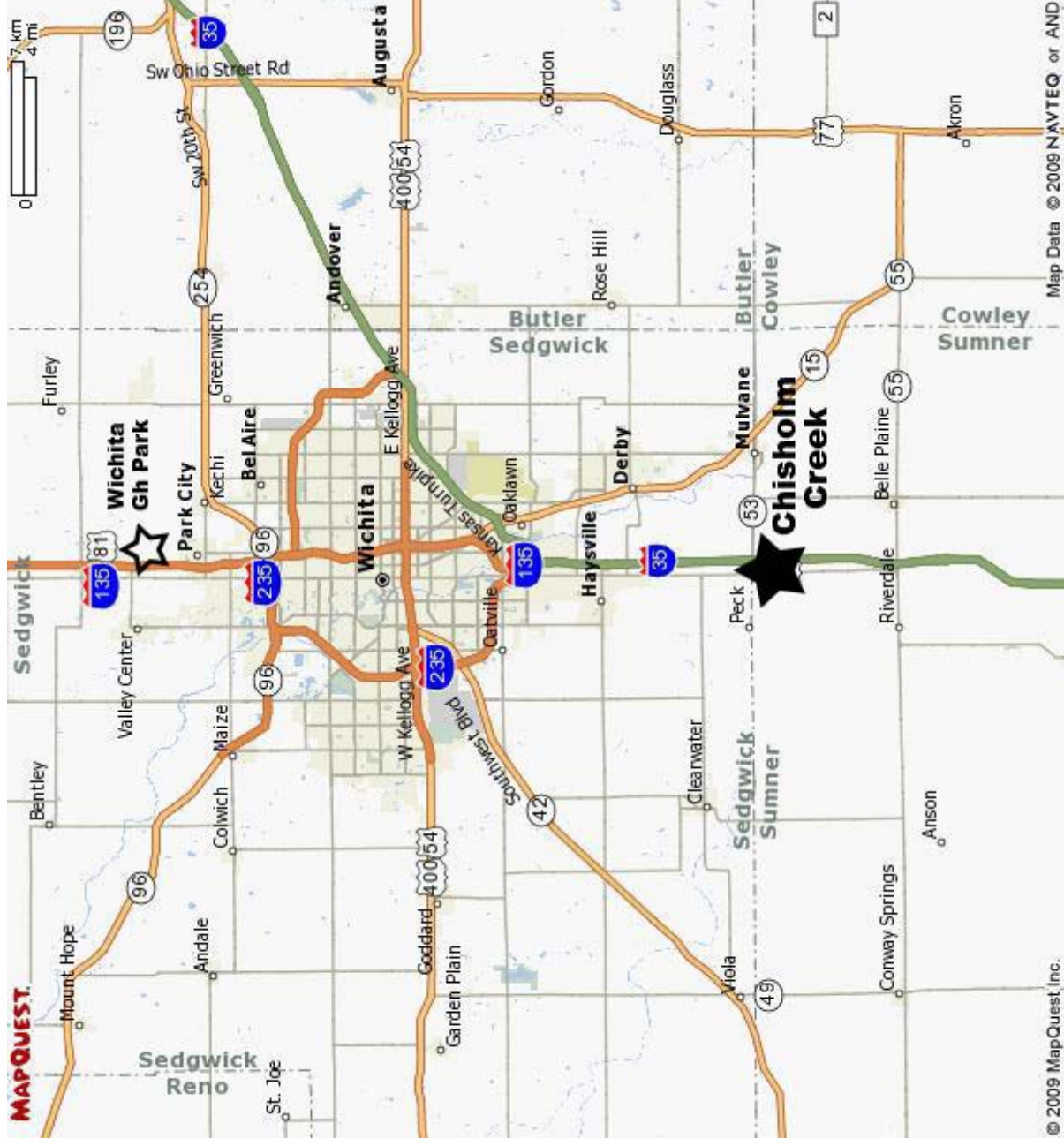


Exhibit 3: Portion of Model Inputs

Kansas Slot Estimates

Average Distances:

(NB travel times input later)

State	County / ZIP	Woodlnds	Camptn	WGP	open	Ent'mt	open	Creek	open	Hill	open	Cloud	Horton	Mayett
KS	Allen / 66732	102	43	117	...	100	...	128	...	266	...	155	142	122
KS	Allen / 66748	112	56	102	...	110	...	114	...	251	...	154	134	113
KS	Allen / 66749	103	61	106	...	101	...	121	...	255	...	146	127	106
KS	Allen / 66751	101	56	111	...	98	...	125	...	260	...	145	130	110
KS	Allen / 66755	93	51	120	...	91	...	134	...	269	...	146	134	114
KS	Allen / 66772	106	40	118	...	104	...	126	...	265	...	159	146	126
KS	Anderson / 66014	69	61	139	...	67	...	156	...	287	...	132	121	102
KS	Anderson / 66015	92	68	113	...	90	...	130	...	262	...	135	118	97
KS	Anderson / 66032	74	76	129	...	71	...	147	...	276	...	121	107	88
KS	Anderson / 66033	64	77	139	...	61	...	157	...	285	...	117	106	87
KS	Anderson / 66039	82	60	127	...	79	...	143	...	275	...	136	123	104
KS	Anderson / 66091	83	71	121	...	81	...	138	...	269	...	128	113	93
KS	Anderson / 66093	90	77	112	...	88	...	129	...	260	...	131	110	89
KS	Atchison / 66002	40	158	205	...	42	...	226	...	341	...	35	31	44
KS	Atchison / 66016	43	158	192	...	44	...	214	...	329	...	36	27	32
KS	Atchison / 66023	50	164	185	...	52	...	207	...	321	...	39	20	24
:	:	:	:	:	...	:	...	:	...	:	...	:	:	:
:	:	:	:	:	...	:	...	:	...	:	...	:	:	:
:	:	:	:	:	...	:	...	:	...	:	...	:	:	:
KS	Wyandotte / 66106	9	113	195	...	8	...	215	...	337	...	84	79	65
KS	Wyandotte / 66109	7	120	196	...	7	...	216	...	337	...	76	70	57
KS	Wyandotte / 66111	7	115	196	...	7	...	216	...	337	...	82	76	63
KS	Wyandotte / 66112	7	117	196	...	7	...	216	...	337	...	79	73	60
KS	Wyandotte / 66118	12	117	203	...	11	...	223	...	344	...	86	81	69

Total KS

Exhibit 3: Portion of Model Inputs

Kansas Slot Estimates

State	County / ZIP	Powhat	A'star KC	Closest (before KS facils)	2006 Adult Population	2000 PCI	Urban?	Impacts:		
								Dstnce	Urban?	Income Dist-Adj Adults
KS	Allen / 66732	147	114	71	229	\$15,160	100%	20%	100%	87% 39
KS	Allen / 66748	139	125	81	1,991	\$15,160	100%	18%	100%	87% 310
KS	Allen / 66749	132	116	88	6,015	\$15,160	100%	17%	100%	87% 889
KS	Allen / 66751	135	113	83	719	\$15,160	100%	18%	100%	87% 110
KS	Allen / 66755	139	105	80	862	\$15,160	100%	18%	100%	87% 136
KS	Allen / 66772	151	118	67	210	\$15,160	100%	21%	100%	87% 37
KS	Anderson / 66014	127	81	76	231	\$15,033	100%	19%	100%	86% 37
KS	Anderson / 66015	123	106	96	549	\$15,033	100%	16%	100%	86% 76
KS	Anderson / 66032	113	87	82	3,396	\$15,033	100%	18%	100%	86% 524
KS	Anderson / 66033	111	77	72	513	\$15,033	100%	20%	100%	86% 87
KS	Anderson / 66039	129	94	89	464	\$15,033	100%	17%	100%	86% 68
KS	Anderson / 66091	118	97	91	227	\$15,033	100%	17%	100%	86% 32
KS	Anderson / 66093	114	104	89	445	\$15,033	100%	17%	100%	86% 65
KS	Atchison / 66002	37	54	25	9,532	\$16,400	100%	42%	100%	90% 3,570
KS	Atchison / 66016	33	58	27	418	\$16,400	100%	39%	100%	90% 146
KS	Atchison / 66023	26	66	20	888	\$16,400	100%	49%	100%	90% 389
:	:	:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:	:	:
KS	Wyandotte / 66106	85	16	10	8,071	\$15,966	100%	76%	100%	89% 10,633
KS	Wyandotte / 66109	76	17	10	18,242	\$15,966	100%	77%	100%	89% 7,055
KS	Wyandotte / 66111	82	16	10	3,694	\$15,966	100%	79%	100%	89% 4,945
KS	Wyandotte / 66112	79	16	10	1,991	\$15,966	100%	80%	100%	89% 5,547
KS	Wyandotte / 66118	87	9	7	95	\$15,966	100%	100%	100%	89% 1
Total KS					1,943,042					651,859

Exhibit 4: Gaming-Device "Power Ratings"

(Total Annual Spending versus benchmark of \$700)

Northeastern US Markets		Medium to Large Midwest (+/-) Markets		Rural Markets West & Midwest	
				Deadwood, SD	129.9
				S Dakota Indian avg. (8)	124.7 e
				Upstate Michigan avg.	120.0 e
				Kansas Natives avg.	116.9 e
				Diamond Jo Worth, IA	116.7
		Mississippi / Louisiana (average of MANY facilities)	115.5	Terribles Lakeside. IA	115.6
				Iowa Natives average	112.0 e
Midwest Standard +10%				Upstate Wisconsin avg.	110.0 e
		Dubuque Greyh Park, IA	108.9	Emmetsburg, IA	109.1
		Albuquerque, NM avg.	107.4		
		Horseshoe / Bluffs Run, IA	107.4		
Atlantic City, NJ avg.	107.1	Dubuque Diamond Jo, IA	107.1	Colorado (2)	106.6
		Riverside, IA	106.7	IOC Marquette, IA	106.4 o
		Ameristar Council Bluffs, IA	105.7	IOC Boonville, MO	106.3 o
		Harrahs NKCMO	105.6	Other New Mexico avg.	105.7
Niagara (NY) casino	104.1 e	Argosy Riverside, MO	103.1	Mt. Pleasant, MI	102.6 e
		IOC Waterloo, IA	101.7	Wisconsin Dells	102.1 e
		Harrahs Council Bluffs, IA	101.2		
		Ameristar KCMO	101.0		
		Prairie Meadows, IA	100.4		
		Michigan City, IN	100.4		
"Midwest Standard"					
		Harrahs Joliet, IL	100.0 o		
Mohegan Sun, CT	98.3 o	Harrahs W St Louis	97.9		
		Clinton, IA	96.7	Metropolis, IL/KY	97.0 o
		Argosy Sioux City, IA	95.7 o		
		Ameristar St Chas, MO	95.4		
		Jumers Rock Island, IL	94.7		
		St Jo MO	94.6 o		
		Cattfish Bend Burlington, IA	94.4		
		IOC Bettendorf, IA	94.0 o		
Foxwoods, CT	93.7 o	Belterra, Florence, IN	93.7		
Salamanca, NY	93.7 e	Ameristar, E Chicago IN	93.6 o		
				Mark Twain, MO	93.0 o
Dover Downs, DE	91.4	East St Louis, IL	90.4 o		
Midwest Standard -10%					
Harrington Raceway, DE	89.4	Green Bay, WI	89.6 e		
		Rhythm City, IA	88.7 o		
Wheeling, WV	88.4	Grand Vic, Rising Sun, IN	88.1 o	Caruthersville, MO	88.0 o
Delaware Park	87.4	Hammond, IN	87.9	French Lick, IN	87.9
Charles Town, WV	87.3				
Erie, PA	86.7	Aurora (Chicago), IL	86.6 o		
Mohegan @ Pocono Downs	86.0	Elgin (Chicago) IL	86.4 o		
Tioga Downs, NY	85.9	Hollywood, Lawr'burg, IN	86.1 o*		
Philadelphia Park	85.0	Joliet Empress, IL	85.1 o		
Saratoga, NY	84.7	Hoosier Park, IN	84.3		
Penn National (Harrisburg)	83.6	Louisville, KY/IN	84.0 o		
Vernon Downs, NY	83.4	Indiana Downs	83.4		
Harrahs @ Chester, PA	83.0	Majestic Star, Gary IN	83.1 o		
		Detroit (avg / 3 facils)	82.3 o		
Hollywood @ Bangor, ME	81.0	IOC KCMO	81.3 o		
Mount Airy (Pocono), PA	81.0	Milwaukee, WI	81.0 e o		
Finger Lakes, NY	80.1	Lumiere + Admiral, St Louis	80.3 o*		
Batavia, NY	79.6				
The Meadows (Pittsburgh)	77.9				
(Buffalo) Fairgrounds, NY	77.6				
Newport Grand, RI	77.1	South Dakota VLTs	77.3		
Mountaineer Park, WV	77.1				
Tri-State, WV	75.3	Peoria, IL	74.3 o		
		KCKS 7th St Casino	72.9 e o		
Empire City @ Yonkers, NY	71.1 o	Montana VLTs	71.0		
Twin Rivers @ Lincoln, RI	70.7 o				
Monticello, NY	69.3	Evansville, IN	69.4 o		

Exhibit 5: Projected Power Ratings (etc.)

	Kansas Entertainment			Chisholm Creek		
	Phase 1	Raving	Full Build	Phase 1	Raving	Full Build
Gaming Positions (not inc. poker):	2,666	2,666	3,450	1,480	1,480	2,300
Baselines for Slots:						
Midwest Standard	100.00	100.00	100.00	100.00	100.00	100.00
Synergy with Area Attractions	1.00	1.00	1.00			
Distance from Major Population				1.00	1.00	1.00
Bricks & Mortar \$ / Gaming Position (in \$100ks)	1.35	1.35	1.82	0.84	1.52	0.98
Casino Square Footage / Gaming Position (x .02)	0.75	0.75	0.74	0.78	0.78	0.83
Hotel Rooms / Gaming Position (x 2)	0.00	0.15	0.29	0.00	0.14	0.13
	-----	-----	-----	-----	-----	-----
Total Power Rating	103.10	103.25	103.85	102.62	103.43	102.93
"Reach" (miles before extra decline with distance)	150	200	200	120	200	200
Compare: Last year at this location			103.86			104.00

Note: 100 = "Midwest Standard." Latest major facilities in Iowa range from 102 to 107. "Big Three" KCMO facilities currently range from 101 to 106. Table power ratings all 100 or less. I have assumed 103 for tables in KCKS (the "3" reflects poker), 100 at Chisholm Creek.

Exhibit 6: Gaming Revenue Projections (\$mn / 2013\$)

Kansas Entertainment Phase 1

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.1	\$171.7	\$204	\$203.3
Chisholm Creek	1,300	102.6	\$140.8	\$297	\$163.0
Boot Hill / Dodge City	875	112.0	\$41.7	\$131	\$46.7
Subtotal Kansas Taxable	4,475		\$354.1	\$217	\$413.0
KCK 7th Street	560	72.7	\$15.2	\$74	\$15.2
4 Northeast KS Natives	3,293	116.9	\$163.6	\$136	\$183.1
Total Kansas	8,218		\$532.9	\$178	\$611.3
memo: Northeast Zone	2,300		\$171.7	\$204	\$203.3
memo: Southeast Zone					
memo: South Central Zone	1,300		\$140.8	\$297	\$163.0
Argosy Riverside	1,899	103.2	\$158.3	\$228	\$173.0
IOC KC	1,514	81.3	\$69.2	\$125	\$75.0
Harrahs NKC	1,783	105.6	\$156.0	\$240	\$180.6
Ameristar KC	3,009	100.9	\$205.1	\$187	\$228.6
Sugar Creek					
Subtotal KCMO	8,205		\$588.7	\$197	\$657.2
Greater KC Total	11,065		\$775.5	\$192	\$875.7
Greater Joplin Total	8,463		\$190.9	\$62	\$200.6
Greater Wichita Total	7,032		\$242.2	\$94	\$268.2
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$480.0	\$279.5	\$759.4	
from Others (")		\$131.3			
Net Plus or Minus:			(\$148.2)		

Exhibit 7: Gaming Revenue Projections (\$mn / 2013\$)

Kansas Entertainment Raving Minimum

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.3	\$176.4	\$210	\$209.2
Chisholm Creek	1,300	102.6	\$140.4	\$296	\$162.5
Boot Hill / Dodge City	875	112.0	\$41.5	\$130	\$46.5
	-----		-----	-----	-----
Subtotal Kansas Taxable	4,475		\$358.4	\$219	\$418.2
KCK 7th Street	560	72.7	\$15.2	\$74	\$15.2
4 Northeast KS Natives	3,293	116.9	\$163.2	\$136	\$182.6
	-----		-----		-----
Total Kansas	8,218		\$536.8	\$179	\$616.0
memo: Northeast Zone	2,300		\$176.4	\$210	\$209.2
memo: Southeast Zone					
memo: South Central Zone	1,300		\$140.4	\$296	\$162.5
Argosy Riverside	1,899	103.2	\$158.1	\$228	\$172.8
IOC KC	1,514	81.3	\$69.2	\$125	\$74.9
Harrahs NKC	1,783	105.6	\$155.8	\$239	\$180.3
Ameristar KC	3,009	100.9	\$204.9	\$187	\$228.4
Sugar Creek					
	-----		-----		-----
Subtotal KCMO	8,205		\$588.0	\$196	\$656.5
Greater KC Total	11,065		\$779.6	\$193	\$880.8
Greater Joplin Total	8,463		\$190.5	\$62	\$200.1
Greater Wichita Total	7,032		\$241.7	\$94	\$267.6
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$480.8	\$278.8	\$759.6	
from Others (")		\$135.2			
Net Plus or Minus:			(\$143.6)		

Exhibit 8: Gaming Revenue Projections (\$mn / 2015\$)

Kansas Entertainment Full Build-Out

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	3,000	103.9	\$222.9	\$204	\$261.6
Chisholm Creek	1,300	102.6	\$148.7	\$313	\$172.1
Boot Hill / Dodge City	875	112.0	\$44.0	\$138	\$49.2
Subtotal Kansas Taxable	5,175		\$415.6	\$220	\$483.0
KCK 7th Street	560	72.7	\$15.3	\$75	\$15.3
4 Northeast KS Natives	3,293	116.9	\$168.9	\$141	\$189.1
Total Kansas	8,918		\$599.8	\$184	\$687.3
memo: Northeast Zone	3,000		\$222.9	\$204	\$261.6
memo: Southeast Zone					
memo: South Central Zone	1,300		\$148.7	\$313	\$172.1
Argosy Riverside	1,899	103.2	\$159.8	\$231	\$174.8
IOC KC	1,514	81.3	\$70.5	\$128	\$76.4
Harrahs NKC	1,783	105.6	\$159.1	\$245	\$184.2
Ameristar KC	3,009	100.9	\$210.2	\$191	\$234.3
Sugar Creek					
Subtotal KCMO	8,205		\$599.7	\$200	\$669.7
Greater KC Total	11,765		\$837.8	\$195	\$946.6
Greater Joplin Total	8,463		\$201.3	\$65	\$211.5
Greater Wichita Total	7,032		\$256.0	\$100	\$283.4
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$528.0	\$279.2	\$807.2	
from Others (")		\$159.3			
Net Plus or Minus:			(\$119.8)		

Exhibit 9: Gaming Revenue Projections (\$mn / 2013\$)

Chisholm Creek Phase 1

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.1	\$171.7	\$204	\$203.3
Chisholm Creek	1,300	102.6	\$140.8	\$297	\$163.0
Boot Hill / Dodge City	875	112.0	\$41.7	\$131	\$46.7
Subtotal Kansas Taxable	4,475		\$354.1	\$217	\$413.0
KCK 7th Street	560	72.7	\$15.2	\$74	\$15.2
4 Northeast KS Natives	3,293	116.9	\$163.6	\$136	\$183.1
Total Kansas	8,218		\$532.9	\$178	\$611.3
memo: Northeast Zone	2,300		\$171.7	\$204	\$203.3
memo: Southeast Zone					
memo: South Central Zone	1,300		\$140.8	\$297	\$163.0
Argosy Riverside	1,899	103.2	\$158.3	\$228	\$173.0
IOC KC	1,514	81.3	\$69.2	\$125	\$75.0
Harrahs NKC	1,783	105.6	\$156.0	\$240	\$180.6
Ameristar KC	3,009	100.9	\$205.1	\$187	\$228.6
Sugar Creek					
Subtotal KCMO	8,205		\$588.7	\$197	\$657.2
Greater KC Total	11,065		\$775.5	\$192	\$875.7
Greater Joplin Total	8,463		\$190.9	\$62	\$200.6
Greater Wichita Total	7,032		\$242.2	\$94	\$268.2
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$480.0	\$279.5	\$759.4	
from Others (")		\$131.3			
Net Plus or Minus:			(\$148.2)		

Exhibit 10: Gaming Revenue Projections (\$mn / 2013\$)

Chisholm Creek Raving Minimum

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.1	\$171.5	\$204	\$203.2
Chisholm Creek	1,300	103.4	\$145.4	\$306	\$168.3
Boot Hill / Dodge City	875	112.0	\$41.1	\$129	\$46.0
Subtotal Kansas Taxable	4,475		\$358.0	\$219	\$417.4
KCK 7th Street	560	72.7	\$15.2	\$74	\$15.2
4 Northeast KS Natives	3,293	116.9	\$163.1	\$136	\$182.5
Total Kansas	8,218		\$536.3	\$179	\$615.1
memo: Northeast Zone	2,300		\$171.5	\$204	\$203.2
memo: Southeast Zone					
memo: South Central Zone	1,300		\$145.4	\$306	\$168.3
Argosy Riverside	1,899	103.2	\$158.2	\$228	\$172.9
IOC KC	1,514	81.3	\$69.2	\$125	\$74.9
Harrahs NKC	1,783	105.6	\$155.9	\$240	\$180.4
Ameristar KC	3,009	100.9	\$205.0	\$187	\$228.5
Sugar Creek					
Subtotal KCMO	8,205		\$588.4	\$196	\$656.8
Greater KC Total	11,065		\$775.1	\$192	\$875.2
Greater Joplin Total	8,463		\$190.6	\$62	\$200.2
Greater Wichita Total	7,032		\$246.2	\$96	\$272.9
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$482.1	\$278.3	\$760.5	
from Others (")		\$133.0			
Net Plus or Minus:			(\$145.3)		

Exhibit 11: Gaming Revenue Projections (\$mn / 2015\$) Chisholm Creek Full Build-Out

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.1	\$181.8	\$217	\$215.2
Chisholm Creek	2,000	102.9	\$166.7	\$228	\$192.8
Boot Hill / Dodge City	875	112.0	\$42.7	\$134	\$47.7
Subtotal Kansas Taxable	5,175		\$391.2	\$207	\$455.8
KCK 7th Street	560	72.7	\$16.1	\$79	\$16.1
4 Northeast KS Natives	3,293	116.9	\$171.7	\$143	\$192.1
Total Kansas	8,918		\$579.0	\$178	\$663.9
memo: Northeast Zone	2,300		\$181.8	\$217	\$215.2
memo: Southeast Zone					
memo: South Central Zone	2,000		\$166.7	\$228	\$192.8
Argosy Riverside	1,899	103.2	\$167.6	\$242	\$183.2
IOC KC	1,514	81.3	\$73.4	\$133	\$79.5
Harrahs NKC	1,783	105.6	\$165.2	\$254	\$191.1
Ameristar KC	3,009	100.9	\$217.2	\$198	\$242.1
Sugar Creek					
Subtotal KCMO	8,205		\$623.4	\$208	\$695.9
Greater KC Total	11,065		\$821.3	\$203	\$927.2
Greater Joplin Total	8,463		\$201.3	\$65	\$211.5
Greater Wichita Total	7,732		\$267.9	\$95	\$297.8
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$521.0	\$285.1	\$806.1	
from Others (")		\$142.9			
Net Plus or Minus:			(\$142.2)		

Exhibit 12: Summary of Projections

Phase 1s, in 2013 Dollars

(at 3% per annum, skipping 2010)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mm)	win/slot/day	Total Win		
					Cummings (\$mm)	Applicant (\$mm)	%
Kansas Entertainment / Northeast Zone:							
Phase I as proposed	2,300	103.1	\$171.7	\$204	\$203.3	\$220.2	108%
Raving Minimum	2,300	103.3	\$176.4	\$210	\$209.2		
Chisholm Creek / South-Central Zone:							
Phase I as proposed	1,300	102.6	\$140.8	\$297	\$163.0	\$121.1	74%
Raving Minimum	1,300	103.4	\$145.4	\$306	\$168.3		

Full Build-Outs, in 2015 Dollars

(at 3% per annum, skipping 2010)

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win	
					Cummings (\$mn)	Applicant (\$mn)
Kansas Entertainment / Northeast Zone:						
Full Build-Out	3,000	103.9	\$222.9	\$204	\$261.6	\$326.8 * 125% *
Chisholm Creek / South-Central Zone:						
Full Build-Out	2,000	102.9	\$166.7	\$228	\$192.8	\$230.0 * 119% *

* Applicant's projections not specifically for 2015; if further in future, should be deflated to compare with Cummings.

Cummings Associates

Projections for the Performance of New Gaming Facilities in Kansas

Appendix A: Details of the Gravity-Model Methodology

October 19, 2009

Appendix A

Details of the Gravity-Model Methodology

My projections for the likely performance of new gaming facilities are based upon analyses of the experience of the most comparable operations elsewhere in the region and more broadly all across the United States. I use “gravity models” as a key element of this process. This methodology has been refined over the years as others and I have applied it to assessing the performance of many gaming facilities, both existing and proposed. It is based essentially on the demographics of the areas surrounding each facility, in particular the number of adults residing at various distances, and the ratio of actual revenues obtained to such adult populations at existing facilities. *Access time*, not mileage per se, and population density are the most critical variables. (A bibliography is attached.)

To illustrate the relationships among casino revenues, population, and distance, **Exhibit A-1** presents a chart comparing rates of visitation versus distance for the casinos of Mississippi, based upon statewide survey data. There is clearly a relationship between patronage and distance: the greater the distance the customer has to travel, the lower the number of visits. Fewer patrons are willing to travel long distances, and when they do, they usually visit less often. (Offsetting this slightly, long-distance travelers typically spend more on each visit than nearby customers who come more frequently – distance acts as a filter to deter the most casual fans.) In addition, the further you get from *these* casinos, the closer you get to competing casinos in other states, further reducing your rate of visiting Mississippi.

Because the rates of visitation appear to decline so dramatically as distance increases, and because the scale is so large when looking at statewide data such as these from Mississippi, it is useful to transform this data by taking logarithms (“log-transforming the data,” as economists say). **Exhibit**

A-2 presents the Mississippi data in such fashion, and, to my eyes, at least, the pattern looks more meaningful. When we exclude the most distant data (beyond 250 miles, where competition, as well as distance, usually becomes a critical factor), regression analysis indicates a relationship that is indeed fairly robust (**Exhibit A-3**).

I have analyzed such data from a wide variety of markets, and have estimated that in general, over a reasonable range of distances the aggregate “elasticity” of spending with respect to distance is roughly -0.7, that is, consumers’ total spending declines in somewhat less than direct proportion to the distance to be traveled.¹ When, however, several facilities compete within the same (or closely connected) market(s), the customer overwhelmingly prefers the closest. It appears that in this respect slot machines (and VLTs) behave in a fashion very similar to many other retail markets, in which the relative “attraction” of each facility is inversely proportional to roughly the distance *squared*.²

Using these parameters to account for the relationships with distance and demographic data for each county in gaming markets across the United States (and in some cases, such as Kansas, for each zip code), I have calculated the “distance-adjusted” adult population surrounding each slot or VLT facility or close group of such facilities in each market. (A portion of my model for Kansas is presented in **Exhibit A-4**.) Dividing the total revenues, or spending, in each existing market by these

¹ This is a relatively “long-distance” attraction; if you double the distance, revenues decline by about 38%. For comparison, pari-mutuel betting at race tracks generally exhibits a distance coefficient of about -1 to -1.2: if you double the distance, visitation declines by 50% or more. Generically, this type of relationship is called a “gravity model,” because it is similar to Newton’s law of gravitation (for which the “distance factor” would be -2.0: if you double the distance, the attraction declines by a factor of 2², or four).

² A relationship sometimes called Reilly’s Law of Retail Gravitation, based upon its mathematical identity with Newton’s Law, above. Huff and others have extended these models further with many retail applications, whence they are generally known today as Huff models.

A point of terminology: Huff describes the “general” decline with distance (as opposed to the “competitive” decline) as “friction.” I think this is a very useful way to look at this process, particularly with respect to markets in the more congested Northeast compared to those in the Midwest.

population figures results in ratios measuring revenues, or consumer spending, per “distance-adjusted” adult. The gravity model, based upon “Reilly’s Law” noted above, then distributes these adults (and so, by proxy, their spending) across the different gaming facilities, or closely-situated groups of gaming facilities, to which they have access. By summing across geographic areas, we can then estimate the sources of revenues (again, consumer spending) for each such group of facilities.

(I have conducted similar analyses of and developed a corresponding model for table games. As electronic gaming devices now comprise 80% to 90% of the revenues of most casinos in the U.S., my discussion here focuses on slot machines.)

These models can also be used to compare different markets and facilities against one another. Statistics of this type are presented for the major regional gaming markets of the U.S. in **Exhibit A-5**, listed in order of estimated slot (or VLT) spending per person.³ Again, the gravity-model procedure simply puts the different markets onto a common footing in terms of performance, abstracting out differences due to the varying distributions of population around each facility. The figure for each market represents the amount that the “average” adult who lives within ten miles of (legal) gaming devices spends on them each year.⁴

Note that this exhibit extends over two pages. As benchmarks, I have inserted three horizontal yellow bars, which represent what I call “Midwest Standard” performance (\$700 per distance-adjusted adult per year), plus ten percent, and minus ten percent.

³ These figures do not include relatively modest amounts spent at casinos in Las Vegas, the Caribbean, and other remote “destinations” in the U.S. and abroad. Some markets served primarily by Indian Gaming facilities are not included in this exhibit because many of these casinos do not report revenue statistics.

⁴ There is nothing inherently special about the ten-mile figure; it is simply a benchmark to represent convenient access.

In an attempt to simplify comparisons among markets, and to clarify discussion of the principles involved, I have converted these dollar figures into what I call “power ratings” in **Exhibit A-6** (pardon the small print, but I also think it useful to see all these data points on one page.) “Midwest Standard” spending of \$700 per year translates into a power rating of 100; ten percent higher (\$770) translates into 110, and ten percent less into 90. I think these ratings are intuitively more comprehensible than large dollar figures that have no clear benchmark.

It may be helpful to consider these power ratings as a kind of extension of the “fair share” concept that is often used to compare different facilities in the gaming industry. If, for example, all the slot machines (or VLTs) in a given market average \$200 in win per day as a group, a facility at which the machines win \$240 per day is said to do 120% of its “fair share.” One that does \$180/day/machine wins just 90% of its fair share.

My extension to power ratings adds analysis of the surrounding demographics to the mix. If there are many people and few machines (like the Chicago area, for example), high wins per machine per day should be expected. Harrah’s Joliet, as an extreme example, wins roughly \$600/machine/day. In Iowa, on the other hand, there are many more machines and many fewer people. The Isle casino at Waterloo wins just \$182/machine/day (and is relatively happy to do so!) After my gravity-model analysis, however, I find that the two facilities have very similar power ratings, at 100 and 102, respectively. Despite its much lower win/slot/day, the Isle Waterloo actually does slightly *better* in drawing from the population that surrounds it.⁵

⁵ I should, however, also point out that because of all the ways in which I use power ratings in my models, the difference between 100 and 102 ultimately results in more than a two percent difference in performance. I use the power ratings to modulate (i) average spending per person in the market, (ii) market share for each facility, and (iii) the “reach” of each facility at greater distances (the competitive interactions of the Reilly and Huff models). Other things being equal (i.e., the surrounding demographics), one point of power rating typically translates into 3-4% change in performance.

When analyzed in this way, the range of experience across the diverse spectrum of markets depicted in Exhibits A-5 and A-6 is, in my opinion, not all that wide. Hardly a factor of two separates the best markets (South Dakota, Upstate Michigan, Kansas’s existing Indian casinos, Mississippi, and Louisiana) from the worst (Monticello, NY, and Twin Rivers at Lincoln, Rhode Island). Almost *all* of these markets fall into the range of \$550 to \$750 in annual spending per distance-adjusted adult. (And perhaps to the surprise of some, most of these figures have changed very little since my analyses in 2008. *Most* regional markets, in contrast to those in Nevada and a few other places like Connecticut, have seen consumer spending hold fairly steady through the recent recession.)

The four mainstream facilities that currently serve the Kansas City area are highlighted by pale green shading. These have actually increased somewhat since 2008 due to the abolition of loss limits in that State.⁶

As indicated by the columns in Exhibits A-5 and A-6, I have divided the broad universe of markets into three groups: Northeastern U.S. in the first column, medium to large markets elsewhere in the second column, and very rural markets in the third column. (Rural markets tend to do better than others for three reasons: (i) it is easier to get around rural areas than urban ones [the “friction” is less – a twenty-minute drive on a rural highway is generally far less challenging than a trip of similar

⁶ Specifically:

Facility	Slot Rating FY2008	Slot Rating 2009
Harrahs North Kansas City	103.5	105.6
Argosy Riverside	97.2	103.2
Ameristar KC	98.6	100.9
Isle of Capri	80.9	81.3

Interestingly, visitation has generally increased much more than total consumer spending. In retrospect, this suggests that the need to register for loss-limit tracking (initially at the door, in recent years by using a players’ club card) acted as an implicit cost of admission. Eliminating this cost increased *casual* visitation

duration in city traffic], (ii) there is less competition from other commercial entertainment alternatives, and (iii) there is likely some “survival bias” in the data – rural facilities often serve such small markets that only the best survive. Thus, all the “best” facilities in the top right corner are very rural.)

More competitive markets also appear to attract higher rates of spending. This is true even for the Northeastern U.S. and rural areas, but I have placed each of these types of markets into columns of their own for ease of comparison.

Outside of the rural markets, Mississippi casinos (combined here with Louisiana’s because their markets overlap) attract some of the highest rates of spending. Despite low personal incomes in these areas, tax rates are low, there are no statutory limits on the numbers of casinos or gaming devices, they are correspondingly highly competitive, and there is no competition from state lotteries across wide areas of the South (and, for the little that it’s worth, limited pari-mutuel competition, too). The Colorado casinos, too, while restricted to three somewhat remote locations and to \$5 bets, are also highly competitive, as are the major markets of Iowa, New Mexico, and all the best rural markets in the top right corner.

As we move down the middle column, however, we generally find less competitive conditions, with areas such as Chicago, Detroit, and Milwaukee, where the number of facilities and/or gaming devices is nowhere near sufficient to meet the demand for them, and/or the markets are constrained by cramped conditions, on riverboats or ashore. As a result of these capacity-constrained conditions, spending per (distance-adjusted) adult is relatively low in these areas. (Conversely, spending *per machine* is typically [but not always] very high, as people are figuratively lined up at the

more than spending by high losers. (In addition, per capita spending often declines during recessions, perhaps offsetting what would have been even greater beneficial impacts from the removal of loss limits.)

machines to play them.)⁷ Even in these markets, however, slot spending per “distance-adjusted” adult generally ranges from \$550 to \$600 per year, not all that far below the \$700± that most competitive casino markets demonstrate and even some less-competitive markets achieve.

It is in the left-hand column, however, that we find most of the worst performers: most of the VLT facilities of New York State, Rhode Island, West Virginia and Pennsylvania. It is surely no coincidence that these four jurisdictions have some of the highest tax rates on gaming revenues. With high tax rates, only modest investments in new and improved facilities can earn a reasonable return. As a result, the facilities in New York have so far been very modest indeed, and, with few exceptions, most of those in the other states as well. High tax rates also limit the tracks’ ability to spend effectively on promoting their gaming product, including in particular player rewards programs. In competitive jurisdictions such as New Jersey, casinos spend more than twenty percent of their gaming revenues on such promotion. With less than fifty percent of the gross retained by facilities in the highest-tax states, spending any significant fraction of that amount is impossible.

In today’s competitive environment, attractive facilities and intensive promotion are essential to obtaining high volumes of revenue. In the mid-1990s (when casinos first came to Kansas and Missouri, for example), it was often sufficient to put slots in a barn and attract large numbers of customers. That is *not* the case today. If facilities do not meet competitive standards of attractiveness and marketing, they will see many fewer customers than those that do.

The strong correlation of performance with tax rate is indeed remarkable:

⁷ Markets can effectively be capacity-constrained even when, as at the Indiana casinos southwest of Cincinnati today, win/day/machine is not at astronomical levels. If the major issues are accessibility and attractiveness (simply in terms of spaciousness, amenities, and/or quality of machines, not necessarily “glitz”), players may indeed not be lined up to play as they are in other jurisdictions where the unsatisfied demand is far more obvious.

State	Effective tax rate (through 2008) ⁸	Average Power Rating
Delaware	43%	89.5
Pennsylvania	48%	83.1
West Virginia	50%	82.0
Upstate NY	54%	76.2
Rhode Island	72%	73.9

With the effective tax rate at Kansas Lottery Gaming Facilities below thirty percent (and moreover, competitive with its neighbors – except Oklahoma), there will be no undue constraint on the ability of its casino operators to attract players. Under current law, however, the situation is very different for its potential *race track* facilities, where the tax rate is effectively 60%. My projections for the tracks last year were therefore gloomy, and those facilities are currently in limbo.

Projections for new facilities based on similar gravity models have proved reasonably accurate in the past, in my opinion, and more often conservative than overly aggressive. **Exhibit A-7** presents a tabulation of actual results versus my projections for facilities that have actually been built over the past five years.

⁸ For comparability, this average “tax” rate includes payments for the machines. In some states, these are paid by the State Lottery, in others by the tracks. Indiana’s effective tax rate is lower than any of these, but I have not included it on this list because its facilities are handicapped by high payments for purses and breeding funds (15%) and by amortization of their enormous up-front license fees. Their performance to date has nevertheless been in the mid-eighties.

Projections for Kansas

I have assumed that the people of Kansas will generally be similar to those of the rest of the Midwest in terms of “propensity to gamble,” that its facilities will be broadly comparable to those elsewhere (with specifics as described in the main body of text), and that they will operate within the parameters of the current state law.

I have assumed that the new Boot Hill Casino opens in Dodge City as scheduled late this year, and that its (ultimate) performance is similar to that which I projected last year. (I have in fact used my current models to update those projections, but they are not materially different.) I have assumed no other significant new casinos, or video lottery terminals, in Kansas or in the neighboring areas of adjoining states.

To develop projections based on these assumptions, I took the detailed model illustrated (in part) in Exhibit A-4, calculated the numbers of “distance-adjusted” adults likely to patronize the new facilities, and then applied the average rates of spending for each (\$700 for slot machines and \$90 for table games). The results are described in the main body of this report.

For Chisholm Creek in the South-Central Zone I have included an estimate of the potential contribution from passers-by on the Kansas Turnpike, where long-distance traffic averages 14,600 vehicles per day (as measured at the Oklahoma state line; roughly one-quarter of these are trucks). Casinos in Iowa and New Mexico in somewhat more remote situations appear to obtain incremental slot revenues on the order of one to two dollars per passing vehicle. (Long-distance truckers appear to be a particularly good market.) I have assumed fifty cents per passing vehicle at Chisholm Creek, less than that elsewhere, due to the competing attractions of nearby Wichita. I have assumed no such “traffic intercept” revenues at Kansas Entertainment, figuring that most such traffic would be stopping

in the Kansas City area anyway and thereby captured in the average rates of spending per local resident.⁹

All my analyses and projections were initially developed in terms of 2009 dollars. I then inflated these projections to “then-year” dollars for comparability with the applicants’ projections.

There will likely be initial (first-year) transients on the order of ten to twenty percent as each new facility works out its kinks. In particular, it will take some time to develop the players list upon which its critical targeted marketing efforts will depend. In the markets with less experience (Dodge City and the South-Central Zone), this process may be somewhat more intense and extended. After this period, however, assuming recovery to “normal” economic conditions,¹⁰ I would expect “outyear” win to grow by roughly three percent per year.

In coordination with Wells Gaming Research, I have used 2013 as the year of “stabilized operations” for comparing my Baseline projections with the applicants’, and 2015 as the year for which to present projections for each facility at the representative full build-out configuration suggested by its proponent.

⁹ The benchmark rates of spending are empirical estimates based largely on more or less comparable urban areas. Unless Kansas City has a highly deviant ratio of stopover truckers and other visitors versus its resident population (because many more or many fewer people pass by on I-70 *without* stopping than similar situations elsewhere), those benchmarks should properly capture such visitors. Adding “traffic intercept” estimates is in my opinion appropriate only for situations in which the ratio of passers-by to local residents is far above average.

¹⁰ Though not until well into 2010. Specifically, for my future-dollar projections, I have assumed zero growth between 2009 and 2010, then three percent per year into the future.

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Cummings Associates

Projections for the Performance of New Gaming Facilities in Kansas

Appendix A: Details of the Gravity-Model Methodology Exhibits

October 19, 2009

Exhibit A-1: Illustrative Distance Relationships (Mississippi)

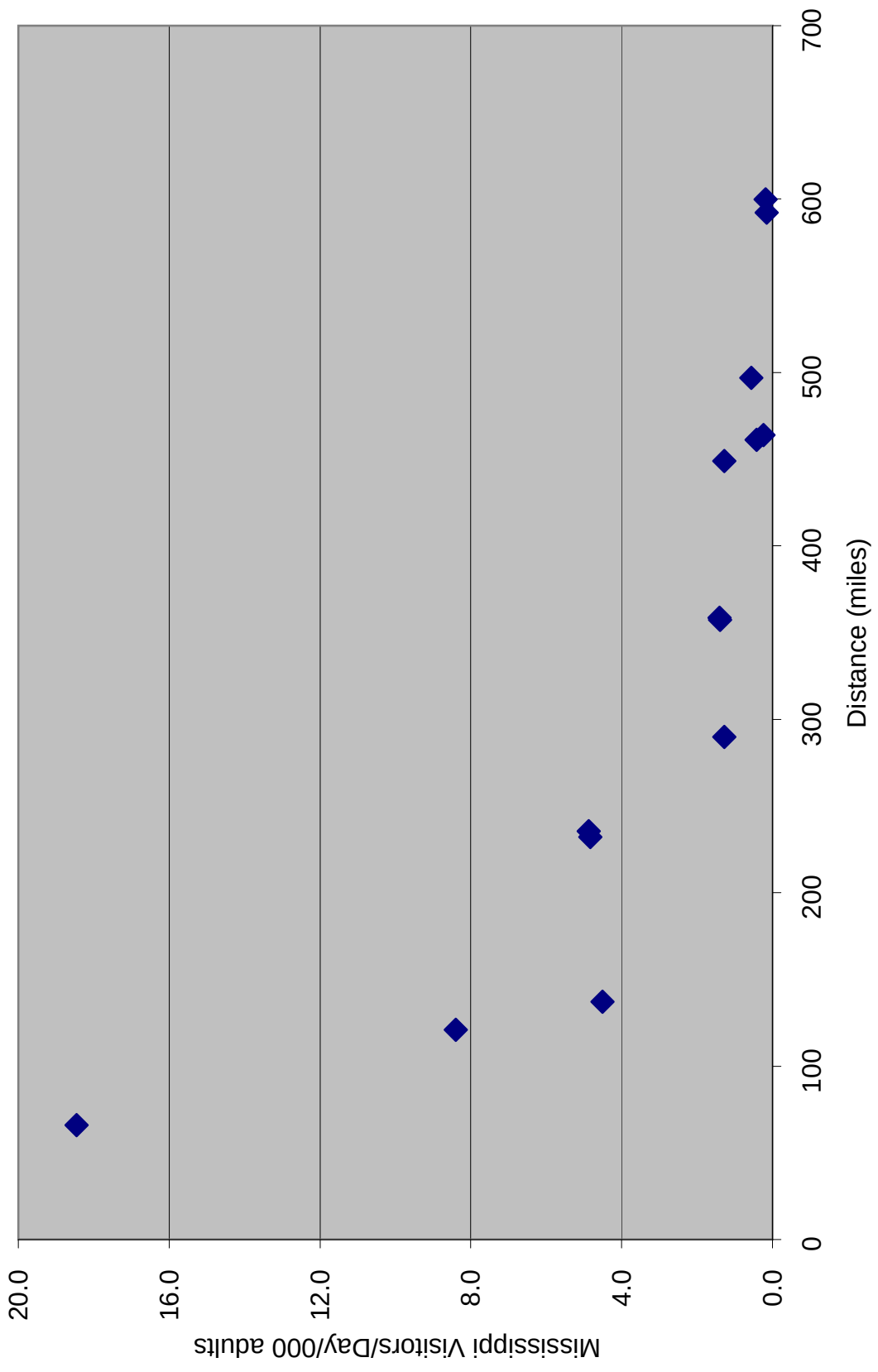


Exhibit A-2: Distance Relationships II

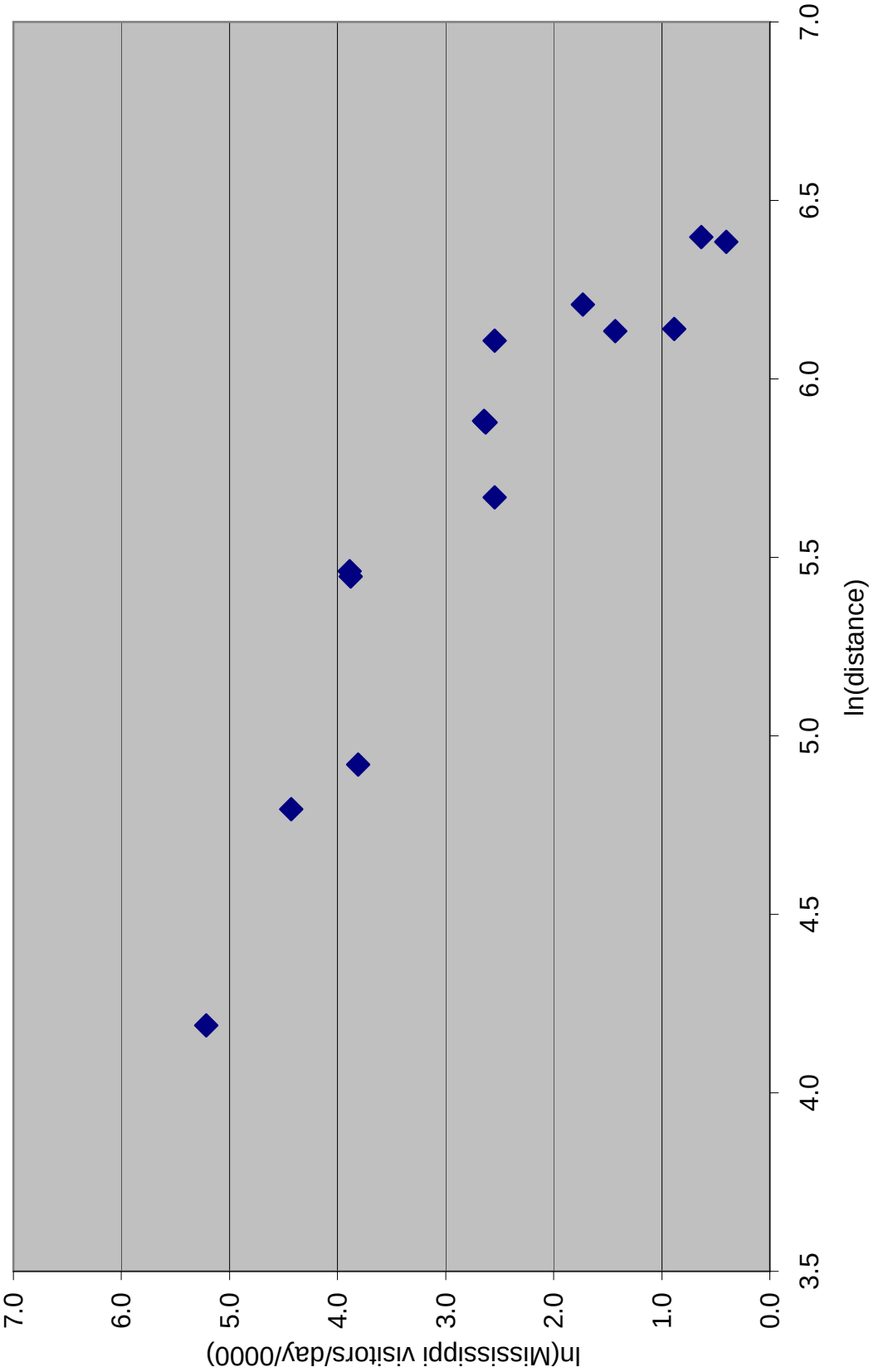


Exhibit A-3: Distance Relationships III

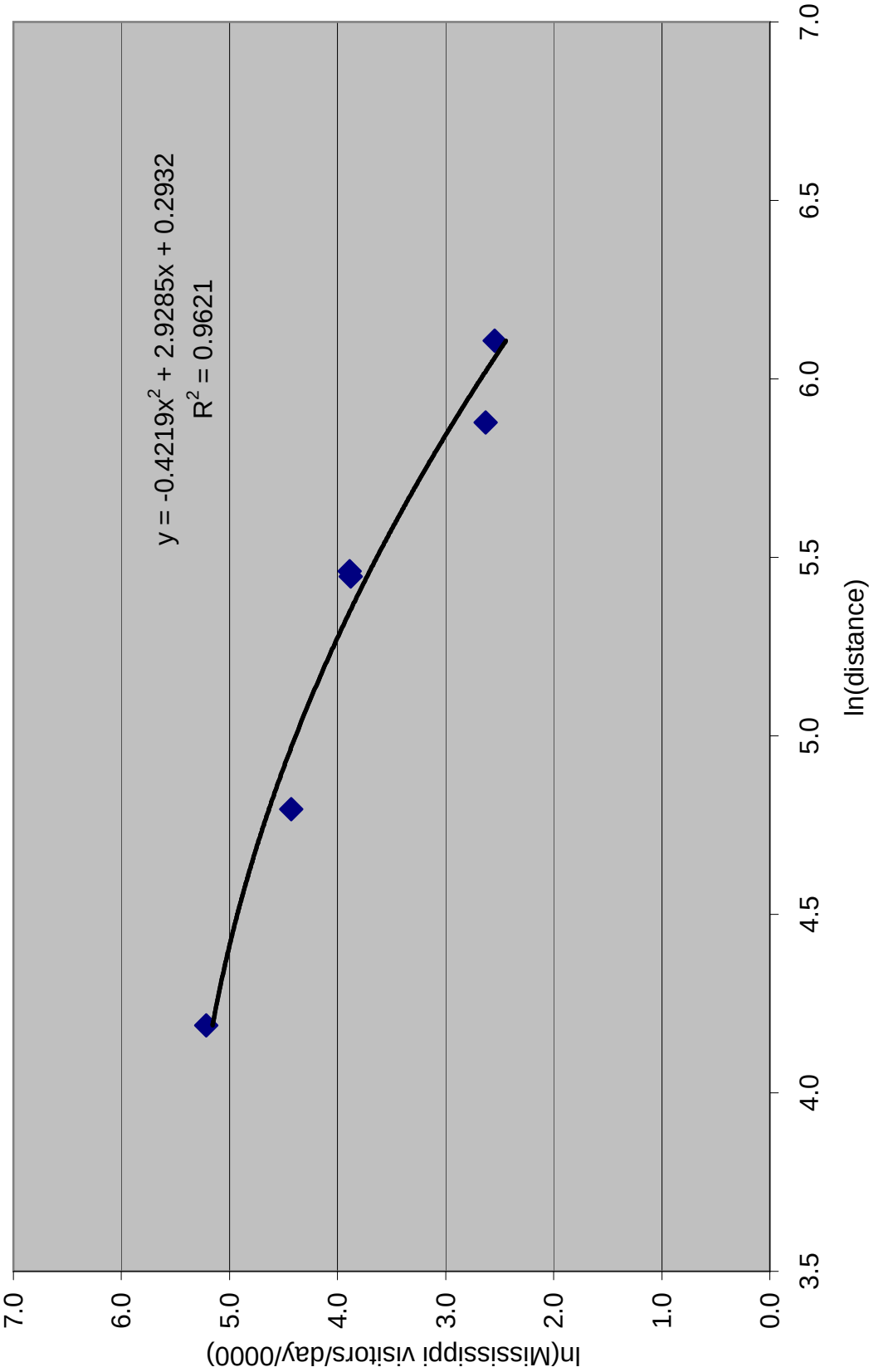


Exhibit A-4: Portion of Model Inputs

Kansas Slot Estimates

Average Distances:

(NB travel times input later)

State	County / ZIP	Woodlnds		Camptn		WGP		Kansas		Chisholm		Boot		White	
		Woodlnds	Camptn	WGP	open	Ent'mt	open	Ent'mt	open	Creek	open	Hill	open	Cloud	Horton Mayetta
KS	Allen / 66732	102	43	117	...	100	...	128	...	266	...	155	...	142	122
KS	Allen / 66748	112	56	102	...	110	...	114	...	251	...	154	...	134	113
KS	Allen / 66749	103	61	106	...	101	...	121	...	255	...	146	...	127	106
KS	Allen / 66751	101	56	111	...	98	...	125	...	260	...	145	...	130	110
KS	Allen / 66755	93	51	120	...	91	...	134	...	269	...	146	...	134	114
KS	Allen / 66772	106	40	118	...	104	...	126	...	265	...	159	...	146	126
KS	Anderson / 66014	69	61	139	...	67	...	156	...	287	...	132	...	121	102
KS	Anderson / 66015	92	68	113	...	90	...	130	...	262	...	135	...	118	97
KS	Anderson / 66032	74	76	129	...	71	...	147	...	276	...	121	...	107	88
KS	Anderson / 66033	64	77	139	...	61	...	157	...	285	...	117	...	106	87
KS	Anderson / 66039	82	60	127	...	79	...	143	...	275	...	136	...	123	104
KS	Anderson / 66091	83	71	121	...	81	...	138	...	269	...	128	...	113	93
KS	Anderson / 66093	90	77	112	...	88	...	129	...	260	...	131	...	110	89
KS	Atchison / 66002	40	158	205	...	42	...	226	...	341	...	35	...	31	44
KS	Atchison / 66016	43	158	192	...	44	...	214	...	329	...	36	...	27	32
KS	Atchison / 66023	50	164	185	...	52	...	207	...	321	...	39	...	20	24
:	:	:	:	:	...	:	...	:	...	:	...	:	...	:	:
:	:	:	:	:	...	:	...	:	...	:	...	:	...	:	:
:	:	:	:	:	...	:	...	:	...	:	...	:	...	:	:
KS	Wyandotte / 66106	9	113	195	...	8	...	215	...	337	...	84	...	79	65
KS	Wyandotte / 66109	7	120	196	...	7	...	216	...	337	...	76	...	70	57
KS	Wyandotte / 66111	7	115	196	...	7	...	216	...	337	...	82	...	76	63
KS	Wyandotte / 66112	7	117	196	...	7	...	216	...	337	...	79	...	73	60
KS	Wyandotte / 66118	12	117	203	...	11	...	223	...	344	...	86	...	81	69

Total KS

Exhibit A-4: Portion of Model Inputs

Kansas Slot Estimates

State	County / ZIP	Powhat	A*star KC	Closest (before KS facils)	2006 Adult Population	2000 PCI	Urban?	Impacts:		
								Dstnce	Urban?	Income Dist-Adj Adults
KS	Allen / 66732	147	114	71	229	\$15,160	100%	20%	100%	87% 39
KS	Allen / 66748	139	125	81	1,991	\$15,160	100%	18%	100%	87% 310
KS	Allen / 66749	132	116	88	6,015	\$15,160	100%	17%	100%	87% 889
KS	Allen / 66751	135	113	83	719	\$15,160	100%	18%	100%	87% 110
KS	Allen / 66755	139	105	80	862	\$15,160	100%	18%	100%	87% 136
KS	Allen / 66772	151	118	67	210	\$15,160	100%	21%	100%	87% 37
KS	Anderson / 66014	127	81	76	231	\$15,033	100%	19%	100%	86% 37
KS	Anderson / 66015	123	106	96	549	\$15,033	100%	16%	100%	86% 76
KS	Anderson / 66032	113	87	82	3,396	\$15,033	100%	18%	100%	86% 524
KS	Anderson / 66033	111	77	72	513	\$15,033	100%	20%	100%	86% 87
KS	Anderson / 66039	129	94	89	464	\$15,033	100%	17%	100%	86% 68
KS	Anderson / 66091	118	97	91	227	\$15,033	100%	17%	100%	86% 32
KS	Anderson / 66093	114	104	89	445	\$15,033	100%	17%	100%	86% 65
KS	Atchison / 66002	37	54	25	9,532	\$16,400	100%	42%	100%	90% 3,570
KS	Atchison / 66016	33	58	27	418	\$16,400	100%	39%	100%	90% 146
KS	Atchison / 66023	26	66	20	888	\$16,400	100%	49%	100%	90% 389
:	:	:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:	:	:
KS	Wyandotte / 66106	85	16	10	8,071	\$15,966	100%	76%	100%	89% 10,633
KS	Wyandotte / 66109	76	17	10	18,242	\$15,966	100%	77%	100%	89% 7,055
KS	Wyandotte / 66111	82	16	10	3,694	\$15,966	100%	79%	100%	89% 4,945
KS	Wyandotte / 66112	79	16	10	1,991	\$15,966	100%	80%	100%	89% 5,547
KS	Wyandotte / 66118	87	9	7	95	\$15,966	100%	100%	100%	89% 1
Total KS					1,943,042					651,859

Exhibit A-5: Gaming-Device Spending Ratios in Major US Markets

(Total Annual Spending on Slots and/or VLTs Per "Distance-Adjusted" Adult in FY2009)

Northeastern US Markets		Medium to Large Midwest (+/-) Markets		Rural Markets West & Midwest	
				Deadwood, SD	\$909
				S Dakota Indian avg. (8)	\$873 e
				Upstate Michigan avg.	\$840 e
				Kansas Natives avg.	\$818 e
				Diamond Jo Worth, IA	\$817
		Mississippi / Louisiana (average of MANY facilities)	\$809	Terribles Lakeside. IA	\$809
				Iowa Natives average	\$784 e
Midwest Standard +10%				Upstate Wisconsin avg.	\$770 e
		Dubuque Greyh Park, IA	\$762	Emmetsburg, IA	\$764
		Albuquerque, NM avg.	\$752		
		Horseshoe / Bluffs Run, IA	\$751		
Atlantic City, NJ avg.	\$750	Dubuque Diamond Jo, IA	\$750	Colorado (2)	\$746
		Riverside, IA	\$747	IOC Marquette, IA	\$745 o
		Ameristar Council Bluffs, IA	\$740	IOC Boonville, MO	\$744 o
		Harrahs NKCMO	\$739	Other New Mexico avg.	\$740
Niagara (NY) casino	\$729 e				
		Argosy Riverside, MO	\$722	Mt. Pleasant, MI	\$718 e
		IOC Waterloo, IA	\$712	Wisconsin Dells	\$715 e
		Harrahs Council Bluffs, IA	\$709		
		Ameristar KCMO	\$707		
		Prairie Meadows, IA	\$703		
		Michigan City, IN	\$703		
"Midwest Standard"					
		Harrahs Joliet, IL	\$700 o		
Mohegan Sun, CT	\$688 o	Harrahs W St Louis	\$685		
		Clinton, IA	\$677	Metropolis, IL/KY	\$679 o
		Argosy Sioux City, IA	\$670 o		
		Ameristar St Chas, MO	\$668		
		Jumers Rock Island, IL	\$663		
		St Jo MO	\$662 o		
		Catfish Bend Burlington, IA	\$661		
		IOC Bettendorf, IA	\$658 o		
Foxwoods, CT	\$656 o	Belterra, Florence, IN	\$656		
Salamanca, NY casino	\$656 e	Ameristar, E Chicago IN	\$655 o		
				Mark Twain, MO	\$651 o
Dover Downs, DE	\$640				
		East St Louis, IL	\$633 o		
Midwest Standard -10%					

Exhibit A-5: Gaming-Device Spending Ratios in Major US Markets

(Total Annual Spending on Slots and/or VLTs Per "Distance-Adjusted" Adult in FY2009)

Northeastern US Markets		Medium to Large Midwest (+/-) Markets		Rural Markets West & Midwest	
Midwest Standard -10%					
Harrington Raceway, DE	\$626	Green Bay, WI	\$627 e		
		Rhythm City, IA	\$621 o		
Wheeling, WV	\$619	Grand Vic, Rising Sun, IN	\$617 o	Caruthersville, MO	\$616 o
Delaware Park	\$612	Hammond, IN	\$615	French Lick, IN	\$615
Charles Town, WV	\$611				
Erie, PA	\$607	Aurora (Chicago), IL	\$606 o		
Mohegan @ Pocono Downs	\$602	Elgin (Chicago) IL	\$605 o		
Tioga Downs, NY	\$601	Hollywood, Lawr'burg, IN	\$603 o*		
Philadelphia Park	\$595	Joliet Empress, IL	\$596 o		
Saratoga, NY	\$593	Hoosier Park, IN	\$590		
		Louisville, KY/IN	\$588 o		
Penn National (Harrisburg)	\$585				
Vernon Downs, NY	\$584	Indiana Downs	\$584		
Harrahs @ Chester, PA	\$581	Majestic Star, Gary IN	\$582 o		
		Detroit (avg / 3 facils)	\$576 o		
Hollywood @ Bangor, ME	\$567	IOC KCMO	\$569 o		
Mount Airy (Pocono), PA	\$567	Milwaukee, WI	\$567 e o		
Finger Lakes, NY	\$561	Lumiere + Admiral, St Louis	\$562 o*		
Batavia, NY	\$557				
The Meadows (Pittsburgh)	\$545				
(Buffalo) Fairgrounds, NY	\$543				
Newport Grand, RI	\$540	South Dakota VLTs	\$541		
Mountaineer Park, WV	\$540				
Tri-State, WV	\$527				
		Peoria, IL	\$520 o		
		KCKS 7th St Casino	\$510 e o		
Empire City @ Yonkers, NY	\$498 o	Montana VLTs (2)	\$497		
Twin Rivers @ Lincoln, RI	\$495 o				
Monticello, NY	\$485	Evansville, IN	\$486 o		

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 A-6: Gaming-Device "Power Ratings"

(Total Annual Spending versus benchmark of \$700)

Northeastern US Markets		Medium to Large Midwest (+/-) Markets		Rural Markets West & Midwest	
				Deadwood, SD	129.9
				S Dakota Indian avg. (8)	124.7 e
				Upstate Michigan avg.	120.0 e
				Kansas Natives avg.	116.9 e
				Diamond Jo Worth, IA	116.7
		Mississippi / Louisiana (average of MANY facilities)	115.5	Terribles Lakeside. IA	115.6
				Iowa Natives average	112.0 e
Midwest Standard +10%				Upstate Wisconsin avg.	110.0 e
		Dubuque Greyh Park, IA	108.9	Emmetsburg, IA	109.1
		Albuquerque, NM avg.	107.4		
		Horseshoe / Bluffs Run, IA	107.4		
Atlantic City, NJ avg.	107.1	Dubuque Diamond Jo, IA	107.1	Colorado (2)	106.6
		Riverside, IA	106.7	IOC Marquette, IA	106.4 o
		Ameristar Council Bluffs, IA	105.7	IOC Boonville, MO	106.3 o
		Harrahs NKCMO	105.6	Other New Mexico avg.	105.7
Niagara (NY) casino	104.1 e	Argosy Riverside, MO	103.1	Mt. Pleasant, MI	102.6 e
		IOC Waterloo, IA	101.7	Wisconsin Dells	102.1 e
		Harrahs Council Bluffs, IA	101.2		
		Ameristar KCMO	101.0		
		Prairie Meadows, IA	100.4		
		Michigan City, IN	100.4		
"Midwest Standard"					
		Harrahs Joliet, IL	100.0 o		
Mohegan Sun, CT	98.3 o	Harrahs W St Louis	97.9		
		Clinton, IA	96.7	Metropolis, IL/KY	97.0 o
		Argosy Sioux City, IA	95.7 o		
		Ameristar St Chas, MO	95.4		
		Jumers Rock Island, IL	94.7		
		St Jo MO	94.6 o		
		Cattfish Bend Burlington, IA	94.4		
		IOC Bettendorf, IA	94.0 o		
Foxwoods, CT	93.7 o	Belterra, Florence, IN	93.7		
Salamanca, NY	93.7 e	Ameristar, E Chicago IN	93.6 o		
				Mark Twain, MO	93.0 o
Dover Downs, DE	91.4	East St Louis, IL	90.4 o		
Midwest Standard -10%					
Harrington Raceway, DE	89.4	Green Bay, WI	89.6 e		
		Rhythm City, IA	88.7 o		
Wheeling, WV	88.4	Grand Vic, Rising Sun, IN	88.1 o	Caruthersville, MO	88.0 o
Delaware Park	87.4	Hammond, IN	87.9	French Lick, IN	87.9
Charles Town, WV	87.3				
Erie, PA	86.7	Aurora (Chicago), IL	86.6 o		
Mohegan @ Pocono Downs	86.0	Elgin (Chicago) IL	86.4 o		
Tioga Downs, NY	85.9	Hollywood, Lawr'burg, IN	86.1 o*		
Philadelphia Park	85.0	Joliet Empress, IL	85.1 o		
Saratoga, NY	84.7	Hoosier Park, IN	84.3		
Penn National (Harrisburg)	83.6	Louisville, KY/IN	84.0 o		
Vernon Downs, NY	83.4	Indiana Downs	83.4		
Harrahs @ Chester, PA	83.0	Majestic Star, Gary IN	83.1 o		
		Detroit (avg / 3 facils)	82.3 o		
Hollywood @ Bangor, ME	81.0	IOC KCMO	81.3 o		
Mount Airy (Pocono), PA	81.0	Milwaukee, WI	81.0 e o		
Finger Lakes, NY	80.1	Lumiere + Admiral, St Louis	80.3 o*		
Batavia, NY	79.6				
The Meadows (Pittsburgh)	77.9				
(Buffalo) Fairgrounds, NY	77.6				
Newport Grand, RI	77.1	South Dakota VLTs	77.3		
Mountaineer Park, WV	77.1				
Tri-State, WV	75.3	Peoria, IL	74.3 o		
		KCKS 7th St Casino	72.9 e o		
Empire City @ Yonkers, NY	71.1 o	Montana VLTs	71.0		
Twin Rivers @ Lincoln, RI	70.7 o				
Monticello, NY	69.3	Evansville, IN	69.4 o		

Exhibit A-7: Recent Projections Compared to Actual Results

(Annual Slot Win / \$million)

	Projection / Source		Actual / Source	
Facility / Market:				
Zia Park / New Mexico	\$54	(1)	\$69	(2)
Emmetsburg / Iowa	\$23	(3)	\$25	(4)
Worth County / Iowa	\$34	(3)	\$68	(4)*
Riverside / Iowa	\$82	(3)	\$77	(4)
IOC Waterloo / Iowa	\$97	(3)	\$73	(4)
Tioga Downs ,NY	\$30 \$50	(5)	\$48	(6)
Hoosier Park	\$275	(7)	\$202	(8)
Indiana Downs	\$261	(7)	\$189	(8)

(1) *The Projected Performance of a New Race Track / Slot Facility at Hobbs, New Mexico (etc. February 15, 2002.*

(2) Penn National Gaming Press Release, 4/17/07 stated total revenue was \$76.6 million in 2006. I assume 90% was gaming.

(3) *Analysis of Current Markets for Casino Gaming in Iowa, with Projections for the Revenues and Impacts of Potential New Facilities -- Update, April 18, 2005.*

(4) Iowa Racing and Gaming Commission, FY2009. * FY 2007, before recent expansion

(5) *Projections for the Performance of a New Race Track and Video Lottery Facility at Tioga Park*, September 14, 2004. Higher projection is without competition from Pocono Downs; lower figure is with such competition. Both projections assumed marketing allowances as of 2004.

(6) New York State Lottery, FY2009. Mohegan Sun @ Pocono Downs was open throughout this period, but Tioga Downs had more money for marketing than under New York's original VLT statute as of my report in 2004.

(7) *Projections for the Performance of Slot Machines at the Race Tracks of Central Indiana*, September 8, 2007.

(8) Indiana Gaming Commission, July 2008 - June 2009 monthly revenue reports. In recent months, Indiana Downs has surpassed Hoosier Park.

Cummings Associates

Projections for the Performance of New Gaming Facilities in Kansas

Appendix B: Gaming Revenue Projections – Baseline

October 19, 2009

List of Exhibits

Appendix B: Baseline Gaming Revenue Projections (2009\$) *

Exhibit

- B-1 Likely Future / Baseline -- with New Facilities Elsewhere
- B-2 Likely Future / Baseline -- with New Facilities Elsewhere AND SC KS
- B-3 Kansas Entertainment Phase 1
- B-4 Kansas Entertainment Raving Minimum
- B-5 Kansas Entertainment Full Build-Out
- B-6 Likely Future / Baseline -- with New Facilities Elsewhere AND NE KS
- B-7 Chisholm Creek Phase 1
- B-8 Chisholm Creek Raving Minimum
- B-9 Chisholm Creek Full Build-Out

* Corresponding exhibits for slots and tables separately
are provided in Appendices S and T, respectively.

Exhibit B-1: Gaming Revenue Projections (\$mn / 2009\$)

Likely Future Baseline -- with New Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment					
Chisholm Creek					
Boot Hill / Dodge City	875	112.0	\$39.8	\$125	\$45.3
Subtotal Kansas Taxable	875		\$39.8	\$125	\$45.3
KCK 7th Street	560	72.7	\$17.4	\$85	\$17.4
4 Northeast KS Natives	3,293	116.9	\$165.0	\$137	\$188.0
Total Kansas	4,728		\$222.2	\$129	\$250.7
memo: Northeast Zone					
memo: Southeast Zone					
memo: South Central Zone					
Argosy Riverside	1,899	103.2	\$177.9	\$257	\$196.8
IOC KC	1,514	81.3	\$74.5	\$135	\$81.3
Harrahs NKC	1,783	105.6	\$166.9	\$256	\$196.2
Ameristar KC	3,009	100.9	\$214.8	\$196	\$241.9
Sugar Creek					
Subtotal KCMO	8,205		\$634.2	\$212	\$716.3
Greater KC Total	8,765		\$651.6	\$204	\$733.7
Greater Joplin Total	8,463		\$178.8	\$58	\$188.1
Greater Wichita Total	5,732		\$118.4	\$57	\$123.0
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$185.2	\$372.9	\$558.1	
from Others (")		\$65.5			
Net Plus or Minus:			(\$307.4)		

Exhibit B-2: Gaming Revenue Projections (\$mn / 2009\$)
Likely Future Baseline -- with New Facilities Elsewhere AND SC KS

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment					
Chisholm Creek	1,300	102.6	\$129.3	\$272	\$149.7
Boot Hill / Dodge City	875	112.0	\$38.3	\$120	\$42.9
Subtotal Kansas Taxable	2,175		\$167.5	\$211	\$192.6
KCK 7th Street	560	72.7	\$17.4	\$85	\$17.4
4 Northeast KS Natives	3,293	116.9	\$162.7	\$135	\$183.2
Total Kansas	5,918		\$347.7	\$161	\$393.3
memo: Northeast Zone					
memo: Southeast Zone					
memo: South Central Zone	1,300		\$129.3	\$272	\$149.7
Argosy Riverside	1,899	103.2	\$177.5	\$256	\$196.1
IOC KC	1,514	81.3	\$74.4	\$135	\$81.2
Harrahs NKC	1,783	105.6	\$166.5	\$256	\$195.1
Ameristar KC	3,009	100.9	\$214.3	\$195	\$240.9
Sugar Creek					
Subtotal KCMO	8,205		\$632.7	\$211	\$713.3
Greater KC Total	8,765		\$650.1	\$203	\$730.8
Greater Joplin Total	8,463		\$176.6	\$57	\$185.7
Greater Wichita Total	7,032		\$222.3	\$87	\$246.4
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$322.9	\$331.9	\$654.9	
from Others (")		\$70.3			
Net Plus or Minus:			(\$261.6)		

Exhibit B-3: Gaming Revenue Projections (\$mn / 2009\$)

Kansas Entertainment Phase 1

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.1	\$157.1	\$187	\$186.0
Chisholm Creek	1,300	102.6	\$128.8	\$272	\$149.2
Boot Hill / Dodge City	875	112.0	\$38.1	\$119	\$42.7
Subtotal Kansas Taxable	4,475		\$324.1	\$198	\$377.9
KCK 7th Street	560	72.7	\$13.9	\$68	\$13.9
4 Northeast KS Natives	3,293	116.9	\$149.7	\$125	\$167.5
Total Kansas	8,218		\$487.7	\$163	\$559.4
memo: Northeast Zone	2,300		\$157.1	\$187	\$186.0
memo: Southeast Zone					
memo: South Central Zone	1,300		\$128.8	\$272	\$149.2
Argosy Riverside	1,899	103.2	\$144.9	\$209	\$158.4
IOC KC	1,514	81.3	\$63.4	\$115	\$68.6
Harrahs NKC	1,783	105.6	\$142.8	\$219	\$165.2
Ameristar KC	3,009	100.9	\$187.7	\$171	\$209.2
Sugar Creek					
Subtotal KCMO	8,205		\$538.7	\$180	\$601.4
Greater KC Total	11,065		\$709.7	\$176	\$801.4
Greater Joplin Total	8,463		\$174.7	\$57	\$183.6
Greater Wichita Total	7,032		\$221.6	\$86	\$245.5
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$439.2	\$255.8	\$695.0	
from Others (")		\$120.1			
Net Plus or Minus:			(\$135.6)		

Exhibit B-4: Gaming Revenue Projections (\$mn / 2009\$)

Kansas Entertainment Raving Minimum

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.3	\$161.5	\$192	\$191.4
Chisholm Creek	1,300	102.6	\$128.5	\$271	\$148.8
Boot Hill / Dodge City	875	112.0	\$38.0	\$119	\$42.6
Subtotal Kansas Taxable	4,475		\$328.0	\$201	\$382.7
KCK 7th Street	560	72.7	\$13.9	\$68	\$13.9
4 Northeast KS Natives	3,293	116.9	\$149.3	\$124	\$167.1
Total Kansas	8,218		\$491.2	\$164	\$563.7
memo: Northeast Zone	2,300		\$161.5	\$192	\$191.4
memo: Southeast Zone					
memo: South Central Zone	1,300		\$128.5	\$271	\$148.8
Argosy Riverside	1,899	103.2	\$144.7	\$209	\$158.2
IOC KC	1,514	81.3	\$63.3	\$115	\$68.5
Harrahs NKC	1,783	105.6	\$142.6	\$219	\$165.0
Ameristar KC	3,009	100.9	\$187.5	\$171	\$209.0
Sugar Creek					
Subtotal KCMO	8,205		\$538.1	\$180	\$600.8
Greater KC Total	11,065		\$713.5	\$177	\$806.1
Greater Joplin Total	8,463		\$174.3	\$56	\$183.1
Greater Wichita Total	7,032		\$221.2	\$86	\$244.9
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$440.0	\$255.2	\$695.2	
from Others (")		\$123.7			
Net Plus or Minus:			(\$131.4)		

Exhibit B-5: Gaming Revenue Projections (\$mn / 2009\$)

Kansas Entertainment Full Build-Out

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	3,000	103.9	\$192.2	\$176	\$225.7
Chisholm Creek	1,300	102.6	\$128.3	\$270	\$148.5
Boot Hill / Dodge City	875	112.0	\$37.9	\$119	\$42.5
Subtotal Kansas Taxable	5,175		\$358.5	\$190	\$416.6
KCK 7th Street	560	72.7	\$13.2	\$64	\$13.2
4 Northeast KS Natives	3,293	116.9	\$145.7	\$121	\$163.1
Total Kansas	8,918		\$517.4	\$159	\$592.9
memo: Northeast Zone	3,000		\$192.2	\$176	\$225.7
memo: Southeast Zone					
memo: South Central Zone	1,300		\$128.3	\$270	\$148.5
Argosy Riverside	1,899	103.2	\$137.9	\$199	\$150.8
IOC KC	1,514	81.3	\$60.8	\$110	\$65.9
Harrahs NKC	1,783	105.6	\$137.3	\$211	\$158.9
Ameristar KC	3,009	100.9	\$181.3	\$165	\$202.1
Sugar Creek					
Subtotal KCMO	8,205		\$517.3	\$173	\$577.7
Greater KC Total	11,765		\$722.7	\$168	\$816.5
Greater Joplin Total	8,463		\$173.6	\$56	\$182.4
Greater Wichita Total	7,032		\$220.8	\$86	\$244.5
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$455.5	\$240.8	\$696.3	
from Others (")		\$137.4			
Net Plus or Minus:			(\$103.4)		

Exhibit B-6: Gaming Revenue Projections (\$mn / 2009\$)
Likely Future Baseline -- with New Facilities Elsewhere AND NE KS

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.1	\$157.4	\$188	\$187.0
Chisholm Creek					
Boot Hill / Dodge City	875	112.0	\$39.6	\$124	\$45.1
Subtotal Kansas Taxable	3,175		\$197.0	\$170	\$232.0
KCK 7th Street	560	72.7	\$13.9	\$68	\$13.9
4 Northeast KS Natives	3,293	116.9	\$151.9	\$126	\$171.9
Total Kansas	6,918		\$362.8	\$144	\$417.9
memo: Northeast Zone	2,300		\$157.4	\$188	\$187.0
memo: Southeast Zone					\$187.0
memo: South Central Zone					\$0.0
Argosy Riverside	1,899	103.2	\$145.3	\$210	\$159.1
IOC KC	1,514	81.3	\$63.4	\$115	\$68.7
Harrahs NKC	1,783	105.6	\$143.2	\$220	\$166.2
Ameristar KC	3,009	100.9	\$188.2	\$171	\$210.2
Sugar Creek					
Subtotal KCMO	8,205		\$540.1	\$180	\$604.1
Greater KC Total	11,065		\$711.4	\$176	\$805.0
Greater Joplin Total	8,463		\$176.8	\$57	\$186.0
Greater Wichita Total	5,732		\$117.8	\$56	\$122.3
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$302.5	\$295.7	\$598.2	
from Others (")		\$115.3			
Net Plus or Minus:			(\$180.3)		

Exhibit B-7: Gaming Revenue Projections (\$mn / 2009\$)

Chisholm Creek Phase 1

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.1	\$157.1	\$187	\$186.0
Chisholm Creek	1,300	102.6	\$128.8	\$272	\$149.2
Boot Hill / Dodge City	875	112.0	\$38.1	\$119	\$42.7
Subtotal Kansas Taxable	4,475		\$324.1	\$198	\$377.9
KCK 7th Street	560	72.7	\$13.9	\$68	\$13.9
4 Northeast KS Natives	3,293	116.9	\$149.7	\$125	\$167.5
Total Kansas	8,218		\$487.7	\$163	\$559.4
memo: Northeast Zone	2,300		\$157.1	\$187	\$186.0
memo: Southeast Zone					
memo: South Central Zone	1,300		\$128.8	\$272	\$149.2
Argosy Riverside	1,899	103.2	\$144.9	\$209	\$158.4
IOC KC	1,514	81.3	\$63.4	\$115	\$68.6
Harrahs NKC	1,783	105.6	\$142.8	\$219	\$165.2
Ameristar KC	3,009	100.9	\$187.7	\$171	\$209.2
Sugar Creek					
Subtotal KCMO	8,205		\$538.7	\$180	\$601.4
Greater KC Total	11,065		\$709.7	\$176	\$801.4
Greater Joplin Total	8,463		\$174.7	\$57	\$183.6
Greater Wichita Total	7,032		\$221.6	\$86	\$245.5
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$439.2	\$255.8	\$695.0	
from Others (")		\$120.1			
Net Plus or Minus:			(\$135.6)		

Exhibit B-8: Gaming Revenue Projections (\$mn / 2009\$)

Chisholm Creek Raving Minimum

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.1	\$157.0	\$187	\$185.9
Chisholm Creek	1,300	103.4	\$133.0	\$280	\$154.0
Boot Hill / Dodge City	875	112.0	\$37.6	\$118	\$42.1
Subtotal Kansas Taxable	4,475		\$327.6	\$201	\$382.0
KCK 7th Street	560	72.7	\$13.9	\$68	\$13.9
4 Northeast KS Natives	3,293	116.9	\$149.2	\$124	\$167.0
Total Kansas	8,218		\$490.8	\$164	\$562.9
memo: Northeast Zone	2,300		\$157.0	\$187	\$185.9
memo: Southeast Zone					\$339.9
memo: South Central Zone	1,300		\$133.0	\$280	\$154.0
Argosy Riverside	1,899	103.2	\$144.8	\$209	\$158.3
IOC KC	1,514	81.3	\$63.3	\$115	\$68.6
Harrahs NKC	1,783	105.6	\$142.7	\$219	\$165.1
Ameristar KC	3,009	100.9	\$187.6	\$171	\$209.1
Sugar Creek					
Subtotal KCMO	8,205		\$538.4	\$180	\$601.1
Greater KC Total	11,065		\$709.3	\$176	\$800.9
Greater Joplin Total	8,463		\$174.4	\$56	\$183.2
Greater Wichita Total	7,032		\$225.3	\$88	\$249.8
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$441.2	\$254.7	\$695.9	
from Others (")		\$121.7			
Net Plus or Minus:			(\$133.0)		

Exhibit B-9: Gaming Revenue Projections (\$mn / 2009\$)

Chisholm Creek Full Build-Out

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day	Total Win (\$mn)
Woodlands					
Camptown					
Wichita Gh Park					
Kansas Entertainment	2,300	103.1	\$156.8	\$187	\$185.7
Chisholm Creek	2,000	102.9	\$143.8	\$197	\$166.4
Boot Hill / Dodge City	875	112.0	\$36.8	\$115	\$41.1
Subtotal Kansas Taxable	5,175		\$337.4	\$179	\$393.2
KCK 7th Street	560	72.7	\$13.9	\$68	\$13.9
4 Northeast KS Natives	3,293	116.9	\$148.1	\$123	\$165.7
Total Kansas	8,918		\$499.5	\$153	\$572.7
memo: Northeast Zone	2,300		\$156.8	\$187	\$185.7
memo: Southeast Zone					
memo: South Central Zone	2,000		\$143.8	\$197	\$166.4
Argosy Riverside	1,899	103.2	\$144.6	\$209	\$158.0
IOC KC	1,514	81.3	\$63.3	\$115	\$68.5
Harrahs NKC	1,783	105.6	\$142.5	\$219	\$164.9
Ameristar KC	3,009	100.9	\$187.4	\$171	\$208.8
Sugar Creek					
Subtotal KCMO	8,205		\$537.8	\$180	\$600.3
Greater KC Total	11,065		\$708.5	\$175	\$799.8
Greater Joplin Total	8,463		\$173.6	\$56	\$182.4
Greater Wichita Total	7,732		\$231.1	\$82	\$256.9
Consumer Spending in Total:		to Kansas	to Others	Total KS	
from Kansas (\$mn)		\$449.5	\$245.9	\$695.4	
from Others (")		\$123.3			
Net Plus or Minus:			(\$122.6)		

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Projections for the Performance of New Gaming Facilities in Kansas

Appendix C: Detail for Sources of Consumer Spending

October 19, 2009

List of Exhibits

Appendix C: Detail for Sources of Consumer Spending (2009\$)

Exhibit

- C-1 Likely Future / Baseline -- with New Facilities Elsewhere
- C-2 Likely Future / Baseline -- with New Facilities Elsewhere AND SC KS
- C-3 Kansas Entertainment Phase 1
- C-4 Kansas Entertainment Raving Minimum
- C-5 Kansas Entertainment Full Build-Out
- C-6 Likely Future / Baseline -- with New Facilities Elsewhere AND NE KS
- C-7 Chisholm Creek Phase 1
- C-8 Chisholm Creek Raving Minimum
- C-9 Chisholm Creek Full Build-Out

Exhibit C-1: Detail for Sources of Consumer Spending (\$000)
Baseline -- with New Facilities Elsewhere

	Total	WoodInds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	open	Boot Hill	open
Number of Slots	875									875	
Slot Power Rating										112.0	
Win/Slot/Day										\$125	
Kansas Tourists	\$6,442									\$6,442	
Kansas Locals	34,429									34,429	
Kansas Total	\$40,871	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,871	\$0
Missouri Tourists	\$63									\$63	
Missouri Locals	0									0	
Missouri Total	\$63	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$63	\$0
Okla + Ark Tourists	\$1,681									\$1,681	
Okla + Ark Locals	543									543	
Okla + Ark Total	\$2,224	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,224	\$0
Iowa	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8	\$0
Nebraska	\$1,312	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,312	\$0
Other Near	\$828	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$828	\$0
Frontage Traffic	\$0									\$0	
Total All Sources	\$45,304	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$45,304	\$0
total Tourists	\$10,332									\$10,332	
total locals	\$34,972									\$34,972	

Note: Totals may not add due to rounding.

Exhibit C-2: Detail for Sources of Consumer Spending (\$000)
Baseline -- with New Facilities Elsewhere AND SC KS

	Total	Woodlnds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	open	Boot Hill	open
Number of Slots	2,175							1,300		875	
Slot Power Rating								102.6		112.0	
Win/Slot/Day								\$267		\$120	
Kansas Tourists	\$7,526							\$2,867		\$4,659	
Kansas Locals	175,786							141,948		33,838	
Kansas Total	\$183,312	\$0	\$0	\$0	\$0	\$0	\$0	\$144,815	\$0	\$38,497	\$0
Missouri Tourists	\$239							\$176		\$63	
Missouri Locals	0							0		0	
Missouri Total	\$239	\$0	\$0	\$0	\$0	\$0	\$0	\$176	\$0	\$63	\$0
Okla + Ark Tourists	\$2,653							\$1,012		\$1,641	
Okla + Ark Locals	1,218							682		536	
Okla + Ark Total	\$3,871	\$0	\$0	\$0	\$0	\$0	\$0	\$1,695	\$0	\$2,177	\$0
Iowa	\$13	\$0	\$0	\$0	\$0	\$0	\$0	\$5	\$0	\$8	\$0
Nebraska	\$1,409	\$0	\$0	\$0	\$0	\$0	\$0	\$102	\$0	\$1,307	\$0
Other Near	\$849	\$0	\$0	\$0	\$0	\$0	\$0	\$23	\$0	\$826	\$0
Frontage Traffic	\$2,931							\$2,931			
Total All Sources	\$192,623	\$0	\$0	\$0	\$0	\$0	\$0	\$149,746	\$0	\$42,878	\$0
total Tourists	\$15,619							\$7,116		\$8,504	
total locals	\$177,004							\$142,630		\$34,374	

Note: Totals may not add due to rounding.

Exhibit C-3: Detail for Sources of Consumer Spending (\$000)
Kansas Entertainment Phase 1

	Total	Woodlnds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	open	Boot Hill	open
Number of Slots	4,475					2,300		1,300		875	
Slot Power Rating						103.1		102.6		112.0	
Win/Slot/Day						\$187		\$266		\$119	
Kansas Tourists	\$10,299					\$3,032		\$2,694		\$4,573	
Kansas Locals	305,358					130,008		141,566		33,785	
Kansas Total	\$315,657	\$0	\$0	\$0	\$0	\$133,040	\$0	\$144,260	\$0	\$38,358	\$0
Missouri Tourists	\$5,156					\$4,929		\$168		\$60	
Missouri Locals	45,869					45,869		0		0	
Missouri Total	\$51,026	\$0	\$0	\$0	\$0	\$50,798	\$0	\$168	\$0	\$60	\$0
Okla + Ark Tourists	\$2,968					\$317		\$1,011		\$1,639	
Okla + Ark Locals	1,217					0		682		535	
Okla + Ark Total	\$4,185	\$0	\$0	\$0	\$0	\$317	\$0	\$1,693	\$0	\$2,175	\$0
Iowa	\$757	\$0	\$0	\$0	\$0	\$744	\$0	\$5	\$0	\$8	\$0
Nebraska	\$2,266	\$0	\$0	\$0	\$0	\$869	\$0	\$100	\$0	\$1,296	\$0
Other Near	\$1,133	\$0	\$0	\$0	\$0	\$284	\$0	\$23	\$0	\$826	\$0
Frontage Traffic	\$2,931							\$2,931			
Total All Sources	\$377,950	\$0	\$0	\$0	\$0	\$186,049	\$0	\$149,179	\$0	\$42,721	\$0
total Tourists	\$25,505					\$10,172		\$6,932		\$8,401	
total locals	\$352,445					\$175,877		\$142,247		\$34,320	

Note: Totals may not add due to rounding.

Exhibit C-4: Detail for Sources of Consumer Spending (\$000)
Kansas Entertainment Raving Minimum

	Total	Woodlnds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	open	Boot Hill	open
Number of Slots	4,475					2,300		1,300		875	
Slot Power Rating						103.3		102.6		112.0	
Win/Slot/Day						\$192		\$265		\$119	
Kansas Tourists	\$11,276					\$4,108		\$2,661		\$4,507	
Kansas Locals	305,373					130,484		141,176		33,713	
Kansas Total	\$316,649	\$0	\$0	\$0	\$0	\$134,593	\$0	\$143,837	\$0	\$38,220	\$0
Missouri Tourists	\$6,616					\$6,390		\$167		\$59	
Missouri Locals	46,119					46,119		0		0	
Missouri Total	\$52,734	\$0	\$0	\$0	\$0	\$52,509	\$0	\$167	\$0	\$59	\$0
Okla + Ark Tourists	\$3,386					\$739		\$1,009		\$1,637	
Okla + Ark Locals	1,215					0		681		534	
Okla + Ark Total	\$4,601	\$0	\$0	\$0	\$0	\$739	\$0	\$1,690	\$0	\$2,172	\$0
Iowa	\$1,325	\$0	\$0	\$0	\$0	\$1,312	\$0	\$5	\$0	\$8	\$0
Nebraska	\$2,971	\$0	\$0	\$0	\$0	\$1,590	\$0	\$99	\$0	\$1,282	\$0
Other Near	\$1,527	\$0	\$0	\$0	\$0	\$679	\$0	\$23	\$0	\$825	\$0
Frontage Traffic	\$2,931							\$2,931			
Total All Sources	\$382,730	\$0	\$0	\$0	\$0	\$191,414	\$0	\$148,751	\$0	\$42,565	\$0
total Tourists	\$30,022					\$14,811		\$6,894		\$8,317	
total locals	\$352,707					\$176,603		\$141,857		\$34,248	

Note: Totals may not add due to rounding.

Exhibit C-5: Detail for Sources of Consumer Spending (\$000)
Kansas Entertainment Full Build-Out

	Total	Woodlnds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	open	Boot Hill	open
Number of Slots	5,175					3,000		1,300		875	
Slot Power Rating						103.9		102.6		112.0	
Win/Slot/Day						\$176		\$265		\$119	
Kansas Tourists	\$12,298					\$5,224		\$2,610		\$4,465	
Kansas Locals	323,721					149,081		140,962		33,678	
Kansas Total	\$336,019	\$0	\$0	\$0	\$0	\$154,305	\$0	\$143,571	\$0	\$38,143	\$0
Missouri Tourists	\$8,375					\$8,152		\$164		\$58	
Missouri Locals	57,648					57,648		0		0	
Missouri Total	\$66,023	\$0	\$0	\$0	\$0	\$65,800	\$0	\$164	\$0	\$58	\$0
Okla + Ark Tourists	\$3,589					\$944		\$1,009		\$1,636	
Okla + Ark Locals	1,215					0		681		534	
Okla + Ark Total	\$4,803	\$0	\$0	\$0	\$0	\$944	\$0	\$1,689	\$0	\$2,170	\$0
Iowa	\$1,710	\$0	\$0	\$0	\$0	\$1,697	\$0	\$5	\$0	\$8	\$0
Nebraska	\$3,425	\$0	\$0	\$0	\$0	\$2,052	\$0	\$98	\$0	\$1,275	\$0
Other Near	\$1,732	\$0	\$0	\$0	\$0	\$885	\$0	\$23	\$0	\$824	\$0
Frontage Traffic	\$2,931							\$2,931			
Total All Sources	\$416,633	\$0	\$0	\$0	\$0	\$225,673	\$0	\$148,482	\$0	\$42,478	\$0
total Tourists	\$34,049					\$18,944		\$6,840		\$8,266	
total locals	\$382,584					\$206,730		\$141,642		\$34,212	

Note: Totals may not add due to rounding.

Exhibit C-6: Detail for Sources of Consumer Spending (\$000)
Baseline -- with New Facilities Elsewhere AND NE KS

	Total	Woodlnds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	open	Boot Hill	open
Number of Slots	3,175					2,300				875	
Slot Power Rating						103.1				112.0	
Win/Slot/Day						\$188				\$124	
Kansas Tourists	\$10,195					\$3,920				\$6,275	
Kansas Locals	164,401					130,037				34,365	
Kansas Total	\$174,596	\$0	\$0	\$0	\$0	\$133,957	\$0	\$0	\$0	\$40,640	\$0
Missouri Tourists	\$4,993					\$4,933				\$60	
Missouri Locals	45,872					45,872				0	
Missouri Total	\$50,865	\$0	\$0	\$0	\$0	\$50,805	\$0	\$0	\$0	\$60	\$0
Okla + Ark Tourists	\$2,000					\$321				\$1,679	
Okla + Ark Locals	542					0				542	
Okla + Ark Total	\$2,542	\$0	\$0	\$0	\$0	\$321	\$0	\$0	\$0	\$2,221	\$0
Iowa	\$752	\$0	\$0	\$0	\$0	\$744	\$0	\$0	\$0	\$8	\$0
Nebraska	\$2,171	\$0	\$0	\$0	\$0	\$870	\$0	\$0	\$0	\$1,301	\$0
Other Near	\$1,111	\$0	\$0	\$0	\$0	\$284	\$0	\$0	\$0	\$827	\$0
Frontage Traffic	\$0										
Total All Sources	\$232,034	\$0	\$0	\$0	\$0	\$186,978	\$0	\$0	\$0	\$45,056	\$0
total Tourists	\$21,219					\$11,070				\$10,149	
total locals	\$210,816					\$175,909				\$34,907	

Note: Totals may not add due to rounding.

Exhibit C-7: Detail for Sources of Consumer Spending (\$000)
Chisholm Creek Phase 1

	Total	Woodlnds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	open	Boot Hill	open
Number of Slots	4,475					2,300		1,300		875	
Slot Power Rating						103.1		102.6		112.0	
Win/Slot/Day						\$187		\$266		\$119	
Kansas Tourists	\$10,299					\$3,032		\$2,694		\$4,573	
Kansas Locals	305,358					130,008		141,566		33,785	
Kansas Total	\$315,657	\$0	\$0	\$0	\$0	\$133,040	\$0	\$144,260	\$0	\$38,358	\$0
Missouri Tourists	\$5,156					\$4,929		\$168		\$60	
Missouri Locals	45,869					45,869		0		0	
Missouri Total	\$51,026	\$0	\$0	\$0	\$0	\$50,798	\$0	\$168	\$0	\$60	\$0
Okla + Ark Tourists	\$2,968					\$317		\$1,011		\$1,639	
Okla + Ark Locals	1,217					0		682		535	
Okla + Ark Total	\$4,185	\$0	\$0	\$0	\$0	\$317	\$0	\$1,693	\$0	\$2,175	\$0
Iowa	\$757	\$0	\$0	\$0	\$0	\$744	\$0	\$5	\$0	\$8	\$0
Nebraska	\$2,266	\$0	\$0	\$0	\$0	\$869	\$0	\$100	\$0	\$1,296	\$0
Other Near	\$1,133	\$0	\$0	\$0	\$0	\$284	\$0	\$23	\$0	\$826	\$0
Frontage Traffic	\$2,931							\$2,931			
Total All Sources	\$377,950	\$0	\$0	\$0	\$0	\$186,049	\$0	\$149,179	\$0	\$42,721	\$0
total Tourists	\$25,505					\$10,172		\$6,932		\$8,401	
total locals	\$352,445					\$175,877		\$142,247		\$34,320	

Note: Totals may not add due to rounding.

Exhibit C-8: Detail for Sources of Consumer Spending (\$000)
Chisholm Creek Raving Minimum

	Total	Woodlnds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	open	Boot Hill	open
Number of Slots	4,475					2,300		1,300		875	
Slot Power Rating						103.1		103.4		112.0	
Win/Slot/Day						\$187		\$275		\$118	
Kansas Tourists	\$11,407					\$3,003		\$3,940		\$4,464	
Kansas Locals	306,621					129,943		143,323		33,355	
Kansas Total	\$318,028	\$0	\$0	\$0	\$0	\$132,946	\$0	\$147,263	\$0	\$37,819	\$0
Missouri Tourists	\$5,714					\$4,916		\$739		\$59	
Missouri Locals	45,857					45,857		0		0	
Missouri Total	\$51,571	\$0	\$0	\$0	\$0	\$50,773	\$0	\$739	\$0	\$59	\$0
Okla + Ark Tourists	\$3,649					\$316		\$1,741		\$1,592	
Okla + Ark Locals	1,209					0		700		509	
Okla + Ark Total	\$4,858	\$0	\$0	\$0	\$0	\$316	\$0	\$2,441	\$0	\$2,101	\$0
Iowa	\$775	\$0	\$0	\$0	\$0	\$744	\$0	\$23	\$0	\$8	\$0
Nebraska	\$2,623	\$0	\$0	\$0	\$0	\$864	\$0	\$479	\$0	\$1,280	\$0
Other Near	\$1,215	\$0	\$0	\$0	\$0	\$284	\$0	\$110	\$0	\$821	\$0
Frontage Traffic	\$2,931							\$2,931			
Total All Sources	\$381,997	\$0	\$0	\$0	\$0	\$185,925	\$0	\$153,985	\$0	\$42,087	\$0
total Tourists	\$28,310					\$10,125		\$9,962		\$8,223	
total locals	\$353,687					\$175,800		\$144,023		\$33,864	

Note: Totals may not add due to rounding.

Exhibit C-9: Detail for Sources of Consumer Spending (\$000)
Chisholm Creek Full Build-Out

	Total	Woodlnds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	open	Boot Hill	open
Number of Slots	5,175					2,300		2,000		875	
Slot Power Rating						103.1		102.9		112.0	
Win/Slot/Day						\$187		\$193		\$115	
Kansas Tourists	\$12,276					\$2,794		\$5,488		\$3,994	
Kansas Locals	315,282					129,898		152,434		32,950	
Kansas Total	\$327,558	\$0	\$0	\$0	\$0	\$132,692	\$0	\$157,922	\$0	\$36,944	\$0
Missouri Tourists	\$6,045					\$4,908		\$1,078		\$59	
Missouri Locals	45,849					45,849		0		0	
Missouri Total	\$51,895	\$0	\$0	\$0	\$0	\$50,757	\$0	\$1,078	\$0	\$59	\$0
Okla + Ark Tourists	\$4,413					\$315		\$2,542		\$1,556	
Okla + Ark Locals	1,489					0		996		494	
Okla + Ark Total	\$5,902	\$0	\$0	\$0	\$0	\$315	\$0	\$3,537	\$0	\$2,049	\$0
Iowa	\$785	\$0	\$0	\$0	\$0	\$744	\$0	\$34	\$0	\$8	\$0
Nebraska	\$2,822	\$0	\$0	\$0	\$0	\$862	\$0	\$689	\$0	\$1,271	\$0
Other Near	\$1,264	\$0	\$0	\$0	\$0	\$284	\$0	\$162	\$0	\$818	\$0
Frontage Traffic	\$2,931							\$2,931			
Total All Sources	\$393,151	\$0	\$0	\$0	\$0	\$185,651	\$0	\$166,351	\$0	\$41,149	\$0
total Tourists	\$30,531					\$9,904		\$12,922		\$7,705	
total locals	\$362,620					\$175,748		\$153,429		\$33,444	

Note: Totals may not add due to rounding.

Cummings Associates

Projections for the Performance of New Gaming Facilities in Kansas

Appendix D: Detail for Sources of Visitation

October 19, 2009

List of Exhibits

Appendix D: Detail for Sources of Visitation (2009\$)

Exhibit

- D-1 Likely Future / Baseline -- with New Facilities Elsewhere
- D-2 Likely Future / Baseline -- with New Facilities Elsewhere AND SC KS
- D-3 Kansas Entertainment Phase 1
- D-4 Kansas Entertainment Raving Minimum
- D-5 Kansas Entertainment Full Build-Out
- D-6 Likely Future / Baseline -- with New Facilities Elsewhere AND NE KS
- D-7 Chisholm Creek Phase 1
- D-8 Chisholm Creek Raving Minimum
- D-9 Chisholm Creek Full Build-Out

**Exhibit D-1: Detail for Visitation by Source
Baseline -- with New Facilities Elsewhere**

	Total	WoodInds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	open	Boot Hill	open
Number of Slots	875									875	
Slot Power Rating										112.0	
Win/Slot/Day										\$125	
Kansas Tourists	81,181									81,181	
Kansas Locals	532,546	0	0	0	0	0	0	0	0	532,546	0
Kansas Total	613,727	0	0	0	0	0	0	0	0	613,727	0
Missouri Tourists	822									822	
Missouri Locals	0	0	0	0	0	0	0	0	0	0	0
Missouri Total	822	0	0	0	0	0	0	0	0	822	0
Okla + Ark Tourists	22,833									22,833	
Okla + Ark Locals	8,123	0	0	0	0	0	0	0	0	8,123	0
Oklahoma Total	30,955	0	0	0	0	0	0	0	0	30,955	0
Iowa	103	0	0	0	0	0	0	0	0	103	0
Nebraska	16,933	0	0	0	0	0	0	0	0	16,933	0
Other Near	9,292	0	0	0	0	0	0	0	0	9,292	0
Frontage Traffic	0										
Total All Sources	671,832	0	0	0	0	0	0	0	0	671,832	0
total Tourists	131,163									131,163	
total locals	540,669									540,669	
Spending Per Visitor	\$67									\$67	

Note: Totals may not add due to rounding.

**Exhibit D-2: Detail for Visitation by Source
Baseline -- with New Facilities Elsewhere AND SC KS**

	Total	Woodlnds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	Marvel We	Boot Hill	open
Number of Slots	2,175							1,300	875		
Slot Power Rating								102.6	112.0		
Win/Slot/Day								\$267	\$120		
Kansas Tourists	91,418							31,014	60,405		
Kansas Locals	2,284,687	0	0	0	0	0	0	1,756,346	0	528,342	0
Kansas Total	2,376,106	0	0	0	0	0	0	1,787,359	0	588,746	0
Missouri Tourists	2,755							1,928	827		
Missouri Locals	0	0	0	0	0	0	0	0	0	0	0
Missouri Total	2,755	0	0	0	0	0	0	1,928	0	827	0
Okla + Ark Tourists	34,039							11,515	22,524		
Okla + Ark Locals	16,412	0	0	0	0	0	0	8,326	0	8,086	0
Oklahoma Total	50,452	0	0	0	0	0	0	19,842	0	30,610	0
Iowa	156	0	0	0	0	0	0	53	0	103	0
Nebraska	18,088	0	0	0	0	0	0	1,105	0	16,982	0
Other Near	9,561	0	0	0	0	0	0	225	0	9,336	0
Frontage Traffic	29,351							29,351			
Total All Sources	2,486,468	0	0	0	0	0	0	1,839,863	0	646,605	0
total Tourists	185,369							75,191	110,177		
total locals	2,301,100							1,764,672	536,428		
Spending Per Visitor	\$77							\$81	\$66		

Note: Totals may not add due to rounding.

Exhibit D-3: Detail for Visitation by Source
Kansas Entertainment Phase 1

	Total	WoodInds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	Marvel We	Boot Hill	open
Number of Slots	4,475					2,300		1,300		875	
Slot Power Rating						103.1		102.6		112.0	
Win/Slot/Day						\$187		\$266		\$119	
Kansas Tourists	121,036					32,501		29,203		59,332	
Kansas Locals	3,808,730	0	0	0	0	1,527,223	0	1,753,591	0	527,916	0
Kansas Total	3,929,766	0	0	0	0	1,559,724	0	1,782,794	0	587,248	0
Missouri Tourists	56,613					53,981		1,842		790	
Missouri Locals	562,195	0	0	0	0	562,195	0	0	0	0	0
Missouri Total	618,808	0	0	0	0	616,176	0	1,842	0	790	0
Okla + Ark Tourists	37,598					3,572		11,511		22,515	
Okla + Ark Locals	16,410	0	0	0	0	0	0	8,327	0	8,083	0
Oklahoma Total	54,009	0	0	0	0	3,572	0	19,838	0	30,599	0
Iowa	8,247	0	0	0	0	8,091	0	53	0	103	0
Nebraska	27,339	0	0	0	0	9,393	0	1,093	0	16,853	0
Other Near	12,438	0	0	0	0	2,880	0	225	0	9,333	0
Frontage Traffic	29,376							29,376			
Total All Sources	4,679,982	0	0	0	0	2,199,836	0	1,835,220	0	644,926	0
total Tourists	292,647					110,418		73,302		108,927	
total locals	4,387,335					2,089,418		1,761,918		535,999	
Spending Per Visitor	\$81					\$85		\$81		\$66	

Note: Totals may not add due to rounding.

Exhibit D-4: Detail for Visitation by Source
Kansas Entertainment Raving Minimum

	Total	WoodInds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	Marvel We	Boot Hill	open
Number of Slots	4,475					2,300		1,300		875	
Slot Power Rating						103.3		102.6		112.0	
Win/Slot/Day						\$192		\$265		\$119	
Kansas Tourists	131,178					43,789		28,868		58,522	
Kansas Locals	3,797,702	0	0	0	0	1,520,148	0	1,750,330	0	527,224	0
Kansas Total	3,928,880	0	0	0	0	1,563,936	0	1,779,198	0	585,746	0
Missouri Tourists	72,071					69,457		1,829		785	
Missouri Locals	560,540	0	0	0	0	560,540	0	0	0	0	0
Missouri Total	632,611	0	0	0	0	629,996	0	1,829	0	785	0
Okla + Ark Tourists	42,269					8,271		11,500		22,499	
Okla + Ark Locals	16,401	0	0	0	0	0	0	8,323	0	8,078	0
Oklahoma Total	58,670	0	0	0	0	8,271	0	19,823	0	30,577	0
Iowa	14,329	0	0	0	0	14,174		53	0	103	0
Nebraska	34,824	0	0	0	0	17,064		1,080	0	16,679	0
Other Near	16,382	0	0	0	0	6,831		225	0	9,327	0
Frontage Traffic	29,395							29,395			
Total All Sources	4,715,091	0	0	0	0	2,240,273	0	1,831,601	0	643,217	0
total Tourists	340,449					159,585		72,949		107,915	
total locals	4,374,642					2,080,688		1,758,653		535,302	
Spending Per Visitor	\$81					\$85		\$81		\$66	

Note: Totals may not add due to rounding.

**Exhibit D-5: Detail for Visitation by Source
Kansas Entertainment Full Build-Out**

	Total	WoodInds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	Marvel We	Boot Hill	open
Number of Slots	5,175					3,000		1,300		875	
Slot Power Rating						103.9		102.6		112.0	
Win/Slot/Day						\$176		\$265		\$119	
Kansas Tourists	143,506					57,174		28,328		58,004	
Kansas Locals	4,060,342	0	0	0	0	1,784,755	0	1,748,678	0	526,910	0
Kansas Total	4,203,848	0	0	0	0	1,841,929	0	1,777,006	0	584,913	0
Missouri Tourists	93,569					90,989		1,805		775	
Missouri Locals	721,767	0	0	0	0	721,767	0	0	0	0	0
Missouri Total	815,336	0	0	0	0	812,756	0	1,805	0	775	0
Okla + Ark Tourists	44,815					10,826		11,497		22,492	
Okla + Ark Locals	16,398	0	0	0	0	0	0	8,323	0	8,076	0
Oklahoma Total	61,213	0	0	0	0	10,826	0	19,820	0	30,567	0
Iowa	18,982	0	0	0	0	18,827	0	52	0	103	0
Nebraska	40,279	0	0	0	0	22,615	0	1,073	0	16,591	0
Other Near	18,678	0	0	0	0	9,128	0	225	0	9,325	0
Frontage Traffic	29,408							29,408			
Total All Sources	5,187,745	0	0	0	0	2,716,082	0	1,829,389	0	642,274	0
total Tourists	389,237					209,559		72,389		107,289	
total locals	4,798,508					2,506,522		1,757,000		534,985	
Spending Per Visitor	\$80		\$100			\$83		\$81		\$66	

Note: Totals may not add due to rounding.

**Exhibit D-6: Detail for Visitation by Source
Baseline -- with New Facilities Elsewhere AND NE KS**

	Total	WoodInds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	Marvel We	Boot Hill	open
Number of Slots	3,175					2,300				875	
Slot Power Rating						103.1				112.0	
Win/Slot/Day						\$188				\$124	
Kansas Tourists	120,528					41,270				79,258	
Kansas Locals	2,058,242	0	0	0	0	1,526,158	0	0	0	532,084	0
Kansas Total	2,178,770	0	0	0	0	1,567,428	0	0	0	611,342	0
Missouri Tourists	54,755					53,970				786	
Missouri Locals	561,662	0	0	0	0	561,662	0	0	0	0	0
Missouri Total	616,417	0	0	0	0	615,632	0	0	0	786	0
Okla + Ark Tourists	26,432					3,607				22,825	
Okla + Ark Locals	8,121	0	0	0	0	0	0	0	0	8,121	0
Oklahoma Total	34,553	0	0	0	0	3,607	0	0	0	30,947	0
Iowa	8,186	0	0	0	0	8,084	0	0	0	102	0
Nebraska	26,203	0	0	0	0	9,397	0	0	0	16,806	0
Other Near	12,168	0	0	0	0	2,878	0	0	0	9,290	0
Frontage Traffic	0										
Total All Sources	2,876,298	0	0	0	0	2,207,025	0	0	0	669,272	0
total Tourists	248,272					119,205				129,067	
total locals	2,628,025					2,087,820				540,205	
Spending Per Visitor	\$81					\$85				\$67	

Note: Totals may not add due to rounding.

**Exhibit D-7: Detail for Visitation by Source
Chisholm Creek Phase 1**

	Total	WoodInds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	Marvel We	Boot Hill	open
Number of Slots	4,475					2,300		1,300		875	
Slot Power Rating						103.1		102.6		112.0	
Win/Slot/Day						\$187		\$266		\$119	
Kansas Tourists	121,036					32,501		29,203		59,332	
Kansas Locals	3,808,730	0	0	0	0	1,527,223	0	1,753,591	0	527,916	0
Kansas Total	3,929,766	0	0	0	0	1,559,724	0	1,782,794	0	587,248	0
Missouri Tourists	56,613					53,981		1,842		790	
Missouri Locals	562,195	0	0	0	0	562,195	0	0	0	0	0
Missouri Total	618,808	0	0	0	0	616,176	0	1,842	0	790	0
Okla + Ark Tourists	37,598					3,572		11,511		22,515	
Okla + Ark Locals	16,410	0	0	0	0	0	0	8,327	0	8,083	0
Oklahoma Total	54,009	0	0	0	0	3,572	0	19,838	0	30,599	0
Iowa	8,247	0	0	0	0	8,091	0	53	0	103	0
Nebraska	27,339	0	0	0	0	9,393	0	1,093	0	16,853	0
Other Near	12,438	0	0	0	0	2,880	0	225	0	9,333	0
Frontage Traffic	29,376							29,376			
Total All Sources	4,679,982	0	0	0	0	2,199,836	0	1,835,220	0	644,926	0
total Tourists	292,647					110,418		73,302		108,927	
total locals	4,387,335					2,089,418		1,761,918		535,999	
Spending Per Visitor	\$81					\$85		\$81		\$66	

Note: Totals may not add due to rounding.

Exhibit D-8: Detail for Visitation by Source
Chisholm Creek Raving Minimum

	Total	WoodInds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	Marvel We	Boot Hill	open
Number of Slots	4,475					2,300		1,300		875	
Slot Power Rating						103.1		103.4		112.0	
Win/Slot/Day						\$187		\$275		\$118	
Kansas Tourists	132,643					32,192		42,396		58,055	
Kansas Locals	3,807,527	0	0	0	0	1,526,754	0	1,757,763	0	523,010	0
Kansas Total	3,940,170	0	0	0	0	1,558,945	0	1,800,159	0	581,065	0
Missouri Tourists	62,702					53,857		8,055		790	
Missouri Locals	562,149	0	0	0	0	562,149	0	0	0	0	0
Missouri Total	624,852	0	0	0	0	616,007	0	8,055	0	790	0
Okla + Ark Tourists	45,199					3,565		19,710		21,924	
Okla + Ark Locals	16,203	0	0	0	0	0	0	8,489	0	7,714	0
Oklahoma Total	61,402	0	0	0	0	3,565	0	28,199	0	29,638	0
Iowa	8,448	0	0	0	0	8,091	0	253	0	103	0
Nebraska	31,191	0	0	0	0	9,346	0	5,168	0	16,676	0
Other Near	13,247	0	0	0	0	2,880	0	1,070	0	9,297	0
Frontage Traffic	29,138					0		29,138			
Total All Sources	4,708,447	0	0	0	0	2,198,834	0	1,872,043	0	637,570	0
total Tourists	322,568					109,931		105,790		106,846	
total locals	4,385,879					2,088,903		1,766,252		530,724	
Spending Per Visitor	\$81					\$85		\$82		\$66	

Note: Totals may not add due to rounding.

**Exhibit D-9: Detail for Visitation by Source
Chisholm Creek Full Build-Out**

	Total	WoodInds	Camptown	WGhPk	open	KS Entmt	open	Chisholm	Marvel We	Boot Hill	open
Number of Slots	5,175					2,300		2,000		875	
Slot Power Rating						103.1		102.9		112.0	
Win/Slot/Day						\$187		\$193		\$115	
Kansas Tourists	146,323					30,002		64,160		52,162	
Kansas Locals	4,111,643	0	0	0	0	1,526,815	0	2,065,711	0	519,117	0
Kansas Total	4,257,967	0	0	0	0	1,556,817	0	2,129,871	0	571,279	0
Missouri Tourists	67,312					53,791		12,731		791	
Missouri Locals	562,281	0	0	0	0	562,281	0	0	0	0	0
Missouri Total	629,594	0	0	0	0	616,072	0	12,731	0	791	0
Okla + Ark Tourists	56,136					3,551		31,064		21,521	
Okla + Ark Locals	20,606	0	0	0	0	0	0	13,093	0	7,513	0
Oklahoma Total	76,742	0	0	0	0	3,551	0	44,157	0	29,034	0
Iowa	8,595	0	0	0	0	8,093	0	399	0	104	0
Nebraska	34,027	0	0	0	0	9,322	0	8,094	0	16,611	0
Other Near	13,854	0	0	0	0	2,881	0	1,685	0	9,289	0
Frontage Traffic	31,522							31,522			
Total All Sources	5,052,302	0	0	0	0	2,196,736	0	2,228,459	0	627,107	0
total Tourists	357,771					107,640		149,655		100,477	
total locals	4,694,531					2,089,096		2,078,804		526,630	
Spending Per Visitor	\$78					\$85		\$75		\$66	

Note: Totals may not add due to rounding.

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Projections for the Performance of New Gaming Facilities in Kansas

Appendix S: Detail for Slots / Baseline

October 19, 2009

List of Exhibits

Appendix S: Detail for Slots / Baseline (2009\$)

Exhibit

- S-1 Likely Future / Baseline -- with New Facilities Elsewhere
- S-2 Likely Future / Baseline -- with New Facilities Elsewhere AND SC KS
- S-3 Kansas Entertainment Phase 1
- S-4 Kansas Entertainment Raving Minimum
- S-5 Kansas Entertainment Full Build-Out
- S-6 Likely Future / Baseline -- with New Facilities Elsewhere AND NE KS
- S-7 Chisholm Creek Phase 1
- S-8 Chisholm Creek Raving Minimum
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Exhibit S-1: Slot Projections (\$mn / 2009\$)
Likely Future Baseline -- with New Facilities Elsewhere

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment				
Chisholm Creek				
Boot Hill / Dodge City	875	112.0	\$39.8	\$125
Subtotal Kansas Taxable	875		\$39.8	\$125
KCK 7th Street	560	72.7	\$17.4	\$85
4 Northeast KS Natives	3,293	116.9	\$165.0	\$137
Total Kansas	4,728		\$222.2	\$129
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	1,899	103.2	\$177.9	\$257
IOC KC	1,514	81.3	\$74.5	\$135
Harrahs NKC	1,783	105.6	\$166.9	\$256
Ameristar KC	3,009	100.9	\$214.8	\$196
Sugar Creek				
Subtotal KCMO	8,205		\$634.2	\$212
Greater KC Total	8,765		\$651.6	\$204
Greater Joplin Total	8,463		\$178.8	\$58
Greater Wichita Total	5,732		\$118.4	\$57
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$163.1	\$334.2	\$497.4
from Others (")		\$59.1		
Net Plus or Minus:			(\$275.1)	

Exhibit S-2: Slot Projections (\$mn / 2009\$)
Likely Future Baseline -- with New Facilities Elsewhere AND SC KS

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment				
Chisholm Creek	1,300	102.6	\$129.3	\$272
Boot Hill / Dodge City	875	112.0	\$38.3	\$120
Subtotal Kansas Taxable	2,175		\$167.5	\$211
KCK 7th Street	560	72.7	\$17.4	\$85
4 Northeast KS Natives	3,293	116.9	\$162.7	\$135
Total Kansas	6,028		\$347.7	\$158
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone	1,300		\$129.3	\$272
Argosy Riverside	1,899	103.2	\$177.5	\$256
IOC KC	1,514	81.3	\$74.4	\$135
Harrahs NKC	1,783	105.6	\$166.5	\$256
Ameristar KC	3,009	100.9	\$214.3	\$195
Sugar Creek				
Subtotal KCMO	8,205		\$632.7	\$211
Greater KC Total	8,765		\$650.1	\$203
Greater Joplin Total	8,463		\$176.6	\$57
Greater Wichita Total	7,032		\$222.3	\$87
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$284.7	\$298.9	\$583.6
from Others (")		\$63.0		
Net Plus or Minus:			(\$235.9)	

Exhibit S-3: Slot Projections (\$mn / 2009\$)

Kansas Entertainment Phase 1

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	2,300	103.1	\$157.1	\$187
Chisholm Creek	1,300	102.6	\$128.8	\$272
Boot Hill / Dodge City	875	112.0	\$38.1	\$119
Subtotal Kansas Taxable	4,475		\$324.1	\$198
KCK 7th Street	560	72.7	\$13.9	\$68
4 Northeast KS Natives	3,293	116.9	\$149.7	\$125
Total Kansas	8,328		\$487.7	\$160
memo: Northeast Zone	2,300		\$157.1	\$187
memo: Southeast Zone				
memo: South Central Zone	1,300		\$128.8	\$272
Argosy Riverside	1,899	103.2	\$144.9	\$209
IOC KC	1,514	81.3	\$63.4	\$115
Harrahs NKC	1,783	105.6	\$142.8	\$219
Ameristar KC	3,009	100.9	\$187.7	\$171
Sugar Creek				
Subtotal KCMO	8,205		\$538.7	\$180
Greater KC Total	11,065		\$709.7	\$176
Greater Joplin Total	8,463		\$174.7	\$57
Greater Wichita Total	7,032		\$221.6	\$86
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$383.8	\$234.5	\$618.3
from Others (")		\$103.9		
Net Plus or Minus:			(\$130.6)	

Exhibit S-4: Slot Projections (\$mn / 2009\$)
Kansas Entertainment Raving Minimum

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	2,300	103.3	\$161.5	\$192
Chisholm Creek	1,300	102.6	\$128.5	\$271
Boot Hill / Dodge City	875	112.0	\$38.0	\$119
Subtotal Kansas Taxable	4,475		\$328.0	\$201
KCK 7th Street	560	72.7	\$13.9	\$68
4 Northeast KS Natives	3,293	116.9	\$149.3	\$124
Total Kansas	8,328		\$491.2	\$162
memo: Northeast Zone	2,300		\$161.5	\$192
memo: Southeast Zone				
memo: South Central Zone	1,300		\$128.5	\$271
Argosy Riverside	1,899	103.2	\$144.7	\$209
IOC KC	1,514	81.3	\$63.3	\$115
Harrahs NKC	1,783	105.6	\$142.6	\$219
Ameristar KC	3,009	100.9	\$187.5	\$171
Sugar Creek				
Subtotal KCMO	8,205		\$538.1	\$180
Greater KC Total	11,065		\$713.5	\$177
Greater Joplin Total	8,463		\$174.3	\$56
Greater Wichita Total	7,032		\$221.2	\$86
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$384.5	\$234.0	\$618.5
from Others (")		\$106.8		
Net Plus or Minus:			(\$127.2)	

Exhibit S-5: Slot Projections (\$mn / 2009\$)

Kansas Entertainment Full Build-Out

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	3,000	103.9	\$192.2	\$176
Chisholm Creek	1,300	102.6	\$128.3	\$270
Boot Hill / Dodge City	875	112.0	\$37.9	\$119
Subtotal Kansas Taxable	5,175		\$358.5	\$190
KCK 7th Street	560	72.7	\$13.2	\$64
4 Northeast KS Natives	3,293	116.9	\$145.7	\$121
Total Kansas	9,028		\$517.4	\$157
memo: Northeast Zone	3,000		\$192.2	\$176
memo: Southeast Zone				
memo: South Central Zone	1,300		\$128.3	\$270
Argosy Riverside	1,899	103.2	\$137.9	\$199
IOC KC	1,514	81.3	\$60.8	\$110
Harrahs NKC	1,783	105.6	\$137.3	\$211
Ameristar KC	3,009	100.9	\$181.3	\$165
Sugar Creek				
Subtotal KCMO	8,205		\$517.3	\$173
Greater KC Total	11,765		\$722.7	\$168
Greater Joplin Total	8,463		\$173.6	\$56
Greater Wichita Total	7,032		\$220.8	\$86
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$398.6	\$220.9	\$619.5
from Others (")		\$118.8		
Net Plus or Minus:			(\$102.1)	

Exhibit S-6: Slot Projections (\$mn / 2009\$)
Likely Future Baseline -- with New Facilities Elsewhere AND NE KS

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	2,300	103.1	\$157.4	\$188
Chisholm Creek				
Boot Hill / Dodge City	875	112.0	\$39.6	\$124
Subtotal Kansas Taxable	3,175		\$197.0	\$170
KCK 7th Street	560	72.7	\$13.9	\$68
4 Northeast KS Natives	3,293	116.9	\$151.9	\$126
Total Kansas	7,028		\$362.8	\$141
memo: Northeast Zone	2,300		\$157.4	\$188
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	1,899	103.2	\$145.3	\$210
IOC KC	1,514	81.3	\$63.4	\$115
Harrahs NKC	1,783	105.6	\$143.2	\$220
Ameristar KC	3,009	100.9	\$188.2	\$171
Sugar Creek				
Subtotal KCMO	8,205		\$540.1	\$180
Greater KC Total	11,065		\$711.4	\$176
Greater Joplin Total	8,463		\$176.8	\$57
Greater Wichita Total	5,732		\$117.8	\$56
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$262.8	\$269.3	\$532.1
from Others (")		\$100.0		
Net Plus or Minus:			(\$169.3)	

Exhibit S-7: Slot Projections (\$mn / 2009\$)
Chisholm Creek Phase 1

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	2,300	103.1	\$157.1	\$187
Chisholm Creek	1,300	102.6	\$128.8	\$272
Boot Hill / Dodge City	875	112.0	\$38.1	\$119
Subtotal Kansas Taxable	4,475		\$324.1	\$198
KCK 7th Street	560	72.7	\$13.9	\$68
4 Northeast KS Natives	3,293	116.9	\$149.7	\$125
Total Kansas	8,328		\$487.7	\$160
memo: Northeast Zone	2,300		\$157.1	\$187
memo: Southeast Zone				
memo: South Central Zone	1,300		\$128.8	\$272
Argosy Riverside	1,899	103.2	\$144.9	\$209
IOC KC	1,514	81.3	\$63.4	\$115
Harrahs NKC	1,783	105.6	\$142.8	\$219
Ameristar KC	3,009	100.9	\$187.7	\$171
Sugar Creek				
Subtotal KCMO	8,205		\$538.7	\$180
Greater KC Total	11,065		\$709.7	\$176
Greater Joplin Total	8,463		\$174.7	\$57
Greater Wichita Total	7,032		\$221.6	\$86
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$383.8	\$234.5	\$618.3
from Others (")		\$103.9		
Net Plus or Minus:			(\$130.6)	

Exhibit S-8: Slot Projections (\$mn / 2009\$)
Chisholm Creek Raving Minimum

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	2,300	103.1	\$157.0	\$187
Chisholm Creek	1,300	103.4	\$133.0	\$280
Boot Hill / Dodge City	875	112.0	\$37.6	\$118
Subtotal Kansas Taxable	4,475		\$327.6	\$201
KCK 7th Street	560	72.7	\$13.9	\$68
4 Northeast KS Natives	3,293	116.9	\$149.2	\$124
Total Kansas	8,328		\$490.8	\$161
memo: Northeast Zone	2,300		\$157.0	\$187
memo: Southeast Zone				
memo: South Central Zone	1,300		\$133.0	\$280
Argosy Riverside	1,899	103.2	\$144.8	\$209
IOC KC	1,514	81.3	\$63.3	\$115
Harrahs NKC	1,783	105.6	\$142.7	\$219
Ameristar KC	3,009	100.9	\$187.6	\$171
Sugar Creek				
Subtotal KCMO	8,205		\$538.4	\$180
Greater KC Total	11,065		\$709.3	\$176
Greater Joplin Total	8,463		\$174.4	\$56
Greater Wichita Total	7,032		\$225.3	\$88
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$385.7	\$233.5	\$619.2
from Others (")		\$105.1		
Net Plus or Minus:			(\$128.5)	

Exhibit S-9: Slot Projections (\$mn / 2009\$)

Chisholm Creek Full Build-Out

Gaming Facility / Location:	# Slots	Power Rating	Slot Win (\$mn)	win/slot/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	2,300	103.1	\$156.8	\$187
Chisholm Creek	2,000	102.9	\$143.8	\$197
Boot Hill / Dodge City	875	112.0	\$36.8	\$115
Subtotal Kansas Taxable	5,175		\$337.4	\$179
KCK 7th Street	560	72.7	\$13.9	\$68
4 Northeast KS Natives	3,293	116.9	\$148.1	\$123
Total Kansas	9,028		\$499.5	\$152
memo: Northeast Zone	2,300		\$156.8	\$187
memo: Southeast Zone				
memo: South Central Zone	2,000		\$143.8	\$197
Argosy Riverside	1,899	103.2	\$144.6	\$209
IOC KC	1,514	81.3	\$63.3	\$115
Harrahs NKC	1,783	105.6	\$142.5	\$219
Ameristar KC	3,009	100.9	\$187.4	\$171
Sugar Creek				
Subtotal KCMO	8,205		\$537.8	\$180
Greater KC Total	11,065		\$708.5	\$175
Greater Joplin Total	8,463		\$173.6	\$56
Greater Wichita Total	7,732		\$231.1	\$82
Slot Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$393.4	\$225.3	\$618.7
from Others (")		\$106.1		
Net Plus or Minus:			(\$119.2)	

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Projections for the Performance of New Gaming Facilities in Kansas

Appendix T: Detail for Table Games / Baseline

October 19, 2009

List of Exhibits

Appendix T: Detail for Table Games / Baseline (2009\$)

Exhibit

- T-1 Likely Future / Baseline -- with New Facilities Elsewhere
- T-2 Likely Future / Baseline -- with New Facilities Elsewhere AND SC KS
- T-3 Kansas Entertainment Phase 1
- T-4 Kansas Entertainment Raving Minimum
- T-5 Kansas Entertainment Full Build-Out
- T-6 Likely Future / Baseline -- with New Facilities Elsewhere AND NE KS
- T-7 Chisholm Creek Phase 1
- T-8 Chisholm Creek Raving Minimum
- T-9 Chisholm Creek Full Build-Out

Exhibit T-1: Table Projections (\$mn / 2009\$)
Likely Future Baseline -- with New Facilities Elsewhere

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment				
Chisholm Creek				
Boot Hill / Dodge City	15	100.0	\$5.5	\$1,012
Subtotal Kansas Taxable	15		\$5.5	\$1,012
KCK 7th Street				
4 Northeast KS Natives	59	110.6	\$23.0	\$1,066
Total Kansas	74		\$28.5	\$1,055
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	39	91.3	\$18.9	\$1,328
IOC KC	24	72.4	\$6.8	\$776
Harrahs NKC	47	100.1	\$29.3	\$1,708
Ameristar KC	60	94.1	\$27.1	\$1,237
Sugar Creek				
Subtotal KCMO	170		\$82.1	\$1,323
Greater KC Total	170		\$82.1	\$1,323
Greater Joplin Total	114		\$9.3	\$224
Greater Wichita Total	51		\$4.6	\$248
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$22.1	\$38.6	\$60.7
from Others (")		\$6.4		
Net Plus or Minus:			(\$32.2)	

Exhibit T-2: Table Projections (\$mn / 2009\$)
Likely Future Baseline -- with New Facilities Elsewhere AND SC KS

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment				
Chisholm Creek	30	100.0	\$20.5	\$1,872
Boot Hill / Dodge City	15	100.0	\$4.6	\$841
Subtotal Kansas Taxable	45		\$25.1	\$1,528
KCK 7th Street				
4 Northeast KS Natives	59	110.6	\$20.5	\$953
Total Kansas	104		\$45.6	\$1,202
memo: Northeast Zone				
memo: Southeast Zone				
memo: South Central Zone	30		\$20.5	\$1,872
Argosy Riverside	39	91.3	\$18.6	\$1,305
IOC KC	24	72.4	\$6.8	\$772
Harrahs NKC	47	100.1	\$28.7	\$1,672
Ameristar KC	60	94.1	\$26.6	\$1,215
Sugar Creek				
Subtotal KCMO	170		\$80.6	\$1,299
Greater KC Total	170		\$80.6	\$1,299
Greater Joplin Total	114		\$9.0	\$217
Greater Wichita Total	81		\$24.0	\$812
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$38.3	\$33.0	\$71.3
from Others (")		\$7.3		
Net Plus or Minus:			(\$25.7)	

Exhibit T-3: Table Projections (\$mn / 2009\$)
Kansas Entertainment Phase 1

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	61	103.0	\$29.0	\$1,301
Chisholm Creek	30	100.0	\$20.3	\$1,857
Boot Hill / Dodge City	15	100.0	\$4.6	\$835
Subtotal Kansas Taxable	106		\$53.9	\$1,392
KCK 7th Street				
4 Northeast KS Natives	59	110.6	\$17.9	\$829
Total Kansas	165		\$71.7	\$1,191
memo: Northeast Zone	61		\$29.0	\$1,301
memo: Southeast Zone				
memo: South Central Zone	30		\$20.3	\$1,857
Argosy Riverside	39	91.3	\$13.5	\$948
IOC KC	24	72.4	\$5.2	\$598
Harrahs NKC	47	100.1	\$22.5	\$1,309
Ameristar KC	60	94.1	\$21.5	\$983
Sugar Creek				
Subtotal KCMO	170		\$62.7	\$1,010
Greater KC Total	231		\$91.7	\$1,087
Greater Joplin Total	114		\$8.9	\$213
Greater Wichita Total	81		\$23.8	\$806
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$55.5	\$21.2	\$76.7
from Others (")		\$16.2		
Net Plus or Minus:			(\$5.0)	

Exhibit T-4: Table Projections (\$mn / 2009\$)

Kansas Entertainment Raving Minimum

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	61	103.0	\$29.9	\$1,345
Chisholm Creek	30	100.0	\$20.2	\$1,848
Boot Hill / Dodge City	15	100.0	\$4.5	\$830
Subtotal Kansas Taxable	106		\$54.7	\$1,414
KCK 7th Street				
4 Northeast KS Natives	59	110.6	\$17.8	\$826
Total Kansas	165		\$72.5	\$1,204
memo: Northeast Zone	61		\$29.9	\$1,345
memo: Southeast Zone				
memo: South Central Zone	30		\$20.2	\$1,848
Argosy Riverside	39	91.3	\$13.5	\$947
IOC KC	24	72.4	\$5.2	\$598
Harrahs NKC	47	100.1	\$22.4	\$1,307
Ameristar KC	60	94.1	\$21.5	\$982
Sugar Creek				
Subtotal KCMO	170		\$62.6	\$1,009
Greater KC Total	231		\$92.6	\$1,098
Greater Joplin Total	114		\$8.8	\$212
Greater Wichita Total	81		\$23.7	\$802
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$55.5	\$21.2	\$76.7
from Others (")		\$17.0		
Net Plus or Minus:			(\$4.2)	

Exhibit T-5: Table Projections (\$mn / 2009\$)

Kansas Entertainment Full Build-Out

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	75	103.0	\$33.4	\$1,221
Chisholm Creek	30	100.0	\$20.2	\$1,843
Boot Hill / Dodge City	15	100.0	\$4.5	\$828
Subtotal Kansas Taxable	120		\$58.2	\$1,328
KCK 7th Street				
4 Northeast KS Natives	59	110.6	\$17.4	\$807
Total Kansas	179		\$75.5	\$1,156
memo: Northeast Zone	75		\$33.4	\$1,221
memo: Southeast Zone				
memo: South Central Zone	30		\$20.2	\$1,843
Argosy Riverside	39	91.3	\$12.9	\$905
IOC KC	24	72.4	\$5.0	\$575
Harrahs NKC	47	100.1	\$21.6	\$1,261
Ameristar KC	60	94.1	\$20.8	\$950
Sugar Creek				
Subtotal KCMO	170		\$60.4	\$973
Greater KC Total	245		\$93.8	\$1,049
Greater Joplin Total	114		\$8.8	\$211
Greater Wichita Total	81		\$23.7	\$800
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$56.9	\$19.9	\$76.8
from Others (")		\$18.6		
Net Plus or Minus:			(\$1.3)	

Exhibit T-6: Table Projections (\$mn / 2009\$)
Likely Future Baseline -- with New Facilities Elsewhere AND NE KS

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	61	103.0	\$29.6	\$1,327
Chisholm Creek				
Boot Hill / Dodge City	15	100.0	\$5.4	\$995
Subtotal Kansas Taxable	76		\$35.0	\$1,262
KCK 7th Street				
4 Northeast KS Natives	59	110.6	\$20.0	\$931
Total Kansas	135		\$55.0	\$1,117
memo: Northeast Zone	61		\$29.6	\$1,327
memo: Southeast Zone				
memo: South Central Zone				
Argosy Riverside	39	91.3	\$13.8	\$968
IOC KC	24	72.4	\$5.3	\$601
Harrahs NKC	47	100.1	\$23.0	\$1,342
Ameristar KC	60	94.1	\$22.0	\$1,003
Sugar Creek				
Subtotal KCMO	170		\$64.0	\$1,032
Greater KC Total	231		\$93.6	\$1,110
Greater Joplin Total	114		\$9.1	\$219
Greater Wichita Total	51		\$4.5	\$242
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$39.7	\$26.4	\$66.1
from Others (")		\$15.3		
Net Plus or Minus:			(\$11.1)	

Exhibit T-7: Table Projections (\$mn / 2009\$)

Chisholm Creek Phase 1

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	61	103.0	\$29.0	\$1,301
Chisholm Creek	30	100.0	\$20.3	\$1,857
Boot Hill / Dodge City	15	100.0	\$4.6	\$835
Subtotal Kansas Taxable	106		\$53.9	\$1,392
KCK 7th Street				
4 Northeast KS Natives	59	110.6	\$17.9	\$829
Total Kansas	165		\$71.7	\$1,191
memo: Northeast Zone	61		\$29.0	\$1,301
memo: Southeast Zone				
memo: South Central Zone	30		\$20.3	\$1,857
Argosy Riverside	39	91.3	\$13.5	\$948
IOC KC	24	72.4	\$5.2	\$598
Harrahs NKC	47	100.1	\$22.5	\$1,309
Ameristar KC	60	94.1	\$21.5	\$983
Sugar Creek				
Subtotal KCMO	170		\$62.7	\$1,010
Greater KC Total	231		\$91.7	\$1,087
Greater Joplin Total	114		\$8.9	\$213
Greater Wichita Total	81		\$23.8	\$806
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$55.5	\$21.2	\$76.7
from Others (")		\$16.2		
Net Plus or Minus:			(\$5.0)	

Exhibit T-8: Table Projections (\$mn / 2009\$)
Chisholm Creek Raving Minimum

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	61	103.0	\$28.9	\$1,300
Chisholm Creek	30	100.0	\$21.0	\$1,914
Boot Hill / Dodge City	15	100.0	\$4.5	\$816
Subtotal Kansas Taxable	106		\$54.4	\$1,405
KCK 7th Street				
4 Northeast KS Natives	59	110.6	\$17.8	\$826
Total Kansas	165		\$72.1	\$1,198
memo: Northeast Zone	61		\$28.9	\$1,300
memo: Southeast Zone				
memo: South Central Zone	30		\$21.0	\$1,914
Argosy Riverside	39	91.3	\$13.5	\$947
IOC KC	24	72.4	\$5.2	\$598
Harrahs NKC	47	100.1	\$22.4	\$1,308
Ameristar KC	60	94.1	\$21.5	\$982
Sugar Creek				
Subtotal KCMO	170		\$62.7	\$1,010
Greater KC Total	231		\$91.6	\$1,086
Greater Joplin Total	114		\$8.8	\$212
Greater Wichita Total	81		\$24.4	\$827
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$55.5	\$21.2	\$76.7
from Others (")		\$16.6		
Net Plus or Minus:			(\$4.6)	

Exhibit T-9: Table Projections (\$mn / 2009\$)
Chisholm Creek Full Build-Out

Gaming Facility / Location:	# Tabs	Power Rating	Tab Win (\$mn)	win/tab/day
Woodlands				
Camptown				
Wichita Gh Park				
Kansas Entertainment	61	103.0	\$28.8	\$1,296
Chisholm Creek	50	100.0	\$22.6	\$1,237
Boot Hill / Dodge City	15	100.0	\$4.3	\$786
Subtotal Kansas Taxable	----- 126		----- \$55.7	\$1,212
KCK 7th Street				
4 Northeast KS Natives	59	110.6	\$17.5	\$813
Total Kansas	----- 185		----- \$73.2	\$1,085
memo: Northeast Zone	61		\$28.8	\$1,296
memo: Southeast Zone				
memo: South Central Zone	50		\$22.6	\$1,237
Argosy Riverside	39	91.3	\$13.4	\$944
IOC KC	24	72.4	\$5.2	\$597
Harrahs NKC	47	100.1	\$22.4	\$1,304
Ameristar KC	60	94.1	\$21.4	\$979
Sugar Creek				
Subtotal KCMO	----- 170		----- \$62.5	\$1,007
Greater KC Total	231		\$91.3	\$1,083
Greater Joplin Total	114		\$8.8	\$211
Greater Wichita Total	101		\$25.8	\$701
Table Spending in Total:		to Kansas	to Others	Total KS
from Kansas (\$mn)		\$56.1	\$20.6	\$76.7
from Others (")		\$17.2		
Net Plus or Minus:			(\$3.4)	

Gaming Revenue Projections for Kansas Entertainment – Northeast Gaming Zone

Presentation to Lottery Gaming Facility Review Board
by Will Cummings / Cummings Associates

October 26, 2009

Will E. Cummings

Cummings Associates

Questions, Please!
-- at any time --

Overview

- Location, Location and Size ... and
- Everything Else: “Power Ratings” +
- Cummings Projections
- Compare with Applicant’s
- “Fair Share” Perspective
- Net Export \$ and Tourist #s

Gravity Model(s) Updated

- Separate Slot / Table Models
- Precise Locations
- Precise Sizes
- Everything Else . . .

“Power Ratings” + “Reach”

Exhibit 4: Gaming-Device "Power Ratings"

(Total Annual Spending versus benchmark of \$700)

Northeastern US Markets	Medium to Large Midwest (+/-) Markets	Rural Markets West & Midwest
Midwest Standard +10%	Mississippi / Louisiana (average of MANY facilities)	115.5
	Dubuque Greyh Park, IA	108.9
	Albuquerque, NM avg.	107.4
	Horseshoe / Bluffs Run, IA	107.4
	Dubuque Diamond Jo, IA	107.1
	Riverside, IA	106.7
	Ameristar Council Bluffs, IA	105.7
	Harrahs NKCMO	105.6
	Argosy Riverside, MO	103.1
	IOC Waterloo, IA	101.7
"Midwest Standard"	Harrahs Council Bluffs, IA	101.2
	Ameristar KCMO	101.0
	Prairie Meadows, IA	100.4
	Michigan City, IN	100.4
	Harrahs Joliet, IL	100.0 o
	Harrahs W St Louis	97.9
	Clinton, IA	96.7
	Argosy Sioux City, IA	95.7 o
	Ameristar St Chas, MO	95.4
	Jumers Rock Island, IL	94.7
Foxwoods, CT	St Jo MO	94.6 o
	Catfish Bend Burlington, IA	94.4
	IOC Bettendorf, IA	94.0 o
	Belterra, Florence, IN	93.7
	Ameristar Ft Collins, CO	93.6
	Harrahs W St Louis	93.3 o
	Harrahs W St Louis	98.3 o
	Harrahs W St Louis	98.3 o
	Harrahs W St Louis	98.3 o
	Harrahs W St Louis	98.3 o
135		

	Harrahs Council Bluffs, IA	101.2	
	Ameristar KCMO	101.0	
	Prairie Meadows, IA	100.4	
	Michigan City, IN	100.4	
	Harrahs Joliet, IL	100.0	o
	Harrahs W St Louis	97.9	
	Clinton, IA	96.7	Metropolis, IL/KY
	Argosy Sioux City, IA	95.7	o
	Ameristar St Chas, MO	95.4	
	Jumers Rock Island, IL	94.7	
	St Jo MO	94.6	o
	Catfish Bend Burlington, IA	94.4	
	IOC Bettendorf, IA	94.0	o
	Belterra, Florence, IN	93.7	
	Ameristar, E Chicago IN	93.6	o
	Mark Twain, MO	93.0	o
	East St Louis, IL	90.4	o
	Green Bay, WI	89.6	e
	Rhythm City, IA	88.7	o
	Grand Vic, Rising Sun, IN	88.1	o
	Hammond, IN	87.9	
	Aurora (Chicago), IL	86.6	o
	Elgin (Chicago) IL	86.4	o
	Hollywood, Lawr'burg, IN	86.1	o*
	Joliet Empress, IL	85.1	o
	Hoosier Park, IN	84.3	
	Louisville, KY/IN	84.0	o
	Indiana Downs	83.4	
	Majestic Star, Gary IN	83.1	o
	Detroit (avg / 3 facils)	82.3	o
	IOC KCMO	81.3	o
	Milwaukee, WI	81.0	e o
	Lumiere + Admiral, St Louis	80.3	o*
	Batavia, NY	79.6	
	The Meadows (Pittsburgh)	77.9	
	(Buffalo) Fairgrounds, NY	77.6	
	Newport Grand, RI	77.1	
	Mountaineer Park, WV	77.1	
	Tri-State, WV	75.3	
	South Dakota VLTs	77.3	
		136	

2008 Exhibit 1: Power Ratings Used in Previous Projections 2008

	Kansas City*	Harrah's Mulvane	Marvel Wellington	Penn Wellington	Penn Cherokee	Dodge City
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
Total Power Rating	97.0	90.0	92.0	87.0	85.0	95.0

* Power Ratings for Northeast-Zone Applicants updated for this report in Exhibit 2. All others remain unchanged.

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

2008 Exhibit 2: Power Ratings Updated for Northeast Applicants 2008

	Speedway/ Cordish	Golden Gaming	PNK Kansas	Legends Sun
Gaming Positions (not inc. poker):	3,840	2,980	2,660	2,360
Baselines for Slots and Tables:				
Midwest Standard	100.00	100.00	100.00	100.00
Synergy with Area Attractions	1.00	1.00	1.00	1.00
Bricks & Mortar \$ / Gaming Position (in \$100ks)	1.84	1.96	2.34	3.25
Casino Square Footage / Gaming Position (x .02)	0.66	0.88	0.74	1.12
Hotel Rooms / Gaming Position (x 2)	0.16	0.20	0.38	0.30
Total Power Rating	103.66	104.04	104.46	105.67

Note: 100 = "Midwest Standard." Latest facilities in Iowa (smaller & less expensive) range from 99 to 104. "High" and "Low" projections remain 5 points above and below these figures, respectively.

2009 Exhibit 5: Projected Power Ratings (etc.) 2009

	Kansas Entertainment			Chisholm Creek		
	Phase 1	Raving	Full Build	Phase 1	Raving	Full Build
Gaming Positions (not inc. poker):	2,666	2,666	3,450	1,480	1,480	2,300
Baselines for Slots:						
Midwest Standard	100.00	100.00	100.00	100.00	100.00	100.00
Synergy with Area Attractions	1.00	1.00	1.00			
Distance from Major Population				1.00	1.00	1.00
Bricks & Mortar \$ / Gaming Position (in \$100ks)	1.35	1.35	1.82	0.84	1.52	0.98
Casino Square Footage / Gaming Position (x .02)	0.75	0.75	0.74	0.78	0.78	0.83
Hotel Rooms / Gaming Position (x 2)	0.00	0.15	0.29	0.00	0.14	0.13
Total Power Rating	103.10	103.25	103.85	102.62	103.43	102.93
"Reach" (miles before extra decline with distance)	150	200	200	120	200	200
Compare: Last year at this location			103.66			104.00

"Big Three" KCMO facilities currently range from 101 to 106. Table power ratings all 100 or less.

Cummings Projections

	Slots	Tables	Total
Phase 1 (2,300 slots, no hotel)	\$ 171.7	\$ 31.7	\$ 203.3
Full Build (3,000 slots, 500 rooms)	\$ 222.9	\$ 38.6	\$ 261.6
(all \$ million in then-year dollars)			
(2013\$ for Phase 1, 2015\$ for Full Build)			

Cummings vs. Applicant

	Cummings	Applicant	%
Phase 1 (2,300 slots, no hotel)	\$ 203.3	\$ 220.2	+ 8%
Full Build (3,000 slots, 500 rooms)	\$ 261.6	\$ 326.8	* +25%

(all \$ million in then-year dollars)

* not clear that Cummings and Applicant are in same year for Full Build

“Fair Share” Perspective

“Fair Share” =
 $\% \text{ Capacity} \times \text{Total Market Win}$

Example: Casino X has 2,000 gaming positions
Total Market has 10,000
“Fair Share” = 20% of the market

Projected Win vs. Fair Share

	Cummings	Applicant *
Phase 1 (2,300 slots, no hotel)	106%	117%
Full Build (3,000 slots, 500 rooms)	105%	128%

* Applicant's projections as interpreted by Cummings models.

Projections for Net Exports & Tourist #s

Projected Impacts on . . .

	Net Exports	# “Tourists”*
Phase 1 (2,300 slots, no hotel)	\$ 137.7mn	110,400
Full Build (3,000 slots, 500 rooms)	\$ 183.3mn	209,600

* “Tourists” defined as those traveling over 100 miles.

Will E. Cummings

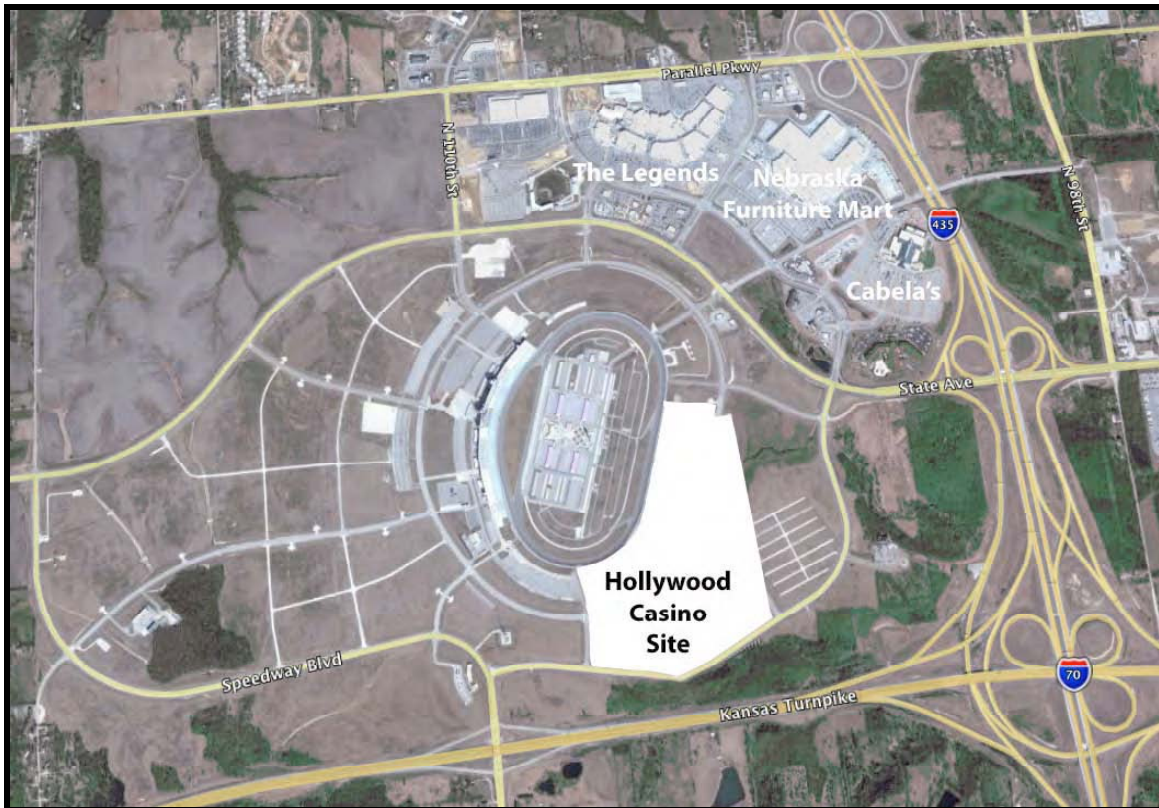
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Northeast Gaming Zone of Kansas

Projections of Casino Visits and Gaming Revenues

HOLLYWOOD
Casino®



Prepared For:

Kansas Lottery Gaming Facility Review Board

October 2009

Prepared by:

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Northeast Gaming Zone of Kansas

Projections of Casino Visits & Gaming Revenues

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Section 1

Introduction, Research Methodology, & Limiting Conditions

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

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 out of the State of Kansas, the legislature passed Senate Bill 66 (SB 66), the Kansas Expanded Lottery Act, which legalized casino gaming. The governor, Kathleen Sebelius, signed SB 66 on April 12, 2007.

Key Gaming Provisions of Senate Bill 66

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 lottery gaming facility in each of the four Kansas gaming zones.
3. Permitting an aggregate of 2,800 slot machines to be installed at the three existing racetracks.

Other provisions included in SB 66:

Referendum Elections

SB 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: The Woodlands (closed in 2008) located in Kansas City, Kansas (northeast gaming zone), and Camptown Greyhound Park (closed since November 2000) located near Frontenac, Kansas (southeast gaming zone).

Kansas Lottery Commission

Casino companies interested in developing casino projects in one of the gaming zones must submit their applications to the Executive Director of Kansas Lottery Commission. The Lottery Commission approves management contracts with potential lottery gaming facility managers to operate and/or to construct and operate a casino within one of the four designated gaming zones where it has been determined that the casino would promote tourism and generate economic development. Kansas Lottery Commission negotiates and signs a contract with

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

the applicant(s). These contracts are, in turn sent to the Lottery Gaming Facility Review Board for consideration.

Lottery Gaming Review Board

SB 66 provided for the creation of an independent, seven-member lottery gaming facility review board (three members are appointed by the governor, two by the president of the senate, and two by the speaker of the house). The Lottery Gaming Review Board evaluates the applications to become lottery gaming facility managers that are submitted to the Kansas Lottery Commission. The Board can engage recognized experts and consultants in the casino gaming industry to provide the assistance necessary to fully review and analyze the subject applications. The cost for the outside services is paid by the prospective lottery gaming facility managers.

Capital Investment Requirements & Privilege Fees

SB 66 requires the casino developers to make the following minimum capital investments, and pay the accompanying privilege fees.

Gaming Zone	Minimum Capital Investment (Dollars in Millions)	Privilege Fee (Dollars in Millions)
Northeast	\$225	\$25
Southeast	\$225	\$25
South Central	\$225	\$25
Southwest	\$50	\$5

The capital investment represents the minimum investment required to build the proposed gaming facility. The privilege fee is an upfront, one-time fee paid by the prospective lottery gaming facility manager, for the privilege of being selected as a lottery gaming facility manager of a lottery gaming facility.

Thus, a developer in the northeast gaming zone would be required to make a minimum capital investment of a \$225 million and pay a one-time only privilege fee to the state of \$25 million.

Creation of a State Owned Lottery Gaming Facility

SB 66 stipulates that the Kansas lottery gaming facilities be state-owned, the first in the United States. The state will own and control the gaming functions. The Lottery Gaming Facility Review Board will select the applicants, who in turn will become gaming facility managers of the state-owned gaming facilities. These managers will act on behalf of the Kansas Lottery Commission. The gaming facility managers will fund, build, and operate all of the lottery gaming facilities under contract with the state lottery.

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Gaming Taxes

The contract managers will be required to pay the following taxes, all of which are based on a percentage of each lottery gaming facility's gaming revenues:

1. The lottery gaming 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 addiction issues.
2. 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.
3. 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.
4. If the lottery gaming facility were located in either the southeast or the south central gaming zone, but not in a city, the lottery 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).
5. 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 lottery gaming facility were located (1%), and to the second county in the gaming zone (1%).

Applications

The State of Kansas reopened the application bidding process in 2009. To date, only two of the gaming zones (northeast and south central) have applicants who are positioned to move forward with their respective lottery gaming facilities: the Hollywood Casino (northeast zone) and the Chisholm Creek Casino Resort (south central zone).

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Gaming Revenue Potential in Kansas

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 of the four Kansas gaming zones. The updated study was released in March of 2008.

The Kansas Lottery Gaming Facility Review Board engaged experts in 2008 to address a variety of issues including the gaming revenue potential for the State of Kansas. Wells Gaming Research (WGR) and Cummings & Associates were both asked to conduct independent market analyses of the four gaming zones, and to evaluate the revenue potential of each applicant's proposal. This evaluation process was completed in September 2008, and four winning applicants were selected: the Hard Rock Speedway (northeast zone), Penn National Hollywood (southeast zone), Harrah's (south central zone), and Boot Hill (southwest zone).

Recession Impacts

The 2008-2009 ongoing recession has unfortunately triggered severe economic downturns in the casino gaming industry. The impact for Kansas was that three of the four winning applicants were unable to fund and build their proposed lottery gaming facilities. Boot Hill was the only applicant able to move forward with construction and development of its lottery gaming facility.

Heightened Competition in the Southeast

The southeast gaming zone now faces formidable competition from the Downstream Casino, a large, new Tribal casino located in the northeast corner of Oklahoma within a few hundred yards of the Kansas casino development site. The realities of the recession together with the increased competition raise questions regarding the economic viability of a casino located in the southeast gaming zone of Kansas that requires a minimum capital invest of \$225 million plus a \$25 million privilege fee.

Project Objective

The objective of the following report and analyses is to provide the Lottery Gaming Facility Review Board with independent forecasts for the number of potential casino visitors and the gaming revenues for a Hollywood Casino located at the Kansas City Speedway.

The scope of work, research methodology, and analyses required to accomplish the project's objective are contained in the following section.

***Northeast Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues***

**Scope of Work
& Research Methodology**

Evaluation of the application submitted by Kansas Entertainment/Penn National, Inc. to build a lottery gaming facility at the Kansas Speedway required the following research and analyses:

Identifying the Trade Area

WGR defined the northeast trade area as the geography lying within an approximate 100-to-125-mile radius surrounding the Wyandotte County, Kansas casino site. It covers counties located in three states (Kansas, Missouri, and Nebraska). The north-south boundaries extend from the Iowa border on the north and to Crawford County, Kansas and Vernon County, Missouri on the south. The east-west boundaries extend from Saline and Cooper Counties, Missouri on the east to Riley County, Kansas on the west (refer to the map on page 1-6).

Site Visits

Richard Wells (Wells), president of WGR, conducted site visits to the Oklahoma and Missouri casinos that are located within the trade area boundaries for both the northeast and south central gaming zones of Kansas. These site visits were made between June and September 2009. Wells also visited the five Kansas tribal casinos, Kansas City, Missouri casinos, and the northern Oklahoma casinos in June-July of 2008.

Demographic Statistics

Detailed population (total and adult) data for the trade area was obtained from the Bureau of Business & Economic Research, University of Nevada, Reno at the census tract level of detail for 2000 through 2015. Median household income statistics were also obtained from the same source.

Capacity Statistics

WGR compiled casino capacity and amenity statistics for the gravity models that were developed for the northeast gaming zone's Wyandotte, County development site.

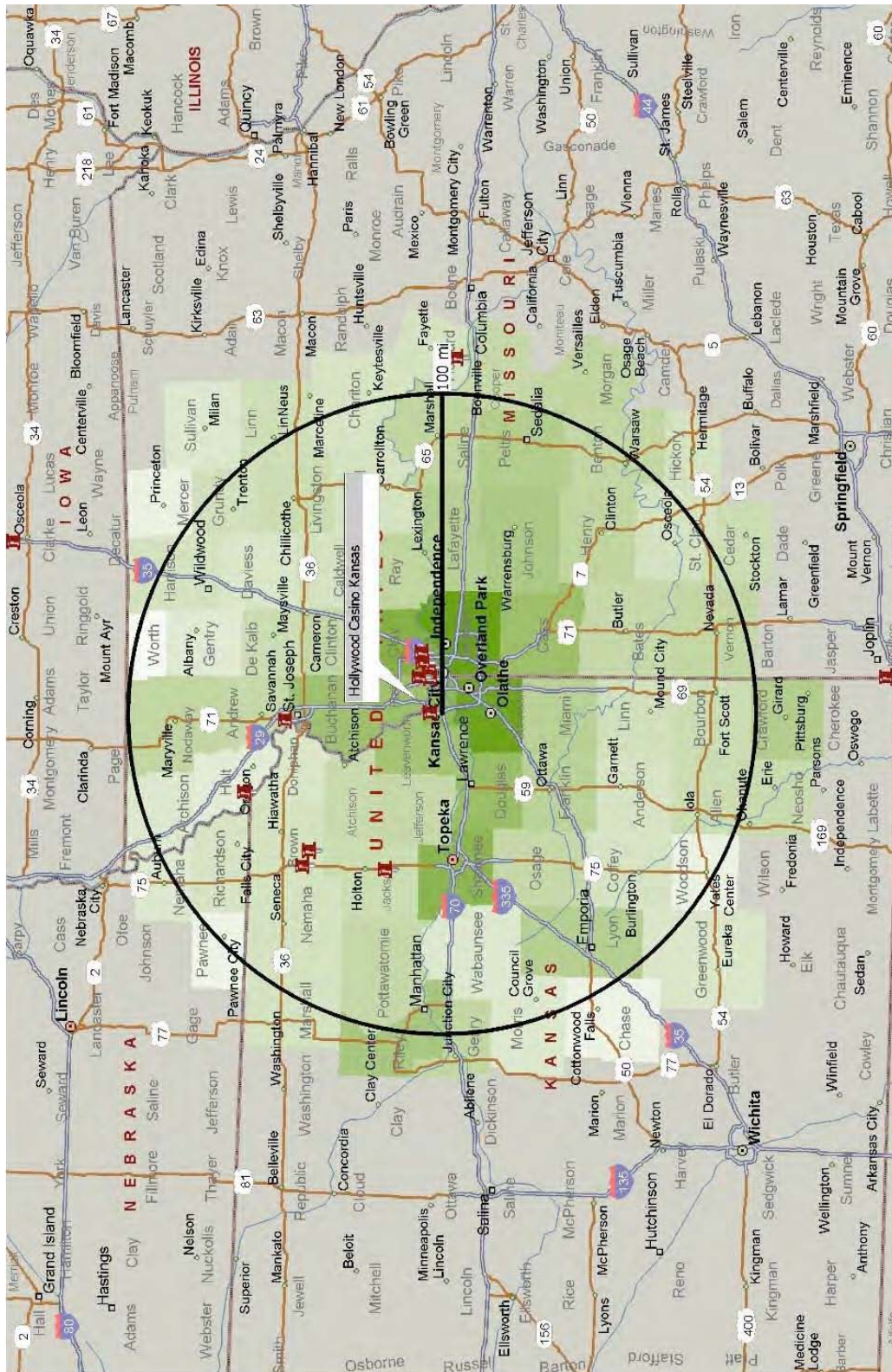
WGR's Proprietary Databases

WGR's proprietary databases contain a wealth of casino related statistics dating back to 1990 and running continuously through the present. This is an unmatched data resource available exclusively to WGR for use in casino market studies.

Applicant Templates & Application Documents

WGR obtained project and pro forma specific data from the templates and applications prepared by Kansas Entertainment/Penn National and submitted to the Kansas Lottery Commission.

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues



Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Hollywood's 2009 Application versus the Four 2008 Applicants

WGR conducted a line item comparison of the Hollywood's 2009 application with the four 2008 applicants: Golden Heartland (Phase 1), Hard Rock, Legends Sun, and Pinnacle Entertainment (refer to Exhibit 3-9, page 3-11, for a line item comparison of the results).

Hollywood's 2009 Application versus the Kansas City, Missouri Casinos

WGR conducted a line item comparison of the Hollywood's 2009 application with the four Kansas City, Missouri casinos: Ameristar, Argosy, Harrah's, and the Isle of Capri (refer to Exhibit 3-10, page 3-14, for a line item comparison of the results).

Gravity Model

By way of background, 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.

Applications for the Business World

Even though 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, the concepts have been successfully applied to business. William J. Reilly first advanced the concept of using gravity modeling in 1931 in his book entitled *Law of Retail Gravitation*. Reilly illustrated that the concept of gravitational force (pull) can be applied to various types of problems, including business, retail, and traffic. Reilly applied the concept to retail shopping center trade areas and customer attraction.

WGR's Gravity Model

WGR has developed a custom, proprietary, gravity model for use in estimating casino gaming revenues 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.

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Loss Limits

It was widely believed that the elimination of the loss limits restriction on Missouri riverboat casinos would have a positive effect on gaming revenues. The State removed the loss limits requirement in November 2008. WGR subsequently initiated a study to evaluate the impact. We analyzed ten years of actual gaming revenue data obtained from the Missouri Gaming Commission. WGR determined that the annualized net impact of the elimination of loss limits on the Kansas City, Missouri market was 1.57% for gross gaming revenues and 6.76% on the number of casino visits.

Recession Analyses

WGR analyzed the impact of the ongoing 2008-2009 economic recession on casino gaming. Our findings show that the impacts for casinos located in the Midwest regional of the United States have been minimal. In contrast, the period-over-period declines for the fiscal year ended June 30, 2009 for Las Vegas have been 11% or more. Reno comparisons for the same period show declines of approximately 20%. Unfortunately, Reno's casino industry has not only had to cope with the economic slowdown, but also with the continued expansion of Tribal gaming in northern California (Reno's primary feeder market).

Gravity Model for the Northeast

WGR built a new, custom designed gravity model for the northeast gaming zone for the 2009 analyses. It contains current demographic and competitive information. We also factored in the impacts of our analyses on loss limits and the ongoing economic recession that were purposely conducted for this study. WGR's annualized 2009 gross gaming revenue projections for the Kansas City, Missouri casinos include the impacts of loss limits and the recession. These revenue projections have been used to calibrate the 2009 gravity model.

Recession Assumption for 2010

WGR has assumed that the impact of the current recession will continue through 2010. As a result, we have assumed that there will be zero growth in gaming revenues during 2010 in both the northeast and south central gaming markets. We are assuming that the recession will be over and that normal growth will resume in 2011.

Inflation Factors

WGR, together with the other consultants working on this project, agreed to use a 3% annual inflation rate beginning in 2011.

Gaming Revenues

Gaming revenue projections will only be reported for the mid case (mean). Footnotes will be included that identify the low and high percentage variances for a 68% confidence interval. In this way, the reader will know the statistical

***Northeast Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues***

percentage variances in the casino revenues that can be expected within one standard deviation of the mean, i.e. within a 68% confidence interval.

Key Gravity Model Assumptions

Current Scenario

The trade area includes 13 existing casinos in 2009.

Scenario 1 – Phase 1

Scenario-1 includes the current scenario with 13 existing casinos; and the addition of phase-1 for the Hollywood Casino Kansas with 2,300 slots, 61 table games, 25 poker tables, 3 restaurants, 1 small entertainment venue, and 2,785 parking spaces.

Scenario 3 – Full Build Out

Scenario-3 includes scenario-1 and the Hollywood project with full build out by 2015.

Northeast Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues

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Litigation Expenses

In the event that Wells Gaming Research (WGR), Richard H Wells, or any WGR staff members are named as parties to a law suit or are compelled by a court to provide testimony and documents relating to WGR's work for the Kansas Lottery Gaming Facility Review Board, Client agrees to reimburse WGR for all out-of-pocket expenses including attorney fees, deposition expenses, travel, and document production expenses required to comply with a court order or other litigation requirements. If WGR is compelled to be a witness in litigation arising from this assignment, Client will reimburse WGR's customary billing rate for staff time required to comply with the court order.

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***Northeast Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues***

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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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Section 2

Executive Summary

***Northeast Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues***

Executive Summary

Kansas Entertainment/Penn National Gaming, Inc. has submitted an application to the Kansas Lottery Gaming Facility Review Board to build a large-scale lottery gaming facility on a 100-acre parcel located in Wyandotte County, Kansas, at the Kansas City Speedway. The development site is just north of the intersection of Interstate 70 (I-70) and Interstate 435 (I-435). This site commands excellent visibility and vehicle access from these two major interstates.

The Kansas Lottery Gaming Facility Review Board engaged Wells Gaming Research (WGR) to conduct an independent study of the Hollywood's application. Highlights of the scope of work included:

- Defining the project's trade area (refer to Section 1, pages 1-5 and 1-6 for a description of the trade area boundaries and map).
- Inventorying the existing trade area casino capacity.
- Analyzing the capacity impact of adding the Hollywood Casino Resort.
- Researching demographic trends for the trade area (population, both total and adult, and median household income).
- Projecting the number of casino visits for the Hollywood.
- Forecasting gaming revenues for the Hollywood.
- Conducting side by side analyses of the Hollywood's 2009 application with:

The four 2008 applicants (Golden Heartland, Hard Rock, Legends Sun, and Pinnacle Entertainment).

The four Kansas City, Missouri Casinos (Ameristar, Argosy, Harrah's, and Isle of Capri).

A summary of WGR's key research findings follow in this section. Complete detailed analyses can be found in subsequent sections.

Northeast Gaming Zone of Kansas **Projections of Casino Visits & Gaming Revenues**

Gaming Capacities & Amenities

The northeast trade area currently has 13 casinos equipped with the gaming capacities and amenities listed in Exhibit 2-1. The capacity increases linked to phase 1 (scenario 1) and to the full build out (scenario 3) of the Hollywood Casino's proposal are also shown.

Exhibit 2-1 Gaming Capacity for the Northeast Trade Area

Casino	# of Slots	# of Tables	# of Poker	# of Total Tables	# of Bingo Seats	Race-book	S.F. Casino	S.F. Convention	# of Rooms	# of Restaurants	Entertainment Venues	Parking
Current Capacity												
Existing 13 Casinos	16,379	348	70	418	868	1	696,491	107,520	1,553	47	18	18,800
Scenario 1 - Phase 1												
Hollywood Casino	2,300	61	25	86	0	0	100,000	0	0	3	1	2,785
Total	18,679	409	95	504	868	1	796,491	107,520	1,553	50	19	21,585
Scenario 3 - Full Build Out												
Hollywood Casino	3,000	75	25	100	0	0	128,450	60,000	500	5	2	4,685
Total	19,379	423	95	518	868	1	824,941	167,520	2,053	52	20	23,485

Data Source: Wells Gaming Research, October 2009.

Key current capacity statistic totals include 16,379 slot machines, 418 table games (348 other games and 70 poker), and 1,553 casino hotel rooms.

Scenario 1 - phase 1 of the proposed Hollywood Casino Resort, scheduled to be operational in 2012, would add 2,300 slot machines and 86 table games, bringing the trade area total to 18,679 slot machines (up by 14%) and 504 table games (up by 21%). There would be no change in the number of hotel rooms.

Scenario 3 – the full build out for the Hollywood would add 3,000 slot machines, 100 table games, and 500 hotel rooms. The slot count would increase from 16,379 to 19,379 (18%), total table games from go from a total of 418 to 518 (24%), and the number of hotel rooms would increase from 1,553 to 2,053 (32%).

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Trade Area Demographics

Population concentrations show that on a percent of total basis approximately 47% of the trade area's adult population is located in Kansas, 53% in Missouri, and 1% in Nebraska (these statistics trend across the three periods analyzed, 2000, 2009, and 2015). Refer to Exhibit 2-2.

Corresponding median household income statistics for the northeast trade area for 2013 have been forecasted at \$62,966. The breakdown shows \$68,339 for the Kansas segment, \$58,332 for the Missouri portion, and \$43,465 for the Nebraska section.

By 2015, median household income levels for the northeast trade area have been forecasted to increase to \$66,335 (\$72,039 for Kansas segment, \$61,355 for the Missouri portion, and \$45,746 for the Nebraska part).

The US Census Bureau projects MHI at \$58,606 for the US in 2013 and \$61,464 in 2015.

Exhibit 2-2 Demographic Statistics for the Trade Area

State	2000				2013				2015			
	Total Pop	Adult Pop	% Adult by ST	MHI	Total Pop	Adult Pop	% Adult by ST	MHI	Total Pop	Adult Pop	% Adult by ST	MHI
Kansas	1,389,813	957,425	45.9%	\$47,588	1,583,697	1,091,722	47.2%	\$68,339	1,617,854	1,115,499	47.4%	\$72,039
Missouri	1,587,570	1,116,125	53.5%	\$40,882	1,723,543	1,211,113	52.3%	\$58,322	1,746,180	1,226,926	52.1%	\$61,355
Nebraska	20,194	14,433	0.7%	\$30,331	17,452	12,464	0.5%	\$43,465	17,246	12,317	0.5%	\$45,746
Total	2,997,577	2,087,983	100.0%	\$43,884	3,324,692	2,315,299	100.0%	\$62,966	3,381,280	2,354,742	100.0%	\$66,335
% Total		69.7%				69.6%				69.6%		

Data Sources: University of Nevada, Center for Regional Studies & Wells Gaming Research, October 2009.

Northeast Gaming Zone of Kansas **Projections of Casino Visits & Gaming Revenues**

Casino Visits

WGR used a proprietary gravity model to forecast the number of casino visits for the proposed Hollywood Casino. A comparison of the Hollywood's casino visits with WGR's projections is illustrated in Exhibit 2-3.

Exhibit 2-3 Casino Visit Projections

Hollywood - Casino Visits	Phase I		Full Build Out
	2013	2015	2015
Hollywood's Projections	2,886,285	2,944,299	4,346,206
WGR's Projections	2,176,205	2,231,036	3,286,997
Difference - Applicant vs WGR	710,080	713,263	1,059,209

Data Source: Wells Gaming Research, October 2009.

Gaming Revenue Projections

WGR used gravity modeling techniques to forecast the casino gaming revenues for the Hollywood Casino Resort. 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 the future gaming revenues of a particular project (refer to Section-1, pages 1-7 through 1-9 for additional information on WGR's gravity modeling methodology).

WGR's forecasts include impact of the 2008-2009 ongoing recession, and a 3% inflation factor beginning in 2011.

The variances between the Hollywood's forecasts and WGR's projections are illustrated in Exhibit 2-4.

Exhibit 2-4 Gaming Revenue Projections

Hollywood - Gaming Revenues	Phase I		Full Build Out
	2013 ¹	2015 ¹	2015 ²
Hollywood's Projections	\$220,184,894	\$231,331,753	\$326,784,894
WGR's Projections	\$158,312,687	\$172,122,280	\$255,094,099
Difference - Applicant vs WGR	\$61,872,207	\$59,209,473	\$71,690,795

1. **WGR's Phase 1** – At the 68% confidence interval (one standard deviation from the mean, assuming a normal distribution) revenues can be expected to vary +16% and -18%. In other words, predicted revenues can be expected to fall within this range 68% of the time.
2. **WGR's Full Build Out** - At the 68% confidence interval (one standard deviation from the mean, assuming normal distribution) revenues could be expected to vary +8% and -10%, i.e., gaming revenue projections could be expected to fall within this range 68% of the time.

Data Source: Wells Gaming Research, October 2009.

Northeast Gaming Zone of Kansas

Projections of Casino Visits & Gaming Revenues

Key 2009 Applicant Forecasts Compared with WGR & the 2008 Applicants

Highlights of the Hollywood's forecasts (both Phase 1 and Full Build Out) compared with WGR and the 2008 applicants are illustrated in Exhibit 2-5. It is important to note that due to the availability of data, a timing difference does exist between the Hollywood's 2015 forecasts for the Full Build Out (FBO) and the 2012 projections made for the 2008 applicants. This comparison is presented to give perspective on the 2009 applicant's project versus the 2008 applicants' projects that were submitted to the Kansas Lottery Gaming Facility Review Board.

Exhibit 2-5 Hollywood Casino Resort versus WGR & the 2008 Applicants

	Hollywood Casino KS		2008 Applications¹ (Projections Made by WGR for 2012)			
	Phase 1 (2012)	Full Build Out (2015)	Golden Heartland Phase I	Hard Rock	Legends Sun	Pinnacle Entertainment
Capital Investment	\$361,000,000	\$627,500,000	\$660,000,000	\$706,000,000	\$767,000,000	\$650,000,000
Gaming Revenues						
Applicants	\$201,469,177	\$326,784,894	\$266,085,000	\$358,073,088	\$281,568,300	\$401,456,200
WGR	\$151,850,405	\$255,094,099	\$178,259,568	\$226,739,520	\$163,362,192	\$193,145,094
Gaming Capacity						
# of Slots	2,300	3,000	2,500	3,000	2,000	2,300
# of Tables Games	86	100	98	140	85	85
Hotel Rooms	0	500	300	300	350	500

Footnotes:

1. Recap of WGR's presentation to the Lottery Gaming Review Board in September 2008.

Data Source: Wells Gaming Research, October 2009.

Capital Investment

Phase 1 - Variances between the Hollywood's Phase 1 proposed \$361 million investment and the 2008 applicants illustrate that Hollywood Phase 1 is:

- \$299 million (45%) lower than Golden Heartland's Phase 1 \$660 million
- \$345 million (49%) lower than the Hard Rock's \$706 million
- \$406 million (53%) lower than the Legends Sun's \$767 million
- \$289 million (45%) lower than Pinnacle's \$650 million

Full Build Out - Variances show that the Hollywood's FBO proposed investment of \$627.5 million is:

- \$32.5 million (5%) lower than Golden Heartland's Phase 1 \$660 million
- \$78.5 million (11%) lower than the Hard Rock's \$706 million
- \$139.5 million (18%) lower than the Legends Sun's \$767 million

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

- \$22.5 million (4%) lower than Pinnacle's \$650 million

Gaming Revenues

Exhibit 2-5, page 2-5 shows the following gaming revenue variances.

Hollywood 2009 application vs. WGR projections

Phase 1 – the Hollywood's \$201 million projection for 2012 is:

- \$50 million (24.6%) higher than WGR's \$152 million

Full Build Out – the Hollywood's projection of \$327 million for 2015 is:

- \$72 million (21.9%) higher than WGR's \$255 million

Hollywood 2009 application vs. 2008 applicants

Phase 1 - Hollywood's \$201.5 million in gaming revenue is:

- \$64.6 million (24%) lower than the Golden Heartland's \$266 million
- \$156.6 million (44%) lower than the Hard Rock's \$358 million
- \$80.1 million (29%) lower than the Legends Sun's \$282 million
- \$200.0 million (50%) lower than Pinnacle Entertainment's \$401 million

Full Build Out - Hollywood's \$327 million in gaming revenue is:

- \$60.7 million (23%) higher than the Golden Heartland's \$266 million
- \$31.3 million (9%) lower than the Hard Rock's \$358 million
- \$45.2 million (16%) higher than the Legends Sun's \$282 million
- \$74.7 million (18%) lower than Pinnacle Entertainment's \$401 million

Slot Machines

Slot projections for the Hollywood vs. the 2008 applicants shows the following differences:

Phase 1 – the Hollywood's proposed 2,300 slots are:

- 200 lower than Golden Heartland's 2,500 (8% lower)
- 700 lower than the Hard Rock's 3,000 (23% lower)
- 300 higher than the Legends Sun's 2,000 million (15% higher)
- Equal to Pinnacle's 2,300 slots

Full Build Out - Variances between the Hollywood's proposed 3,000 slots and the 2008 applicants shows that the Hollywood is:

- 500 slots higher than Golden Heartland's 2,500 (20% higher)
- Equal to the Hard Rock's 3,000
- 1,000 higher than the Legends Sun's 2,000 million (50% higher)
- 700 higher than Pinnacle's 2,300 (30%)

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Total Table Games

Following are the table game variances between the Hollywood 2009 application and the 2008 applicants:

Phase 1 – the Hollywood's proposed 86 table games are:

- 12 tables lower than Golden Heartland's 98 (12% lower)
- 54 lower than the Hard Rock's 140 (39% lower)
- 1 higher than the Legends Sun's 85 (1% higher)
- 1 higher than the Pinnacle's 85 (1% higher)

Full Build Out – the Hollywood's proposed 100 table games are:

- 2 tables higher than Golden Heartland's 98 (2% lower)
- 40 lower than the Hard Rock's 140 (29% lower)
- 15 higher than the Legends Sun's 85 (18% higher)
- 15 higher than the Pinnacle's 85 (18% higher)

Hotel Rooms

The Hollywood's Phase 1 proposal did not include hotel rooms; however, 500 rooms were proposed for Full Build Out. This compares with an equal number for Pinnacle Entertainment, 300 for both the Golden Heartland and Hard Rock, and 350 for the Legends Sun.

Northeast Gaming Zone of Kansas

Projections of Casino Visits & Gaming Revenues

Hollywood vs. the Four Kansas City, Missouri Casinos

Exhibit 2-6 highlights key differences between the Hollywood's proposal (Phase 1 for 2012 and FBO out for 2015), WGR's forecasts for the Hollywood, and the actual performance for the four Kansas City, Missouri casinos for the 12 months ending July 31, 2009. As with the 2008 applicants, a timing difference does exist between the Hollywood's forecasts for 2012 and 2015 and the Kansas City, Missouri actual.

Exhibit 2-6 Hollywood Casino Resort versus the 4 Kansas City, Missouri Casinos

	Hollywood Casino KS		Kansas City, Missouri Casinos (Actual 2009) ²			
	Phase I (2012)	Full Build Out (2015)	Ameristar	Argosy	Harrah's	Isle of Capri
Gaming Revenues ²						
Applicant vs Actual KC, MO Casinos	\$201,469,177	\$326,784,894	\$242,413,197	\$198,979,020	\$197,457,366	\$81,717,398
WGR	\$151,850,405	\$255,094,099	NA	NA	NA	NA
Difference	\$49,618,772	\$71,690,795	NA	NA	NA	NA
% Difference	24.6%	21.9%				
Gaming Capacity						
# of Slots	2,300	3,000	3,022	1,962	1,793	1,525
# of Tables Games	86	100	105	47	85	16
Hotel Rooms	0	500	184	258	392	0

Footnotes:

1. Gaming revenues and casino visits for the four Kansas City, Missouri casinos were based on 12 months actual ending July 31, 2009.
2. Comparisons of the Hollywood's gaming revenue projections with WGR's corresponding forecasts were shown in Exhibit 2-5 and discussed on pages 2-7 and 2 for both phase 1 and the full build out.

Data Source: Wells Gaming Research, October 2009.

Gaming Revenue Comparisons between the Hollywood's \$201 million gaming revenue projection and actual gaming revenues for the Kansas City, Missouri casinos shows that the Hollywood is:

Phase 1

- 17% (\$41 million) lower than Ameristar's \$242.4 million
- 1% (\$2.5 million) higher than the Argosy's \$199.0 million
- 2% (\$4 million) higher than the Harrah's \$197.5 million
- 146% (\$119.8 million) higher than the Isle of Capri's \$81.7 million

Full Build Out – the Hollywood's gaming revenue projection of \$326.8 million is:

- 48% (\$84.4 million) higher than Ameristar's \$242.4 million
- 64% (\$127.8 million) higher than the Argosy's \$199 million
- 65% (\$129.3 million) higher than the Harrah's \$197.5 million
- 300% (\$245.1 million) higher than the Isle of Capri's \$81.7 million

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Slot Machines

Compared to the Kansas City, Missouri casinos, the Hollywood's proposed 2,300 slots are:

Phase 1

- 722 (24%) lower than Ameristar's 3,022
- 338 (17%) higher than the Argosy's 1,962
- 507 (28%) higher than the Harrah's 1,793
- 775 (51%) higher than the Isle of Capri's 1,525

Full Build Out – slot capacity projections of 3,000 slots are:

- 22 (1%) lower than Ameristar's 3,022
- 1,038 (53%) higher than the Argosy's 1,962
- 1,207 (67%) higher than the Harrah's 1,793
- 1,475 (97%) higher than the Isle of Capri's 1,525

Total Table Games

Capacity variances between the Hollywood project and the Kansas City, Missouri casinos show that the Hollywood's proposed 86 table games are:

Phase 1

- 19 (18%) lower than Ameristar's 105
- 39 (83%) higher than the Argosy's 47
- 1 (1%) higher than the Harrah's 85
- 70 (438%) higher than the Isle of Capri's 16

Full Build Out – the Hollywood's proposed 100 table games are:

- 5 (5%) lower than Ameristar's 105
- 53 (113%) higher than the Argosy's 47
- 15 (18%) higher than the Harrah's 85
- 84 (525%) higher than the Isle of Capri's 16

Hotel Rooms

Hotel rooms were not included in the Hollywood's Phase 1 proposal; however, 500 rooms were proposed for Full Build Out. Comparison with the Kansas City, Missouri casinos shows that that the Hollywood's projection for FBO is:

- 316 (172%) higher than Ameristar's 184
- 242 (93.8%) higher than the Argosy's 258
- 108 (27.6%) higher than the Harrah's 392
- 500 higher than the Isle of Capri's 0

Section 3

Hollywood Casino Detail

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Hollywood Casino Detail

Kansas Entertainment/Penn National, Inc. is proposing to build a large-scale project on a 100-acre parcel located at the Kansas City Speedway (821 Speedway Boulevard). The development site is just north of the intersection of Interstate 70 (I-70) and Interstate 435 (I-435). It commands excellent visibility and vehicle access from these two major interstates. It is 11 miles west of downtown Kansas City, seven miles northeast of Bonner Springs, and 4 miles north of Edwardsville. Extensive infrastructure is already in place, including some surface parking and utilities.



Northeast Gaming Zone of Kansas **Projections of Casino Visits & Gaming Revenues**

Facility Statistics & Amenities

Exhibit 3-1 shows the capacity statistics and amenities proposed for phase 1 (opening status of project in 2012) and the full project build out in 2015.

Exhibit 3-1
Phase-1 versus Full Build Out

	Phase I (Opening Status)	Full Build Out
Project Capacities & Amenities	2012	2015
Capital Investment	\$361,000,000	\$627,500,000
Casino Sq Ft	100,000	128,450
# of Slots	2,300	3,000
# of Tables	61	75
# of Poker	25	25
# of Hotel Rooms	0	500
# of Restaurants	3	5
# of Entertainment Venues	1	2
Convention Sq Ft	0	60,000 ¹
# of Parking Spaces	2,785	4,685
# of Retail Outlets - Sq Ft	2	
# of FTE's (full time equivalents)	1,129	
Applicant Estimates	2013	2015
Total Number of Gaming Visits	2,886,286	4,346,206
Total Gaming Revenue	\$220,184,894	\$326,784,894

Footnote:

1. Multipurpose meeting and entertainment venue.

Data Source: Wells Gaming Research, October 2009.

Capital Investment

The Hollywood is planning to invest \$361 million for Phase 1 increasing to \$627.5 million for the full build out.

Casino Size & Capacity

A 100,000 sq. ft. state-of-the-art casino facility equipped with 2,300 slot machines and 86 table games (25 tables would be dedicated to poker) is planned for phase 1.

The casino size for the full build out would be increased to 128,450 sq. ft. equipped with 3,000 slots and 100 tables (25 tables would be dedicated to poker).

Hotel

A 500-room hotel is planned for the full build out. The quality of the standard rooms would be equal to or a cut above the typical casino hotel rooms that are

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

available in the greater Kansas City area. Premium rooms would have an upscale hotel-suite amenity package and would include VIP suites.

Restaurants

Three restaurants are planned for phase 1: a coffee shop, buffet, and a steakhouse (two additional restaurants are proposed for the full build out).

Bars

Two bars are included in phase 1.

Music/Entertainment & Meetings/Conventions

One entertainment venue is planned for phase 1. A 60,000 sq. ft. multipurpose entertainment/convention space is planned for the full build out. The multipurpose space would provide for a second entertainment venue, as well as for conventions and meetings.

Parking Facilities

Phase-1 includes 2,785 spaces, 1,500 covered and 1,285 surface. The template included 279 valet and 500 employee, both of which appear to be included in the total. The full build out includes 4,685 parking spaces.

Retail Outlets

Two are included for the project: a 2,500 square foot memorabilia store offering branded merchandise, and a 1,895 square foot 24-hour, gourmet coffee store.

FTE's (full time equivalents)

Phase-1 includes 1,129 FTEs. The number required to operate a full build out casino entertainment center was not provided.

Applicant Estimates of Casino Visits & Gaming Revenues

Refer to pages 3-10 and 3-11 for a detailed discussion on the Hollywood's estimated casino visits and gaming revenues.

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Gaming Capacity

A listing of the existing capacity for the Northeast trade area is summarized in Exhibit 3-2.

Exhibit 3-2 Current Gaming Capacity for the Northeast Trade Area

# of Loc	Casinos	# of Slots	# of Tables	# of Poker	# of Total Tables	# of Bingo Seats	Race-book	Casino S.F.	Convention S.F.	# of Rooms	# of Restaurants	Entertainment	Parking
Iowa:													
1	Terrible's Lakeside Casino	1,000	22	2	24	0	0	37,480	8,000	60	2	2	1,500
	Subtotal of Iowa	1,000	22	2	24	0	0	37,480	8,000	60	2	2	1,500
	% of Total	6.1%	6.3%	2.9%	5.7%	0.0%	0.0%	5.4%	7.4%	3.9%	4.3%	11.1%	8.0%
Kansas:													
2	Casino White Cloud	360	6	1	7	500	0	21,000	0	0	1	0	500
3	Golden Eagle Casino	794	13	7	20	368	0	45,000	15,000	0	2	1	700
4	Prairie Band Casino & Resort	1,057	29	4	33	0	0	34,878	12,000	297	3	1	1,000
5	Sac & Fox Casino	800	11	4	15	0	0	106,000	0	0	3	0	400
6	Wyandotte 7th Street Casino	560	0	0	0	0	0	20,000	0	0	1	0	0
	Subtotal of Kansas	3,571	59	16	75	868	0	226,878	27,000	297	10	2	2,600
	% of Total	21.8%	17.0%	22.9%	17.9%	100.0%	0.0%	32.6%	25.1%	19.1%	21.3%	11.1%	13.8%
Missouri:													
7	Ameristar Casino Hotel - Kansas City	3,022	90	15	105	0	0	140,000	14,520	184	10	3	2,660
8	Argosy Casino Hotel & Spa	1,962	39	8	47	0	0	62,000	19,000	258	5	3	2,535
9	Harrah's North Kansas City Casino & Hotel	1,793	60	15	75	0	0	60,133	10,000	392	6	1	3,122
10	Isle of Capri Casino - Kansas City Riverboat Casino	1,525	16	0	16	0	0	40,000	0	0	5	1	1,618
11	Isle of Capri Casino and Hotel - Boonville	950	21	0	21	0	0	28,000	12,000	140	3	1	1,102
12	Terrible's St. Jo Frontier Casino	556	11	0	11	0	0	32,000	7,000	0	1	2	663
	Subtotal of Missouri	9,808	237	38	275	0	0	362,133	62,520	974	30	11	11,700
	% of Total	59.9%	68.1%	54.3%	65.8%	0.0%	0.0%	52.0%	58.1%	62.7%	63.8%	61.1%	62.2%
Oklahoma:													
13	Downstream Casino Resort	2,000	30	14	44	0	1	70,000	10,000	222	5	3	3,000
	Subtotal of Oklahoma	2,000	30	14	44	0	1	70,000	10,000	222	5	3	3,000
	% of Total	12.2%	8.6%	20.0%	10.5%	0.0%	100.0%	10.1%	9.3%	14.3%	10.6%	16.7%	16.0%
	Total - 13 Existing Casinos	16,379	348	70	418	868	1	696,491	107,520	1,553	47	18	18,800

Existing capacity statistics indicate the Missouri casinos have the majority of the gaming capacity in the northeast trade area (59.9% of the slot machines and 65.8% of the total table games). Kansas ranked second with 21.8% of the slot machines and 17.9% of the table games.

Northeast Gaming Zone of Kansas **Projections of Casino Visits & Gaming Revenues**

Exhibit 3-3 NE Trade Area Gaming Capacity with the Hollywood

Casino	# of Slots	# of Tables	# of Poker	# of Total Tables	# of Bingo Seats	Race-book	S.F. Casino	S.F. Convention	# of Rooms	# of Restaurants	Entertainment Venues	Parking
Current Capacity for Existing Casinos												
Existing 13 Casinos	16,379	348	70	418	868	1	696,491	107,520	1,553	47	18	18,800
Scenario 1 - Hollywood Casino Kansas Phase 1												
Hollywood Casino Kansas	2,300	61	25	86	0	0	100,000	0	0	3	1	2,785
Total Existing & New Casinos	18,679	409	95	504	868	1	796,491	107,520	1,553	50	19	21,585
Percent Change Over Current	14%	18%	36%	21%	0%	0%	14%	0%	0%	6%	6%	15%
Scenario 3 - Hollywood Casino Kansas Full Build Out												
Hollywood Casino Kansas	3,000	75	25	100	0	0	128,450	60,000	500	5	2	4,685
Total Existing & New Casinos	19,379	423	95	518	868	1	824,941	167,520	2,053	52	20	23,485
Percent Change Over Current	18%	22%	36%	24%	0%	0%	18%	56%	32%	11%	11%	25%

Data Source: Wells Gaming Research, October 2009.

Scenario 1 includes the current gaming capacity and visitor amenities plus the capacities and amenities embedded in phase 1 of the proposed Hollywood Casino Resort, scheduled to be operational in 2013. The addition of 2,300 slot machines and 86 table games included in phase 1 would ratchet up the number of slots in the trade area from 16,379 to 18,679 (14%) and the total number of table games from 418 to 504 (21%).

Scenario 3 includes the current gaming capacity and visitor amenities plus the full build out for the Hollywood. The full build out includes the addition of 3,000 slot machines, 100 table games, and 500 hotel rooms. The full build out scenario would increase slots from 16,379 to 19,379 (18%), total table games from 418 to 518 (24%), casino square footage from 696,491 to 824,941 (18%), and the number of hotel rooms from 1,553 to 2,053 (32%).

Northeast Gaming Zone of Kansas

Projections of Casino Visits & Gaming Revenues

Demographic Statistics

Demographic statistics (total and adult population, and median household income) were compiled, by research category, for the northeast trade area. Included are demographic statistics for each of the five counties contiguous with Wyandotte, as well as a combined total for the contiguous counties. Other trade area categories include demographic statistics for the 28 non-contiguous Kansas counties, for the 35 non-contiguous Missouri counties, the three northeast counties as a group, and for the 72 counties that make up the total trade area.

Total Population of the Contiguous Counties

Exhibit 3-4 shows 2009 population of approximately 1.75 million for the counties contiguous with Wyandotte. Projections for 2015 show an increase to 1.88 million. The resulting average compound growth rate for the contiguous counties has been estimated at 1.16% for 2009 through 2015. The highest population concentrations will continue to be in Jackson County, Missouri (36.3%) and Johnson County, Kansas (33.2%).

Exhibit 3-4 - Total Population - 2000 & 2008 through 2015¹

# of CO	County	2000	2008	2009	2010	2011	2012	2013	2014	2015	% Contiguous 2015	CACGR
	Johnson County, KS	451,086	534,096	545,628	557,413	570,460	583,128	596,074	609,305	622,833	33.17%	2.23%
	Leavenworth County, KS	68,691	74,275	75,156	76,047	77,044	77,990	78,945	79,914	80,895	4.31%	1.23%
	Wyandotte County, KS	157,882	154,285	153,922	153,546	153,441	153,156	152,878	152,594	152,320	8.11%	-0.17%
	Clay County, MO	184,006	215,707	220,032	224,453	227,528	231,608	235,763	239,995	244,303	13.01%	1.76%
	Jackson County, MO	654,880	668,411	669,919	671,432	674,044	675,928	677,816	679,711	681,615	36.30%	0.29%
	Platte County, MO	73,781	85,896	87,350	88,832	89,892	91,264	92,655	94,070	95,507	5.09%	1.50%
	Total Contiguous Counties									1,877,473	% Total 2015	
6	Total Contiguous Counties	1,590,326	1,732,670	1,752,007	1,771,723	1,792,409	1,813,074	1,834,131	1,855,589	1,877,473	55.53%	1.16%
28	KS excl. Contiguous Counties	712,154	742,202	744,278	746,432	750,122	752,924	755,800	758,760	761,806	22.53%	0.39%
35	MO excl. Contiguous Counties	674,903	699,693	703,015	706,393	710,094	713,680	717,309	720,999	724,755	21.43%	0.51%
3	NE Counties	20,194	17,980	17,851	17,722	17,663	17,557	17,452	17,349	17,246	0.51%	-0.57%
72	Total Population	2,997,577	3,192,545	3,217,151	3,242,270	3,270,288	3,297,235	3,324,692	3,352,697	3,381,280	100.00%	0.83%

Footnote:

- The population statistics included above are limited to those counties located in the identified northeast trade area and do not include the population for the entire states of Kansas or Missouri.

Data Source: Wells Gaming Research, October 2009.

Northeast Gaming Zone of Kansas **Projections of Casino Visits & Gaming Revenues**

Total Population Projections

The 2009 total trade area population of 3.2 million is expected to increase to 3.3 million by 2013, and up to 3.4 million by 2015 reflecting an average compound growth rate that is somewhat less than one percent (0.83%) for the entire trade area.

Adult Population for Contiguous Counties

Exhibit 3-5 reflects 2009 adult population of approximately 1.2 million for the counties contiguous with Wyandotte. The major concentrations are in Jackson County, Kansas (36.54%) and Jackson County, Missouri (33.13%). Projections for 2015 reflect an increase to 1.31 million adults for the contiguous counties. The heaviest concentrations will continue to be in Jackson County, Missouri and in Johnson County, Kansas.

Exhibit 3-5 Adult Population - 2000 & 2008 through 2015

# of CO	County	2000	2008	2009	2010	2011	2012	2013	2014	2015	% Contiguous 2015	CACGR
	Johnson County, KS	314,676	372,585	380,629	388,848	397,952	406,788	415,823	425,052	434,486	33.13%	2.23%
	Leavenworth County, KS	47,782	51,664	52,279	52,897	53,591	54,251	54,915	55,590	56,272	4.29%	1.23%
	Wyandotte County, KS	105,745	103,339	103,092	102,843	102,771	102,579	102,396	102,199	102,019	7.78%	-0.17%
	Clay County, MO	129,559	151,880	154,925	158,038	160,203	163,077	166,001	168,979	172,012	13.12%	1.76%
	Jackson County, MO	460,385	469,899	470,957	472,014	473,855	475,170	476,516	477,841	479,183	36.54%	0.29%
	Platte County, MO	52,218	60,792	61,822	62,870	63,621	64,591	65,578	66,577	67,594	5.15%	1.50%
										1,313,581	% Total 2015	
6	Total Contiguous Counties	1,110,365	1,210,159	1,223,704	1,237,510	1,251,993	1,266,456	1,281,229	1,296,238	1,311,566	55.70%	1.16%
28	KS excl. Contiguous Counties	489,222	509,223	510,660	512,146	514,684	516,615	518,588	520,633	522,722	22.20%	0.39%
35	MO excl. Contiguous Counties	473,963	490,920	493,191	495,503	498,064	500,528	503,018	505,557	508,137	21.58%	0.50%
3	NE Counties	14,433	12,843	12,751	12,657	12,616	12,541	12,464	12,390	12,317	0.52%	-0.58%
72	Total Adult Population	2,087,983	2,223,145	2,240,306	2,257,816	2,277,357	2,296,140	2,315,299	2,334,818	2,354,742	100.00%	0.83%

Data Source: Wells Gaming Research, October 2009.

Adult Population Totals

The total 2009 adult population of 2.2 million for the northeast trade area is expected to increase to 2.3 million by 2013, and to 2.4 million by 2015. Overall, the average compound growth rate for the adult population (2009 through 2015) is expected to be below 1% (0.83%).

Northeast Gaming Zone of Kansas **Projections of Casino Visits & Gaming Revenues**

Median Household Income

Exhibit 3-6 illustrates that the average 2009 median household income was \$65,396 for counties contiguous with Wyandotte. Projections for 2015 reflect an increase to \$76,481. Between 2009 and 2015, the average compound growth rate in MHI for the contiguous counties has been forecasted at 2.64%. Projections for 2015 show that Johnson County Kansas is expected to rank the highest with a MHI of \$97,827, followed by Platte County, Missouri with \$83,713. Wyandotte County has been forecasted to rank the lowest in 2015 with a MHI of \$52,194.

Exhibit 3-6 Median Household Income - 2000 & 2008 through 2015²

# of CO	County	2000	2008	2009	2010	2011	2012	2013	2014	2015	CACGR
	Johnson County, KS	\$66,257	\$80,508	\$84,528	\$84,527	\$86,611	\$88,746	\$93,176	\$95,473	\$97,827	2.47%
	Leavenworth County, KS	\$49,641	\$60,319	\$63,330	\$63,330	\$64,891	\$66,491	\$69,810	\$71,530	\$73,295	2.47%
	Wyandotte County, KS	\$35,351	\$42,955	\$45,100	\$45,099	\$46,211	\$47,351	\$49,714	\$50,939	\$52,194	2.46%
	Clay County, MO	\$50,570	\$61,448	\$64,515	\$64,515	\$66,106	\$67,735	\$71,116	\$72,869	\$74,666	2.47%
	Jackson County, MO	\$42,197	\$51,273	\$53,832	\$53,833	\$55,160	\$56,520	\$59,341	\$60,804	\$62,303	2.47%
	Platte County, MO	\$56,698	\$68,895	\$72,332	\$72,333	\$74,115	\$75,942	\$79,734	\$81,699	\$83,713	2.47%
6	Total Contiguous Counties	\$50,343	\$62,112	\$65,396	\$65,462	\$67,203	\$68,990	\$72,571	\$74,501	\$76,481	2.64%
28	KS excl. Contiguous Counties	\$38,025	\$45,410	\$47,577	\$47,503	\$48,583	\$49,690	\$51,946	\$53,131	\$54,343	2.24%
35	MO excl. Contiguous Counties	\$35,214	\$43,254	\$45,449	\$45,532	\$46,689	\$47,895	\$50,344	\$51,645	\$52,981	2.59%
3	NE Counties	\$30,331	\$37,285	\$39,149	\$39,242	\$40,259	\$41,301	\$43,465	\$44,591	\$45,746	2.63%
72	Average Median Household Income	\$43,884	\$53,979	\$56,831	\$56,867	\$58,359	\$59,898	\$62,966	\$64,628	\$66,335	2.61%

MHI for the Trade Area

Exhibit 3-6 shows that in 2009 the average MHI for the northeast trade area was \$56,831 with projections to increase to \$66,335 by 2015. However, the northeast counties as a group were projected to have a MHI of \$45,746 by 2015, which is substantially lower than for the entire trade area (\$66,355).

Overall, the average compound growth rate (2009 and 2015) for the trade area has been projected at 2.61%.

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Casino Visits

WGR used a proprietary gravity model to forecast the number of casino visits. A comparison of the Hollywood's forecast versus WGR's is illustrated in Exhibit 3-7.

Exhibit 3-7 Casino Visit Projections

	Phase I		Full Build Out
Applicant's Casino Visit Projections	2013	2015	2015
Hollywood Casino Kansas Application - Residential	2,490,442	2,540,500	N/A
Hollywood Casino Kansas Application - Tourist	395,843	403,799	N/A
Hollywood Casino Kansas Application - Total	2,886,285	2,944,299	4,346,206
WGR's Casino Visit Projections	2013	2015	2015
Hollywood Casino Kansas	2,176,205	2,231,036	3,286,997
Difference - Applicant vs WGR	710,080	713,263	1,059,209
% Differences	24.6%	24.2%	24.4%

Data Source: Wells Gaming Research, October 2009.

The Hollywood forecasted 2.9 million casino visits for 2013 versus 2.2 million estimated by WGR. WGR's forecast is 710 thousand visits (24%) lower than the Hollywood's. Casino visit projections for 2015 showed a similar spread. The Hollywood projected 2.9 million casino visits, while WGR estimated 2.2 million, a difference of 713 thousand visits (24%). In the full build out scenario, the Hollywood projected 4.3 million visits to WGR's 3.3 million, a difference of 1.1 million visits (24%).

Northeast Gaming Zone of Kansas

Projections of Casino Visits & Gaming Revenues

Gaming Revenue Projections

WGR used gravity modeling methods to forecast the casino gaming revenues for the Hollywood. 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 the future gaming revenues of a particular project (refer to section 1, pages 1-7 through 1-9 for additional information on WGR's gravity modeling methodology).

WGR's 2013 forecasts for the Hollywood include the impacts of the 2008-2009 ongoing recession, and a 3% inflation factor (the inflation adjustment was not used in 2010 because of the recession, but was applied from 2011 onward).

A comparison of gaming revenue estimates for the Hollywood versus WGR is illustrated in Exhibit 3-8. The Hollywood's 2013 forecast of \$220 million is \$62 million (28.1%) higher than WGR's revenue estimates of \$158 million. The Hollywood's 2015 forecast of \$231 million in gaming revenue is \$59 million (25.6%) higher than WGR's estimates of \$172 million. In the full build out scenario, the Hollywood's revenue estimate of \$327 million is \$72 million (21.9%) higher than WGR's at \$255 million.

Exhibit 3-8 Revenue Projections

	Phase I		Full Build Out
Applicant's Casino Revenue Projections	2013	2015	2015
Hollywood Casino Kansas Application - Residential	\$193,139,810	\$202,917,512	N/A
Hollywood Casino Kansas Application - Tourist	\$27,045,084	\$28,414,241	N/A
Hollywood Casino Kansas Application - Total	\$220,184,894	\$231,331,753	\$326,784,894
WGR's Casino Revenue Projections (Inflated)	2013 ¹	2015 ¹	2015 ²
Hollywood Casino Kansas	\$158,312,687	\$172,122,280	\$255,094,099
Difference - Applicant vs WGR	\$61,872,207	\$59,209,473	\$71,690,795
% Differences	-28.1%	-25.6%	-21.9%

Footnotes:

- 1. Phase 1 for WGR** --- At a 68% confidence interval (one standard deviation from the mean, assuming a normal distribution), revenues can be expected to vary +16% and -18%. In other words, predicted revenues can be expected to fall within this range 68% of the time.
- 2. Full Build Out for WGR** --- At a 68% confidence interval (one standard deviation from the mean, assuming a normal distribution), revenue can be expected to vary +14% and -16%, i.e., predicted revenues can be expected to fall within this range 68% of the time.

Data Source: Wells Gaming Research, October 2009.

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Hollywood Compared with WGR & the 2008 Applicants

An expanded version of WGR's executive summary comparison of the Hollywood's 2009 forecasts (phase 1 and the full build out) with the 2008 applicants (Golden Heartland, Hard Rock, Legends Sun, and Pinnacle Entertainment) is illustrated in Exhibit 3-9.

Exhibit 3-9 Hollywood Casino Resort versus WGR & the 2008 Applicants

Capacities & Amenities	2009 Application Hollywood Casino Kansas		2008 Applications (Projections Made by WGR for 2012) ¹			
	Phase I (2012)	Full Build Out (2015)	Golden Heartland Phase I	Hard Rock	Legends Sun	Pinnacle Entertainment
Capital Investment	\$361,000,000	\$627,500,000	\$660,000,000	\$706,000,000	\$767,000,000	\$650,000,000
Gaming Revenues:						
Applicant	\$201,469,177	\$326,784,894	\$266,085,000	\$358,073,088	\$281,568,300	\$401,456,200
WGR	\$151,850,405	\$255,094,099	\$178,259,568	\$226,739,520	\$163,362,192	\$193,145,094
Difference	\$49,618,772	\$71,690,795	\$87,825,432	\$131,333,568	\$118,206,108	\$208,311,106
% Difference	24.6%	21.9%	33.0%	36.7%	42.0%	51.9%
Visitor Projections:						
Applicant	2,857,422	4,346,206	3,669,732	4,509,892	2,980,965	3,967,433
WGR	2,149,599	3,286,997	2,482,351	3,147,783	2,265,806	2,688,793
Difference	707,823	1,059,209	1,187,381	1,362,109	715,159	1,278,640
% Difference	24.8%	24.4%	32.4%	30.2%	24.0%	32.2%
Casino:						
Square Footage	100,000	128,450	132,000	125,100	131,000	100,000
# of Slots	2,300	3,000	2,500	3,000	2,000	2,300
# of Tables Games	61	75	80	90	60	60
# of Poker tables	25	25	18	50	25	25
Hotel Rooms	0	500	300	300	350	500
Restaurants/Entertainment:						
# of Restaurants	3	5	5	10 ³	5	8
# of Small Entertainment Venues	1	1	1	8 ³	1	1
# of Large Entertainment Venues	0	1	2	2 ³	2	2
Convention Square Footage	0	60,000 ²	25,000	40,000	40,500	68,540
Sports/Recreation Facilities:						
Enclosed Pool	Not Specified	Not Specified	Yes	Yes	Yes	Yes
Outdoor Pool	Not Specified	Not Specified	Not Specified	Yes	Not Specified	Not Specified
Spa/ Fitness Center	Not Specified	Not Specified	Yes	Yes	Yes	Yes
Golf	Not Specified	Not Specified	Yes	Not Specified	Yes	Not Specified
Bowling	Not Specified	Not Specified	Yes	Not Specified	Not Specified	Not Specified
Parking:	Not Specified	Not Specified				
# of Surface Spaces	1,285	3,185	1,229	5,584	2,000	2,820
# of Covered Spaces	1,500	1,500	2,020	1,342	1,500	0
# of Retail Outlets	2	2	1	3	5	4
# of FTE's (full time equivalents)	1,129	Not Specified	1,625	1,991	1,776	2,074

Footnotes:

1. Recap of WGR's presentation to the Lottery Gaming Review Board in September 2008.
2. Multipurpose meeting and entertainment venue space.

Data Sources: The 2008 Applicants & Wells Gaming Research, October 2009.

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Capital Investment

Phase 1 - Variances between the Hollywood's Phase 1 proposed \$361 million investment and the 2008 applicants illustrate that the Hollywood is:

- \$299 million (45%) lower than Golden Heartland's \$660 million
- \$345 million (49%) lower than the Hard Rock's \$706 million
- \$406 million (53%) lower than the Legends Sun's \$767 million
- \$289 million (45%) lower than Pinnacle's \$650 million

Full Build Out - Variances show that the Hollywood's proposed investment of \$627.5 million is:

- \$32.5 million (5%) lower than Golden Heartland's \$660 million
- \$78.5 million (11%) lower than the Hard Rock's \$706 million
- \$139.5 million (18%) lower than the Legends Sun's \$767 million
- \$22.5 million (4%) lower than Pinnacle's \$650 million

Gaming Revenues

Exhibit 3-9, page 3-11, shows the following gaming revenue variances.

Hollywood 2009 application vs. WGR projections

Phase 1 – the Hollywood's \$201 million projection for 2012 is

- \$50 million (24.6%) higher than WGR's \$152 million

Full Build Out – the Hollywood's projection of \$327 million for 2015 is

- \$72 million (21.9%) higher than WGR's \$255 million

Hollywood 2009 application vs. 2008 Applicants

Phase 1 - Hollywood's \$201.5 million in gaming revenue is:

- \$64.6 million (24%) lower than the Golden Heartland's \$266 million
- \$156.6 million (44%) lower than the Hard Rock's \$358 million
- \$80.1 million (29%) lower than the Legends Sun's \$282 million
- \$200.0 million (50%) lower than Pinnacle Entertainment's \$401 million

Full Build Out - Hollywood's \$327 million in gaming revenue is:

- \$60.7 million (23%) higher than the Golden Heartland's \$266 million
- \$31.3 million (9%) lower than the Hard Rock's \$358 million
- \$45.2 million (16%) higher than the Legends Sun's \$282 million
- \$74.7 million (18%) lower than Pinnacle Entertainment's \$401 million

Slot Machines

Slot projections for the Hollywood vs. the 2008 applicants shows the following differences:

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Phase 1 – the Hollywood's proposed 2,300 slots are:

- 200 lower than Golden Heartland's 2,500 (8% lower)
- 700 lower than the Hard Rock's 3,000 (23% lower)
- 300 higher than the Legends Sun's 2,000 million (15% higher)
- Equal to Pinnacle's 2,300 slots

Full Build Out - Variances between the Hollywood's proposed 3,000 slots and the 2008 applicants shows that the Hollywood is:

- 500 slots higher than Golden Heartland's 2,500 (20% higher)
- Equal to the Hard Rock's 3,000
- 1,000 higher than the Legends Sun's 2,000 million (50% higher)
- 700 higher than Pinnacle's 2,300 (30%)

Total Table Games

Following are the table game variances between the Hollywood and the 2008 applicants:

Phase 1 – the Hollywood's proposed 86 table games are:

- 12 tables lower than Golden Heartland's 98 (12% lower)
- 54 lower than the Hard Rock's 140 (39% lower)
- 1 higher than the Legends Sun's 85 (1% higher)
- 1 higher than the Pinnacle's 85 (1% higher)

Full Build Out – the Hollywood's proposed 100 table games are:

- 2 tables higher than Golden Heartland's 98 (2% lower)
- 40 lower than the Hard Rock's 140 (29% lower)
- 15 higher than the Legends Sun's 85 (18% higher)
- 15 higher than the Pinnacle's 85 (18% higher)

Hotel Rooms

The Hollywood's Phase 1 proposal did not include hotel rooms; however, 500 rooms were proposed for the full build out. This compares with an equal number for Pinnacle Entertainment, 300 for both the Golden Heartland and Hard Rock, and 350 for the Legends Sun.

Hollywood vs. the Four Kansas City, Missouri Casinos

An expanded version of WGR comparative analyses of the Hollywood's proposal (phase 1 for 2012 and full build out for 2015), WGR's forecasts for the Hollywood, and the actual performance for the four Kansas City, Missouri casinos follows in Exhibit 2-10.

Northeast Gaming Zone of Kansas

Projections of Casino Visits & Gaming Revenues

Exhibit 3-10 Hollywood Casino Resort versus the Four Kansas City, Missouri Casinos

Capacities & Amenities	Hollywood		Kansas City, Missouri Casinos (Actual 2009) ¹			
	Phase I (2012)	Full Build Out (2015)	Ameristar	Argosy	Harrah's	Isle of Capri
Gaming Revenues:						
Applicant vs Actual KC, MO Casinos	\$201,469,177	\$326,784,894	\$242,413,197	\$198,979,020	\$197,457,366	\$81,717,398
WGR	\$151,850,405	\$255,094,099	NA	NA	NA	NA
Difference	\$49,618,772	\$71,690,795	NA	NA	NA	NA
% Difference	24.6%	21.9%				
Gaming Visits:						
Applicant vs Actual KC, MO Casinos	2,857,422	4,346,206	3,565,784	2,704,939	2,819,024	1,527,821
WGR	2,149,599	3,286,997	NA	NA	NA	NA
Difference	707,823	1,059,209	NA	NA	NA	NA
% Difference	24.8%	24.4%				
Casino:						
Square Footage	100,000	128,450	140,000	62,000	60,133	40,000
# of Slots	2,300	3,000	3,022	1,962	1,793	1,525
# of Tables Games	61	75	90	39	60	16
# of Poker tables	25	25	15	8	15	0
Hotel Rooms	0	500	184	258	392	0
Restaurants/Bars/Entertainment:						
# of Restaurants	3	5	10	5	6	5
# of Small Entertainment Venues	1	1	1	2	0	1
# of Large Entertainment Venues	0	1	2	1	1	0
Convention Square Footage	0	60,000	14,520	19,000	10,000	0
Sports/Recreation Facilities:						
Enclosed Pool	Not Specified	Not Specified	No	No	No	No
Outdoor Pool	Not Specified	Not Specified	No	No	No	No
Spa/Fitness Center	Not Specified	Not Specified	No	Yes	No	No
Golf	Not Specified	Not Specified	No	No	No	No
Bowling/Arcade	Not Specified	Not Specified	Yes	No	No	No
Parking:						
# of Parking Spaces	2,785	4,685	2,660	2,535	3,122	1,618
Covered Parking Availability	Yes	Yes	Yes	Yes	Yes	No
# of Retail Outlets	2	2	1	1	1	0
# of FTE's (full time equivalents)	1,129	Not Specified	1,360	1,100	1,295	Not Specified

Footnotes:

- Gaming revenues and casino visits for the four Kansas City, Missouri casinos were based on 12 months actual ending July 31, 2009.

Data Sources: The Missouri Gaming Commission @ 7/31/09 & Wells Gaming Research, October 2009.

Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Gaming Revenue Comparisons between the Hollywood's \$201 million gaming revenue projection and actual gaming revenues for the Kansas City, Missouri casinos (refer to Exhibit 3-10, page 3-14) shows that the Hollywood is:

Phase 1

- 17% (\$41 million) lower than Ameristar's \$242.4 million
- 1% (\$2.5 million) higher than the Argosy's \$199.0 million
- 2% (\$4 million) higher than the Harrah's \$197.5 million
- 146% (\$119.8 million) higher than the Isle of Capri's \$81.7 million

Full Build Out – the Hollywood's gaming revenue projection of \$326.8 million is:

- 48% (\$84.4 million) higher than Ameristar's \$242.4 million
- 64% (\$127.8 million) higher than the Argosy's \$199 million
- 65% (\$129.3 million) higher than the Harrah's \$197.5 million
- 300% (\$245.1 million) higher than the Isle of Capri's \$81.7 million

Slot Machines

Compared to the Kansas City, Missouri casinos, the Hollywood's proposed 2,300 slots are:

Phase 1

- 722 (24%) lower than Ameristar's 3,022
- 338 (17%) higher than the Argosy's 1,962
- 507 (28%) higher than the Harrah's 1,793
- 775 (51%) higher than the Isle of Capri's 1,525

Full Build Out – slot capacity projections of 3,000 slots are:

- 22 (1%) lower than Ameristar's 3,022
- 1,038 (53%) higher than the Argosy's 1,962
- 1,207 (67%) higher than the Harrah's 1,793
- 1,475 (97%) higher than the Isle of Capri's 1,525

Total Table Games

Capacity variances between the Hollywood and the Kansas City, Missouri casinos show that the Hollywood's proposed 86 table games are:

Phase 1 –

- 19 (18%) lower than Ameristar's 105
- 39 (83%) higher than the Argosy's 47
- 1 (1%) higher than the Harrah's 85
- 70 (438%) higher than the Isle of Capri's 16

Full Build Out – the Hollywood's proposed 100 table games are:

- 5 (5%) lower than Ameristar's 105
- 53 (113%) higher than the Argosy's 47

***Northeast Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues***

- 15 (18%) higher than the Harrah's 85
- 84 (525%) higher than the Isle of Capri's 16

Hotel Rooms

Hotel rooms were not included in the Hollywood's Phase 1 proposal; however, 500 rooms were proposed for the full build out. Comparison with the Kansas City, Missouri casinos shows that that the Hollywood's projection for the **full build out** is:

- 316 (172%) higher than Ameristar's 184
- 242 (93.8%) higher than the Argosy's 258
- 108 (27.6%) higher than the Harrah's 392
- 500 higher than the Isle of Capri's 0

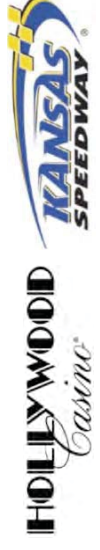
Northeast Gaming Zone - Wyandotte County, Kansas

Gaming Revenue and Casino Visit Projections



Prepared For:
Kansas Lottery Gaming Facility Review Board Meeting
October 26-27, 2009

Wells Gaming Research



Methodology

- Used WGR's proprietary gravity model
- Used 2009 annualized data as status quo for baseline projections
- Population data at census tract level for 2000 and 2008-2015
- Defined and ran 3 primary scenarios and 3 supplemental scenarios that show a single midpoint estimate and the percent expected variance at a 68% confidence interval

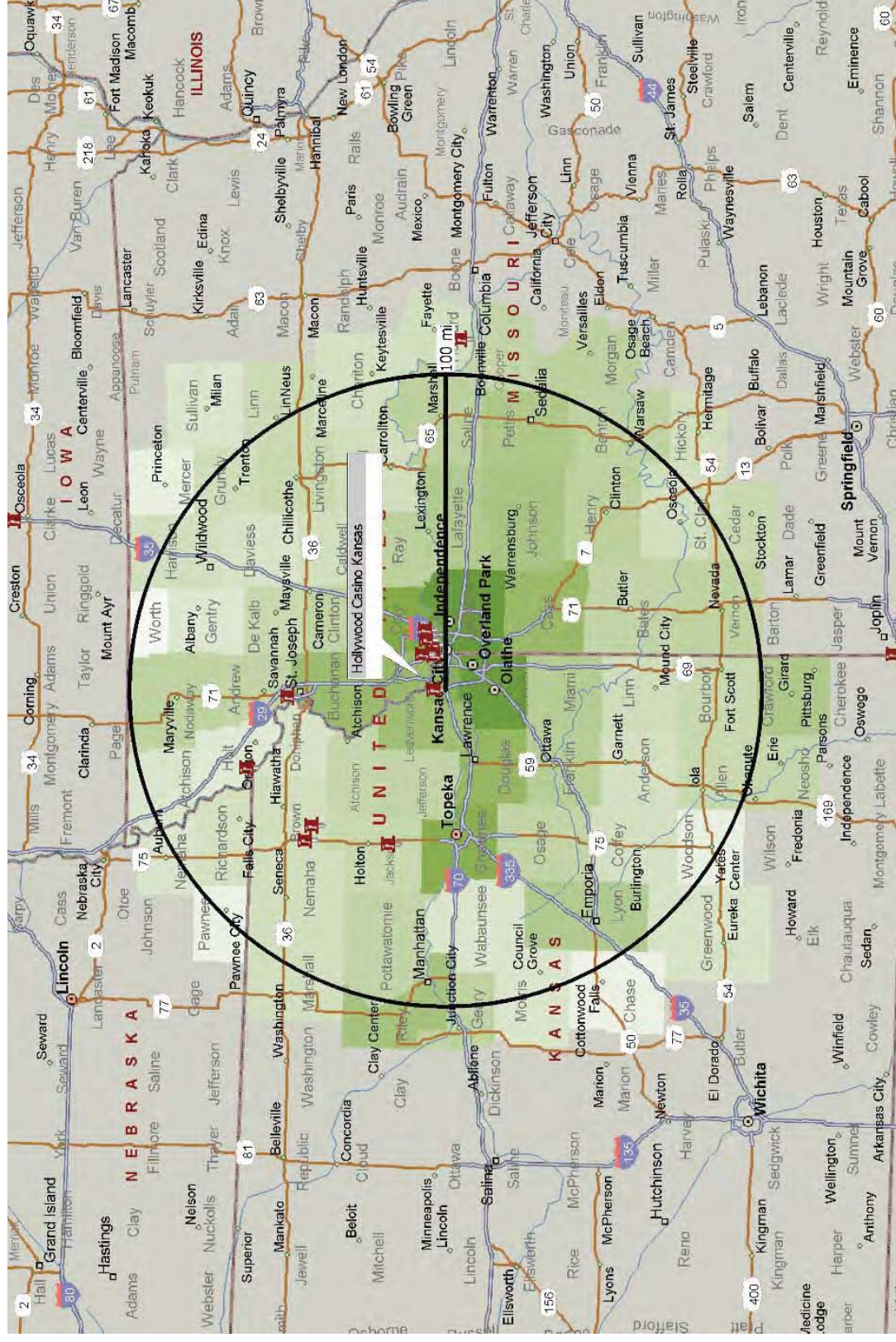


NE Kansas Trade Area

- Trade area (approximate 125-mile radius) includes 31 counties in Kansas, 38 counties in Missouri, and 3 counties in Nebraska
- The trade area population is 3,217,151; of which 2,240,306 are adults
- Of the adult population, 1,123,704 (50%) live in Wyandotte County and the five contiguous counties



NE Kansas Trade Area Map

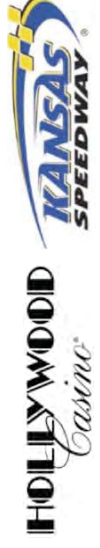


October 26-27, 2009

Wells Gaming Research

3

- Existing competition includes 13 casinos
 - 1 casino in Iowa
 - 5 casinos in Kansas
 - 6 casinos in Missouri
 - 1 casino in Oklahoma
- Total existing capacity: 16,379 slots, 348 pit tables, and 70 poker tables



Impact of Loss Limit Removal

- Missouri abolished loss limits in November of 2008
- WGR used ARIMA modeling techniques to estimate impact on MO gaming revenues and casino visits
 - 1.57% annualized impact on gaming revenues
 - 6.76% annualized impact on casino visits
- Impact percentages were used to create base annual revenue and visits numbers with a full year of impact factored in

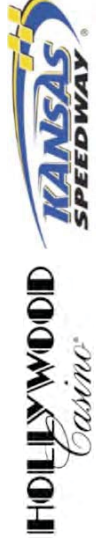


Capacity Comparison - 2009 vs. 2008

Capacities & Amenities	2009 Application Hollywood Casino Kansas		2008 Applications (Projections Made by WGR for 2012) ¹			
	Phase I (2012)	Full Build Out (2015)	Golden Heartland Phase I	Hard Rock	Legends Sun	Pinnacle Entertainment
Casino:						
# of Slots	2,300	3,000	2,500	3,000	2,000	2,300
# of Tables Games (inc Poker)	86	100	98	140	85	85
Hotel Rooms	0	500	300	300	350	500
Restaurants/Entertainment:						
# of Restaurants	3	5	5	10 ²	5	8
# of Entertainment Venues	1	2	3	10 ²	3	3
Convention Square Footage	0	60,000 ¹	25,000	40,000	40,500	68,540
Sports/Recreation Facilities:	Not Specified	Not Specified	4	3	3	2
Parking:	2,785	4,685	3,249	6,926	3,500	2,820
# of Retail Outlets	2	2	1	3	5	4
# of FTE's (full time equivalents)	1,129	Not Specified	1,625	1,991	1,776	2,074

Footnotes:

1. Multipurpose meeting and entertainment venue.
2. The Hard Rock includes the Retail/Dining/Entertainment District proposed by The Cordish Company in the 2008 application. It includes 165,600 sq ft of dining and entertainment with 6 restaurants and 7 clubs, 100,000 sq ft of promenade space for live performances, for a total of 265,500 sq ft.



Revenue and Visits Comparison - 2009 vs. 2008

(Numbers in Millions)

Capacities & Amenities	2009 Application Hollywood Casino Kansas		2008 Applications (Projections Made by WGR for 2012) ¹			
	Phase I (2012)	Full Build Out (2015)	Golden Heartland Phase I	Hard Rock	Legends Sun	Pinnacle Entertainment
Capital Investment	\$361.0	\$627.5	\$660.0	\$706.0	\$767.0	\$650.0
Gaming Revenues:						
Applicant	\$201.5	\$326.8	\$266.1	\$358.1	\$281.6	\$401.5
WGR	\$151.9 ²	\$255.1 ²	\$178.3	\$226.7	\$163.4	\$193.2
Difference	\$49.6	\$71.7	\$87.8	\$131.3	\$118.2	\$208.3
% Difference	24.6%	21.9%	33.0%	36.7%	42.0%	51.9%
Visitor Projections:						
Applicant	2.86	4.35	3.67	4.51	2.98	3.97
WGR	2.15	3.29	2.48	3.15	2.27	2.69
Difference	0.71	1.06	1.19	1.36	0.72	1.28
% Difference	24.8%	24.4%	32.4%	30.2%	24.2%	32.2%

Footnotes:

1. Recap of WGR's projections as presented to the Board in September 2008.
2. At a 68% confidence interval, revenues can be expected to vary by +16% and -18% for Phase I, and +8% and -10% for Full Build Out.



Capacity Comparison to Existing Kansas City, MO Casinos

Capacities & Amenities	Hollywood		Kansas City, Missouri Casinos (Actual 2009) ¹			
	Phase I (2012)	Full Build Out (2015)	Ameristar	Argosy	Harrah's	Isle of Capri
Casino:						
# of Slots	2,300	3,000	3,022	1,962	1,793	1,525
# of Tables Games (inc Poker)	86	100	105	47	75	16
Hotel Rooms	0	500	184	258	392	0
Restaurants/Bars/Entertainment:						
# of Restaurants	3	5	10	5	6	5
# of Entertainment Venues	1	2	3	3	1	1
Convention Square Footage	0	60,000	14,520	19,000	10,000	0
Sports/Recreation Facilities:	Not Specified	Not Specified	1	1	0	0
Parking:						
# of Parking Spaces	2,785	4,685	2,660	2,535	3,122	1,618
Covered Parking Availability	Yes	Yes	Yes	Yes	Yes	No
# of Retail Outlets	2	2	1	1	1	0
# of FTE's (full time equivalents)	1,129	Not Specified	1,360	1,100	1,295	Not Specified

Footnotes:

1. Gaming revenues and visits for Kansas City, MO casinos are based on 12 months of actual performance ending on July 2009.



Revenue and Visits Comparison to Existing Kansas City, MO Casinos

(Numbers in Millions)

Capacities & Amenities	Hollywood		Kansas City, Missouri Casinos (Actual 2009) ¹			
	Phase I (2012)	Full Build Out (2015)	Ameristar	Argosy	Harrah's	Isle of Capri
Gaming Revenues:						
Applicant	\$201.5	\$326.8	\$242.4	\$199.0	\$197.5	\$81.7
WGR	\$151.9 ²	\$255.1 ²	N/A	N/A	N/A	N/A
Difference	\$49.6	\$71.7	N/A	N/A	N/A	N/A
% Difference	24.6%	21.9%	N/A	N/A	N/A	N/A
Visitor Projections:						
Applicant	2.86	4.35	3.57	2.70	2.82	1.53
WGR	2.15	3.29	N/A	N/A	N/A	N/A
Difference	0.71	1.06	N/A	N/A	N/A	N/A
% Difference	24.8%	24.4%	N/A	N/A	N/A	N/A

Footnotes:

1. Gaming revenues and visits for Kansas City, MO casinos are based on 12 months of actual performance ending on July 2009.
2. At a 68% confidence interval, revenues can be expected to vary by +16% and -18% for Phase I, and +8% and -10% for Full Build Out.

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 clients for 335 casinos in Nevada, Mississippi, Louisiana, New Mexico, California, and Macau.



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.



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KANSAS ENTERTAINMENT, LLC

8/19/2009

- Project Summary -

Estimate	Direct Cost	GCs, OH & P 8%	Design Contingency 10%	Escalation 1.37%	Total	Area (SF)	\$/SF
Building	\$104,544,940	\$8,363,595	\$11,290,854	\$1,701,532	\$125,900,920	555,060	\$226.82
Sitework	\$7,281,645	\$582,532	\$786,418	\$118,513	\$8,769,107	n/a	n/a
TOTAL	\$111,826,585	\$8,946,127	\$12,077,271	\$1,820,045	\$134,670,028	555,060	\$242.62

PROJECT NAME: Kansas Entertainment, LLC

Page 1

ESTIMATE DATE: 10/16/2009

NOTES REGARDING THIS ESTIMATE:

- This Program estimate is based on program data, the construction questionnaire, and the Performance Matrix provided by applicant.
- This estimate assumes a normal market condition.
- This estimate assumes a design-build process managed by a construction management firm.
- This estimate assumes one contract awarded to one General Contractor.

Escalation is included assuming 7/1/2010 as the start of construction and 18 months of construction duration until 12/31/2011, the substantial completion of construction.

THIS ESTIMATE EXCLUDES:

- 1) Professional fees, testing, moving expense, etc. for Owner's account,
- 2) Premium costs for work done in phases, out of sequence, out of hours,
- 3) Hazardous material removal and abatement,
- 4) Construction Contingencies,
- 5) FF&E (including couches, tables, chairs, desks, rolling carts, movable items, bedding, towels, toiletries, ironing boards, kitchen/dining utensils, cookware, etc.),
- 6) Floor and wall treatments (including area rugs, window blinds/shades/draperies, etc.),
- 7) Artwork, sculptures, commissioned artwork,
- 8) Monumental signs,
- 9) Gaming equipment,
- 10) Soft costs, (including architect/engineer/construction manager design/management fees),
- 11) Financing costs,
- 12) Land acquisition costs,
- 13) Rolling stock costs,
- 14) Storage/racking systems,

This estimate is based on preliminary information available at this time. The scope of this estimate should be reviewed to insure our interpretation of the drawings and other information is correct. This estimate should be updated as the design evolves and is completed.

This cost estimate represents our opinion of probable construction cost for this project. We have exercised due professional diligence in the preparation of this estimate. Since we have no control over final material selection, bidding strategies and market conditions, no guarantee is given or implied with this estimate.

PROJECT NAME: Kansas Entertainment, LLC

Page 2

ESTIMATE DATE: 10/16/2009

COMMENTS AND OBSERVATIONS FOR ARCHITECTURAL / STRUCTURAL:

- 1) Interior includes high-end carpeting and contemporary wood ceiling finishes. "Nostalgic theming" is considered the design.
- 2) Wall finishes at public spaces are figured using the following ratios: 40% wall covering, 20% wood panel, 15% stone, 25% mirror.

- 3) Estimate includes allowances for way-finding signage only. Monumental/specialty/custom/commissioned signs are excluded.

Exterior façade includes various types of masonry units, metal panels, stucco, steel, and glass. Roofing is EPDM with standing seam metal roofing at specialty areas as indicated by applicants information.

Per applicant's information, landscaping is plentiful to create a resort-like experience, and is a key component to the pedestrian experience. It has therefore been priced accordingly.

COMMENTS AND OBSERVATIONS FOR PLUMBING / MECHANICAL:

- 1) HVAC costs based on central plant, custom air handlers with heat wheel energy recovery, and 4-pipe vertical fan coil system for guestrooms, as per applicants information.

- 2) Plumbing systems as required for hotel and casino guestrooms, gang restrooms, food service, and laundry, etc., as per applicants information.

- 3) Kitchen will include ultra violet water washdown hoods to minimize odors

COMMENTS AND OBSERVATIONS FOR ELECTRICAL:

- 1) Electrical costs based on applicants information.

- 2) Exterior lighting will function on multiple scales according to applicant's information. It has therefore been priced accordingly.

PARAMETER COSTING MODEL

PAGE 3

PROJECT NAME: Kansas Entertainment, LLC

SHELL TYPE : Steel Frame

SHELL COST : \$139.89

GROSS AREA: 555060 SF

Date: 10/16/2009

COST SUMMARY

DESCRIPTION	TOTAL COST	RATE/SF
01 - FOUNDATIONS		
011 - Standard Foundations	\$1,233,706	\$2.22
012 - Special Foundations	\$0	\$0.00
02 - SUBSTRUCTURE		
021 - Slab on Grade	\$1,366,877	\$5.13
022 - Basement Excavation	\$506,736	\$2.46
023 - Basement Walls	\$974,480	\$0.91
		\$1.76
03 - SUPERSTRUCTURE		
031 - Floor Construction	\$8,583,034	\$26.56
032 - Roof Construction	\$5,951,682	\$15.46
033 - Stair Construction	\$210,000	\$10.72
		\$0.38
04 - EXTERIOR CLOSURE		
041 - Exterior Walls	\$5,023,296	\$11.32
042 - Exterior Doors & Windows	\$1,260,288	\$9.05
		\$2.27
05 - ROOFING		
	\$4,911,314	\$8.85
06 - INTERIOR CONSTRUCTION		
061 - Partitions	\$7,825,593	\$48.46
062 - Interior Finishes	\$14,704,647	\$14.10
063 - Specialties	\$4,366,880	\$26.49
		\$7.87
07 - CONVEYING SYSTEMS		
	\$960,000	\$1.73
08 - MECHANICAL		
081 - Plumbing	\$6,660,720	\$53.50
082 - HVAC	\$21,092,280	\$12.00
083 - Fire Protection	\$1,942,710	\$38.00
084 - Special Systems	\$0	\$3.50
		\$0.00

PARAMETER COSTING MODEL

PAGE 4

PROJECT NAME: Kansas Entertainment, LLC

SHELL TYPE : Steel Frame

SHELL COST : \$139.89

GROSS AREA: 555060 SF

Date: 10/16/2009

COST SUMMARY

DESCRIPTION	TOTAL COST	RATE/SF
09 - ELECTRICAL		
091 - Service & Distribution	\$4,440,480	\$8.00
092 - Lighting & Power	\$5,550,600	\$10.00
093 - Special Systems	\$6,660,720	\$12.00
	\$16,651,800	\$30.00
10 - GENERAL CONDITIONS & PROFIT		
	\$8,946,127	\$16.12
NET BUILDING CONSTRUCTION COST	\$113,172,169	
11 - EQUIPMENT		
111 - Fixed & Movable Equipment	\$0	\$0.00
112 - Furnishings	\$0	\$0.00
113 - Special Construction	\$0	\$0.00
12 - SITEWORK		
121 - Site Preparation	\$1,052,381	\$1.90
122 - Site Improvements	\$4,683,163	\$8.44
123 - Site Utilities	\$1,865,000	\$3.36
124 - Off-site Work	\$0	\$0.00
	\$7,600,543	\$13.69
NET PROJECT CONSTRUCTION COST	\$120,772,712	
13 - CONTINGENCIES		
131 - Design	\$12,077,271	\$21.76
132 - Escalation	\$1,820,045	\$3.28
133 - Construction	\$0	\$0.00
	\$13,897,316	\$25.04
TOTAL PROJECT CONSTRUCTION COST	\$134,670,028	\$242.62

PARAMETER COSTING MODEL

PAGE 5

PROJECT NAME: Kansas Entertainment, LLC
SHELL TYPE : Steel Frame
SHELL COST : \$139.89

Date: 10/16/2009

S.O.G.	BASEMENT AREA	BSMT DEPTH	EXCAV.	FILL	SUSPENDED SLAB	BAY SIZE
248,523	54,886	24	0.50	0.50	306,537	900
PERIMETER	ROOF AREA	ROOF EDGE	EXT WALL PERIMETER	BLDG. HT.	SKYLIGHT	GROSS AREA
2,493	270,531	2,601	3,648	34.00	3,400	555,060

DESCRIPTION	ITEM	QUANTITY	UNIT	UNIT PRICES	TOTAL
24' deep basement	GENERAL WORK				
6" average across entire site	Basement excavation	59616	CY	\$8.50	\$506,736
Spread spoils across site (no off-haul)	Mass Excavation	4602	CY	\$6.50	\$29,913
Standard foundation system	Mass Fill	64219	CY	\$4.50	\$288,986
Standard spread footings	Foundation Wall & Footing	2493	LF	\$175.00	\$436,206
5" slab on grade	Column Footing	319	EA	\$2,500.00	\$797,500
24' deep basement wall with footing, waterproofing & drain tile	Slab on Grade	248523	SF	\$5.50	\$1,366,877
Structural steel, metal decking, concrete fill	Basement Wall w/ Footing	937	LF	\$1,040.00	\$974,480
Steel roof structure - prefab system	Elevated Floor Structure	306537	SF	\$28.00	\$8,583,034
Stairs	Roof Structure	270531	SF	\$22.00	\$5,951,882
Stucco/masonry/steel/metal panels	Stairs	6	EA	\$35,000.00	\$210,000
Standard window systems	Exterior Enclosure	111629	SF	\$45.00	\$5,023,296
OH doors, HM exit doors	Window Wall	12403	SF	\$90.00	\$1,116,288
n/a	Exterior Doors	48	EA	\$3,000.00	\$144,000
EPDM rubberized roof/raised metal systems	Exterior Demolition	0	SF	\$0.00	\$0
Clerestory	Roofing	270531	SF	\$16.00	\$4,328,496
Metal roof edge, gutter	Skylight	3400	SF	\$150.00	\$510,000
Elevators	Roof Edge	2601	LF	\$28.00	\$72,818
	Conveying Systems	8	EA	\$120,000.00	\$960,000
Allowance for systems cost	MECHANICAL				
Allowance for systems cost	Plumbing	555060	SF	\$12.00	\$6,660,720
Allowance for systems cost	H.V.A.C	555060	SF	\$38.00	\$21,092,280
	Fire Protection	555060	SF	\$3.50	\$1,942,710
Allowance for systems cost	ELECTRICAL				
Allowance for systems cost	Service & distribution	555060	SF	\$8.00	\$4,440,480
Allowance for systems cost	Lighting & Power	555060	SF	\$10.00	\$5,550,600
Allowance for systems cost	Special systems	555060	SF	\$12.00	\$6,660,720

CONSTRUCTION COST SYSTEMS, INC

FILE NAME:

TOTAL SHELL COST
\$77,647,821
204
RATE/SF
\$139.89

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PROJECT NAME: Kansas Entertainment, LLC
SHELL TYPE Steel Frame
SHELL COST \$139.89

PARAMETER COSTING MODEL

PAGE 6

Date: 10/16/2009

SPACE	TOTAL S.F.	AVE S.F.	NO. OF SPACES	PTN. \$/LF	DEMO \$/SF	DOOR \$/SPACE	FLOOR \$/SF	CLG \$/SF	MECH \$/SF	ELECT \$/SF	EQUIP SPECIAL	TOTAL COST	COST S.F.
Hotel													
- Generic Guest Rooms	115,815	579	200	48	\$181.20	\$0.00	\$12.28	\$2.50	\$0.00	\$0.00	\$880,000	\$21,732,149	\$187.65
- Premium Guest Rooms	51,473	1029	50	64	\$181.20	\$0.00	\$12.28	\$2.50	\$0.00	\$0.00	\$462,500	\$9,453,509	\$183.66
- Corridors	30,158	2513	12	100	\$453.00	\$0.00	\$6.50	\$10.50	\$0.00	\$0.00	\$1,200	\$5,336,351	\$176.95
- Public Areas	4,432	369	12	38	\$405.00	\$0.00	\$32.98	\$9.98	\$0.00	\$0.00	\$18,000	\$1,073,004	\$242.11
- Elevators	4,633	386	12	39	\$693.00	\$0.00	\$78.00	\$9.98	\$0.00	\$0.00	\$1,200	\$1,381,136	\$298.13
- Retail	3,217	3217	1	113	\$439.20	\$0.00	\$19.98	\$9.40	\$0.00	\$0.00	\$75,000	\$675,172	\$209.87
- Valet and Bell Desk	347	347	1	37	\$150.00	\$0.00	\$58.00	\$9.98	\$0.00	\$0.00	\$27,100	\$107,872	\$310.47
- Bell Storage	2,213	2213	1	94	\$133.20	\$0.00	\$45.00	\$5.50	\$0.00	\$0.00	\$1,700	\$437,123	\$197.49
- Front Desk	4,253	4253	1	130	\$405.00	\$0.00	\$58.00	\$9.98	\$0.00	\$0.00	\$160,000	\$1,098,200	\$258.22
- Foyer	746	746	1	55	\$405.00	\$0.00	\$58.00	\$9.98	\$0.00	\$0.00	\$1,500	\$178,918	\$239.72
- Lobby Bar	4,247	4247	1	130	\$405.00	\$0.00	\$58.00	\$9.98	\$0.00	\$0.00	\$76,500	\$1,011,863	\$238.28
- Grab & Go / All-Day Dining	7,406	7406	1	172	\$405.00	\$0.00	\$25.28	\$9.98	\$0.00	\$0.00	\$141,500	\$1,514,205	\$204.46
- Kitchen	6,241	6241	1	158	\$270.00	\$0.00	\$13.00	\$10.50	\$0.00	\$0.00	\$236,500	\$1,308,906	\$209.72
- Coffee	2,439	2439	1	99	\$405.00	\$0.00	\$13.00	\$10.50	\$0.00	\$0.00	\$90,000	\$531,532	\$217.97
- Bus Waiting	1,576	1576	1	79	\$133.20	\$0.00	\$26.00	\$9.98	\$0.00	\$0.00	\$1,000	\$291,753	\$185.08
- Housekeeping/Laundry	6,022	502	12	45	\$181.20	\$0.00	\$13.00	\$10.50	\$0.00	\$0.00	\$230,000	\$1,341,850	\$222.81
Casino													
- Coat Check	754	754	1	55	\$150.00	\$0.00	\$6.50	\$5.50	\$0.00	\$0.00	\$3,700	\$129,466	\$171.72
- Promo	1,819	909	2	60	\$150.00	\$0.00	\$19.50	\$9.98	\$0.00	\$0.00	\$9,000	\$338,065	\$185.86
- Cage	5,815	5815	1	153	\$405.00	\$0.00	\$19.50	\$9.98	\$0.00	\$0.00	\$11,000	\$1,059,381	\$182.17
- Casino	121,689	60845	2	493	\$405.00	\$0.00	\$35.75	\$6.45	\$0.00	\$0.00	\$325,000	\$22,918,836	\$188.34
- High Limit Slots	4,471	4471	1	134	\$405.00	\$0.00	\$35.75	\$6.45	\$0.00	\$0.00	\$2,500	\$873,877	\$195.46
- High Limit Tables	3,801	3801	1	123	\$405.00	\$0.00	\$35.75	\$6.45	\$0.00	\$0.00	\$2,500	\$747,498	\$196.64
- High Limit Lounge	3,401	3401	1	117	\$405.00	\$0.00	\$35.75	\$6.45	\$0.00	\$0.00	\$27,500	\$697,106	\$204.99
- Dining	3,074	3074	1	111	\$405.00	\$0.00	\$35.75	\$6.45	\$0.00	\$0.00	\$12,500	\$620,154	\$201.76
- High Limit Restroom	554	554	1	47	\$241.56	\$0.00	\$35.75	\$6.45	\$0.00	\$0.00	\$4,500	\$119,657	\$216.15
- Poker	8,958	8958	1	189	\$405.00	\$0.00	\$35.75	\$6.45	\$0.00	\$0.00	\$2,500	\$1,713,140	\$191.25
- Center Bar	3,944	3944	1	126	\$405.00	\$0.00	\$35.75	\$6.45	\$0.00	\$0.00	\$201,500	\$973,634	\$246.89
- HE Rstrm/Class. Rck Lou	5,024	5024	1	142	\$405.00	\$0.00	\$35.75	\$6.45	\$0.00	\$0.00	\$205,000	\$1,186,421	\$236.13
- Buffet/Market Food Court	10,402	10402	1	204	\$150.00	\$0.00	\$35.00	\$6.93	\$0.00	\$0.00	\$95,000	\$2,034,883	\$195.62
- Buffet Kitchen	8,067	8067	1	180	\$241.56	\$0.00	\$13.00	\$5.50	\$0.00	\$0.00	\$322,500	\$1,653,652	\$205.00
- Noodle	996	996	1	63	\$241.56	\$0.00	\$13.00	\$5.50	\$0.00	\$0.00	\$5,500	\$180,048	\$180.69
- Casino Restrooms	9,596	2399	4	98	\$270.00	\$0.00	\$13.00	\$10.50	\$0.00	\$0.00	\$86,000	\$1,771,662	\$184.63
- Vestibule	2,483	355	7	38	\$133.20	\$0.00	\$58.00	\$9.98	\$0.00	\$0.00	\$0	\$572,612	\$230.59
- BOH	12,200	12200	1	221	\$151.40	\$0.00	\$3.50	\$1.00	\$0.00	\$0.00	\$50,000	\$1,863,033	\$152.71
- BOH Circulation	7,861	7861	1	177	\$151.40	\$0.00	\$3.50	\$1.00	\$0.00	\$0.00	\$2,500	\$1,173,348	\$149.26
- Employee Restroom	1,028	1028	1	64	\$250.80	\$0.00	\$13.00	\$10.50	\$0.00	\$0.00	\$5,800	\$192,832	\$187.56
- Electrical	2,415	1207	2	69	\$133.20	\$0.00	\$1.00	\$10.50	\$0.00	\$0.00	\$200	\$389,149	\$161.16

PARAMETER COSTING MODEL

PROJECT NAME

Kansas Entertainment, LLC

SHELL TYPE

Steel Frame

\$139.89

Date: 10/16/2009

SHELL COST

DATE

PAGE 7

SPACE	TOTAL S.F.	AVE S.F.	NO. OF SPACES	PTN. LENGTH	PTN. \$/LF	DEMO \$/SF	DOOR \$/SPACE	FLOOR \$/SF	CLG \$/SF	MECH \$/SF	ELECT \$/SF	EQUIP SPECIAL	TOTAL COST	COST S.F.
Casino (cont.)														
- Green Room	485	485	1	44	\$150.00	\$0.00	\$1,500	\$6.50	\$5.50	\$0.00	\$0.00	\$6,700	\$88,474	\$182.40
- Service Bar	2,075	1038	2	64	\$150.00	\$0.00	\$1,500	\$49.23	\$6.45	\$0.00	\$0.00	\$33,000	\$461,032	\$222.17
- Surveillance / Security	3,126	3126	1	112	\$133.20	\$0.00	\$4,500	\$3.50	\$5.50	\$0.00	\$0.00	\$6,140	\$491,059	\$157.07
- Slot Key Control	1,413	1413	1	75	\$133.20	\$0.00	\$6,000	\$3.50	\$5.50	\$0.00	\$0.00	\$4,940	\$231,308	\$163.70
- Slot Machine Shop	1,771	1771	1	84	\$133.20	\$0.00	\$7,200	\$3.50	\$5.50	\$0.00	\$0.00	\$38,500	\$320,646	\$181.00
- Slot Storage	1,360	1360	1	74	\$133.20	\$0.00	\$4,800	\$3.50	\$5.50	\$0.00	\$0.00	\$100	\$217,285	\$159.74
- IT Office	1,350	1350	1	73	\$133.20	\$0.00	\$4,500	\$8.50	\$5.50	\$0.00	\$0.00	\$1,100	\$223,030	\$165.24
- Computer	1,903	1903	1	87	\$133.20	\$0.00	\$4,500	\$8.50	\$5.50	\$0.00	\$0.00	\$1,100	\$310,087	\$162.92
- Telecom	738	738	1	54	\$133.20	\$0.00	\$1,200	\$1.00	\$5.50	\$0.00	\$0.00	\$100	\$116,547	\$157.90
- Circulation	1,323	1323	1	73	\$133.20	\$0.00	\$6,000	\$6.50	\$5.50	\$0.00	\$0.00	\$100	\$216,827	\$163.85
- Gaming Office	2,093	2093	1	92	\$133.20	\$0.00	\$4,500	\$6.50	\$5.50	\$0.00	\$0.00	\$2,100	\$336,776	\$160.90
Ancillary Space														
- Spa	18,056	18056	1	269	\$485.00	\$0.00	\$30,000	\$29.25	\$6.45	\$0.00	\$0.00	\$222,000	\$3,547,612	\$196.47
- Racetrack Plaza	20,370	20370	1	285	\$485.00	\$0.00	\$37,500	\$29.25	\$6.45	\$0.00	\$0.00	\$137,000	\$3,883,752	\$190.66
Back of House														
- Pump Room	1,556	1556	1	79	\$193.20	\$0.00	\$9,600	\$0.00	\$1.00	\$0.00	\$0.00	\$600	\$244,685	\$157.26
- Receiving	2,297	2297	1	96	\$193.20	\$0.00	\$42,200	\$0.00	\$1.00	\$0.00	\$0.00	\$52,500	\$436,825	\$190.20
- Warehouse	3,730	3730	1	122	\$193.20	\$0.00	\$42,200	\$0.00	\$1.00	\$0.00	\$0.00	\$51,500	\$642,803	\$172.33
- Loading Dock	7,934	7934	1	178	\$193.20	\$0.00	\$22,200	\$0.00	\$1.00	\$0.00	\$0.00	\$20,500	\$1,194,973	\$150.61
- Engineering	19,908	19908	1	282	\$193.20	\$0.00	\$29,400	\$0.00	\$1.00	\$0.00	\$0.00	\$10,500	\$2,899,225	\$145.63
GROSS SF	555060													

CONSTRUCTION COST SYSTEMS, INC

FILE NAME:

SUB TOTAL BUILDING COST	\$104,544,940	\$188.35
SITE PREPARATION	\$733,482	
SITE IMPROVEMENTS	\$4,683,163	
SITE UTILITIES	\$1,865,000	
NET PROJECT COST	\$111,826,585	
G.C.O.H & P	\$8,946,127	8.00%
CONTINGENCY	\$12,077,271	10.00%
ESCALATION	\$1,820,045	1.37%
TOTAL PROJECT CONSTRUCTION COST	\$134,670,028	\$242.62

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Kansas Entertainment, LLC

Estimate Level - Concept

Date: 10/16/2009

121

LINE

SITE PREPARATION

DESCRIPTION

QUANTITY UM UNIT COST ESTIMATED COST

Assumed site area: 696,250 sf surface park'g + 20% landscaped area = 835,500 sf

121.010
121.020
121.030
121.040
121.050
121.060
121.070
121.080
121.090
121.100
121.110
121.120
121.130
121.140
121.150
121.160
121.170

Demo existing structures, hardscape, softscape, tree removal, etc.

Strip site

Mass excavation, cut/fill, strip & recompact unsuitable soil (assume 6" across site)

1 LS \$200,000.00 \$200,000
835,500 SF \$0.12 \$100,260
15,472 CY \$28.00 \$433,222

TOTAL

\$733,482

Kansas Entertainment, LLC

Estimate Level - Concept

Date: 10/16/2009

122

LINE

SITE IMPROVEMENTS

DESCRIPTION

QUANTITY UM UNIT COST ESTIMATED COST

Assumed site area: 696,250 sf surface park'g + 20% landscaped area = 835,500 sf

122.010
122.020
122.030
122.040
122.050
122.060
122.070
122.080
122.090
122.100
122.110
122.120
122.130
122.140
122.150
122.160
122.170

Paved surface parking area

Hardscape areas (20% of the remaining area)

Softscape areas (sod, ground covers, shrubs, etc.) (80% of the remaining area)

Tree allowance

Site structures

Site appurtenances

Swimming pools

Fountain

Water features

696,250	SF		\$2,959,063
27,850	SF	\$4.25	\$278,500
111,400	SF	\$10.00	\$445,600
1	LS	\$4.00	\$225,000
1	LS	\$225,000.00	\$250,000
1	LS	\$250,000.00	\$75,000
2	EA	\$150,000.00	\$300,000
1	EA	\$50,000.00	\$50,000
1	LS	\$100,000.00	\$100,000

TOTAL

\$4,683,163

Kansas Entertainment, LLC

Estimate Level - Concept

Date: 10/16/2009

123

LINE

SITE UTILITIES

DESCRIPTION

QUANTITY UM UNIT COST ESTIMATED COST

These costs included in Main Building estimate

123.010
123.020
123.030
123.040
123.050
123.060
123.070
123.080
123.090
123.100
123.110
123.120
123.130
123.140
123.150
123.160
123.170

Waterfire water service and site distribution
Sewer
Storm drainage
Gas service
Electrical service
Low voltage electrical services (cable, phone, etc.)

1 LS \$350,000.00 \$350,000
1 LS \$300,000.00 \$300,000
1 LS \$550,000.00 \$550,000
1 LS \$220,000.00 \$220,000
1 LS \$325,000.00 \$325,000
1 LS \$120,000.00 \$120,000

TOTAL

\$1,865,000

Financial Suitability Analysis

Wyandotte County – Kansas Entertainment, LLC

Union Gaming Analytics

October 26, 2009



Executive summary

Kansas Entertainment, LLC is jointly owned by Penn Hollywood Kansas and Kansas Speedway Development Corporation, who are in turn ultimately wholly owned by two publicly traded companies, Penn National Gaming and International Speedway Corporation.

Kansas Entertainment, LLC intends to fully fund the \$286.8m (excluding land value of \$100m) development of Penn Hollywood Kansas via project financing. It is our opinion that the ability or likelihood of obtaining projecting financing for 100% of the budget (excluding land) may not be feasible.

However, we believe that both parent companies are capable of funding the entirety of the development in cash if necessary. Importantly, we also believe that the companies have sufficient liquidity and/or free cash flow to absorb any cost overruns (we analyzed a scenario with a 10% budget overrun) and potentially any operating deficiencies.



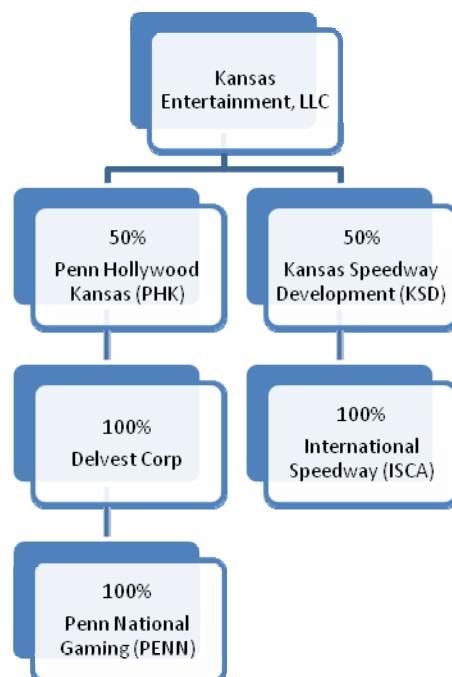
Introduction

We were retained by the State of Kansas to provide a financial suitability analysis of the applicants for licenses in Sumner and Wyandotte counties. Herein, we analyze the parties involved in the proposed “Hollywood Casino Kansas” (“HCK”) to be owned by Kansas Entertainment, LLC (“Kansas Entertainment”).

Ownership structure

Kansas Entertainment is jointly owned by Penn Hollywood Kansas (“PHK”) and Kansas Speedway Development Corporation (“KSD”), which both own 50% shares. PHK is 100% owned by Delvest Corp, which is 100% owned by Penn National Gaming, a publicly traded casino operator (ticker PENN). KSD is 100% owned by International Speedway Corporation, a publicly traded owner and operator of motorsports facilities (ticker ISCA).

Figure 1: Ownership structure





Project budget

The total project budget for HCK, inclusive of land value and license fee is \$386.8m. The total budget is detailed as follows:

Figure 2: Project budget

Land valuation	\$100m
Design, development and construction costs	\$215m
Furniture, fixtures and equipment	\$71.8m
Total project budget	\$386.8m

Financing preference

It is important to note that our analysis concerns itself with Kansas Entertainment's ability to fund a project budget of \$286.8m given that the land value at \$100m is already controlled by International Speedway Corporation and is assumed to be part of KSD's 50% contribution to the project.

Figure 3: Funding needs

Total project budget	\$386.8m
Less land valuation	\$100m
Funding needs	\$286.8m

Kansas Entertainment has indicated that excluding the land, their goal is to fund the balance of \$286.8m entirely via project financing. This raises two questions: 1) what is the likelihood of obtaining project financing, and 2) if project financing is unavailable (in whole or in part) would PHK and KSD be able to fund their respective proportionate shares with cash?

Capital markets and the gaming industry: a current snapshot

Over the first nine months of 2009, we estimate that nearly US\$9bn in capital markets transactions have occurred in the gaming sector worldwide. This includes roughly \$5.4bn in equity transactions (including MGM MIRAGE, Las Vegas Sands, Melco-Crown, Wynn Macau IPO) and \$3.5bn in debt transactions (including Ameristar Casinos, International Game Technology, MGM MIRAGE, Penn National Gaming, Pinnacle Entertainment).

While these transactions seem to indicate that the capital markets are beginning to open up for the gaming industry, we think many or even most of these equity transactions were unique in that they were rescue financing



(MGM, Las Vegas Sands) or were related to exposure to Asian /Macau gaming markets (Melco-Crown, Wynn Macau). We haven't seen any notable and recent equity transactions by casino operators that participate in regional (non-Las Vegas) US markets.

Further, we have not seen a significant amount of activity with respect to project financing of casinos. In fact, the only notable casino development to recently receive project financing is the SugarHouse casino in Philadelphia, which received \$180m in loans out of a total project cost of \$355m (approximately 50% loan-to-value ratio).

We are therefore of the opinion that there is no guarantee that Kansas Entertainment will be able to obtain project financing for 100% of the project's non-land funding needs (\$286.8m) and that the partners may likely have to fund at least a portion of the development costs on their own balance sheets. However, we do think that Kansas Entertainment will request that the lender consider the \$100m in land value to be credited towards equity in a loan-to-value calculation. We also think that the lender will perform its own independent valuation on the land, which could also impact the loan-to-value ratio as well as the equity contributions from each partner.

Detailed in the table below, we present a matrix that assumes a range of loan-to-value ratios for the project from 0% (an all cash development) to 100% (an all financed development). We suspect that the most likely loan-to-value ratio for the project could be closer to 50%, suggesting that Kansas Entertainment will need to contribute \$93.4m in cash to fund the project.

Figure 4: Loan-to-value matrix

LTV Ratio	0%	25%	50%	75%	100%
Loan	0.0	96.7	193.4	286.8	286.8
Cash	286.8	190.1	93.4	0.0	0.0
Land	100.0	100.0	100.0	100.0	100.0
Total equity (cash + land)	386.8	290.1	193.4	100.0	100.0

Additional thoughts on capital markets: expansions in a better environment

While we have not been privy to any internal discussions by the partners involved in Kansas Entertainment, we find it likely that the current scope of the project has been impacted by the current state of the credit markets, not to mention broader macro economic conditions. This is evidenced by the dramatically smaller proposals this year versus the proposals from 2008.

We believe that with improved credit markets and a more stable economy it is possible that Kansas Entertainment would revisit the scope of the project with an eye towards upsizing it or adding certain components (e.g. hotel tower) that may have been excluded from current plans.



Estimated funding requirements from each partner

Noted above, we assume that part of KSD's 50% contribution to Kansas Entertainment will be the land, valued at \$100m. As such, we think that KSD will be responsible for another \$93.4m to fulfill its requirements, while PHK will be responsible for \$193.4m (this would represent an all cash "worst case" scenario). In a scenario where at least a portion of the development is project financed, the partners' equity requirements would be lower.

With these amounts in mind, we applied these requirements to the potential ranges of cash required in the above loan-to-value analysis to determine the likely cash needed from each partner. Once again assuming a 50% loan-to-value ratio as the most likely scenario, we estimate that PHK would therefore have to contribute \$96.7m in cash, while KSD would not have to make any additional cash contribution (in fact, they would receive an equity payment of \$3.3m from PHK to make each partner whole in terms of equity contributions) as detailed in the following table.

Figure 5: Potential cash required by each partner

LTV Ratio	0%	25%	50%	75%	100%
PHK cash required (\$m)	193.4	145.1	96.7	50.0	50.0
KSD cash required	93.4	45.1	-3.3	-50.0	-50.0
KSD land value contributed	100.0	100.0	100.0	100.0	100.0
KSD total equity contribution	193.4	145.1	96.7	50.0	50.0
Total cash required	286.8	190.1	93.4	0.0	0.0
Total amount financed	0.0	96.7	193.4	286.8	286.8

In a "worst case scenario" relative to Kansas Entertainment's ideal funding plan of 100% project financed, we note that PHK and therefore Penn National Gaming could have to contribute up to \$193.4m in cash, while KSD and therefore International Speedway Corporation could have to contribute up to \$93.4m.

Financial projections

Given that both parent companies are publicly traded entities, we are providing the consensus expectations for analysts covering International Speedway Corporation and Penn National Gaming for the years 2009, 2010 and 2011, which should cover the entire Phase I build-out. Note that "free cash flow" is a Union Gaming Analytics estimate and was arrived at for International Speedway via consensus expectations for "Adjusted net income" and then adding back annual depreciation and amortization of \$70m and subtracting \$60m in assumed maintenance capex for 2010 and 2011 (\$40m in maintenance capex in 2009). For Penn National Gaming, the free cash flow



calculation was similar, although with over \$200m in depreciation and amortization, and maintenance capex amounting to 3% of revenue. Finally, we note that the term EBITDA is Earnings Before Interest, Taxes and Depreciation / Amortization.

We believe our free cash flow estimates are important given that the companies might ultimately have to finance Kansas Entertainment with cash should financing not be available or efficient (at a reasonable interest rate).

Figure 6: International Speedway Corporation (ISCA) key financial expectations

<u>Year*</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenue (\$m)	693	694	719
EBITDA	241	242	259
Adjusted net income	65	91	94
Free cash flow**	95	101	104

Source: Bloomberg

Note: * Fiscal years end in November

Note: ** Union Gaming Analytics estimate

Figure 7: Penn National Gaming (PENN) key financial expectations

<u>Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenue (\$m)	2,428	2,548	2,578
EBITDA	602	658	678
Adjusted net income	140	165	179
Free cash flow*	263	297	309

Source: Bloomberg

Note: * Union Gaming Analytics estimate

Clearly, the consensus opinion of both companies is that they will remain solvent and profitable over the next several years. We would concur. Further, we believe that in the absence of other uses of cash flow or other sources of liquidity, each company should generate enough cash flow from operations to fund their respective shares in Kansas Entertainment, even in a worst case scenario where the entire development budget is funded by cash.

Liquidity analysis

In this section, we examine current and anticipated liquidity for each parent company over the next few years, which should cover the entire Phase I build-out.

Penn National Gaming

Penn National Gaming has one of the most, if not the most enviable balance sheet in the gaming industry. The company currently has \$795m in cash on hand, as well as \$584m in available capacity on its revolving loan facility. Combined, Penn National Gaming's liquidity currently stands at nearly \$1.4b.



The company does have actual and potential financial commitments outside of Kansas. Over the next 24 months, the company has \$346.8m in debt maturities that could require cash payment if not refinanced, as well as at least two other potential casino projects in Ohio and Maryland. Should the company be successful in its bids for casinos in these states, the potential commitments could total \$695m (\$600m in Ohio and \$95m in Maryland). Finally, we note that the company has expressed interest in the Fontainebleau project in Las Vegas, a major unfinished casino-resort that is currently in bankruptcy. While the estimated cost to complete Fontainebleau is about \$1.5b, we do not believe Penn National Gaming would go it alone. Rather, we suspect a partnership would be more likely, with a commitment from the company of several hundred millions of dollars.

Accounting for the above commitments (ex Fontainebleau), we estimate Penn National Gaming's net liquidity position over the next two years to be \$337.4m prior to cash flow generated from operations. When combining our estimate of \$606m in free cash flow during 2010 and 2011, the revised net liquidity amount for the company is over \$943m. This compares favorably to PHK's maximum cash share of Kansas Entertainment of \$193.4m, suggesting a cushion of \$750m.

Figure 8: Penn National Gaming liquidity

Item	As of 6/30/09
Cash (\$m)	795.1
Available revolver amount	584.1
Total liquidity	1,379.2
Commitments	
Debt maturities through 6/30/11	346.8
Ohio	600.0
Maryland	95.0
Fontainebleau	NA
Total commitments	1,041.8
Net liquidity	337.4
Plus free cash flow (2010, 2011)	606.0
Net liquidity plus free cash flow (2010, 2011)	943.4
PHK's share of JV max cash needed	193.4
Cushion (net liquidity less max cash needed)	750.0

Potential Fontainebleau transaction

Historically Penn National Gaming has been very focused on returns on invested capital, manifesting in carefully crafted property expansion decisions, new build and acquisitions. This includes its acquisitions of Argosy Gaming, CRC Holdings, Charles Town, Zia Park and Hollywood expansions at Lawrenceburg and Charles Town; and non-development decisions in Atlantic City and New Mexico, to name a few. While Penn National Gaming naturally



wants Las Vegas Strip exposure to offer to its notable player database by creating a hub for its regional 'spokes,' we do not believe it would ever consider an outright \$1.6b+ purchase of FB (\$100m to acquire and \$1.5b to complete construction) when it could have theoretically acquired a more favorable, cash flow generating MGM asset for as much or less. We also would be surprised if its bank group would support such a transaction.

It seems much more likely that Penn National Gaming would acquire a 'small' slice of equity in Fontainebleau and bring in an equity partner(s), with the joint venture seeking project financing for the balance. In this scenario, we believe the company would have the management contract for Fontainebleau perhaps along with fees for lending its database and programming the property. In such a structure the company could offer Las Vegas to its player database with relatively minimal capital risk and yet a favorable return on invested capital (ROIC).

International Speedway Corporation

In our opinion, International Speedway Corporation's balance sheet is not as strong as Penn National's. However, we do believe that it is strong enough to support the development of the project – even in a scenario where the project is funded entirely by cash. As of the company's most recently reported quarterly results (August 31, 2009) cash on hand stood at \$218.9m, with another \$200m in available capacity on its revolving line of credit. As such International Speedway Corporation's liquidity currently stands at \$418.9m.

Based on information provided by the company, it has \$107.8m in various capital projects that have been approved (excluding KSD). We know of no other major planned capital expenditures for the company. On the contrary, the company has for sale its NY Metro Speedway in Staten Island, NY, which could provide an additional infusion of liquidity. The company hopes to consummate a transaction for this property in 2010. We are not inclined to speculate as to the proceeds of such a sale, although we believe it could be meaningful.

It is important to note that while the company has \$200m in additional borrowing capacity on its revolver, this loan facility matures in mid-2011. As such, in our analysis the pending maturity of this loan offsets the borrowing capacity for a net wash (Figure 9). However, we believe that continued improvement in capital markets over the next 12 months could result in the company either replacing the revolving loan facility or extending its maturity (Figure 10). In this case, it would result in a much improved liquidity picture for the company and put us at greater ease with respect to its ability to finance the project.

Considering the two scenarios above with respect to the revolving credit facility, we estimate International Speedway Corporation's total liquidity position over the next two years to be in a range of \$213.2m to \$513.2m. This compares favorably to KSD's maximum cash share of Kansas Entertainment of \$93.4m, suggesting a cushion of \$119.8m to \$419.8m.

**Figure 9: International Speedway Corp liquidity (revolver matures without extension or replacement)**

Item	As of 8/31/09
Cash (\$m)	218.9
Available revolver amount	200
Potential sale of NY Metro Speedway	NA
Total liquidity	418.9
Commitments	
Debt maturities through 2011*	302.8
Capital projects	107.8
Total commitments	410.6
Net liquidity	8.3
Plus free cash flow (2010, 2011)	205
Net liquidity plus free cash flow (2010, 2011)	213.2
KSD's share of JV max cash needed	93.4
* assumes revolver fully drawn	
Cushion (net liquidity less max cash needed)	119.8

Figure 10: International Speedway Corp liquidity (assumes revolver extended or replaced)

Item	As of 8/31/09
Cash (\$m)	218.9
Available revolver amount	200
Potential sale of NY Metro Speedway	NA
Total liquidity	418.9
Commitments	
Debt maturities through 2011*	2.8
Capital projects	107.8
Total commitments	110.6
Net liquidity	308.3
Plus free cash flow (2010, 2011)	205
Net liquidity plus free cash flow (2010, 2011)	513.2
KSD's share of JV max cash needed	93.4
* assumes revolver fully drawn	
Cushion (net liquidity less max cash needed)	419.8



Contingency – the impact of cost overruns

We have also considered the possibility of cost overruns for the development. In a scenario with a 10% cost overrun, the new development cost (ex-land) would be \$315.5m. In this scenario, we have assumed that PHK would be responsible for \$207.7m of the budget, with KSD responsible for \$107.7m (plus land valued at \$100m).

In the below table we present our loan-to-value matrix applied to the new budget. Once again, even in the worst case scenario (all cash with no financing available), we believe that both International Speedway Corporation and Penn National Gaming have sufficient liquidity / free cash flow to fund the development.

Figure 11: Potential cash required by each partner with a 10% cost overrun

LTV Ratio	0%	25%	50%	75%	100%
PHK cash required (\$m)	207.7	155.8	103.9	51.9	50.0
KSD cash required	107.7	55.8	3.9	-48.1	-50.0
KSD land value contributed	100.0	100.0	100.0	100.0	100.0
KSD total equity contribution	207.7	155.8	103.9	51.9	50.0
Total cash required	315.5	211.6	107.8	3.9	0.0
Total amount financed	0.0	103.9	207.8	311.6	315.5

**Figure 12: Penn National Gaming historical financial data**

Income Statement	FY1 2000	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
Sales/Revenue/Turnover	294	517	656	1,013	1,140	1,412	2,245	2,437	2,423
Operating Income (Losses)	47	77	102	177	214	244	484	498	395
Net Non-Oper Losses(Gains)	-2	-6	10	0	0	12	-82	8	273
Pretax Income	29	36	50	100	138	142	370	292	-48
Income Tax Expenses (Credits)	10	13	19	37	50	55	157	132	106
Inc(Loss) bef Extraord Items	19	24	31	62	87	87	213	160	-153
XO (G)L Net Of Tax	7	0	0	11	16	-34	-114	0	0
Net Income/Net Profit (Losses)	11.992	23.758	30.863	51.471	71.484	120.93	327.088	160.053	-153.323
Total Cash Preferred Dividends	0	0	0	0	0	0	0	0	0
Total Cash Common Dividends	0	0	0	0	0	0	0	0	0
Reinvested Earnings	12	24	31	51	71	121	327	160	-153
Diluted EPS Cont Ops	0.31	0.39	0.51	0.79	0.54	1.38	1.84	1.86	1.29
# Shrs Diluted EPS	62	64	78	81	167	86	87	88	88
Balance Sheet (Assets)	FY1 2000	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
Cash&Near Cash Items	23	38	55	82	88	133	169	174	746
Mkttable Sec & Other ST Invt	0	0	0	0	0	0	0	0	0
Accounts & Notes Receivable	10	19	19	26	41	48	54	56	44
LT Investments	0	0	0	0	0	0	0	0	0
Net Fixed Assets	288	390	451	594	597	1,060	1,366	1,688	1,812
Other Assets/Def Chgs&Oth	111	219	220	858	861	2,824	2,746	2,976	2,471
Total Assets	440	679	765	1,610	1,633	4,190	4,514	4,967	5,190
Balance Sheet (Liabilities)	FY1 2000	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
ST Borrowings	11	15	0	6	4	19	40	93	105
Other ST Liabilities	19	58	74	114	149	290	338	372	330
LT Borrowings	298	444	375	984	854	2,768	2,789	2,881	2,325
Other LT Liabilities	13	40	50	185	213	535	388	471	337
Total Liabilities	361	576	518	1,300	1,235	3,644	3,593	3,846	3,132
Preferred Equity	0	0	0	0	0	0	0	0	0
Minority Interest	0	0	0	0	0	0	0	0	0
Total Common Equity	79	103	247	310	398	547	921	1,121	2,057
Total Shareholders' Equity	79	103	247	310	398	547	921	1,121	2,057
Total Liabilities and Equity	440	679	765	1,610	1,633	4,190	4,514	4,967	5,190
Cashflow Summary	FY1 2000	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
Cash Flow Net Income	12	24	31	51	71	121	327	160	-153
Depreciation & Amortization	14	32	36	67	66	73	124	148	186
Other Non-Cash Adjustments	10	8	31	31	21	-68	-109	75	433
Changes in Non-Cash Work Cap	6	22	2	-9	39	25	-60	48	-46
Cash From Operations	42	86	101	140	197	150	282	431	420
Free Cash Flow/Basic Shr	0.24	0.72	0.16	1.06	0.80	0.35	-1.51	0.82	0.88
Cash Flow per Share	0.70	1.40	1.33	1.77	1.22	1.82	3.35	5.04	4.91
Dividends Paid	0	0	0	0	0	0	0	0	0
Inc(Dec) in ST Borrowings	0	0	0	0	0	0	13	0	0
Increase in LT Borrowings	323	211	174	900	0	2,399	196	455	448
Reimbursement of LT Borrowings	-105	-61	-259	-662	-131	-472	-177	-314	-994
Increase in Capital Stocks	1	3	107	2	8	11	25	45	1,250
Decrease in Capital Stocks	0	0	0	0	0	0	0	0	-152
Other Financing Activities	-17	-7	-3	-23	-1	-65	0	0	-8
Cash from Financing Activities	202	146	18	218	-124	1,873	56	186	543
Net Changes in Cash	14	15	17	27	6	45	36	6	572
Disposal of Fixed Assets	0	0	0	1	1	1	2	15	1
Capital Expenditures/Prop Add	-27	-42	-89	-57	-69	-121	-409	-361	-345
Decrease in Investments	0	0	0	0	0	0	0	0	0
Increase in Investments	0	0	0	0	0	0	0	0	0
Other Investing Activities	-203	-175	-14	-275	0	-1,858	104	-265	-48
Cash from Investing Activities	-230	-216	-102	-331	-67	-1,979	-302	-612	-391
Ratios	FY1 2000	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
PE Ratio	8.35	19.45	15.70	14.73	56.59	23.88	22.62	32.02	16.57
Price/Book	1.93	4.56	2.52	2.97	12.64	5.13	3.85	4.62	0.81
Price/Sales	0.52	0.90	0.91	0.90	4.28	1.93	1.56	2.09	0.76
Price/Cashflow	3.65	5.42	5.94	6.52	24.73	18.15	12.44	11.82	4.35
Dividend Yield	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Margin	16.13	14.87	15.58	17.43	18.75	17.24	21.57	20.43	16.30
Profit Margin	4.08	4.59	4.71	5.08	6.27	8.56	14.57	6.57	-6.33
ROA	3.81	4.25	4.27	4.33	4.41	4.15	7.52	3.38	-3.02
ROE	16.48	26.04	17.62	18.49	20.19	25.60	44.57	15.68	-9.65
ROC	9.28	11.33	9.62	10.33	9.35	7.66	12.43	6.84	#N/A N/A



Source: Bloomberg

Figure 13: International Speedway Corporation historical financial data

Income Statement	FY1 2000	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
Sales/Revenue/Turnover	435	523	543	549	648	740	798	814	787
Operating Income (Losses)	117	164	187	190	228	265	286	255	238
Net Non-Oper Losses(Gains)	-5	-12	-10	-2	-2	-8	81	66	3
Pretax Income	92	149	173	168	209	261	192	173	217
Income Tax Expenses (Credits)	41	63	67	66	82	102	75	87	83
Inc(Loss) bef Extraord Items	51	87	106	102	126	159	117	86	134
XO (G)L Net Of Tax	0	0	517	-3	-30	0	0	0	0
Net Income/Net Profit (Losses)	50.426	87.633	-410.978	105.448	156.318	159.361	116.804	86.201	134.595
Total Cash Preferred Dividends	0	0	0	0	0	0	0	0	0
Total Cash Common Dividends	3	3	3	3	3	3	4	5	6
Reinvested Earnings	47	84	-414	102	153	156	113	81	129
Diluted EPS Cont Ops	1.05	1.65	2.00	1.98	2.46	2.97	3.24	2.85	2.80
# Shrs Diluted EPS	53	53	53	53	53	53	53	53	50
Balance Sheet (Assets)	FY1 2000	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
Cash&Near Cash Items	51	71	109	224	276	131	60	57	219
Mrktble Sec & Other ST Invt	0	0	0	0	0	8	78	39	0
Accounts & Notes Receivable	22	25	31	38	53	46	53	47	48
LT Investments	29	33	31	34	38	51	176	77	40
Net Fixed Assets	795	856	859	885	969	1,179	1,157	1,303	1,331
Other Assets/Def Chgs&Oth	755	706	117	114	271	370	385	442	528
Total Assets	1,665	1,702	1,156	1,304	1,620	1,797	1,922	1,982	2,181
Balance Sheet (Liabilities)	FY1 2000	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
ST Borrowings	5	9	6	233	8	1	1	3	153
Other ST Liabilities	121	112	113	128	155	163	166	172	130
LT Borrowings	471	402	310	75	369	368	367	375	422
Other LT Liabilities	100	128	88	126	177	206	203	236	308
Total Liabilities	711	667	534	577	738	757	767	823	1,039
Preferred Equity	0	0	0	0	0	0	0	0	0
Minority Interest	3	0	0	0	0	0	0	0	0
Total Common Equity	951	1,035	622	726	882	1,040	1,155	1,159	1,141
Total Shareholders' Equity	954	1,035	622	726	882	1,040	1,155	1,159	1,141
Total Liabilities and Equity	1,665	1,702	1,156	1,304	1,620	1,797	1,922	1,982	2,181
Cashflow Summary	FY1 2000	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
Cash Flow Net Income	50	88	-411	105	156	159	117	86	135
Depreciation & Amortization	51	55	43	46	47	53	57	80	71
Other Non-Cash Adjustments	60	17	545	39	5	35	86	94	40
Changes in Non-Cash Work Cap	-22	2	2	4	17	-101	-18	-3	-25
Cash From Operations	140	161	179	195	226	147	241	258	221
Free Cash Flow/Basic Shr	0.14	1.18	2.36	2.30	1.71	-1.92	2.46	3.08	2.30
Cash Flow per Share	2.64	3.03	3.37	3.67	4.26	2.76	4.54	4.91	4.45
Dividends Paid	-3	-3	-3	-3	-3	-3	-4	-5	-6
Inc(Dec) in ST Borrowings	-21	-59	-90	0	0	0	0	0	150
Increase in LT Borrowings	0	0	0	0	300	0	0	0	51
Reimbursement of LT Borrowings	-3	-5	-9	-6	-237	-8	-1	-30	-4
Increase in Capital Stocks	0	0	0	0	0	0	0	1	0
Decrease in Capital Stocks	-1	-1	-1	0	0	-1	0	0	-127
Other Financing Activities	0	0	3	-1	0	0	0	-82	0
Cash from Financing Activities	-28	-68	-100	-10	59	-11	-5	-116	64
Net Changes in Cash	13	20	38	115	52	-30	-71	-2	162
Disposal of Fixed Assets	0	0	0	0	0	0	0	0	0
Capital Expenditures/Prop Add	-133	-98	-54	-73	-135	-249	-110	-96	-107
Decrease in Investments	0	0	0	0	0	0	0	0	0
Increase in Investments	-12	-1	0	0	0	0	0	0	0
Other Investing Activities	45	28	13	3	-98	83	-197	-48	-17
Cash from Investing Activities	-99	-72	-40	-70	-234	-166	-307	-144	-124
Ratios	FY1 2000	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
PE Ratio	35.71	24.07	19.13	21.77	19.87	18.37	16.00	14.95	9.27
Price/Book	2.10	2.04	3.27	3.16	2.95	2.80	2.39	1.90	1.10
Price/Sales	4.56	4.02	3.74	4.17	4.01	3.92	3.45	2.75	1.63
Price/Cashflow	14.18	13.10	11.36	11.76	11.48	19.75	11.42	8.68	5.83
Dividend Yield	0.16	0.15	0.16	0.14	0.12	0.11	0.15	0.23	0.46
Operating Margin	26.95	31.38	34.41	34.55	35.26	35.84	35.85	31.30	30.24
Profit Margin	11.58	16.75	-75.65	19.21	24.13	21.53	14.63	10.59	17.10
ROA	3.09	5.20	-28.76	8.57	10.69	9.33	6.28	4.42	6.47
ROE	5.44	8.82	-49.58	15.64	19.44	16.59	10.64	7.45	11.70
ROC	4.74	7.09	-33.22	12.12	14.78	12.53	8.48	6.14	8.92



Source: Bloomberg

***Evaluation of the Ancillary Non-Gaming
Amenities Proposed by Kansas
Entertainment for the Gaming Facility
Located in the Northeast Zone,
Wyandotte County, KS***

***Prepared for the Kansas Lottery Gaming Facility
Review Board***

October 2009



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Introduction

In '08, The Kansas Lottery Commission through the independent Lottery Gaming Facility Review Board, reviewed gaming application proposals for four Gaming Zones. The result of this process was that only the Dodge City proposal in the Southwest Zone was awarded a license. In '09, the Review Board is now considering applicant proposals for the Gaming Zones in Sumner and Wyandotte counties. Originally in 2009, when Raving Consulting Company was engaged for this project, there were three applicants for Wyandotte County and two for Sumner County.

Raving was retained by the Kansas Lottery Gaming Facility Review Board to assess the Non-Gaming Ancillary Amenity Development portion of each current applicant's proposal to determine to what extent the proposals comply with the stated goals of Senate Bill 66, that is: 1) Maximize revenues for the State of Kansas, 2) Promote tourism, and 3) Serve the best interests of the State of Kansas. There is also the inherent, subsequent goal(s) of creating jobs, promoting the infusion of capital infrastructure improvements, and allowing the State of Kansas to keep consumer spending at home.

Raving faced a number of challenges in executing this consulting project for the Review Board:

1. Becoming familiar with the 2008 history of the Kansas casino license bid process and the kinds of proposals (especially the non-gaming amenity components to the proposals) that were put forward in 2008.
2. Not duplicating any of the voluminous information already compiled or the extensive consulting work already performed in 2008.
3. With the number of bidders quickly reduced from five bidders (when Raving was first engaged) to two (one each in the Northeast and South Central Zones), it became necessary to create an alternative method of assessing non-gaming amenity value for the State of Kansas, with comparisons BETWEEN bidder packages no longer possible.
4. The previous PROBE consulting report, while full of some instructive data, did not appear to offer the Board enough position-taking consulting opinions that would strongly suggest which gaming amenity packages might be best for the State of Kansas (answering the question as so well put by one Board member, "What decision would you make if you were us?").

To meet these and other challenges of this non-gaming amenity review project for the State of Kansas, Dennis Conrad and Scott Cooper of Raving executed the following:

- Review of extensive information created over the last two years for the Lottery Gaming Facility Review Board by the various consultants it employed and from the various bidders and other entities that submitted information to the board.

-
- Participation in an all day, all consultants' preliminary meeting in Reno, Nevada.
 - Several discussions with Dr. Bill Eadington regarding the non-gaming amenities portion of the consulting work for the Board.
 - Hearing in person the Lakes Entertainment bid proposal in Sumner County and the Kansas Entertainment bid proposal in Wyandotte County.
 - Visiting the major casino competitors' sites in Kansas City, MO, plus the tribal casino (7th Street Casino) in Kansas City, KS.
 - Numerous discussions among the Raving consultants to decide what information was most meaningful, what our conclusions regarding the non-gaming amenity proposals would be and how to present that information to the Board in a way that would help them make a decision, not just review charts, graphs and projections.

It is important to note that Raving did consider carefully the following:

1. The breadth and scope of market
2. How the non-gaming amenities proposed create and promote tourism
3. Jobs creation
4. How the non-gaming amenities proposed translate into maximizing gaming revenue

But it is also important to stress to the Board that the two Raving Consultants executing this project for the State of Kansas are very experienced casino operators, one with extensive experience at casino properties with various and instructive non-gaming amenities, and the other with extensive experience in marketing a wide range of amenity packages for a wide range of casino clients. We would be remiss to not bring this wide-ranging experience, plus our knowledge of Lakes Entertainment and Penn National Gaming, to bear on behalf of the Review Board and the State of Kansas.

Raving Consulting Team

Dennis Conrad – Founder, President, and Chief Strategist of Raving Consulting

Dennis has 34 years of gaming industry experience and has held a number of senior level positions for major gaming companies. He is considered one of the gaming industry's marketing experts and preaches common sense, meaningful marketing principles and customer focus.

Dennis' company, Raving Consulting, has worked with scores of casinos around the world over the past 11 ½ years. Raving specializes in casino marketing, casino customer service program development, strategy development, casino conferences, and access marketing for gaming vendors. Raving has executed numerous marketing assessments for casino companies and helped many of them develop strategic marketing plans, which often have included how to leverage existing casino/hotel amenities.

Scott Cooper – Consultant

Scott has almost 30 years of experience in the gaming industry with extensive expertise in opening nine start-up projects in six new jurisdictions, as COO of several gaming companies, and he has worked at many properties as General Manager, responsible for the overall operation of these land based, riverboat, racino, and Native American casinos.

All of the start-up experience has been in a "locals" type environment. In addition, Scott has led the operational development of four major expansions of existing casinos, ranging in infrastructure investment from \$110m to \$400m.

Inherent with each start-up and existing casino expansion project was the need to provide hands-on leadership, the creation/execution of the business plan, hiring and training of the management staff, development of the internal controls, the establishment of a working relationship with local governments and state regulatory agencies, and the responsibility to create and execute each property's marketing programs.

Methodology

Raving Consulting Company used the following methodology in executing the review of the non-gaming ancillary amenities for the Kansas Lottery Gaming Facility Review Board:

1. Gather information – as new consultants to a review process that was (regrettably) into its second year, it was important for Raving to build a knowledge base. This was accomplished through a review of all past available information (reports, proposals, shared communications, etc.), discussions with other project consultants, site visits (including visits to competitor’s facilities in Kansas City, MO and Kansas City, KS).
2. Decide what information was most pertinent – this was done through extensive discussions between the Raving Consultants, with assistance provided from other consultants on the project.
3. Draw consulting insights – regarding non-gaming ancillary amenity development that would be helpful to the Review Board in making its decisions.
4. Share the consulting insights in a simple, clear, logical way – it was here that the Raving Minimum Amenity concept, the Raving Marketing Matrix and the Operational Amenity Review were established, to create evaluative mechanisms for processes that had been reduced to single bidders, with non-gaming amenity proposals that had been pared back dramatically from the amenity-rich proposals of less than a year earlier.

From Raving’s perspective, the question for the State of Kansas has changed from “Which bidder has the BEST non-gaming ancillary amenity package (the most and best “deal sweeteners”)?” to “Does either bidder have ENOUGH of a non-gaming ancillary amenity package to merit selection?” And in the current economic environment, this seemingly simple question has complexities and challenges that make it difficult to answer. Hopefully Raving’s methodology, work and developed consulting insights will shed light on this question for the State of Kansas.

Key Information Reviewed

The following information reviewed by Raving Consulting Company was considered most important to the consultants in its analysis of the Kansas Entertainment Project:

Item: The Population Within 100 Miles Of The Site Is Just Under 3 Million People.

Source: Innovation Group

Importance: Suggests Market Depth And Optimal Number Of Amenities Necessary For Project

Item: The Number Of Adults Over The Age Of 21 Within 25 Miles Of The Site Is Almost 1.1 Million.

Source: Innovation Group

Importance: Again, Suggests Market Depth, Optimal Number Of Amenities And Significant Number Of Potential Customers 21-35 Years Old

Item: The Legends Mall Complex, Which Attracts Approximately 10 Million Visitors A Year, Is Next Door To The Proposed Facility. The Mall Has Over 90 Shops And Restaurants. Featured Retailers Include Cabela's, The Great Wolf Lodge, And The Nebraska Furniture Mart, All Attractions In Their Own Right.

Source: Various Legends Mall and Village West websites

Importance: Synergy Opportunities And Presence Of Existing Hotel Base

Item: The Site Is Located At The Junction Of I-70 And The 435. The Kansas Department Of Transportation Indicates That The Average Daily Traffic Count That Passes By On These 2 Major Roadways Are 43,500 On I- 70 And 43,100 On The 435.

Source: KDOT

Importance: Suggests Significant Ability To Capture Traffic (Including Tourists) On Major Arteries Near The Site

Item: Neighboring Johnson County Has The Highest Median Household Income Of Any County In Kansas And The 19th Highest In The Country. Johnson Also Has The 3rd Highest Estimated Buying Income Per Household Of Any Of The Larger Counties In The Country.

Source: Raving Internet Research (Wikipedia)

Importance: Suggests Customer Base With Excellent Disposable Income

Item: Kansas Entertainment Is Not Proposing To Have A Hotel Or Any Convention/Meeting Space At Opening. However, There Are 10 Hotels With Approximately 1,000 Rooms Within Minutes Of The Speedway. Among These 10 Hotels Are Two, The Great Wolf Lodge And Chateau Avalon, Which Are Considered To Be Upscale.

Source: Raving Internet Research

Importance: Again, Synergy Opportunity With Nearby Hotels And Suggests Some Ability To Overcome Lack Of Hotel In Phase 1 Opening

Item: The Major Threat To The Proposed Facility Are The Four Major Casino Facilities Located Just Across The Border In Missouri. This Competition Shares The Population Of The Greater Kansas City Market. Combined, These Facilities Have A Total Of 834 Rooms, Approximately 8,000 Slots, 170 Table Games, 43 Live Poker Tables, 26 Restaurants, And Many More Amenities Such As Convention/Meeting Space, Entertainment Venues, Nightclubs, Etc.

Source: Raving Internet Research

Importance: Suggests Keen Competition And Potential Aggressive Response To New Market Entrant

Raving's Non-Gaming Ancillary Amenity Development Scorecard

Raving believes it is most relevant to consider the non-gaming ancillary amenity development from the perspective of answering two critical questions; 1) To what extent do the amenities contribute to the ability of the facility to increase business over an extended period of time so as to realize the goals as stated in Senate Bill 66?, 2) Will the amenities drive business above a basic core level so as to drive tourism or just promote local business?

The Raving Minimum

Since there is only one bid for the Northeast Zone, Raving will address these critical questions by first determining what, in our opinion, the basic core level of amenity development (the Raving Minimum) should consist of, as follows:

- Hotel – A hotel of at least 200 rooms with a level of finish consistent with the mid-range hotel product in the area. The hotel should include at least a small sized fitness center.
- Food – A mix of food product that provides a sufficient variety of outlets to offer customers food options. Also, the quality of food product should be such that customers will stay on site through a meal period to maximize their time at the facility. At a minimum, this food product should include a buffet (350 seats), a higher end product such as a Steakhouse or Italian restaurant (100), a casual outlet that provides breakfast, lunch, and dinner (150), and a deli type outlet (50). Food should be available 24 hours per day.
- Beverage – The casino should have a minimum of two bars. One should be large enough to be able to offer live entertainment. One of the bars should have bar top slot machines.
- Convention/Group/Meeting Space – The facility should have convention/meeting space of sufficient square footage to accommodate a minimum of 800 to 1,000 customers theater style and approximately 700 customers for a sit down dinner event. This roughly equates to building convention/meeting space totaling approximately 15,000 sq. ft. This space should also be flexible to provide smaller break out rooms, either in the main ballroom area or in dedicated smaller rooms adjacent to the main ballroom. If this space is to be used as a multi-purpose venue, then the size of the ballroom should be increased to accommodate a minimum of 1,600 customers.
- Pool Area – The facility should have a pool area.
- Parking – The facility should have a minimum of 2,500 parking spaces for customer self -service parking, 300 spaces for valet, 400 for employee parking, and a portion of the customer parking should be able to accommodate RV parking.

- Retail /Gift Shop – The facility should have dedicated retail space of a minimum of 800 sq. ft.

With the basic core level of amenity development defined above and as a way to measure the proposed amenity development against this basic core level, Raving has used a "scorecard grade" method as outlined in the following chart to assess the likelihood that the proposed amenity development (by amenity) will enhance the ability to grow revenue above a baseline level.

Specific departmental amenities that meet, in our opinion, a minimum basic core level will be assigned a zero (0) "grade." Amenities that, in our opinion, contribute to increasing gaming revenue and visitation will receive a rating of + 1 to + 3 (+ 3 the highest). Amenity development that, in our opinion, will not drive gaming revenue or visitation above a baseline level (in fact may inhibit it) will receive a rating of - 1 to - 3 (- 3 the lowest).

Since the proposed non-gaming amenities in Phase I are minimal, Raving has considered the potential scope of future amenity development and has assigned each possible future amenity a "grade" based on our opinion of how these additional amenities would contribute to maximizing revenues and promoting tourism. There is no accurate way to predict the timing of possible future amenity development, so the "grade" given is based on the addition of the amenity without regard to the timing. It is assumed that the opportunity to maximize revenues for the State of Kansas is to add amenities sooner rather than later.

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 200 Rooms	0	
Food / Restaurants (4)	0	
Casino Bars (2)	0	
Convention/ Mtg. Space (15,000 sq. ft.)	0	
Other Amenities – Parking	0	
Other Amenities – Retail (800 sq. ft.)	0	
Total	0	

The Raving Scorecard Applied to Kansas Entertainment Non-Gaming Ancillary Amenity Development Proposal

Hotel

Kansas Entertainment has indicated that a hotel will not be included in Phase I.

The effect of having no hotel will impact the ability to maximize gaming revenue. A casino hotel customer traditionally spends more on gaming activities than non stay-over customers. The amount of extra gaming revenue potential with a hotel can be debated, but from experience a well appointed hotel product that is sized appropriate to the market adds between 10% to 20% more in gaming revenue than if there is no hotel.

Even though there is no hotel planned for Phase I, this site has a very unique situation in that there are 10 existing hotels with approximately 1,000 rooms located within minutes of the Speedway. The Legends Mall, also located within minutes of the site, is a major attraction attracting approximately 10 million visitors yearly.

Hotel Amenity Score = - 3

Restaurants

Penn Gaming is an experienced casino operator that understands the importance of offering an outstanding food product. Kansas Entertainment has proposed to build 4 food outlets for the facility - A buffet with seating capacity of 350, a Steakhouse with lounge that seats 160, a grab 'n go outlet that seats 100, and a gourmet coffee outlet open 24/7.

Kansas Entertainment has projected that an average of 8,022 customers per day will visit the facility. Penn is estimating that approximately 33% of the visitors will have something to eat during their visit. Of those, 55% will eat in the buffet. The number of customers eating during their stay is often used as a measure of how long customers will stay at the facility and the resultant ability to maximize gaming revenue.

The number of employees budgeted by Kansas Entertainment for the food / beverage department (204) seems to be on the light side, but the high numbers of covers (37% of the total) generated from the Grab 'n Go outlet will probably be accomplished in an efficient manner.

Restaurant Amenity Score = + 1

Beverage

Kansas Entertainment is proposing to build 2 casino bars for opening day. The main bar is to be located in the center of the casino, seating 150. It is large enough to accommodate high energy live entertainment. It is assumed that this bar will be a feature of the gaming floor. The second is a lounge located in the Steakhouse.

In our opinion, a casino with 2,300 slots and 86 total table games should have at least one additional casino bar, even considering that the center casino bar have a lot of seating capacity.

Beverage Amenity Score = + 1

Convention/Meeting Space

Kansas Entertainment is not planning to build any Convention / Meeting space in Phase I. The absence of any convention/meeting space also makes it difficult to hold player events, promotions, dinners, etc. which is an important ingredient in building an effective player development program by attracting higher worth gamblers.

Convention/Meeting Space Amenity Score = - 3

Other Proposed Amenities

Parking – The proposed parking capacity of 2,785 surface, 279 valet, and 500 spaces for employees should be adequate for peak periods.

Parking Amenity Score = + 1

Retail/Gift Shop – There is a planned 2,500 sq. ft. Memorabilia Gift Shop planned for Phase I. There is also a retail component planned for the gourmet coffee outlet.

Retail/Gift Shop Amenity Score = + 1

RV Parking – RV parking currently exists at the racetrack. Self contained RV parking is available in 3 different locations on the Speedway's property. It is assumed that some provision will be made in at least one of the RV areas so that this amenity is available to customers.

RV Parking Amenity Score = 0

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 200 Rooms	0	
Food/Restaurants (4)	0	
Casino Bars (2)	0	
Convention/Mtg. Space	0	
Other Amenities - Parking	0	
Other Amenities - Retail	0	
Total	0	

Amenity	Phase I - Built as proposed Hollywood Casino at Kansas Speedway Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 200 Rooms	-3	Not planned in Phase 1; 1,000 rooms nearby
Food/Restaurants (4)	+1	Seats exceed the Raving Minimum
Casino Bars (2)	+1	Plus for one high energy, central bar
Convention/Mtg. Space	-3	None planned in Phase 1
Other Amenities - Parking	+1	Exceeds the Raving Minimum
Other Amenities - Retail	+1	Twice the Raving Minimum and add'l area
Other Amenities – RV Parking	0	Access to adjacent RV Parking
Total	-2	

Amenity	Potential Amenity Score For Hollywood Casino at Kansas Speedway	
	"Score" -3 to +3	Comments
Hotel = 200 Rooms	+ 0	Assume well appointed
Hotel > 300 Rooms	+ 3	Assume well appointed
Food/Restaurants	+ 3	w/add'l outlets, seating
Casino Bars (3)	+ 3	w/ at least 3, live entertain
Convention/Mtg. Space	+ 2	w/ at least 15k sq. ft.
Other Amenities - Parking	+ 3	With parking structure
Other Amenities - Retail	+ 2	Assume add'l stores
Entertainment Venue	+ 2	1.8k seats, multi-purpose
RV Park	+ 2	50 space, full hookups
Truck Parking	+ 2	Room for 100 trucks
Spa - Fitness	+ 2	w/ 8 rooms, 600sf fitness
Pool	+ 1	Indoor preferred
Total	+25	

The Raving Amenity Scorecard Comparison would indicate that Kansas Entertainment's non-gaming amenity package proposed for Hollywood Casino at Kansas Speedway does not reach the "Raving Minimum" and is significantly less than a robust non-gaming amenity package with numerous features. It is estimated that the opening of this facility will not impact local businesses to any great extent and, in fact, might even speed up the addition of external infrastructure development that is already planned for the area. For example, a 90,000 sq. ft. retail shopping complex is planned for the area.

Potential Marketing Impacts

As important as the scope and quality of casino non-gaming amenities are to a successful casino development project, so too is effective marketing of those amenities. Great amenities with lousy marketing will not optimize visitation or gaming revenue. Likewise, a paucity of amenities, or a casino with sub-standard amenities, can be somewhat overcome by excellent marketing, especially if it includes outstanding casino customer service.

Thus, Raving felt it was instructive to examine the stated marketing intentions of Kansas Entertainment as expressed in its responses to Raving's request for its generally envisioned marketing strategy and tactics for its proposed opening and beyond, as well in Kansas Entertainment's comments in its bid presentation to the Board on September 15, 2009. The goal here was to attempt to determine, as a positive or negative potential, marketing impact on Kansas Entertainment's proposed non-gaming amenities. Knowledge of Penn National Gaming's current amenities and marketing strategies at its other casino properties, both current and past, also contributed to the discussion that follows.

THE RAVING MARKETING MATRIX

The Raving Marketing Matrix was created to assess applicants' stated marketing goals and philosophies to reasonably gauge whether marketing might create some potential visitation and revenue upside for the applicants' stated non-gaming amenity packages, whatever they may be.

The following marketing elements were assessed:

- **Pre-opening Marketing Spend** – is the marketing spend adequate and targeted to create awareness of the new casino facility, including its amenities?
 - 1 **Inadequate** – marketing spend too little (or too much and wasteful) or not focused on appropriate opening goals
 - 0 **Adequate** – marketing spend reasonable and mostly focused on appropriate goals for opening
 - +1 **Superior** – marketing spend reasonable, measurable and highly focused on pre-opening goals
- **Brand** – does the applicant already have a strong brand in place, or focused plans to create such a brand and are the non-gaming amenities integral parts or potential beneficiaries of this brand?
 - 1 **Inadequate** – lacks a reasonable brand building strategy and an appreciation of the value of a positive casino brand image

0 Adequate – has a reasonably well articulated brand building strategy that is mostly appropriate to support the marketing goals of the casino and generally resonates with the casino customers it is attempting to attract and retain

+1 Superior – has a sharp, well defined brand strategy that creates compelling reasons for trial and strongly resonates with casino customers because it is clearly based on what is important to them

- **Marketing Reputation** – does the applicant have a gaming industry reputation for being an effective marketer?

-1 Inadequate – not known for experienced or effective marketing, behind the curve in understanding and utilizing current and accepted casino marketing practices

0 Adequate – known for reasonable understanding and utilization of accepted industry standard casino marketing practices that achieve mostly positive results

+1 Superior – known for industry leading casino marketing practices that are proactive, multi-faceted, measurable and based on solid casino marketing principles

- **Database Marketing/VIP Player Focus** – does the stated marketing plan of the applicant adequately utilize casino industry standard practices of database building and segmentation with a special emphasis on the VIP player base, and are the amenities utilized to maximize the benefit of these techniques?

-1 Inadequate – little focus on database building, database management and VIP Player services as a cornerstone of effective casino marketing

0 Adequate – reasonable understanding and utilization of accepted casino marketing database management strategies and services, with mostly positive marketing results

+1 Superior – industry leading understanding and usage of database management as a cornerstone of effective casino marketing, with a highly evolved and measurable program for finding and growing the premium customer base

- **Integrated Marketing** – does the applicant have an appreciation of marketing as a “way of doing business,” with a keen appreciation of community and employee relationships, the importance of excellent customer service, customer friendly operational business practices, and other elements that might enhance the amenity experience for casino guests?

-1 Inadequate – views and operates the marketing function as wholly separate from casino operations and ignores casino employees and casino communities in the execution of casino marketing strategies and tactics

0 Adequate – has reasonable appreciation of the importance of casino employees and casino communities in the execution of marketing strategies and generally involves those constituencies with mostly successful results

+1 Superior – practices industry leading concepts for involving casino employees and casino communities in integrated marketing efforts, recognizing the role that motivated and informed casino employees and appreciative nearby communities play in promoting casino entertainment and building loyal customers

- **Food as a Marketing Tool** – does the applicant’s marketing plans and stated intentions indicate an appreciation of the value of a quality food offering as an important tool in driving visitation and increasing retention?

-1 Inadequate – views food service as a distraction from the core gaming product and something that should be minimally offered, with minimal marketing and minimal expense

0 Adequate – generally understands the role of food and restaurants in their ability to produce casino visitation and will typically utilize them successfully in the marketing plans as an attraction and retention tool for the operations

+1 Superior – appreciates strongly the power of great food as a draw for the casino and aggressively promotes it in intelligent and aggressive ways to add value to the customer experience and revenue to the casino’s bottom line

- **Tourism and Hotel Partnerships** – does the applicant adequately address plans to partner with local tourism bureaus and existing local hotels and motels to create opportunities for tourist visitation of the casino facility?

-1 Inadequate – generally ignores local and regional tourism organizations and non-gaming hotels as possible sources of collaboration and mutual business development

0 Adequate – makes reasonable efforts to cultivate tourism organizations and local /regional hotels as business partnerships, with general success in achieving positive results in leveraging these partnerships to generate casino visitation and help to meet tourism goals

+1 Outstanding – aggressively pursues industry leading practices to secure strong relationships with local and regional tourism organizations and hotels, leading to positive, measurable impact for the casino operation

- **Bus Marketing** – has the applicant adequately addressed plans creating or utilizing bus charter programs to promote tourism and casino visitation, with reasonable use of non-gaming amenities as “hooks” to make those programs attractive to potential tourist visitors?

-1 Inadequate – generally ignores bus charter programs as a casino marketing tool and vehicle for generating casino visitation from a tourist population

0 Adequate – some utilization of regional bus charter programs with generally positive impacts on casino visitation and tourism generation

+1 Outstanding – aggressive and industry leading utilization of regional bus marketing charter programs, with clear and measurable goals that successfully expands the casino’s marketing reach to attract significant tourists to the casino

- **Advertising Efficiency** – is the applicant’s advertising adequate, cost effective, highly measurable and able to utilize amenities appropriately to drive trial to the casino?

-1 Inadequate – does very little advertising that is targeted to produce measurable response from an appropriate audience, or does expensive, extravagant advertising that consumes marketing dollars at the expense of more important marketing tactics

0 Adequate – conducts mostly meaningful advertising in appropriate media and is usually measurable as it reasonably drives trial or creates brand awareness

+1 Superior – executes industry leading advertising in highly targeted media, is very measurable and leverages significant cooperative partnerships and an effective public relations capacity to maximize impact

- **Listening to Guests** – has the applicant appropriately addressed how it intends to gather guest feedback regarding the casino (and amenity) experience, in the form of customer satisfaction surveys, comment gathering programs and the like?

-1 Inadequate – has no or very little information gathering (formal or informal) as to casino guests’ likes and dislikes with their casino entertainment experience

0 Adequate – conducts a reasonable amount of guest research (formal or informal) and generally utilizes the information to improve the guest experience

+1 Superior – executes highly focused guest research at multiple listening posts and significantly utilizes the gathered information to improve the guest experience and improve financial performance

- **Other Factors** – are there any other significant factors in the applicant’s marketing plans that might significantly impact how the casino’s amenities might positively or negatively impact the financial performance of the casino operation?

-1 Inadequate – generally has no additional marketing features or potential property leverage points that could create additional marketing impact

0 Adequate – generally has some additional marketing features or property leverage points that can create additional marketing impact

+1 Superior – has a significant number of additional marketing features and property leverage points that create a high likelihood of achieving additional marketing impact

RAVING MARKETING MATRIX SCORING SCALE

-4 to -11 Inadequate – unlikely to achieve additional marketing impact on financial performance

-3 to +3 Adequate – likely to achieve an average, mostly adequate marketing impact on financial performance

+4 to +11 Superior – likely to achieve a superior marketing impact on financial performance

RAVING MARKETING MATRIX AS APPLIED TO KANSAS ENTERTAINMENT AND ITS HOLLYWOOD CASINO AT KANSAS SPEEDWAY PROJECT

Categories	Kansas Entertainment Score
Pre-Opening Marketing Spend	+1
Brand	0
Marketing Reputation	+1
Database/Player Development Focus	+1
Integrated Marketing	0
Food	+1
Tourism and Hotel Partnerships	- 1
Bus Marketing	0
Advertising Efficiency	+1
Listening to Guests	+1
Other	+1
TOTAL	+6

Discussion of Kansas Entertainment Marketing Plans for Hollywood Casino at Kansas Speedway

Pre-Opening Marketing Spend

Kansas Entertainment's estimate of a pre-opening marketing budget of \$1.7 million appears to be more than adequate, although the discussion of that spend centered solely on advertising (25% TV, 25% Radio, 20% Print, 20% Outdoor, 5% Online and 10% Promotional/Entertainment/Misc).

The advertising mix would appear reasonable by industry standards. One concern would be that there was no mention in Kansas Entertainment's written comments of any pre-opening marketing spend against direct marketing to known gamers. However, in Penn National's portion of the proposal presentation to the Board it indicated strongly that it would utilize its Argosy Riverside database for "immediate population" of the Penn Hollywood/Kansas Speedway potential customer list.

Raving Marketing Matrix Grade = +1

Brand

The issue here is not the lack of a brand, but the fact that arguably, there are three brands involved: Hollywood Casinos, Kansas Speedway and to some extent, NASCAR. There was no mention made of what the Penn/Kansas Speedway/NASCAR amalgamated brand concept might be. "Hollywood" is certainly an emerging and positive casino brand but the fair brand question remains as to whether the project will be more of "a speedway with a casino" or a "casino at the speedway" (or something else altogether).

Matrix Grade = 0

Marketing Reputation

Penn National Gaming has an outstanding marketing reputation in the gaming industry and a marketing philosophy that allows its individual casino properties (who should know their market best) to define their own marketing strategies and tactics, with Penn corporate marketing available as a resource when needed. Penn's success in the Kansas City, MO market with its Argosy Riverside casino (recently

overtaking Harrah's North Kansas City for #2 in the market) is impressive, further enhancing this reputation.

Matrix Grade = +1

Database Marketing/VIP Player Focus

While not articulated thoroughly in Kansas Entertainment's written response to marketing questions, the stated post opening marketing budget percentages (43% Customer Incentives/Offerings and 39% Earned Comps) would indicate Kansas Entertainment understand the value of the "avid, experienced gamer," further confirmed by Penn National's history and marketing reputation.

Matrix Grade = +1

Integrated Marketing

Both Penn National's and Kansas Speedway's written and spoken comments regarding "community" involvement in the Kansas City area were exemplary, but neither addressed the "employee" component and how it would play into their marketing and service delivery at Hollywood Casino at Kansas Speedway.

Matrix Grade = 0

Food as a Marketing Tool

Penn's positive food reputation, Kansas Entertainment's written proposal comments on food strategy ("high quality, exemplary service, various price points") and the prominence of "Earned Comps" in the post-opening marketing budget breakdown, would indicate that Kansas Entertainment has a healthy understanding of food as a gaming business driver.

Matrix Grade = +1

Tourism and Hotel Partnerships

There was no mention by Penn or Kansas Speedway of utilizing tourism or hotel partnerships in the marketing of Hollywood Casino at Kansas Speedway. While this might be an omission, the marketing opportunities with tourism organizations and local hotels (especially with 1,000 rooms being within walking distance of the casino and no casino hotel being proposed for opening). This should be addressed.

Matrix Grade = -1

Bus Marketing

There was no overt mention by Kansas Entertainment to creating charter bus programs for potential out of market visitors to Hollywood Casino at Kansas Speedway (perhaps because of the lack of hotel at opening). It may be that other Kansas City competitors are aggressively using this bus marketing tactic (with possibly low ROI), but Penn has been known to use this tactic successfully in the past (especially at Casino Rama in Canada), where it makes sense. In this case, it may help create some tourist visitation.

Matrix Grade = 0

Advertising Efficiency

The advertising marketing plans discussed by Kansas Entertainment are aggressive and comprehensive. The post-opening advertising spend proposed (10% of the marketing budget) appears to be reasonable. Penn has a history and reputation for efficient advertising spend and focus.

Matrix Grade = +1

Listening to Guests

Both Penn and Kansas Speedway display a keen appreciation of market research and listening to customers and understanding guest preferences. They appear to especially understand the racing fans and their keen interest in the casino gaming experience.

Matrix Grade = +1

Other Factors

Although not described in the formal bid presentation or the original performance matrix, Kansas Speedway's written marketing discussion spoke of an 8,000 sq. ft., multi-purpose Entertainment Venue called Hollywood on The Roof. If it occurs, that would be a significantly positive marketing factor, as would a 2nd NASCAR Sprint Car Race if secured for Kansas Speedway. Penn and Kansas Speedway appear well aware of other potential factors with significant marketing opportunity.

Matrix Grade = +1

OVERALL RAVING MARKETING MATRIX GRADE FOR KANSAS ENTERTAINMENT = +6

This +6 Raving Marketing Matrix grade would suggest that Kansas Entertainment has a savvy understanding of effective marketing and therefore a reasonable chance of utilizing whatever non-gaming amenities it may have at Phase I Opening to exceed revenue projections to some degree.

Revenue and Jobs Comparisons as Related to Various Amenity Scenarios*

\$ in millions

all #'s are projections

Category	Total \$ Gaming Revenue	Hotel Revenue	Restaurant Revenue	Beverage Revenue	Retail Revenue	Entertainment Revenue	Number of Amenity Related Jobs			Total Jobs of Project
							Hotel	F/B	Retail	
Applicant-Phase 1 - 1st year, '13	\$ 220		\$ 11.1	\$ 4.8	\$ 2.0			206	24e	1,136
Wells/Cummings avg. Phase 1 - 1st year, '13	\$ 180									
Wells/Cummings avg. w/Raving Minimums Phase 1 - 1st year, '13	\$ 200									
If Raving Minimums Were Built Phase 1		\$ 8.0 (200 rooms)	\$ 11.0	\$ 5.0	\$ 2.0	\$ 2.4	120	210	25e	1,290 (+154)
Applicant - 2015	\$ 231		\$ 11.8	\$ 5.0	\$ 2.2			209	24e	1,151
Wells/Cummings avg. - 2015	\$ 228									
Raving Projections 2015		\$ 10.0 (250 rooms)	\$ 12.0	\$ 5.0	n/a		160	210	25e	1,360 (+224)

*This chart attempts to show the potential revenue and jobs totals in comparing various projections for various scenarios as provided by the consultants and Kansas Entertainment. It is not meant to suggest that the level of amenities is the only contributing factor into the revenue projections.

Kansas Entertainment Operational Amenity Overview

Hotel

- Not planned for Phase I

Convention/Meeting Space

- Not planned for Phase I

Restaurants

- Buffet - 350 seats. Budgeted to do 1,453 covers/day with an average cover of \$12.25
- Grab 'n Go - 100 seats, pre-packaged food, coffee, take out style. Budgeted to do 975 covers/day with an avg. cover of \$5.00
- Steakhouse - 150 seats, Lounge, budgeted to do 200 covers/day with an avg. cover of \$30.00
- Gourmet Coffee Outlet, 24/7
- Food revenue is budgeted to be \$11,183m in 2013
- Food comps are budgeted to be 46% of total revenue
- Food Cost of Goods Sold (COGS) is budgeted for a combined 44% for all outlets
- Combined - 2,628 covers/day, or 33% of the daily visitors will eat something
- The number of employees budgeted by Kansas Speedway for the food/beverage department (206) seems low considering the scope of the outlets proposed. However, Penn is a very experienced operator and the Grab 'N Go outlet should be labor cost efficient to operate

Casino Bars/Beverage Outlets

- 2 bars are planned for Phase I
- 150 seat high-energy bar in the center of the casino able to accommodate live entertainment
- A Steakhouse bar with a lounge
- A Gourmet Coffee Outlet open 24/7
- Beverage revenue is projected to be \$4,793m for 2013
- Beverage comps are budgeted at 46% of revenue
- Beverage COGS is budgeted at 18%

Retail

- 2,500 sq. ft. memorabilia branded outlet
- A portion of the gourmet coffee outlet will be dedicated to retail
- Retail revenue is budgeted to be \$2,045m in 2013
- The budget for Retail comps is zero
- Retail COGS is budgeted at 23%

Parking

- 2,785 total surface parking spaces
- 279 valet spaces
- 500 employee spaces
- The Speedway site has the potential to use existing RV campground space for the casino customers and Kansas Entertainment has indicated its intention to do so

Consultants' Conclusions

- Kansas Entertainment's non-gaming ancillary amenity package proposed for Hollywood Casino at Kansas Speedway is not extensive, but appears to have several quality elements that would serve to promote tourism and assist in promoting gaming revenue.
- If some key anticipated circumstances occur (hotel build-out, securing 2nd NASCAR race, entertainment district build-out, etc.), the Kansas Entertainment project may have the opportunity to drive significantly more tourism and gaming revenue.
- Kansas Entertainment's marketing savvy and experience is a positive and likely enables Kansas Entertainment to achieve somewhat more benefit from its non-gaming amenity package than would otherwise be realized from a less impactful marketing program or philosophy.
- The connection between auto racing and casino gaming appears to be a positive one for Kansas Entertainment if it can effectively blend several brands (Hollywood, Kansas Speedway, NASCAR) into one clear, powerful brand positioning.
- Penn National's existing player database from its nearby Argosy Riverside operation offers significant opportunity for the Kansas Entertainment operation, as does the existing International Speedway Corporation database (but to a significantly lesser extent).
- The ability to create synergy with the nearby Legends development and the adjacent hotels, will be a critical success factor in Kansas Entertainment's proposed project.
- The current Kansas City casino competition is significant, with significant non-gaming ancillary amenities, and should be expected to aggressively respond to the Kansas Entertainment's new facility after it opens.
- It is clear what the Hollywood Casino at Kansas Speedway experience would be like during busy race weeks, but the key strategic challenge appears to be "What is Hollywood Casino's experience like when the race track is dark and the vast surrounding parking areas are empty?"
- Penn National's past track record of non-gaming amenity build-out and effective casino management is impressive and likely should merit some consideration as a future indicator of Kansas Entertainment's future amenity addition intentions and their likely speed of implementation.

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Kansas Entertainment's Response to Request for Marketing Information

Question #2

Please describe specific details of the pre-opening marketing budget and the general strategy associated with how this money will be spent.

The pre-opening marketing budget will be approximately \$1.7 million. The goal of the pre-opening marketing efforts will be to create excitement in anticipation of the grand opening of a superior gaming product at the Kansas Speedway. In short a must see attraction. The efforts will not only create awareness but also educate the local populous about Kansas Entertainment and its position in the gaming industry as well as both Kansas Entertainment and ISC's role as corporate citizens within the surrounding communities.

The pre-opening will encompass a "multi-faceted advertising" campaign creating excitement and energy surrounding the first new gaming product to be introduced in the Kansas City area in over 12 years. As a part of this campaign, Kansas Entertainment / Hollywood Casino at the Kansas Speedway will sponsor a second NASCAR race at the speedway while leveraging ISC's national PR capabilities in order to increase awareness and build anticipation of the Hollywood Casino opening. The marketing synergies between the two entities will create increased anticipation for the new casino product and drive trial not only from the local Kansas City market but from regional feeder markets.

The \$1.7 million campaign will be supported through traditional media channels to include but not limited to TV, Radio, Print, Outdoor, and Online. This budget will also include promotional/entertainment allocations to increase traffic and trial on opening night.

Below are estimates of the breakdown of this budget:

TV: 25%

Radio: 20%

Print: 20%

Outdoor: 20%

Online: 5%

Promotional / Entertainment / Misc: 10%

Question #3

Please describe the initial post-opening marketing spending plans, and your philosophy to drive visitation.

The post opening strategy will be to continue the energy supplied by the grand opening buzz. The post opening annual marketing budget is expected to be approximately \$40 million and will continue to encompass the traditional marketing outlets with increased emphasis on promotional programs. Additionally, marketing efforts will continue to leverage PR opportunities supplied through the relationship with ISC to continue to garner national attention of the Hollywood Casino at Kansas Speedway. These efforts will allow the property to leverage existing PR opportunities that are available

via the NASCAR relationship and potentially partner with other sponsors of NASCAR for promotional purposes.

Along with the continuing efforts mentioned above, resources will be utilized for direct marketing. Promotional efforts will drive player card sign-ups along with card utilization so that Hollywood Casino at Kansas Speedway can capture valuable data on guest preferences. This data will allow the company to efficiently promote the facility to gaming enthusiasts and create valuable offers which will increase visitation. Increased marketing dollars will be spent on promotional efforts to drive traffic after the grand opening to allow Hollywood Casino at Kansas Speedway to increase its database size. Database growth and effective promotion will be the key to increasing visitation to the property by increasing guest loyalty.

The annual marketing spending is estimated to be allocated to the following areas:

Customer Incentives / Offers: 43%
Earned Comps: 39%
Media / Advertising: 10%
Promotions / Acquisition: 5%
Entertainment: 3%

Question #4

Please describe how you will use your non-gaming amenities to maximize gaming revenues.

Kansas Speedway:

Hollywood Casino at Kansas Speedway has committed to a \$2MM sponsorship of a second NASCAR race to be held at the Kansas Speedway. This sponsorship will create additional patron traffic during the race week but also create increased national awareness of the Hollywood Casino at Kansas Speedway. This awareness we help attract both traditional and non-traditional gamers to the new casino product. This sponsorship will be in addition to scheduled marketing spending. Additionally Hollywood Casino at Kansas Speedway will build upon relationships established by ISC in NASCAR to create attractive promotions which will drive increased visitation to the new property.

Restaurants:

Hollywood Casino will position its restaurant products as high quality with exemplary service at various price points to appeal to different customer segments. This positioning will increase trial of guests who may not necessarily be regular gaming customers. This trial will lead to increasing gaming revenues as guests will choose the facility as an entertainment option, using the restaurants as the primary driver for their visit. This will also increase word of mouth advertising within the local area which will further increase trial at the facility.

Entertainment Venue:

In the Casino, Hollywood on the Roof will provide live entertainment utilizing both local bands and name acts. An 8,000 SF Multi-Purpose venue will be utilized to drive increased patron traffic by holding events that are attractive and interesting to both traditional and non-traditional gamers. These events will drive increased traffic to the facility.

Projected Casino Visitation

Scenario A - Estimates are for year 2013

Estimates are shown in average # of visitors / day.

	# Visitors / day	Variance
Kansas Entertainment Application	8,022	
Wells Gaming Research (Phase I)	5,962	- 2,060
Cummings Associates (Phase I)	6,027	- 1,995

Scenario B - Estimates are for year 2015.

Estimates are shown in average # of visitors / day.

	# Visitors / day	Variance
Kansas Entertainment Application	8,184	
Wells Gaming Research (Phase I)	6,112	- 2,072
Cummings Associates (Phase I)	7,441	- 743

Source: Wells Gaming Research, Cummings Associates

Current Gaming Capacity

There are a total of 8 existing casinos within 100 miles of the Kansas Speedway. Most of the major competition is concentrated in the 4 large casinos in Kansas City, Missouri.

Of the 4 casinos in Kansas, only Prairie Band has hotel rooms. Prairie Band is also the closest Kansas casino to the Speedway, approximately 70 miles away and located due north of Topeka on Hwy 75.

Casinos - KC, MO	# Slots	# Tables	# Poker	# Bingo	Casino Sq Ft	# Rooms	# Food	# Parking	Conv sq. ft.
Ameristar	3,000	60	15		140,000	184	11	2,660	14,520
Penn Gaming	1,980	40	7		62,000	258	5	2,700	18,000
Harrah's	1,800	46	5		60,133	392	6	3,122	10,000
Isle of Capri	1,335	24	6		40,000		3	1,618	
Casinos - KS <100mi									
White Cloud	350	6	3	500	21,000			500	
Golden Eagle	786	13	6	368	45,000			700	15,000
Prairie Band	1,154	26	4		35,000	297	3	1,000	12,000
Sac and Fox	500	7			53,000		4	400	
Total	10,905	222	46	868	456,133	1,131	32	12,700	69,520

Source: Raving Internet Research

Non-Gaming Ancillary Amenity Development - Major Competition

Casino	Kansas Entertainment	Ameristar KC	Penn Gaming Riverside	Harrah's - North KC	Isle of Capri
Sq. Ft.	100,000	140,000	62,000	60,133	40,000
Slot Machines	2,300	3,000	1,980	1,800	1,335
Tables	61	60	40	46	24
Poker	25	15	7	15	6
Hotel					
Standard # of Rooms		172			
Premium # of Rooms		12			
Total		184	258	392	
Standard Size Sq. Ft.					
Premium Size Sq. Ft.					
Pool & Spa					
Pool					
Spa			Yes		
Restaurants					
Casual Dining		Diner	Crazy Olive's Sports Bar	Toby Keith's I Love This Bar	Tradewinds
Buffet	Buffet -350 seats	Horizons Buffet	Terrace	Yes	Calypso's Buffet
Steak House (casual)	160 seats	72 seats	The Journey	Yes	

Casino	Kansas Entertainment	Ameristar KC	Penn Gaming Riverside	Harrah's - North KC	Isle of Capri
Quick Service	Deli - 100 seats 24/7	Deli	Leo's Deli	Deli - Corner Grill	
Other	Coffee 50 seats	Oyster Bar	Zoe's coffee /pastries	Mike/Charlie's Italian	
Other		Food Court- BK, Sbarro		Starbuck's	
Other		BBQ			
Other		Amerisports Brew Pub			
Other		Star Club Members Only			
Other					
Bars					
Outlet #1	Live Entertainment - 150 seats	Amerisports Brew Pub	Crazy Olive's Sports Bar	Casino	Caribbean Cove
Outlet #2	Steakhouse Lounge - 40 seats	Casino	Casino	Casino	
Outlet #3		Casino	Casino	Casino	
Outlet #4		Casino			
Outlet #5		Casino			
Outlet # 6		Casino			
Entertainment					
Casino Area					
Other		1,384 seat Enter Venue		Nightclub	
Meeting & Convention Space					
Space Sq. Ft.		10,000	18,000	10,000	

Casino	Kansas Entertainment	Ameristar KC	Penn Gaming Riverside	Harrah's - North KC	Isle of Capri
# of Seats		Up to 450 for dinner			
# Breakout Rooms		6 - up to 160 seats	Multiple Breakout Rooms		
Other					
Retail					
Outlet #1	2,500 sq ft	Mark and Tyler	Yes	Yes	Yes
Outlet #2					
Outlet #3					
Other Amenities					
# of Parking Spaces	2,785 + 279 Valet, + 500 Employee,	2,660 Parking Structure	2,700 Parking Structure	3,122 Parking Structure	1,618
RV Parking					
Exhibition					
Golf					
Tennis					
Other		Kid's Quest			
Other		18 screen Movie Theater			
Other		Arcade			

Source: Raving Internet Research

Market Demographic Characteristics – Nearby Population

2008 Numbers	0-30 miles	0-60 miles	0-100 mi	31-60 mi	61-100 mi
Total Population	1,826,627	2,487,573	2,993,492	660,946	505,918
Average Age	36	36.5	36.6	38.2	37.1
Adult Population over 21	1,296,175	1,771,152	2,137,353	475,352	365,172
Population 45 Years +	674,025	940,303	1,146,507	267,683	205,909
Pop 45 Yr. + % to over 21	52%	53%	54%	56%	56%

Source: Probe 2008, U.S. Census Bureau

Local Hotels

There are over 100 hotels in the greater Kansas City metro market, with approximately 8,000 rooms. Approximately 40% of the hotels in the area have some convention / meeting space.

Closer to the Kansas Speedway, there are 10 hotels with a total of approximately 1,000 rooms that are within a few minutes of the proposed casino site at the Speedway. They are listed below.

Hotel	# of Rooms	\$Price Range Starts At	
Chateau Avalon	62	\$129	
Holiday Inn Express	96	\$125	
Great Wolf Lodge	281	\$109	
Hampton Inn	76	\$115	
Candlewood Suites	98	\$85	
Comfort Inn	45	\$70	
Days Inn	78	\$70	
Country Inn & Suites	117	\$100	
HIE -Bonner Springs	63	\$115	
Super 8- Bonner Sprg	83	\$89	
Total	999		

Source: Raving Internet Research

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Evaluation of the Ancillary Non-Gaming Amenities Proposed by Kansas Entertainment for the Gaming Facility Located in the Northeast Zone, Wyandotte, KS

Prepared By:

Dennis Conrad, President and Chief Strategist

Scott Cooper, Lead Project Consultant

Raving Consulting Company

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Challenges

1. Becoming familiar with the 2008 history of the Kansas casino license bid process and the kinds of proposals (especially the non-gaming amenity components to the proposals) that were put forward in 2008.
2. Not duplicating any of the voluminous information already compiled or the extensive consulting work already performed in 2008.

Challenges

3. With the number of bidders quickly reduced from five bidders (when Raving was first engaged) to two (one each in the Northeast and South Central Zones), it became necessary to create an alternative method of assessing non-gaming amenity value for the State of Kansas, with comparisons BETWEEN bidder packages no longer possible.

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Challenges

4. The previous PROBE consulting report, while full of some instructive data, did not appear to offer the Board enough position-taking consulting opinions that would strongly suggest which gaming amenity packages might be best for the State of Kansas (answering the question as so well put by one Board member, “What decision would you make if you were us?).

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Focus

1. The breadth and scope of market
2. How the non-gaming amenities proposed create and promote tourism
3. Jobs creation
4. How the non-gaming amenities proposed translate into maximizing gaming revenue

The Raving Consulting Team

Dennis Conrad – Founder, President, and Chief Strategist of Raving Consulting

Dennis has 34 years of gaming industry experience and has held a number of senior level positions for major gaming companies. He is considered one of the gaming industry's marketing experts and preaches common sense, meaningful marketing principles and customer focus.

Dennis' company, Raving Consulting, has worked with scores of casinos around the world over the past 11 ½ years. Raving specializes in casino marketing, casino customer service program development, strategy development, casino conferences, and access marketing for gaming vendors. Raving has executed numerous marketing assessments for casino companies and helped many of them develop strategic marketing plans, which often have included how to leverage existing casino/hotel amenities.

The Raving Consulting Team

Scott Cooper – Consultant

Scott has almost 30 years of experience in the gaming industry with extensive expertise in opening nine start-up projects in six new jurisdictions, as COO of several gaming companies, and he has worked at many properties as General Manager, responsible for the overall operation of these land based, riverboat, racino, and Native American casinos.

All of the start-up experience has been in a "locals" type environment. In addition, Scott has led the operational development of four major expansions of existing casinos, ranging in infrastructure investment from \$110m to \$400m.

The Raving Consulting Team

Scott Cooper – Consultant (continued...)

Inherent with each start-up and existing casino expansion project was the need to provide hands-on leadership, the creation/execution of the business plan, hiring and training of the management staff, development of the internal controls, the establishment of a working relationship with local governments and state regulatory agencies, and the responsibility to create and execute each property's marketing programs.

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Methodology

1. Gather Information
2. Decide what information was most pertinent
3. Draw consulting insights
4. Share the consulting insights in a simple, clear, logical way

Raving Minimum

Since there is only one bid for the Northeast Zone, Raving will address the critical questions of this project by first determining what, in our opinion, the basic core level of amenity development (the Raving Minimum) should consist of, as follows:

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Raving Minimum

- Hotel – A hotel of at least 200 rooms with a level of finish consistent with the mid-range hotel product in the area. The hotel should include at least a small sized fitness center.

Raving Minimum

- Food – A mix of food product that provides a sufficient variety of outlets to offer customers food options. Also, the quality of food product should be such that customers will stay on site through a meal period to maximize their time at the facility. At a minimum, this food product should include a buffet (350 seats), a higher end product such as a Steakhouse or Italian restaurant (100), a casual outlet that provides breakfast, lunch, and dinner (150), and a deli type outlet (50). Food should be available 24 hours per day.

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Raving Minimum

- Beverage – The casino should have a minimum of two bars. One should be large enough to be able to offer live entertainment. One of the bars should have bar top slot machines.

Raving Minimum

- Convention/Group Meeting Space – The facility should have convention/meeting space of sufficient square footage to accommodate a minimum of 800 to 1,000 customers theater style and approximately 700 customers for a sit down dinner event. This roughly equates to building convention/meeting space totaling approximately 15,000 sq. ft. This space should also be flexible to provide smaller break out rooms, either in the main ballroom area or in dedicated smaller rooms adjacent to the main ballroom. If this space is to be used as a multi-purpose venue, then the size of the ballroom should be increased to accommodate a minimum of 1,600 customers.

Raving Minimum

- Pool Area – The facility should have a pool area.
- Parking – The facility should have a minimum of 2,500 parking spaces for customer self -service parking, 300 spaces for valet, 400 for employee parking, and a portion of the customer parking should be able to accommodate RV parking.
- Retail /Gift Shop – The facility should have dedicated retail space of a minimum of 800 sq. ft.

Raving Minimum Chart

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 200 Rooms	0	
Food/Restaurants (4)	0	
Casino Bars (2)	0	
Convention/Mtg. Space	0	
Other Amenities – Parking	0	
Other Amenities – Retail	0	
Total	0	

Kansas Entertainment Amenity Chart

Amenity	Phase I - Built as proposed Hollywood Casino at Kansas Speedway Amenity Score	
	Score" -3 to +3	Comments
Hotel = 200 Rooms	-3	Not planned in Phase 1; 1,000 rooms nearby
Food/Restaurants (4)	+1	Seats exceed the Raving Minimum
Casino Bars (2)	+1	Plus for one high energy, central bar
Convention/Mtg. Space	-3	None planned in Phase 1
Other Amenities – Parking	+1	Exceeds the Raving Minimum
Other Amenities – Retail	+1	Twice the Raving Minimum and add'l area
Other Amenities – RV Parking	0	Access to adjacent RV Parking
Total	-2	

Potential Amenity Chart

Amenity	Potential Amenity Score For Hollywood Casino at Kansas Speedway	
	"Score" -3 to +3	Comments
Hotel = 200 Rooms	+ 0	Assume well appointed
Hotel > 300 Rooms	+ 3	Assume well appointed
Food/Restaurants	+ 3	w/add'l outlets, seating
Casino Bars (3)	+ 3	w/ at least 3, live entertain
Convention/Mtg. Space	+ 2	w/ at least 15k sq. ft.
Other Amenities – Parking	+ 3	With parking structure
Other Amenities – Retail	+ 2	Assume add'l stores
Entertainment Venue	+ 2	1.8k seats, multi-purpose
RV Park	+ 2	50 space, full hookups
Truck Parking	+ 2	Room for 100 trucks
Spa - Fitness	+ 2	w/ 8 rooms, 600sf fitness
Pool	+ 1	Indoor preferred
Total	+25	

Potential Marketing Impacts

As important as the scope and quality of casino non-gaming amenities are to a successful casino development project, so too is effective marketing of those amenities. Great amenities with lousy marketing will not optimize visitation or gaming revenue. Likewise, a paucity of amenities, or a casino with sub-standard amenities, can be somewhat overcome by excellent marketing, especially if it includes outstanding casino customer service.

Potential Marketing Impacts (Continued...)

Thus, Raving felt it was instructive to examine the stated marketing intentions of Kansas Entertainment as expressed in its responses to Raving's request for its generally envisioned marketing strategy and tactics for its proposed opening and beyond, as well in Kansas Entertainment's comments in its bid presentation to the Board on September 15, 2009. The goal here was to attempt to determine, as a positive or negative potential, marketing impact on Kansas Entertainment's proposed non-gaming amenities. Knowledge of Penn National Gaming's current amenities and marketing strategies at its other casino properties, both current and past, also contributed to the discussion that follows.

The Raving Marketing Matrix

Marketing Elements Evaluated

- Pre-opening Marketing Spend
- Brand
- Marketing Reputation
- Database Marketing/VIP Player Focus
- Integrated Marketing
- Food as a Marketing Tool
- Tourism and Hotel Partnerships
- Bus Marketing
- Advertising Efficiency
- Listening to Guests
- Other Factors

Marketing Elements Evaluated

Pre-opening Marketing Spend – is the marketing spend adequate and targeted to create awareness of the new casino facility, including its amenities?

-1 Inadequate – marketing spend too little (or too much and wasteful) or not focused on appropriate opening goals

0 Adequate – marketing spend reasonable and mostly focused on appropriate goals for opening

+1 Superior – marketing spend reasonable, measurable and highly focused on pre-opening goals



Discussion of Kansas Entertainment Marketing Plans for Hollywood Casino at Kansas Speedway

Pre-Opening Marketing Spend

Kansas Entertainment's estimate of a pre-opening marketing budget of \$1.7 million appears to be more than adequate, although the discussion of that spend centered solely on advertising (25% TV, 25% Radio, 20% Print, 20% Outdoor, 5% Online and 10% Promotional/Entertainment/Misc).

The advertising mix would appear reasonable by industry standards. One concern would be that there was no mention in Kansas Entertainment's written comments of any pre-opening marketing spend against direct marketing to known gamers. However, in Penn National's portion of the proposal presentation to the Board it indicated strongly that it would utilize its Argosy Riverside database for "immediate population" of the Penn Hollywood/Kansas Speedway potential customer list.

Raving Marketing Matrix Grade = +1

Brand

The issue here is not the lack of a brand, but the fact that arguably, there are three brands involved: Hollywood Casinos, Kansas Speedway and to some extent, NASCAR. There was no mention made of what the Penn/Kansas Speedway/NASCAR amalgamated brand concept might be. “Hollywood” is certainly an emerging and positive casino brand but the fair brand question remains as to whether the project will be more of “a speedway with a casino” or a “casino at the speedway” (or something else altogether).

Matrix Grade = 0

Marketing Reputation

Penn National Gaming has an outstanding marketing reputation in the gaming industry and a marketing philosophy that allows its individual casino properties (who should know their market best) to define their own marketing strategies and tactics, with Penn corporate marketing available as a resource when needed. Penn's success in the Kansas City, MO market with its Argosy Riverside casino (recently overtaking Harrah's North Kansas City for #2 in the market) is impressive, further enhancing this reputation.

Matrix Grade = +1

Database Marketing/VIP Player Focus

While not articulated thoroughly in Kansas Entertainment's written response to marketing questions, the stated post opening marketing budget percentages (43% Customer Incentives/Offerings and 39% Earned Comps) would indicate Kansas Entertainment understand the value of the "avid, experienced gamer," further confirmed by Penn National's history and marketing reputation.

Matrix Grade = +1

Integrated Marketing

Both Penn National's and Kansas Speedway's written and spoken comments regarding "community" involvement in the Kansas City area were exemplary, but neither addressed the "employee" component and how it would play into their marketing and service delivery at Hollywood Casino at Kansas Speedway.

Matrix Grade = 0

Food as a Marketing Tool

Penn's positive food reputation, Kansas Entertainment's written proposal comments on food strategy ("high quality, exemplary service, various price points") and the prominence of "Earned Comps" in the post-opening marketing budget breakdown, would indicate that Kansas Entertainment has a healthy understanding of food as a gaming business driver.

Matrix Grade = +1

Tourism and Hotel Partnerships

There was no mention by Penn or Kansas Speedway of utilizing tourism or hotel partnerships in the marketing of Hollywood Casino at Kansas Speedway. While this might be an omission, the marketing opportunities with tourism organizations and local hotels (especially with 1,000 rooms being within walking distance of the casino and no casino hotel being proposed for opening). This should be addressed.

Matrix Grade = -1

Bus Marketing

There was no overt mention by Kansas Entertainment to creating charter bus programs for potential out of market visitors to Hollywood Casino at Kansas Speedway (perhaps because of the lack of hotel at opening). It may be that other Kansas City competitors are aggressively using this bus marketing tactic (with possibly low ROI), but Penn has been known to use this tactic successfully in the past (especially at Casino Rama in Canada), where it makes sense. In this case, it may help create some tourist visitation.

Matrix Canada = 0

Advertising Efficiency

The advertising marketing plans discussed by Kansas Entertainment are aggressive and comprehensive. The post-opening advertising spend proposed (10% of the marketing budget) appears to be reasonable. Penn has a history and reputation for efficient advertising spend and focus.

Matrix Grade = +1

Listening to Guests

Both Penn and Kansas Speedway display a keen appreciation of market research and listening to customers and understanding guest preferences. They appear to especially understand the racing fans and their keen interest in the casino gaming experience.

Matrix Grade = +1

Other Factors

Although not described in the formal bid presentation or the original performance matrix, Kansas Speedway's written marketing discussion spoke of an 8,000 sq. ft., multi-purpose Entertainment Venue called Hollywood on The Roof. If it occurs, that would be a significantly positive marketing factor, as would a 2nd NASCAR Sprint Car Race if secured for Kansas Speedway. Penn and Kansas Speedway appear well aware of other potential factors with significant marketing opportunity.

Matrix Grade = +1

RAVING MARKETING MATRIX AS APPLIED TO KANSAS ENTERTAINMENT AND ITS HOLLYWOOD CASINO AT KANSAS SPEEDWAY PROPOSAL

Categories	Kansas Entertainment Score
Pre-Opening Marketing Spend	+1
Brand	0
Marketing Reputation	+1
Database/Player Development Focus	+1
Integrated Marketing	0
Food	+1
Tourism and Hotel Partnerships	- 1
Bus Marketing	0
Advertising Efficiency	+1
Listening to Guests	+1
Other	+1
TOTAL	+6
	295

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Raving Matrix Scoring Scale

- 4 to -11 Inadequate** – unlikely to achieve additional marketing impact on financial performance
- 3 to +3 Adequate** – likely to achieve an average, mostly adequate marketing impact on financial performance
- +4 to +11 Superior** – likely to achieve a superior marketing impact on financial performance

Revenue and Jobs Comparisons as Related to Various Amenity Scenarios

Category	Total \$ Gaming Revenue	Hotel Revenue	Restaurant Revenue	Beverage Revenue	Retail Revenue	Entertainment Revenue	Number of Amenity Related Jobs			Total Jobs of Project
							Hotel	F/B	Retail	
Applicant-Phase 1 - 1st year, '13	\$ 220		\$ 11.1	\$ 4.8	\$ 2.0			206	24e	1,136
Wells/Cummings avg. Phase 1 - 1st year, '13	\$ 180									
Wells/Cummings avg. w/Raving Minimums Phase 1 - 1st year, '13	\$ 200									
If Raving Minimums Were Built Phase 1		\$ 8.0 (200 rooms)	\$ 11.0	\$ 5.0	\$ 2.0	\$ 2.4	120	210	25e	1,290 (+154)
Applicant - 2015	\$ 231		\$ 11.8	\$ 5.0	\$ 2.2			209	24e	1,151
Wells/Cummings avg. - 2015	\$ 228									
Raving Projections 2015		\$ 10.0 (250 rooms)	\$ 12.0	\$ 5.0	n/a		160	210	25e	1,360 (+224)

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Consultants' Conclusions

- Kansas Entertainment's non-gaming ancillary amenity package proposed for Hollywood Casino at Kansas Speedway is not extensive, but appears to have several quality elements that would serve to promote tourism and assist in promoting gaming revenue.

Consultants' Conclusions

- If some anticipated circumstances occur (hotel build-out, securing 2nd NASCAR race, entertainment district build-out, etc.), the Kansas Entertainment project may have the opportunity to drive significantly more tourism and gaming revenue.



Consultants' Conclusions

- Kansas Entertainment's marketing savvy and experience is a positive and likely enables Kansas Entertainment to achieve somewhat more benefit from its non-gaming amenity package than would otherwise be realized from a less impactful marketing program or philosophy.



Consultants' Conclusions

- The connection between auto racing and casino gaming appears to be a positive one for Kansas Entertainment if it can effectively blend several brands (Hollywood, Kansas Speedway, NASCAR) into one clear, powerful brand positioning.

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Consultants' Conclusions

- Penn National's existing player database from its nearby Argosy Riverside operation offers significant opportunity for the Kansas Entertainment operation, as does the existing International Speedway Corporation database (but to a significantly lesser extent).



Consultants' Conclusions

- The ability to create synergy with the nearby Legends development and the adjacent hotels, will be a critical success factor in Kansas Entertainment's proposed project.



Consultants' Conclusions

- The current Kansas City casino competition is significant, with significant non-gaming ancillary amenities, and should be expected to aggressively respond to the Kansas Entertainment's new facility after it opens.

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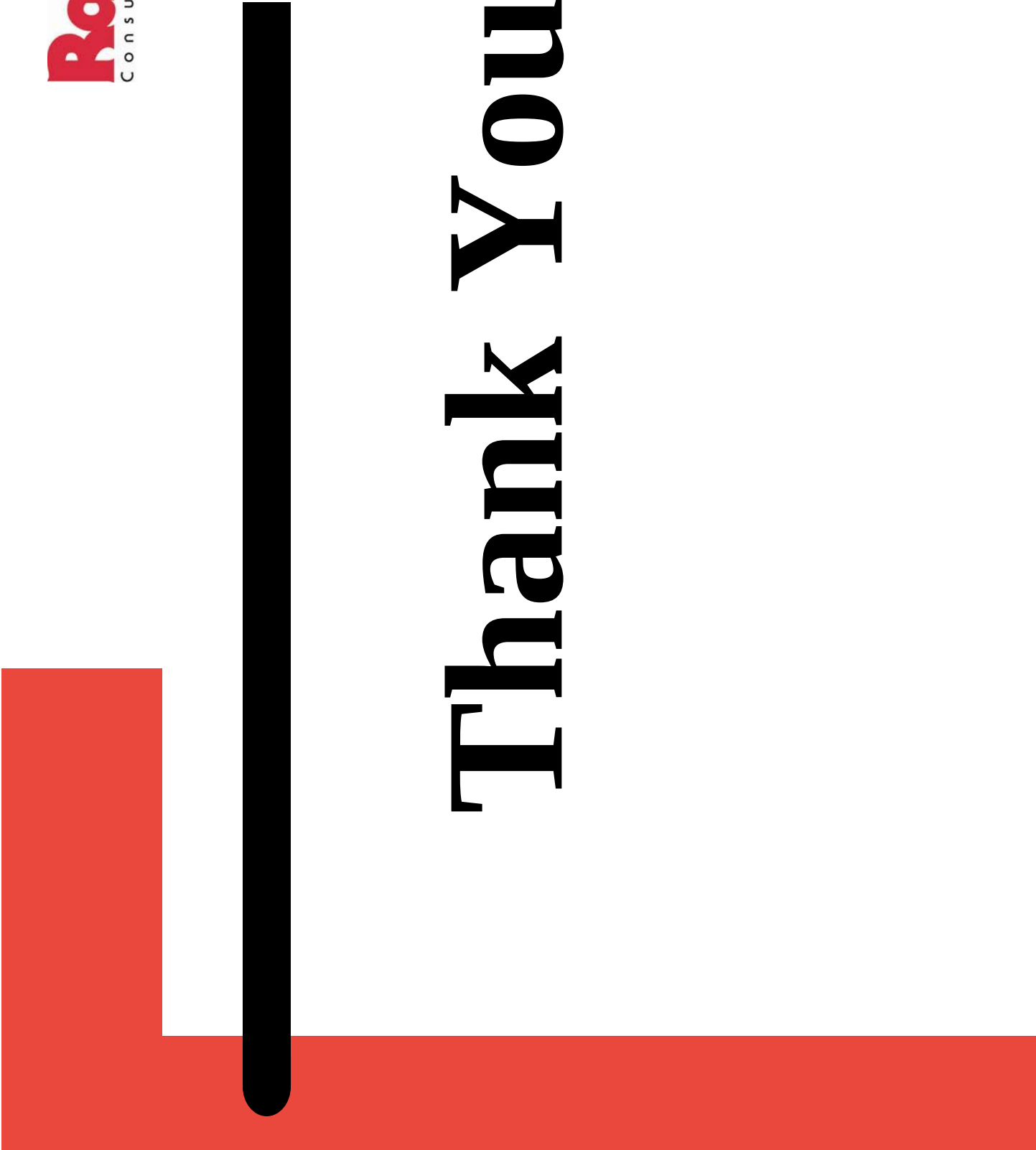
Consultants' Conclusions

- It is clear what the Hollywood Casino at Kansas Speedway experience would be like during busy race weeks, but the key strategic challenge appears to be “What is Hollywood Casino’s experience like when the race track is dark and the vast surrounding parking areas are empty?”



Consultants' Conclusions

- Penn National's past track record of non-gaming amenity build-out and effective casino management is impressive and likely should merit some consideration as a future indicator of Kansas Entertainment's future amenity addition intentions and their likely speed of implementation.



Thank You

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

**ECONOMIC IMPACTS OF PROPOSED GAMING FACILITIES
NORTHEAST AND SOUTH CENTRAL GAMING ZONES**

OCTOBER 2009

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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 proposals for a lottery gaming facility in both the South Central and Northeast Gaming Zones. 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 2011. 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 were prepared for three distinct cases:
 - Phase I, which includes the facilities proposed and contractually obligated for development at the outset. These impacts were calculated for the year 2013.
 - Raving Alternative Minimum, which includes the mix of gaming and ancillary facilities identified by Raving Consulting as constituting the minimum project that constitutes a destination casino. These impacts were calculated for the year 2013.
 - Full Build Out, which includes all facilities proposed by the applicant, even those not contractually obligated. These impacts were calculated for the year 2015.

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 2011. Inputs were derived from the Performance Templates submitted to the KRGC by the applicants. Because applicant submissions did not provide sufficient data for later phases, construction impacts were only calculated for the contractually mandated Phase I of each 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 received as conservative but fairly applied across the board.

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.

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

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.

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

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

Chart 2: Construction Impact Summary Chart

CONSTRUCTION IMPACTS SUMMARY				
2009 GAMING FACILITY PROPOSALS				
Based on contractually obligated Phase I development				
	Direct	Indirect	Induced	Total
ECONOMIC OUTPUT	Total revenues associated with construction (\$ Millions)			
Kansas Entertainment	\$ 123,480,436	\$ 43,001,786	\$ 49,102,012	\$ 215,584,229
Chisholm Creek	\$ 53,077,176	\$ 19,241,766	\$ 19,796,218	\$ 92,115,165
EMPLOYMENT	Total workers, including full-time and part-time			
Kansas Entertainment	1,102	299	463	1,863
Chisholm Creek	475	127	187	788
WAGES	Total wages paid to workers identified above (\$ Millions)			
Kansas Entertainment	\$ 49,604,288	\$ 14,329,145	\$ 14,910,646	\$ 78,844,077
Chisholm Creek	\$ 19,457,062	\$ 6,341,115	\$ 6,012,012	\$ 31,810,190

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 3: *Kansas Entertainment Construction Economic Output*

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY CONSTRUCTION IMPACTS IN THE STATE OF KANSAS, 2011 Based on contractually obligated Phase I development						
ECONOMIC OUTPUT (In 2011 Dollars)						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	143,287	397,078	540,365	
20	21 Mining (AGG)	0	1,185,582	634,336	1,819,918	
31	22 Utilities (AGG)	0	1,005,556	1,349,523	2,355,079	
34	23 Construction (AGG)	106,072,824	344,378	364,088	106,781,288	
41	31-33 Manufacturing (AGG)	0	11,613,750	4,803,711	16,417,461	
319	42 Wholesale Trade (AGG)	0	4,292,574	3,117,198	7,409,772	
320	44-45 Retail trade (AGG)	0	841,579	5,834,729	6,676,308	
332	48-49 Transportation & Warehousing (AGG)	0	2,024,228	1,219,894	3,244,122	
341	51 Information (AGG)	0	1,266,474	1,381,222	2,647,696	
354	52 Finance & insurance (AGG)	0	3,040,874	4,805,859	7,846,732	
360	53 Real estate & rental (AGG)	0	2,244,573	8,267,807	10,512,379	
367	54 Professional- scientific & tech svcs (AGG)	17,407,612	9,082,375	1,469,346	27,959,332	
381	55 Management of companies (AGG)	0	684,559	365,851	1,050,411	
382	56 Administrative & waste services (AGG)	0	1,830,894	875,604	2,706,498	
391	61 Educational svcs (AGG)	0	11,748	580,599	592,347	
394	62 Health & social services (AGG)	0	439	7,677,909	7,678,348	
402	71 Arts- entertainment & recreation (AGG)	0	100,299	416,027	516,325	
411	72 Accommodation & food services (AGG)	0	1,080,009	2,634,581	3,714,590	
414	81 Other services (AGG)	0	1,772,780	2,002,445	3,775,225	
427	92 Government & non NAICs (AGG)	0	435,828	904,205	1,340,033	
Total		\$ 123,480,436	\$ 43,001,786	\$ 49,102,012	\$ 215,584,229	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 4: *Kansas Entertainment Construction Employment*

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY CONSTRUCTION IMPACTS IN THE STATE OF KANSAS, 2011 Based on contractually obligated Phase I development					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	0.8	2.5	3.3
20	21 Mining (AGG)	0.0	3.3	1.7	5.0
31	22 Utilities (AGG)	0.0	1.6	2.2	3.8
34	23 Construction (AGG)	946.4	3.6	3.2	953.1
41	31-33 Manufacturing (AGG)	0.0	32.1	9.7	41.7
319	42 Wholesale Trade (AGG)	0.0	26.0	18.8	44.8
320	44-45 Retail trade (AGG)	0.0	15.1	108.8	123.9
332	48-49 Transportation & Warehousing (AGG)	0.0	15.0	10.0	25.0
341	51 Information (AGG)	0.0	3.4	4.5	7.9
354	52 Finance & insurance (AGG)	0.0	16.1	24.4	40.6
360	53 Real estate & rental (AGG)	0.0	15.6	21.2	36.8
367	54 Professional- scientific & tech svcs (AGG)	155.3	80.4	14.1	249.8
381	55 Management of companies (AGG)	0.0	3.3	1.8	5.1
382	56 Administrative & waste services (AGG)	0.0	32.8	14.8	47.6
391	61 Educational svcs (AGG)	0.0	0.2	11.6	11.8
394	62 Health & social services (AGG)	0.0	0.0	99.3	99.3
402	71 Arts- entertainment & recreation (AGG)	0.0	3.3	10.5	13.7
411	72 Accommodation & food services (AGG)	0.0	20.3	52.0	72.3
414	81 Other services (AGG)	0.0	22.1	45.3	67.4
427	92 Government & non NAICs (AGG)	0.0	3.5	6.2	9.7
Total		1101.7	298.5	462.6	1862.6

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 5: **Kansas Entertainment** Construction Labor Income

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY CONSTRUCTION IMPACTS IN THE STATE OF KANSAS, 2011 Based on contractually obligated Phase I development						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	18,880	30,600	49,479	
20	21 Mining (AGG)	0	254,186	135,593	389,779	
31	22 Utilities (AGG)	0	178,342	240,843	419,185	
34	23 Construction (AGG)	38,802,880	145,297	146,957	39,095,136	
41	31-33 Manufacturing (AGG)	0	1,972,360	704,449	2,676,809	
319	42 Wholesale Trade (AGG)	0	1,633,832	1,186,462	2,820,294	
320	44-45 Retail trade (AGG)	0	369,559	2,530,615	2,900,174	
332	48-49 Transportation & Warehousing (AGG)	0	674,414	412,477	1,086,891	
341	51 Information (AGG)	0	262,680	291,408	554,088	
354	52 Finance & insurance (AGG)	0	791,915	1,213,728	2,005,643	
360	53 Real estate & rental (AGG)	0	397,300	370,657	767,957	
367	54 Professional- scientific & tech svcs (AGG)	10,801,408	5,160,820	714,212	16,676,439	
381	55 Management of companies (AGG)	0	299,503	160,064	459,567	
382	56 Administrative & waste services (AGG)	0	874,404	397,168	1,271,572	
391	61 Educational svcs (AGG)	0	4,764	242,620	247,384	
394	62 Health & social services (AGG)	0	167	3,992,669	3,992,836	
402	71 Arts- entertainment & recreation (AGG)	0	35,033	134,226	169,259	
411	72 Accommodation & food services (AGG)	0	342,994	829,037	1,172,030	
414	81 Other services (AGG)	0	665,393	785,292	1,450,684	
427	92 Government & non NAICs (AGG)	0	247,302	391,569	638,871	
Total		\$ 49,604,288	\$ 14,329,145	\$ 14,910,646	\$ 78,844,077	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 6: *Chisholm Creek Construction Economic Output*

CHISHOLM CREEK, SUMNER COUNTY CONSTRUCTION IMPACTS IN THE STATE OF KANSAS, 2011 Based on contractually obligated Phase I development					
ECONOMIC OUTPUT (In 2011 Dollars)					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	67,685	160,223	227,909
20	21 Mining (AGG)	0	583,174	255,968	839,142
31	22 Utilities (AGG)	0	464,939	544,685	1,009,625
34	23 Construction (AGG)	53,077,176	143,725	146,740	53,367,640
41	31-33 Manufacturing (AGG)	0	5,649,863	1,937,936	7,587,799
319	42 Wholesale Trade (AGG)	0	2,065,834	1,258,203	3,324,038
320	44-45 Retail trade (AGG)	0	438,482	2,350,483	2,788,965
332	48-49 Transportation & Warehousing (AGG)	0	965,896	491,699	1,457,596
341	51 Information (AGG)	0	523,210	557,139	1,080,349
354	52 Finance & insurance (AGG)	0	1,193,872	1,937,005	3,130,878
360	53 Real estate & rental (AGG)	0	974,342	3,331,207	4,305,550
367	54 Professional- scientific & tech svcs (AGG)	0	3,891,558	592,538	4,484,097
381	55 Management of companies (AGG)	0	283,165	147,553	430,718
382	56 Administrative & waste services (AGG)	0	617,197	353,028	970,225
391	61 Educational svcs (AGG)	0	4,439	233,750	238,188
394	62 Health & social services (AGG)	0	147	3,096,732	3,096,879
402	71 Arts- entertainment & recreation (AGG)	0	35,867	167,625	203,492
411	72 Accommodation & food services (AGG)	0	339,357	1,062,069	1,401,426
414	81 Other services (AGG)	0	827,502	806,981	1,634,483
427	92 Government & non NAICs (AGG)	0	171,512	364,654	536,166
Total		\$ 53,077,176	\$ 19,241,766	\$ 19,796,218	\$ 92,115,165

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 7: *Chisholm Creek Construction Employment*

CHISHOLM CREEK, SUMNER COUNTY CONSTRUCTION IMPACTS IN THE STATE OF KANSAS, 2011 Based on contractually obligated Phase I development					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	0.4	1.0	1.4
20	21 Mining (AGG)	0.0	1.6	0.7	2.3
31	22 Utilities (AGG)	0.0	0.7	0.9	1.6
34	23 Construction (AGG)	474.5	1.5	1.3	477.3
41	31-33 Manufacturing (AGG)	0.0	15.3	3.9	19.2
319	42 Wholesale Trade (AGG)	0.0	12.5	7.6	20.1
320	44-45 Retail trade (AGG)	0.0	7.9	43.8	51.7
332	48-49 Transportation & Warehousing (AGG)	0.0	7.0	4.0	11.0
341	51 Information (AGG)	0.0	1.4	1.8	3.2
354	52 Finance & insurance (AGG)	0.0	6.4	9.9	16.3
360	53 Real estate & rental (AGG)	0.0	6.4	8.6	15.0
367	54 Professional- scientific & tech svcs (AGG)	0.0	34.8	5.7	40.5
381	55 Management of companies (AGG)	0.0	1.4	0.7	2.1
382	56 Administrative & waste services (AGG)	0.0	10.9	6.0	16.9
391	61 Educational svcs (AGG)	0.0	0.1	4.7	4.8
394	62 Health & social services (AGG)	0.0	0.0	40.0	40.0
402	71 Arts- entertainment & recreation (AGG)	0.0	1.2	4.2	5.4
411	72 Accommodation & food services (AGG)	0.0	6.3	21.0	27.3
414	81 Other services (AGG)	0.0	10.3	18.2	28.5
427	92 Government & non NAICs (AGG)	0.0	1.3	2.5	3.8
Total		474.5	127.4	186.5	788.4

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 8: **Chisholm Creek** Construction Labor Income

CHISHOLM CREEK, SUMNER COUNTY CONSTRUCTION IMPACTS IN THE STATE OF KANSAS, 2011 Based on contractually obligated Phase I development						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	9,101	12,344	21,445	
20	21 Mining (AGG)	0	125,106	54,714	179,821	
31	22 Utilities (AGG)	0	82,338	97,209	179,547	
34	23 Construction (AGG)	19,457,062	60,637	59,230	19,576,928	
41	31-33 Manufacturing (AGG)	0	956,638	284,161	1,240,799	
319	42 Wholesale Trade (AGG)	0	786,294	478,895	1,265,189	
320	44-45 Retail trade (AGG)	0	192,549	1,019,442	1,211,991	
332	48-49 Transportation & Warehousing (AGG)	0	320,077	166,248	486,326	
341	51 Information (AGG)	0	107,755	117,535	225,290	
354	52 Finance & insurance (AGG)	0	312,291	489,243	801,534	
360	53 Real estate & rental (AGG)	0	175,017	149,589	324,606	
367	54 Professional- scientific & tech svcs (AGG)	0	2,273,222	288,021	2,561,243	
381	55 Management of companies (AGG)	0	123,888	64,556	188,444	
382	56 Administrative & waste services (AGG)	0	290,551	160,134	450,685	
391	61 Educational svcs (AGG)	0	1,828	97,672	99,499	
394	62 Health & social services (AGG)	0	56	1,610,399	1,610,454	
402	71 Arts- entertainment & recreation (AGG)	0	12,518	54,084	66,602	
411	72 Accommodation & food services (AGG)	0	107,906	334,206	442,113	
414	81 Other services (AGG)	0	309,207	316,437	625,644	
427	92 Government & non NAICs (AGG)	0	94,136	157,893	252,030	
Total		\$ 19,457,062	\$ 6,341,115	\$ 6,012,012	\$ 31,810,190	

Source: Applicant Submissions, IMPLAN, Civic Economics

OPERATING IMPACTS

This section of this report analyzes the economic impacts to be generated by the proposal in the first stabilized year of operation, which is treated as 2013. As with construction, economic impacts were calculated for the entire state of Kansas using the IMPLAN model.

Civic Economics calculated economic impacts for each casino in three separate scenarios:

- Phase I, encompassing the contractually obligated developments to be built at the outset.
- Raving Alternative Minimum
- Complete Build-Out, which in some ways exceeds the scope of work contractually obligated by the applicants.

Gaming Revenue Adjustment: As requested by the Board, 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 Northeast Zone, these estimates were consistently lower than those of the applicants, as illustrated on the following page. Consequently, the economic impact of gaming activities relied on these reduced revenue figures as an input into the model. In the South Central Zone, the opposite is true.

Non-Gaming Revenue Adjustment: The ratio of the average of the Wells and Cummings revenue forecasts were then applied to projected non-gaming revenues. This method assumes that projected non-gaming revenue will change in proportion to the change in projected gaming revenue.

Please note that the charts below employ the *uninflated* forecasts of Wells and Cummings. Those estimates provide the most consistent way to adjust revenue estimates for non-gaming activities. As a result, these charts should not be taken as a summary of gaming revenue forecasts by applicants and consultants.

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 9: Non-Gaming Revenue Forecast Adjustments, Phase 1

ADJUSTED REVENUE FORECASTS, 2013			
Based on contractually obligated Phase I development			
KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)		CHISOLM CREEK, SUMNER, (In 2009 Dollars)	
GAMING REVENUE PROJECTIONS		GAMING REVENUE PROJECTIONS	
Estimated gaming revenue: Applicant *	\$ 220,185,000	Estimated gaming revenue: Applicant *	\$ 121,139,087
Estimated gaming revenue: Wells	\$ 146,625,000	Estimated gaming revenue: Wells	\$ 134,518,000
Estimated gaming revenue: Cummings	\$ 186,000,000	Estimated gaming revenue: Cummings	\$ 149,200,000
Average of Wells & Cummings	\$ 166,312,500	Average of Wells & Cummings	\$ 141,859,000
Ratio of Wells/Cummings to Applicant	0.76	Ratio of Wells/Cummings to Applicant	1.17
ADJUSTED NON-GAMING REVENUE PROJECTIONS		ADJUSTED NON-GAMING REVENUE PROJECTIONS	
Hotel Revenue	\$ -	Hotel Revenue	\$ -
Food & Beverage Revenue	\$ 12,067,164	Food & Beverage Revenue	\$ 14,703,209.71
Retail Revenue	\$ 1,544,785	Retail Revenue	\$ 1,543,977.05
Other Revenue	\$ 364,825	Other Revenue	\$ 292,404.59

SOURCE: Applicant submissions, Uninflated projections from Wells Gaming and Cummings & Assoc., Civic Economics

* Inflated by applicant at unknown rate

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 10, Non-Gaming Revenue Forecast Adjustments, Raving Alternative Minimum

ADJUSTED REVENUE FORECASTS, 2013			
Based on Raving Alternative Minimum destination casino design			
KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)		CHISOLM CREEK, SUMNER, (In 2009 Dollars)	
GAMING REVENUE PROJECTIONS		GAMING REVENUE PROJECTIONS	
Estimated gaming revenue: Wells	\$ 178,101,000	Estimated gaming revenue: Wells	\$ 156,449,000
Estimated gaming revenue: Cummings	\$ 191,400,000	Estimated gaming revenue: Cummings	\$ 154,000,000
Average of Wells & Cummings	\$ 184,750,500	Average of Wells & Cummings	\$ 155,224,500
Ratio of Wells/Cummings Alternative Minimum Wells/Cummings Phase I	1.11	Ratio of Wells/Cummings Alternative Minimum Wells/Cummings Phase I	1.09
ADJUSTED NON-GAMING REVENUE PROJECTIONS		ADJUSTED NON-GAMING REVENUE PROJECTIONS	
Hotel Revenue	^ \$ 8,000,000	Hotel Revenue	^ \$ 3,300,000
Food & Beverage Revenue	^ \$ 14,000,000	Food & Beverage Revenue	^ \$ 14,000,000
Retail Revenue	^ \$ 1,200,000	Retail Revenue	^ \$ 1,200,000
Other Revenue	^ \$ -	Other Revenue	^ \$ 1,200,000

SOURCE: Raving Consulting, Uninflated projections from Wells Gaming and Cummings & Assoc., Civic Economics

^ Estimated by Raving Consulting

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 11, Non-Gaming Revenue Forecast Adjustments, Full Build Out

ADJUSTED REVENUE FORECASTS, 2015			
Based on applicant's proposed full build-out			
KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)		CHISOLM CREEK, SUMNER, (In 2009 Dollars)	
GAMING REVENUE PROJECTIONS		GAMING REVENUE PROJECTIONS	
Estimated gaming revenue: Applicant *	\$ 326,784,894	Estimated gaming revenue: Applicant *	NA
Estimated gaming revenue: Wells	\$ 222,699,000	Estimated gaming revenue: Wells	\$ 180,639,000
Estimated gaming revenue: Cummings	\$ 225,700,000	Estimated gaming revenue: Cummings	\$ 166,400,000
Average of Wells & Cummings	\$ 224,199,500	Average of Wells & Cummings	\$ 173,519,500
Ratio of Wells/Cummings to Applicant	0.69	Ratio of Wells/Cummings to Applicant	NA
ADJUSTED NON-GAMING REVENUE PROJECTIONS		ADJUSTED NON-GAMING REVENUE PROJECTIONS	
Hotel Revenue	^ \$ 10,000,000	Hotel Revenue	\$ 3,688,943
Food & Beverage Revenue	^ \$ 16,800,000	Food & Beverage Revenue	\$ 15,650,062
Retail Revenue	\$ 1,456,231	Retail Revenue	\$ 1,341,434
Other Revenue	\$ -	Other Revenue	\$ 1,341,434

SOURCE: Applicant Submissions, Raving Consulting, Uninflated Projections from Wells Gaming and Cummings & Assoc., Civic Economics

* Inflated by applicant at unknown rate

^ Estimated by Raving Consulting

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 Spending:** 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.

These values were calculated from the reports of Wells and Cummings. The chart on the following page summarizes the calculation of net new gaming revenues used to calculate net economic impact.

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 12: Net Gaming Revenues, Phase I

NET GAMING REVENUES IN KANSAS CASINOS, 2013			
Based on contractually obligated Phase I development			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
Wells		Wells	
Estimated Gaming Revenue	\$ 146,625,000	Estimated Gaming Revenue	\$ 134,518,000
Estimated Gaming Export	\$ 34,139,039	Estimated Gaming Export	\$ 2,990,255
Estimated Gaming Import Substitution	\$ 69,780,064	Estimated Gaming Import Substitution	\$ 68,231,289
Net or New Revenue	\$ 103,919,103	Net or New Revenue	\$ 71,221,544
Cummings		Cummings	
Estimated Gaming Revenue	\$ 186,000,000	Estimated Gaming Revenue	\$ 149,200,000
Estimated Gaming Export	\$ 49,800,000	Estimated Gaming Export	\$ 4,800,000
Estimated Gaming Import Substitution	\$ 76,100,000	Estimated Gaming Import Substitution	\$ 39,900,000
Net or New Revenue	\$ 125,900,000	Net or New Revenue	\$ 44,700,000
Average Net Revenue	\$ 114,909,552	Average Net Revenue	\$ 57,960,772
Net as a % of Gaming Revenue	69.1%	Net as a % of Gaming Revenue	43.1%
New Gaming Spending by Kansans	\$ 51,402,949	New Gaming Spending by Kansans	\$ 83,898,228

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 13: Net Gaming Revenues, Raving Alternative Minimum

NET GAMING REVENUES IN KANSAS CASINOS, 2013			
Based on Raving Alternative Minimum destination casino design		CHISHOLM CREEK, SUMNER	
KANSAS ENTERTAINMENT, WYANDOTTE			
Wells		Wells	
Estimated Gaming Revenue	\$ 178,101,000	Estimated Gaming Revenue	\$ 156,449,000
Estimated Gaming Export	\$ 43,478,721	Estimated Gaming Export	\$ 4,466,073
Estimated Gaming Import Substitution	\$ 87,788,024	Estimated Gaming Import Substitution	\$ 87,883,992
Net or New Revenue	\$ 131,266,745	Net or New Revenue	\$ 92,350,065
Cummings		Cummings	
Estimated Gaming Revenue	\$ 191,400,000	Estimated Gaming Revenue	\$ 154,000,000
Estimated Gaming Export	\$ 53,400,000	Estimated Gaming Export	\$ 6,400,000
Estimated Gaming Import Substitution	\$ 76,700,000	Estimated Gaming Import Substitution	\$ 41,000,000
Net or New Revenue	\$ 130,100,000	Net or New Revenue	\$ 47,400,000
Average Net Revenue	\$ 130,683,373	Average Net Revenue	\$ 69,875,033
Net as a % of Gaming Revenue	70.7%	Net as a % of Gaming Revenue	44.7%
New Gaming Spending by Kansans	\$ 54,067,128	New Gaming Spending by Kansans	\$ 85,349,468

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 14: Net Gaming Revenues, Full Build Out

NET GAMING REVENUES IN KANSAS CASINOS, 2015			
Based on applicant's proposed full build-out			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
Wells		Wells	
Estimated Gaming Revenue	\$ 222,699,000	Estimated Gaming Revenue	\$ 180,639,000
Estimated Gaming Export	\$ 56,803,392	Estimated Gaming Export	\$ 6,844,521
Estimated Gaming Import Substitution	\$ 112,526,489	Estimated Gaming Import Substitution	\$ 108,410,942
Net or New Revenue	\$ 169,329,881	Net or New Revenue	\$ 115,255,463
Cummings		Cummings	
Estimated Gaming Revenue	\$ 225,700,000	Estimated Gaming Revenue	\$ 166,400,000
Estimated Gaming Export	\$ 67,100,000	Estimated Gaming Export	\$ 8,000,000
Estimated Gaming Import Substitution	\$ 91,100,000	Estimated Gaming Import Substitution	\$ 49,800,000
Net or New Revenue	\$ 158,200,000	Net or New Revenue	\$ 57,800,000
Average Net Revenue	\$ 163,764,941	Average Net Revenue	\$ 86,527,732
Net as a % of Gaming Revenue	73.0%	Net as a % of Gaming Revenue	47.9%
New Gaming Spending by Kansans	\$ 60,434,560	New Gaming Spending by Kansans	\$ 86,991,769

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions 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.

In order to correct for the inherently high productivity numbers in the model, Civic Economics instead applied the average of both applicants in worker productivity and wages, as shown below. As in 2008, we did not directly apply the wage and employment projections of any applicant.

Chart 15: Wage and Employment Inputs

LABOR COSTS ADJUSTMENTS				
Based upon applicants' projections of revenue, employment, and wages				
	Kansas		Chisholm Creek	
	Entertainment			Average
Projected Revenue per Employee (FTE)	\$ 253,377	\$	201,876	\$ 227,627
Applicant Submitted Wages per Employee (FTE)	\$ 34,663	\$	46,022	\$ 40,343

Source: Applicant Submissions, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 16: 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

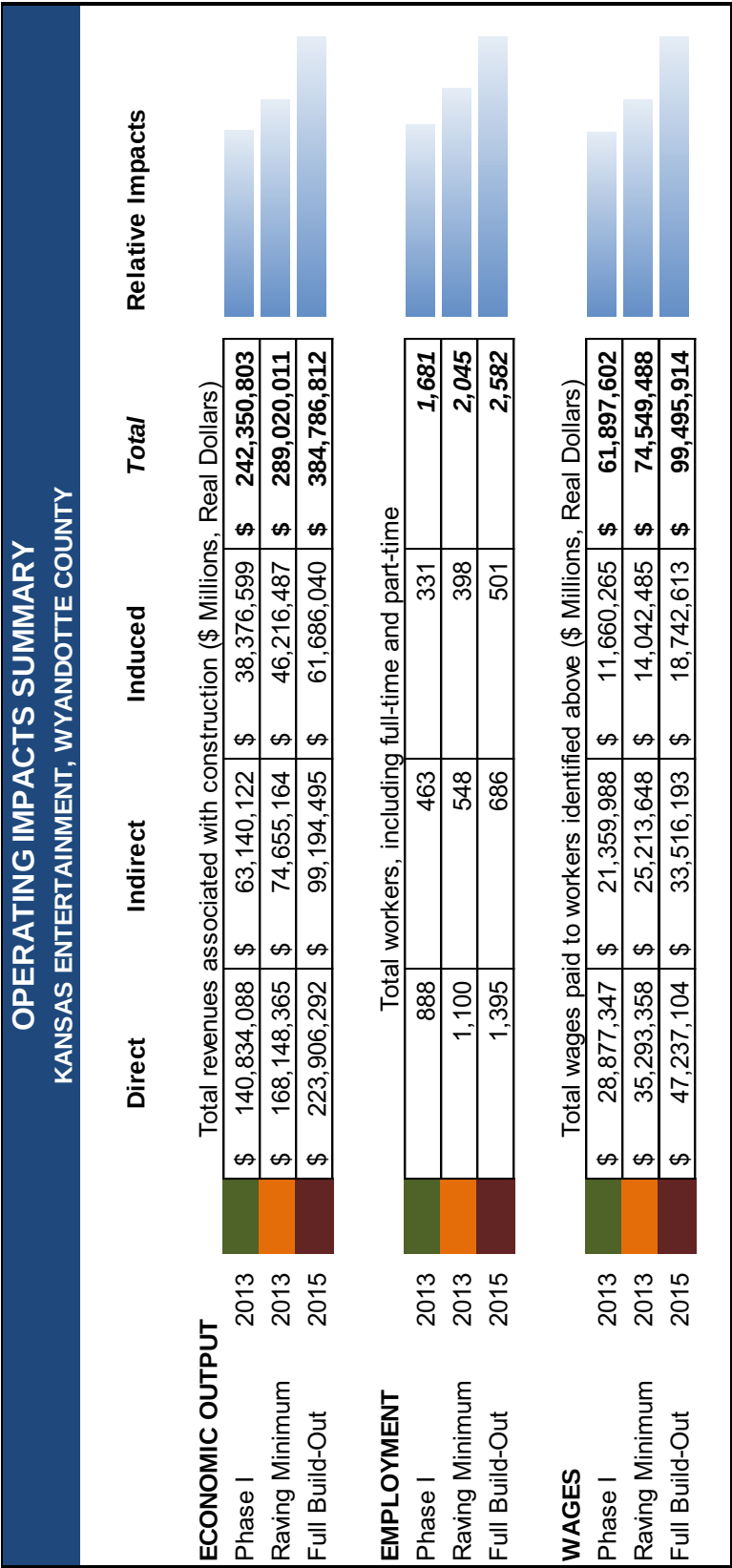
The economic impacts are comprised of three separate categories. Each category is analyzed separately from one another in IMPLAN.

- **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.

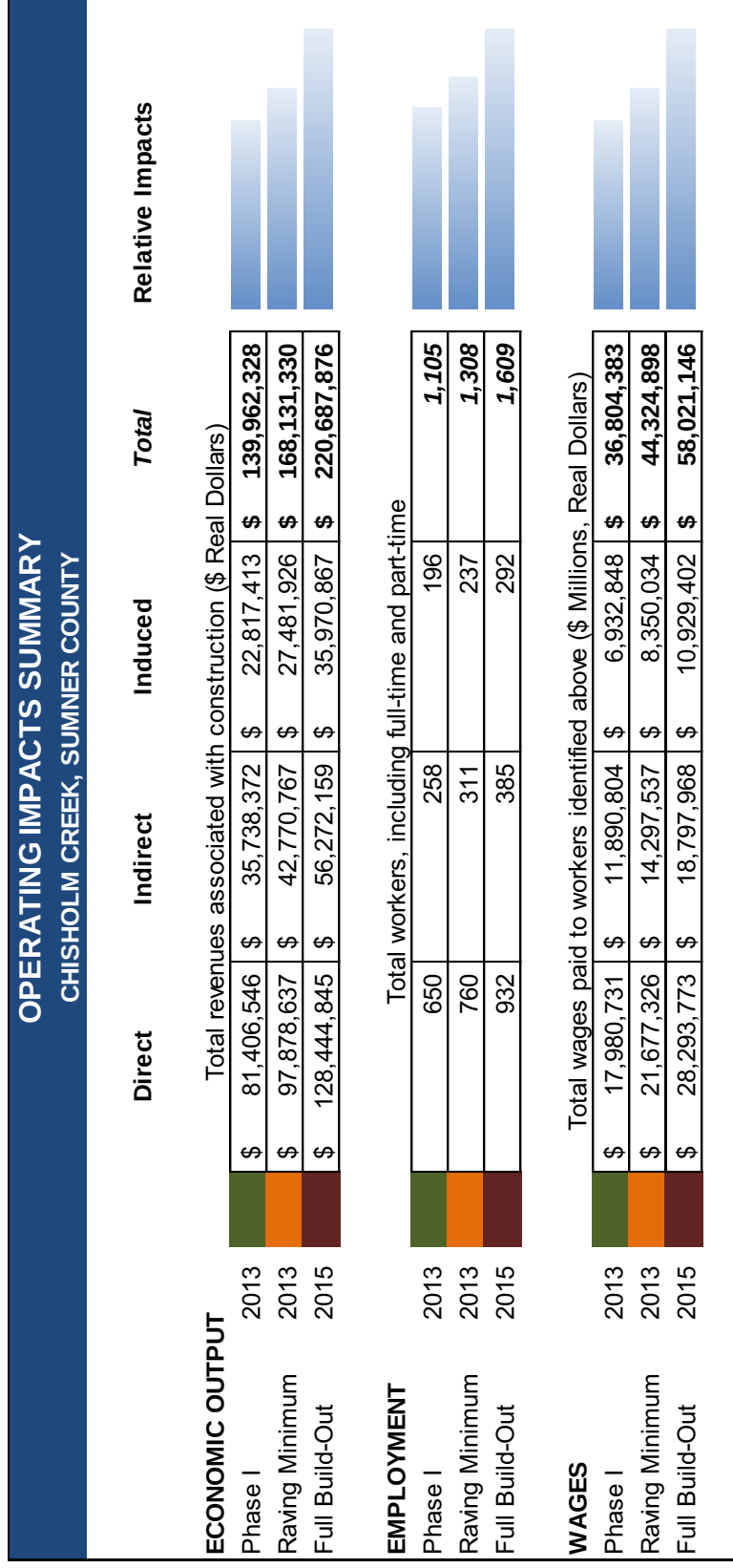
Chart 17: *Kansas Entertainment* Operating Impacts Summary Chart



Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 18: **Chisholm Creek** Operating Impacts Summary Chart



Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Charts 19-27: **Kansas Entertainment** Operating Impacts Detail Charts

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013 Based on contractually obligated Phase I development					
ECONOMIC OUTPUT (In 2013 Dollars)					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	771,704	311,928	1,083,633
20	21 Mining (AGG)	0	847,743	498,423	1,346,167
31	22 Utilities (AGG)	0	4,931,178	1,061,828	5,993,006
34	23 Construction (AGG)	0	901,470	283,999	1,185,469
41	31-33 Manufacturing (AGG)	0	6,567,400	3,769,040	10,336,439
319	42 Wholesale Trade (AGG)	0	2,237,276	2,453,410	4,690,686
320	44-45 Retail trade (AGG)	2,086,631	282,103	4,538,253	6,906,987
332	48-49 Transportation & Warehousing (AGG)	0	2,470,711	952,027	3,422,737
341	51 Information (AGG)	0	6,106,012	1,082,783	7,188,794
354	52 Finance & insurance (AGG)	0	6,316,639	3,749,677	10,066,316
360	53 Real estate & rental (AGG)	0	3,265,259	6,437,418	9,702,677
367	54 Professional- scientific & tech svcs (AGG)	0	10,577,816	1,150,148	11,727,963
381	55 Management of companies (AGG)	0	3,879,088	286,578	4,165,666
382	56 Administrative & waste services (AGG)	0	4,306,024	684,520	4,990,542
391	61 Educational svcs (AGG)	0	18,237	449,937	468,174
394	62 Health & social services (AGG)	0	11,963	6,015,640	6,027,603
402	71 Arts- entertainment & recreation (AGG)	125,561,667	802,644	323,980	126,688,285
411	72 Accommodation & food services (AGG)	13,185,790	2,177,982	2,057,908	17,421,680
414	81 Other services (AGG)	0	3,206,349	1,561,114	4,767,463
427	92 Government & non NAICs (AGG)	0	3,462,526	707,989	4,170,515
Total		\$ 140,834,088	\$ 63,140,122	\$ 38,376,599	\$ 242,350,803

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013 <i>Based on contractually obligated Phase I development</i>						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	4.4	1.8	6.2	
20	21 Mining (AGG)	0.0	2.1	1.2	3.4	
31	22 Utilities (AGG)	0.0	7.3	1.6	8.9	
34	23 Construction (AGG)	0.0	8.6	2.3	10.8	
41	31-33 Manufacturing (AGG)	0.0	17.7	6.9	24.6	
319	42 Wholesale Trade (AGG)	0.0	12.4	13.6	26.0	
320	44-45 Retail trade (AGG)	58.7	4.7	77.4	140.8	
332	48-49 Transportation & Warehousing (AGG)	0.0	19.8	7.1	27.0	
341	51 Information (AGG)	0.0	21.0	3.2	24.2	
354	52 Finance & insurance (AGG)	0.0	29.9	17.5	47.3	
360	53 Real estate & rental (AGG)	0.0	26.4	15.3	41.7	
367	54 Professional- scientific & tech svcs (AGG)	0.0	91.1	10.1	101.2	
381	55 Management of companies (AGG)	0.0	17.3	1.3	18.6	
382	56 Administrative & waste services (AGG)	0.0	66.9	10.6	77.6	
391	61 Educational svcs (AGG)	0.0	0.3	8.2	8.5	
394	62 Health & social services (AGG)	0.0	0.1	71.1	71.2	
402	71 Arts- entertainment & recreation (AGG)	583.8	28.1	7.5	619.3	
411	72 Accommodation & food services (AGG)	245.1	38.8	37.2	321.1	
414	81 Other services (AGG)	0.0	38.6	32.2	70.8	
427	92 Government & non NAICs (AGG)	0.0	27.8	4.5	32.2	
Total		887.6	463.3	330.6	1681.4	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY						
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013						
Based on contractually obligated Phase I development						
TOTAL LABOR INCOME (2013 Dollars)						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	53,256	24,000	77,256	
20	21 Mining (AGG)	0	182,210	106,540	288,749	
31	22 Utilities (AGG)	0	904,582	189,522	1,094,104	
34	23 Construction (AGG)	0	380,043	114,650	494,695	
41	31-33 Manufacturing (AGG)	0	1,119,898	552,355	1,672,254	
319	42 Wholesale Trade (AGG)	0	851,548	933,813	1,785,360	
320	44-45 Retail trade (AGG)	999,315	124,061	1,968,313	3,091,689	
332	48-49 Transportation & Warehousing (AGG)	0	869,538	321,814	1,191,353	
341	51 Information (AGG)	0	1,532,144	228,329	1,760,473	
354	52 Finance & insurance (AGG)	0	1,717,356	947,557	2,664,913	
360	53 Real estate & rental (AGG)	0	526,960	291,482	818,442	
367	54 Professional- scientific & tech svcs (AGG)	0	5,054,635	559,092	5,613,727	
381	55 Management of companies (AGG)	0	1,697,147	125,382	1,822,527	
382	56 Administrative & waste services (AGG)	0	1,913,762	310,529	2,224,291	
391	61 Educational svcs (AGG)	0	7,773	187,932	195,706	
394	62 Health & social services (AGG)	0	4,538	3,128,661	3,133,199	
402	71 Arts- entertainment & recreation (AGG)	23,735,483	233,991	104,548	24,074,023	
411	72 Accommodation & food services (AGG)	4,142,549	688,502	647,569	5,478,621	
414	81 Other services (AGG)	0	1,225,143	611,826	1,836,969	
427	92 Government & non NAICs (AGG)	0	2,272,902	306,348	2,579,251	
Total		\$ 28,877,347	\$ 21,359,988	\$ 11,660,265	\$ 61,897,602	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY (RAVING MINIMUM) NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013 Based on Raving Alternative Minimum destination casino design						
Code	Sector	ECONOMIC OUTPUT (in 2013 Dollars)			Total	
		Direct	Indirect	Induced		
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	901,280	375,691	1,276,971	
20	21 Mining (AGG)	0	1,026,351	600,313	1,626,663	
31	22 Utilities (AGG)	0	5,933,864	1,278,927	7,212,790	
34	23 Construction (AGG)	0	1,118,811	342,003	1,460,813	
41	31-33 Manufacturing (AGG)	0	7,744,194	4,539,381	12,283,574	
319	42 Wholesale Trade (AGG)	0	2,605,050	2,955,045	5,560,096	
320	44-45 Retail trade (AGG)	1,311,240	330,878	5,464,808	7,106,926	
332	48-49 Transportation & Warehousing (AGG)	0	2,878,832	1,146,479	4,025,311	
341	51 Information (AGG)	0	7,239,411	1,304,065	8,543,475	
354	52 Finance & insurance (AGG)	0	7,404,312	4,515,529	11,919,840	
360	53 Real estate & rental (AGG)	0	3,853,261	7,751,888	11,605,149	
367	54 Professional- scientific & tech svcs (AGG)	0	12,332,646	1,385,155	13,717,800	
381	55 Management of companies (AGG)	0	4,581,129	345,139	4,926,269	
382	56 Administrative & waste services (AGG)	0	5,171,785	824,362	5,996,149	
391	61 Educational svcs (AGG)	0	19,825	541,755	561,581	
394	62 Health & social services (AGG)	0	13,640	7,244,940	7,258,580	
402	71 Arts- entertainment & recreation (AGG)	142,797,725	925,354	390,133	144,113,213	
411	72 Accommodation & food services (AGG)	24,039,400	2,678,296	2,478,286	29,195,980	
414	81 Other services (AGG)	0	3,758,582	1,879,932	5,638,514	
427	92 Government & non NAICs (AGG)	0	4,137,662	852,655	4,990,316	
Total		\$ 168,148,365	\$ 74,655,164	\$ 46,216,487	\$ 289,020,011	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY (RAVING MINIMUM) NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013 Based on Raving Alternative Minimum destination casino design						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	5.1	2.2	7.3	
20	21 Mining (AGG)	0.0	2.6	1.5	4.1	
31	22 Utilities (AGG)	0.0	8.8	1.9	10.7	
34	23 Construction (AGG)	0.0	10.6	2.7	13.3	
41	31-33 Manufacturing (AGG)	0.0	20.8	8.3	29.2	
319	42 Wholesale Trade (AGG)	0.0	14.4	16.4	30.8	
320	44-45 Retail trade (AGG)	36.9	5.5	93.2	135.6	
332	48-49 Transportation & Warehousing (AGG)	0.0	23.0	8.6	31.6	
341	51 Information (AGG)	0.0	24.9	3.9	28.8	
354	52 Finance & insurance (AGG)	0.0	35.0	21.0	56.0	
360	53 Real estate & rental (AGG)	0.0	31.1	18.4	49.5	
367	54 Professional- scientific & tech svcs (AGG)	0.0	106.2	12.2	118.4	
381	55 Management of companies (AGG)	0.0	20.5	1.5	22.0	
382	56 Administrative & waste services (AGG)	0.0	80.2	12.8	93.0	
391	61 Educational svcs (AGG)	0.0	0.3	9.9	10.2	
394	62 Health & social services (AGG)	0.0	0.1	85.6	85.7	
402	71 Arts- entertainment & recreation (AGG)	663.9	32.3	9.0	705.2	
411	72 Accommodation & food services (AGG)	398.8	47.7	44.8	491.3	
414	81 Other services (AGG)	0.0	45.3	38.7	84.0	
427	92 Government & non NAICs (AGG)	0.0	33.1	5.4	38.4	
Total		1099.6	547.5	398.0	2045.1	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY (RAVING MINIMUM) NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013 Based on Raving Alternative Minimum destination casino design					
TOTAL LABOR INCOME (2013 Dollars)					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	62,125	28,905	91,031
20	21 Mining (AGG)	0	220,587	128,319	348,906
31	22 Utilities (AGG)	0	1,089,304	228,273	1,317,577
34	23 Construction (AGG)	0	471,680	138,067	609,747
41	31-33 Manufacturing (AGG)	0	1,320,561	665,240	1,985,800
319	42 Wholesale Trade (AGG)	0	991,529	1,124,743	2,116,274
320	44-45 Retail trade (AGG)	627,970	145,411	2,370,176	3,143,557
332	48-49 Transportation & Warehousing (AGG)	0	1,008,986	387,544	1,396,529
341	51 Information (AGG)	0	1,815,882	274,989	2,090,871
354	52 Finance & insurance (AGG)	0	2,010,957	1,141,104	3,152,061
360	53 Real estate & rental (AGG)	0	623,097	351,074	974,170
367	54 Professional- scientific & tech svcs (AGG)	0	5,889,598	673,330	6,562,929
381	55 Management of companies (AGG)	0	2,004,298	151,002	2,155,300
382	56 Administrative & waste services (AGG)	0	2,291,427	373,969	2,665,397
391	61 Educational svcs (AGG)	0	8,476	226,282	234,758
394	62 Health & social services (AGG)	0	5,175	3,768,015	3,773,189
402	71 Arts- entertainment & recreation (AGG)	26,993,691	269,994	125,897	27,389,581
411	72 Accommodation & food services (AGG)	7,671,696	846,490	779,851	9,298,036
414	81 Other services (AGG)	0	1,434,098	736,766	2,170,864
427	92 Government & non NAICs (AGG)	0	2,703,974	368,939	3,072,913
Total		\$ 35,293,358	\$ 25,213,648	\$ 14,042,485	\$ 74,549,488

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2015 Based on applicant's proposed full build-out						
ECONOMIC OUTPUT (In 2015 Dollars)						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	1,186,968	501,403	1,688,371	
20	21 Mining (AGG)	0	1,362,951	801,183	2,164,134	
31	22 Utilities (AGG)	0	7,882,037	1,706,833	9,588,869	
34	23 Construction (AGG)	0	1,487,487	456,492	1,943,978	
41	31-33 Manufacturing (AGG)	0	10,242,461	6,058,438	16,300,898	
319	42 Wholesale Trade (AGG)	0	3,446,265	3,943,733	7,389,998	
320	44-45 Retail trade (AGG)	2,984,352	439,088	7,294,529	10,717,970	
332	48-49 Transportation & Warehousing (AGG)	0	3,839,422	1,530,263	5,369,684	
341	51 Information (AGG)	0	9,631,978	1,740,480	11,372,458	
354	52 Finance & insurance (AGG)	0	9,855,541	6,027,123	15,882,664	
360	53 Real estate & rental (AGG)	0	5,131,666	10,347,200	15,478,865	
367	54 Professional- scientific & tech svcs (AGG)	0	16,400,527	1,848,748	18,249,275	
381	55 Management of companies (AGG)	0	6,080,954	460,648	6,541,602	
382	56 Administrative & waste services (AGG)	0	6,883,146	1,100,288	7,983,434	
391	61 Educational svcs (AGG)	0	27,881	723,186	751,068	
394	62 Health & social services (AGG)	0	18,133	9,669,596	9,687,729	
402	71 Arts- entertainment & recreation (AGG)	189,852,700	1,229,584	520,747	191,603,020	
411	72 Accommodation & food services (AGG)	31,069,240	3,556,885	3,307,846	37,933,972	
414	81 Other services (AGG)	0	4,995,258	2,509,279	7,504,537	
427	92 Government & non NAICs (AGG)	0	5,496,264	1,138,023	6,634,287	
Total		\$ 223,906,292	\$ 99,194,495	\$ 61,686,040	\$ 384,786,812	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2015 Based on applicant's proposed full build-out						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	6.3	2.7	9.1	
20	21 Mining (AGG)	0.0	3.2	1.9	5.1	
31	22 Utilities (AGG)	0.0	11.0	2.4	13.4	
34	23 Construction (AGG)	0.0	13.3	3.4	16.7	
41	31-33 Manufacturing (AGG)	0.0	26.0	10.5	36.5	
319	42 Wholesale Trade (AGG)	0.0	18.0	20.6	38.5	
320	44-45 Retail trade (AGG)	79.1	6.9	117.3	203.3	
332	48-49 Transportation & Warehousing (AGG)	0.0	28.9	10.8	39.7	
341	51 Information (AGG)	0.0	31.2	4.9	36.1	
354	52 Finance & insurance (AGG)	0.0	43.9	26.5	70.3	
360	53 Real estate & rental (AGG)	0.0	39.0	23.2	62.2	
367	54 Professional- scientific & tech svcs (AGG)	0.0	133.1	15.3	148.4	
381	55 Management of companies (AGG)	0.0	25.6	1.9	27.6	
382	56 Administrative & waste services (AGG)	0.0	100.6	16.1	116.7	
391	61 Educational svcs (AGG)	0.0	0.4	12.5	12.9	
394	62 Health & social services (AGG)	0.0	0.1	107.7	107.8	
402	71 Arts- entertainment & recreation (AGG)	832.0	40.5	11.3	883.7	
411	72 Accommodation & food services (AGG)	484.3	59.8	56.4	600.4	
414	81 Other services (AGG)	0.0	56.7	48.7	105.5	
427	92 Government & non NAICs (AGG)	0.0	41.4	6.8	48.2	
Total		1395.4	685.9	500.9	2582.1	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

KANSAS ENTERTAINMENT, WYANDOTTE COUNTY NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2015 Based on applicant's proposed full build-out						
Code	Sector	TOTAL LABOR INCOME (2015 Dollars)			Total	
		Direct	Indirect	Induced		
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	81,867	38,578		120,447
20	21 Mining (AGG)	0	292,928	171,256		464,185
31	22 Utilities (AGG)	0	1,447,036	304,648		1,751,685
34	23 Construction (AGG)	0	627,113	184,286		811,399
41	31-33 Manufacturing (AGG)	0	1,749,498	887,865		2,637,362
319	42 Wholesale Trade (AGG)	0	1,311,711	1,501,057		2,812,768
320	44-45 Retail trade (AGG)	1,429,245	193,076	3,163,755		4,786,076
332	48-49 Transportation & Warehousing (AGG)	0	1,348,669	517,275		1,865,946
341	51 Information (AGG)	0	2,416,090	367,019		2,783,108
354	52 Finance & insurance (AGG)	0	2,676,725	1,523,080		4,199,805
360	53 Real estate & rental (AGG)	0	829,788	468,540		1,298,328
367	54 Professional- scientific & tech svcs (AGG)	0	7,831,594	898,685		8,730,279
381	55 Management of companies (AGG)	0	2,660,488	201,539		2,862,028
382	56 Administrative & waste services (AGG)	0	3,049,937	499,141		3,549,079
391	61 Educational svcs (AGG)	0	11,887	302,064		313,951
394	62 Health & social services (AGG)	0	6,879	5,029,042		5,035,922
402	71 Arts- entertainment & recreation (AGG)	35,888,703	358,793	168,045		36,415,542
411	72 Accommodation & food services (AGG)	9,919,156	1,124,163	1,040,891		12,084,210
414	81 Other services (AGG)	0	1,905,992	983,423		2,889,415
427	92 Government & non NAICs (AGG)	0	3,591,957	492,423		4,084,380
Total		\$ 47,237,104	\$ 33,516,193	\$ 18,742,613	\$	99,495,914

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Charts 28-36: *Chisholm Creek* Operating Impacts Detail Charts

CHISHOLM CREEK, SUMNER COUNTY						
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013						
Based on contractually obligated Phase I development						
ECONOMIC OUTPUT (In 2013 Dollars)						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	516,007	185,475	701,481	
20	21 Mining (AGG)	0	480,868	296,366	777,234	
31	22 Utilities (AGG)	0	2,757,302	631,384	3,388,686	
34	23 Construction (AGG)	0	507,032	168,852	675,884	
41	31-33 Manufacturing (AGG)	0	4,142,915	2,241,060	6,383,975	
319	42 Wholesale Trade (AGG)	0	1,492,197	1,458,852	2,951,048	
320	44-45 Retail trade (AGG)	2,006,614	188,173	2,698,112	4,892,899	
332	48-49 Transportation & Warehousing (AGG)	0	1,419,754	566,032	1,985,786	
341	51 Information (AGG)	0	3,304,546	643,812	3,948,358	
354	52 Finance & insurance (AGG)	0	3,438,347	2,229,378	5,667,723	
360	53 Real estate & rental (AGG)	0	2,060,346	3,827,271	5,887,617	
367	54 Professional- scientific & tech svcs (AGG)	0	5,618,584	683,853	6,302,437	
381	55 Management of companies (AGG)	0	2,144,148	170,395	2,314,543	
382	56 Administrative & waste services (AGG)	0	2,336,811	406,994	2,743,804	
391	61 Educational svcs (AGG)	0	11,022	267,485	278,508	
394	62 Health & social services (AGG)	0	6,121	3,576,814	3,582,935	
402	71 Arts- entertainment & recreation (AGG)	63,333,736	430,031	192,616	63,956,382	
411	72 Accommodation & food services (AGG)	16,066,196	1,203,888	1,223,553	18,493,637	
414	81 Other services (AGG)	0	1,736,936	928,154	2,665,090	
427	92 Government & non NAICs (AGG)	0	1,943,345	420,956	2,364,301	
Total		\$ 81,406,546	\$ 35,738,372	\$ 22,817,413	\$ 139,962,328	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

CHISHOLM CREEK, SUMNER COUNTY						
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013						
Based on contractually obligated Phase I development						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	2.9	1.1	4.0	
20	21 Mining (AGG)	0.0	1.2	0.7	1.9	
31	22 Utilities (AGG)	0.0	4.1	0.9	5.0	
34	23 Construction (AGG)	0.0	4.8	1.3	6.2	
41	31-33 Manufacturing (AGG)	0.0	10.9	4.1	15.1	
319	42 Wholesale Trade (AGG)	0.0	8.3	8.1	16.3	
320	44-45 Retail trade (AGG)	56.4	3.1	46.0	105.6	
332	48-49 Transportation & Warehousing (AGG)	0.0	11.2	4.2	15.5	
341	51 Information (AGG)	0.0	11.3	1.9	13.2	
354	52 Finance & insurance (AGG)	0.0	16.2	10.4	26.6	
360	53 Real estate & rental (AGG)	0.0	16.8	9.1	25.9	
367	54 Professional- scientific & tech svcs (AGG)	0.0	48.4	6.0	54.5	
381	55 Management of companies (AGG)	0.0	9.6	0.8	10.3	
382	56 Administrative & waste services (AGG)	0.0	36.3	6.3	42.6	
391	61 Educational svcs (AGG)	0.0	0.2	4.9	5.1	
394	62 Health & social services (AGG)	0.0	0.0	42.3	42.3	
402	71 Arts- entertainment & recreation (AGG)	294.5	15.1	4.4	314.0	
411	72 Accommodation & food services (AGG)	298.7	21.4	22.1	342.2	
414	81 Other services (AGG)	0.0	20.9	19.1	40.0	
427	92 Government & non NAICs (AGG)	0.0	15.5	2.7	18.2	
Total		649.6	258.2	196.4	1104.5	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

CHISHOLM CREEK, SUMNER COUNTY					
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013					
Based on contractually obligated Phase I development					
TOTAL LABOR INCOME (2013 Dollars)					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	35,273	14,271	49,544
20	21 Mining (AGG)	0	103,363	63,349	166,713
31	22 Utilities (AGG)	0	506,601	112,695	619,295
34	23 Construction (AGG)	0	213,714	68,166	281,879
41	31-33 Manufacturing (AGG)	0	683,293	328,426	1,011,719
319	42 Wholesale Trade (AGG)	0	567,957	555,265	1,123,222
320	44-45 Retail trade (AGG)	960,994	82,806	1,170,215	2,214,015
332	48-49 Transportation & Warehousing (AGG)	0	500,027	191,335	691,362
341	51 Information (AGG)	0	826,744	135,761	962,506
354	52 Finance & insurance (AGG)	0	932,770	563,376	1,496,147
360	53 Real estate & rental (AGG)	0	330,396	173,320	503,716
367	54 Professional- scientific & tech svcs (AGG)	0	2,684,961	332,424	3,017,385
381	55 Management of companies (AGG)	0	938,090	74,549	1,012,639
382	56 Administrative & waste services (AGG)	0	1,039,265	184,631	1,223,895
391	61 Educational svcs (AGG)	0	4,665	111,724	116,389
394	62 Health & social services (AGG)	0	2,322	1,860,261	1,862,583
402	71 Arts- entertainment & recreation (AGG)	11,972,258	125,257	62,157	12,159,672
411	72 Accommodation & food services (AGG)	5,047,480	380,660	385,019	5,813,159
414	81 Other services (AGG)	0	662,130	363,755	1,025,886
427	92 Government & non NAICs (AGG)	0	1,270,511	182,147	1,452,657
Total		\$ 17,980,731	\$ 11,890,804	\$ 6,932,848	\$ 36,804,383

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

CHISOLM CREEK, SUMNER COUNTY (RAVING MINIMUM)						
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013						
Based on Raving Alternative Minimum destination casino design						
ECONOMIC OUTPUT (In 2013 Dollars)						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	575,645	223,371	799,017	
20	21 Mining (AGG)	0	584,450	356,921	941,370	
31	22 Utilities (AGG)	0	3,353,150	760,370	4,113,518	
34	23 Construction (AGG)	0	630,656	203,377	834,033	
41	31-33 Manufacturing (AGG)	0	4,756,828	2,699,016	7,455,844	
319	42 Wholesale Trade (AGG)	0	1,674,985	1,756,871	3,431,856	
320	44-45 Retail trade (AGG)	2,622,480	213,301	3,249,952	6,085,733	
332	48-49 Transportation & Warehousing (AGG)	0	1,685,309	681,761	2,367,071	
341	51 Information (AGG)	0	4,028,486	775,384	4,803,871	
354	52 Finance & insurance (AGG)	0	4,152,031	2,685,203	6,837,235	
360	53 Real estate & rental (AGG)	0	2,395,140	4,609,972	7,005,113	
367	54 Professional- scientific & tech svcs (AGG)	0	6,797,169	823,630	7,620,799	
381	55 Management of companies (AGG)	0	2,577,686	205,220	2,782,906	
382	56 Administrative & waste services (AGG)	0	2,875,638	490,192	3,365,829	
391	61 Educational svcs (AGG)	0	13,457	322,214	335,671	
394	62 Health & social services (AGG)	0	7,359	4,307,832	4,315,191	
402	71 Arts- entertainment & recreation (AGG)	76,352,447	513,707	232,006	77,098,158	
411	72 Accommodation & food services (AGG)	18,903,710	1,492,587	1,473,696	21,869,993	
414	81 Other services (AGG)	0	2,094,519	1,117,942	3,212,462	
427	92 Government & non NAICs (AGG)	0	2,348,666	506,995	2,855,661	
Total		\$ 97,878,637	\$ 42,770,767	\$ 27,481,926	\$ 168,131,330	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

CHISOLM CREEK, SUMNER COUNTY (RAVING MINIMUM)						
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013						
Based on Raving Alternative Minimum destination casino design						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	3.2	1.3	4.5	
20	21 Mining (AGG)	0.0	1.5	0.9	2.4	
31	22 Utilities (AGG)	0.0	5.0	1.1	6.1	
34	23 Construction (AGG)	0.0	6.0	1.6	7.6	
41	31-33 Manufacturing (AGG)	0.0	12.6	5.0	17.6	
319	42 Wholesale Trade (AGG)	0.0	9.3	9.7	19.0	
320	44-45 Retail trade (AGG)	73.7	3.6	55.4	132.8	
332	48-49 Transportation & Warehousing (AGG)	0.0	13.4	5.1	18.5	
341	51 Information (AGG)	0.0	13.8	2.3	16.1	
354	52 Finance & insurance (AGG)	0.0	19.6	12.5	32.1	
360	53 Real estate & rental (AGG)	0.0	19.4	11.0	30.4	
367	54 Professional- scientific & tech svcs (AGG)	0.0	58.6	7.2	65.8	
381	55 Management of companies (AGG)	0.0	11.5	0.9	12.4	
382	56 Administrative & waste services (AGG)	0.0	44.6	7.6	52.2	
391	61 Educational svcs (AGG)	0.0	0.2	5.9	6.1	
394	62 Health & social services (AGG)	0.0	0.1	50.9	50.9	
402	71 Arts- entertainment & recreation (AGG)	355.0	18.0	5.3	378.3	
411	72 Accommodation & food services (AGG)	331.6	26.6	26.6	384.8	
414	81 Other services (AGG)	0.0	25.2	23.0	48.3	
427	92 Government & non NAICs (AGG)	0.0	18.8	3.2	21.9	
Total		760.3	311.0	236.5	1307.8	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

CHISOLM CREEK, SUMNER COUNTY (RAVING MINIMUM)					
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2013					
Based on Raving Alternative Minimum destination casino design					
TOTAL LABOR INCOME (2013 Dollars)					
Code	Sector	Direct	Indirect	Induced	Total
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	39,456	17,187	56,643
20	21 Mining (AGG)	0	125,620	76,293	201,913
31	22 Utilities (AGG)	0	616,177	135,717	751,893
34	23 Construction (AGG)	0	265,843	82,103	347,946
41	31-33 Manufacturing (AGG)	0	794,187	395,543	1,189,731
319	42 Wholesale Trade (AGG)	0	637,529	668,697	1,306,227
320	44-45 Retail trade (AGG)	1,255,940	93,895	1,409,557	2,759,391
332	48-49 Transportation & Warehousing (AGG)	0	594,099	230,457	824,556
341	51 Information (AGG)	0	1,008,591	163,508	1,172,098
354	52 Finance & insurance (AGG)	0	1,126,291	678,559	1,804,850
360	53 Real estate & rental (AGG)	0	385,267	208,729	593,996
367	54 Professional- scientific & tech svcs (AGG)	0	3,246,106	400,370	3,646,475
381	55 Management of companies (AGG)	0	1,127,768	89,786	1,217,554
382	56 Administrative & waste services (AGG)	0	1,275,880	222,373	1,498,253
391	61 Educational svcs (AGG)	0	5,693	134,585	140,278
394	62 Health & social services (AGG)	0	2,792	2,240,450	2,243,242
402	71 Arts- entertainment & recreation (AGG)	14,433,244	149,790	74,869	14,657,902
411	72 Accommodation & food services (AGG)	5,988,142	471,830	463,733	6,923,707
414	81 Other services (AGG)	0	798,199	438,140	1,236,339
427	92 Government & non NAICs (AGG)	0	1,532,525	219,378	1,751,904
Total		\$ 21,677,326	\$ 14,297,537	\$ 8,350,034	\$ 44,324,898

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

CHISOLM CREEK, SUMNER COUNTY						
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2015						
Based on applicant's proposed full build-out						
ECONOMIC OUTPUT (In 2015 Dollars)						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	766,007	292,395	1,058,403	
20	21 Mining (AGG)	0	769,272	467,215	1,236,487	
31	22 Utilities (AGG)	0	4,411,804	995,362	5,407,166	
34	23 Construction (AGG)	0	828,559	266,188	1,094,747	
41	31-33 Manufacturing (AGG)	0	6,297,880	3,532,969	9,830,849	
319	42 Wholesale Trade (AGG)	0	2,217,932	2,299,846	4,517,778	
320	44-45 Retail trade (AGG)	2,604,054	281,458	4,253,460	7,138,973	
332	48-49 Transportation & Warehousing (AGG)	0	2,207,998	892,327	3,100,326	
341	51 Information (AGG)	0	5,288,695	1,014,951	6,303,646	
354	52 Finance & insurance (AGG)	0	5,449,104	3,514,532	8,963,636	
360	53 Real estate & rental (AGG)	0	3,146,103	6,033,537	9,179,641	
367	54 Professional- scientific & tech svcs (AGG)	0	8,929,167	1,078,072	10,007,239	
381	55 Management of companies (AGG)	0	3,394,878	268,623	3,663,500	
382	56 Administrative & waste services (AGG)	0	3,773,221	641,611	4,414,832	
391	61 Educational svcs (AGG)	0	16,653	421,678	438,331	
394	62 Health & social services (AGG)	0	9,672	5,638,739	5,648,411	
402	71 Arts- entertainment & recreation (AGG)	100,311,595	675,686	303,651	101,290,935	
411	72 Accommodation & food services (AGG)	25,529,196	1,963,623	1,928,889	29,421,708	
414	81 Other services (AGG)	0	2,753,999	1,463,198	4,217,198	
427	92 Government & non NAICs (AGG)	0	3,090,445	663,624	3,754,068	
Total		\$ 128,444,845	\$ 56,272,159	\$ 35,970,867	\$ 220,687,876	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

CHISOLM CREEK, SUMNER COUNTY						
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2015						
Based on applicant's proposed full build-out						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0.0	4.1	1.6	5.7	
20	21 Mining (AGG)	0.0	1.8	1.1	2.9	
31	22 Utilities (AGG)	0.0	6.2	1.4	7.6	
34	23 Construction (AGG)	0.0	7.4	2.0	9.4	
41	31-33 Manufacturing (AGG)	0.0	15.8	6.1	21.9	
319	42 Wholesale Trade (AGG)	0.0	11.6	12.0	23.6	
320	44-45 Retail trade (AGG)	69.0	4.4	68.4	141.8	
332	48-49 Transportation & Warehousing (AGG)	0.0	16.5	6.3	22.8	
341	51 Information (AGG)	0.0	17.1	2.9	19.9	
354	52 Finance & insurance (AGG)	0.0	24.2	15.4	39.6	
360	53 Real estate & rental (AGG)	0.0	24.1	13.5	37.6	
367	54 Professional- scientific & tech svcs (AGG)	0.0	72.6	8.9	81.5	
381	55 Management of companies (AGG)	0.0	14.3	1.1	15.4	
382	56 Administrative & waste services (AGG)	0.0	55.2	9.4	64.5	
391	61 Educational svcs (AGG)	0.0	0.3	7.3	7.5	
394	62 Health & social services (AGG)	0.0	0.1	62.8	62.9	
402	71 Arts- entertainment & recreation (AGG)	439.6	22.3	6.6	468.5	
411	72 Accommodation & food services (AGG)	423.0	32.9	32.9	488.8	
414	81 Other services (AGG)	0.0	31.2	28.4	59.7	
427	92 Government & non NAICs (AGG)	0.0	23.3	3.9	27.2	
Total		931.6	385.4	292.0	1608.8	

Source: Applicant Submissions, IMPLAN, Civic Economics

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

CHISOLM CREEK, SUMNER COUNTY						
NET OPERATION IMPACTS IN THE STATE OF KANSAS, 2015						
Based on applicant's proposed full build-out						
TOTAL LABOR INCOME (2015 Dollars)						
Code	Sector	Direct	Indirect	Induced	Total	
1	11 Ag, Forestry, Fish & Hunting (AGG)	0	52,469	22,497	74,966	
20	21 Mining (AGG)	0	165,345	99,869	265,215	
31	22 Utilities (AGG)	0	810,652	177,659	988,313	
34	23 Construction (AGG)	0	349,265	107,460	456,725	
41	31-33 Manufacturing (AGG)	0	1,049,233	517,754	1,566,986	
319	42 Wholesale Trade (AGG)	0	844,185	875,363	1,719,548	
320	44-45 Retail trade (AGG)	1,247,116	123,823	1,844,794	3,215,732	
332	48-49 Transportation & Warehousing (AGG)	0	776,311	301,634	1,077,945	
341	51 Information (AGG)	0	1,324,015	214,024	1,538,039	
354	52 Finance & insurance (AGG)	0	1,478,101	888,142	2,366,244	
360	53 Real estate & rental (AGG)	0	506,039	273,234	779,273	
367	54 Professional- scientific & tech svcs (AGG)	0	4,264,778	524,056	4,788,834	
381	55 Management of companies (AGG)	0	1,485,299	117,525	1,602,824	
382	56 Administrative & waste services (AGG)	0	1,674,015	291,064	1,965,080	
391	61 Educational svcs (AGG)	0	7,064	176,128	183,191	
394	62 Health & social services (AGG)	0	3,669	2,932,645	2,936,314	
402	71 Arts- entertainment & recreation (AGG)	18,962,349	196,994	97,989	19,257,332	
411	72 Accommodation & food services (AGG)	8,084,308	620,741	606,970	9,312,019	
414	81 Other services (AGG)	0	1,049,489	573,445	1,622,934	
427	92 Government & non NAICs (AGG)	0	2,016,483	287,148	2,303,631	
Total		\$ 28,293,773	\$ 18,797,968	\$ 10,929,402	\$ 58,021,146	

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 Household Spending

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 each zone is as shown on Chart 37.

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.

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

Chart 37: Induced Additional Gambling Spending by Kansans

NEW GAMING SPENDING BY KANSANS, 2013			
Based on contractually obligated Phase I development			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
New Gaming Spend as a % of Gaming Revenue	30.9%	New Gaming Spend as a % of Gaming Revenue	56.9%
New Gaming Spend by Kansans (In Millions)	\$ 56.2	New Gaming Spend by Kansans (In Millions)	\$ 91.7
NEW GAMING SPENDING BY KANSANS, 2013			
Based on Raving Alternative Minimum destination casino design			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
New Gaming Spend as a % of Gaming Revenue	29.3%	New Gaming Spend as a % of Gaming Revenue	55.3%
New Gaming Spend by Kansans (In Millions)	\$ 59.1	New Gaming Spend by Kansans (In Millions)	\$ 93.3
NEW GAMING SPENDING BY KANSANS, 2015			
Based on applicant's proposed full build-out			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
New Gaming Spend as a % of Gaming Revenue	27.0%	New Gaming Spend as a % of Gaming Revenue	52.1%
New Gaming Spend by Kansans (In Millions)	\$ 70.1	New Gaming Spend by Kansans (In Millions)	\$ 100.8

SOURCE: Wells, Cummings, Civic Economics

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. In 2008, the various proposals included a wide range of non-gaming activities including golf courses, hunting preserves, hotel and conference facilities, and numerous dining, drinking, and entertainment venues as part of the proposal package.

The current proposals, by contrast, include rather limited activities. Each includes the traditional casino buffet, snack bar, and steakhouse dining selection, with bars provided on the casino floor. **Kansas Entertainment** does propose to develop a later phase entertainment venue of 60,000 square feet, but rather than an extensive district as proposed in 2008, this facility appears to be simply a dual use convention space associated with the hotel.

Civic Economics has reviewed 2009 Claritas data for eating and drinking places in both the Kansas City and Wichita metropolitan areas and compared the Raving Consulting sales forecasts for each proposal. In neither case do we find cause for alarm by existing food and beverage businesses. Estimated food and beverage sales for the **Kansas Entertainment** proposal range from 1-1.5% of total sales on the Kansas side of the KC metropolitan area. Estimated food and beverage sales for **Chisholm Creek** range from 2-2.2% of total sales in the Wichita area.

ECONOMIC IMPACT OF PROPOSED GAMING FACILITY

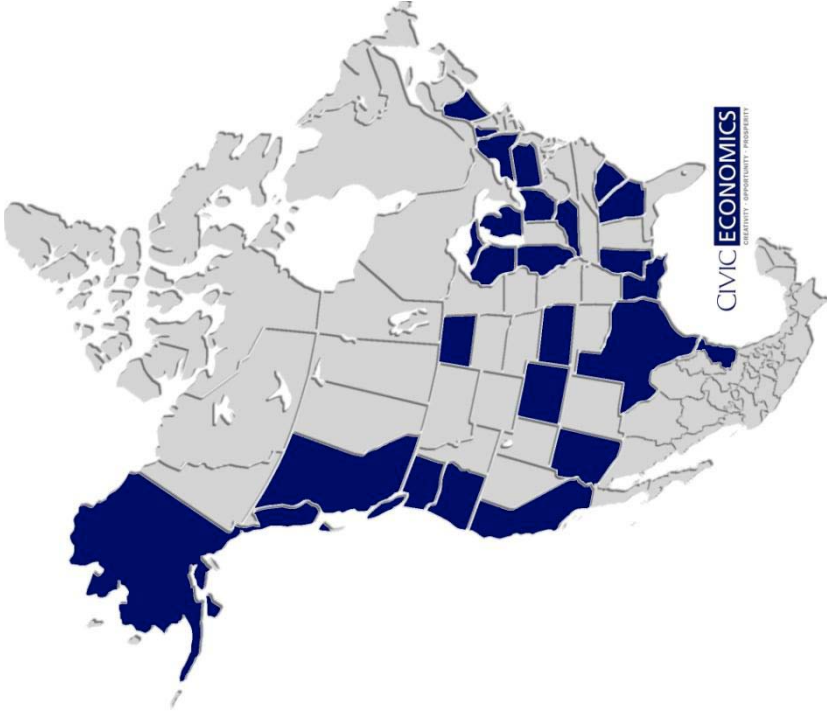


WYANDOTTE COUNTY GAMING ZONE 2009

BRIEF AGENDA

- About Civic Economics
- Overview of Scope
- Economic Impact Approach
- Economic Impact of Construction
- Economic Impact of Operations
- Non-Gaming Competitive Impacts

About Civic Economics



***Economic Analysis & Strategic
Planning for Sustainable Prosperity***

- Established in 2002
- Matt Cunningham in Chicago, Dan Houston in Austin
- Diverse practice in scope and geography
- Not a gaming/tourism practice

Scope of Work

Scope of Work

- Economic impact of construction and operations of proposed facilities
- Review of competition for non-gaming activities

Economic Impact Approach

Economic Impact Approach

- IMPLAN, an industry-standard tool built on input-output modeling
- Impacts calculated on a statewide basis
- Focus is on equitable treatment of applicants
 - Developed a single model for both applicants
 - Built from the model developed in 2008

Economic Impact Approach

- Used data supplied by applicants where possible
 - Any adjustments made for both applicants

NET Economic Impacts

- The most important thing to learn today:
 - Economic impact analysis must focus on activity that is new to the study area
 - Activity that simply moves from one location or firm to another is not new to the area

NET Economic Impacts

- *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.
- *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.

Economic Impact Reporting

- Economic impacts are comprised of three separate categories.
 - *Economic Output* is the total production or sales derived from the project.
 - *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.

Economic Impact Reporting

- 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.
 - *Indirect* effects are additional impacts derived from businesses providing products or services to the selected industries.
 - *Induced* effects are the result of increased household spending due to the direct and indirect effects.

Construction Impacts

Construction Impacts

- Temporary economic activity associated with designing and building facilities and associated infrastructure
- Used only Phase I
- Cost inputs provided by applicants
- Assumed all activity in 2011
- Simply put, relative cost of proposed facilities drives relative outcomes

Construction Impacts

CONSTRUCTION IMPACTS SUMMARY				
2009 GAMING FACILITY PROPOSALS				
Based on contractually obligated Phase I development				
	Direct	Indirect	Induced	Total
ECONOMIC OUTPUT	Total revenues associated with construction (\$ Millions)			
Kansas Entertainment	\$ 123,480,436	\$ 43,001,786	\$ 49,102,012	\$ 215,584,229
EMPLOYMENT	Total workers, including full-time and part-time			
Kansas Entertainment	1,102	299	463	1,863
WAGES	Total wages paid to workers identified above (\$ Millions)			
Kansas Entertainment	\$ 49,604,288	\$ 14,329,145	\$ 14,910,646	\$ 78,844,077

Source: Applicant Submissions, IMPLAN, Civic Economics

Operating Impacts

Operating Impacts

- Used 2013 for first full year of operations
 - One year further out than used in 2008
- Steps to determine inputs:
 - Gaming revenue and operational scale
 - Calculation of net impacts from Cummings and Wells analyses
 - Final input modifications for labor costs

Operating Impacts

- Biggest change in 2009 approach:
 - Three Scenarios for each proposal
 - Phase I – Contractually obligated development
 - Raving Alternative Minimum
 - Full Build-Out – Goes beyond that which is technically required in the contracts

Operational Scale

- Applicants projected both non-gaming and gaming revenues
 - Gaming revenue applied here is average of Cummings and Wells mid-case
- Non-gaming revenues were adjusted proportionately
 - Up in Sumner, down in Wyandotte

Revenue Forecasts

ADJUSTED REVENUE FORECASTS, 2013					
Based on contractually obligated Phase I development					
KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)		CHISOLM CREEK, SUMNER, (In 2009 Dollars)			
GAMING REVENUE PROJECTIONS		GAMING REVENUE PROJECTIONS			
Estimated gaming revenue: Applicant *	\$	220,185,000	Estimated gaming revenue: Applicant *	\$	121,139,087
Estimated gaming revenue: Wells	\$	146,625,000	Estimated gaming revenue: Wells	\$	134,518,000
Estimated gaming revenue: Cummings	\$	186,000,000	Estimated gaming revenue: Cummings	\$	149,200,000
Average of Wells & Cummings	\$	166,312,500	Average of Wells & Cummings	\$	141,859,000
Ratio of Wells/Cummings to Applicant		0.76	Ratio of Wells/Cummings to Applicant		1.17
ADJUSTED NON-GAMING REVENUE PROJECTIONS		ADJUSTED NON-GAMING REVENUE PROJECTIONS			
Hotel Revenue	\$	-	Hotel Revenue	\$	-
Food & Beverage Revenue	\$	12,067,164	Food & Beverage Revenue	\$	14,703,209.71
Retail Revenue	\$	1,544,785	Retail Revenue	\$	1,543,977.05
Other Revenue	\$	364,825	Other Revenue	\$	292,404.59

SOURCE: Applicant submissions, Uninflated projections from Wells Gaming and Cummings & Assoc., Civic Economics

* Inflated by applicant at unknown rate

Revenue Forecasts

ADJUSTED REVENUE FORECASTS, 2013			
Based on Raving Alternative Minimum destination casino design		CHISOLM CREEK, SUMNER, (In 2009 Dollars)	
KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)			
GAMING REVENUE PROJECTIONS		GAMING REVENUE PROJECTIONS	
Estimated gaming revenue: Wells	\$ 178,101,000	Estimated gaming revenue: Wells	\$ 156,449,000
Estimated gaming revenue: Cummings	\$ 191,400,000	Estimated gaming revenue: Cummings	\$ 154,000,000
Average of Wells & Cummings	\$ 184,750,500	Average of Wells & Cummings	\$ 155,224,500
Ratio of Wells/Cummings Alternative Minimum Wells/Cummings Phase I	1.11	Ratio of Wells/Cummings Alternative Minimum Wells/Cummings Phase I	1.09
ADJUSTED NON-GAMING REVENUE PROJECTIONS		ADJUSTED NON-GAMING REVENUE PROJECTIONS	
Hotel Revenue	^ \$ 8,000,000	Hotel Revenue	^ \$ 3,300,000
Food & Beverage Revenue	^ \$ 14,000,000	Food & Beverage Revenue	^ \$ 14,000,000
Retail Revenue	^ \$ 1,200,000	Retail Revenue	^ \$ 1,200,000
Other Revenue	^ \$ -	Other Revenue	^ \$ 1,200,000

SOURCE: Raving Consulting, Uninflated projections from Wells Gaming and Cummings & Assoc., Civic Economics

^ Estimated by Raving Consulting

Revenue Forecasts

ADJUSTED REVENUE FORECASTS, 2015			
Based on applicant's proposed full build-out			
KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)		CHISOLM CREEK, SUMNER, (In 2009 Dollars)	
GAMING REVENUE PROJECTIONS		GAMING REVENUE PROJECTIONS	
Estimated gaming revenue: Applicant *	\$	326,784,894	NA
Estimated gaming revenue: Wells	\$	222,699,000	\$ 180,639,000
Estimated gaming revenue: Cummings	\$	225,700,000	\$ 166,400,000
Average of Wells & Cummings	\$	224,199,500	\$ 173,519,500
Ratio of Wells/Cummings to Applicant		0.69	NA
ADJUSTED NON-GAMING REVENUE PROJECTIONS		ADJUSTED NON-GAMING REVENUE PROJECTIONS	
Hotel Revenue	^	\$ 10,000,000	\$ 3,688,943
Food & Beverage Revenue	^	\$ 16,800,000	\$ 15,650,062
Retail Revenue		\$ 1,456,231	\$ 1,341,434
Other Revenue		\$ -	\$ 1,341,434

SOURCE: Applicant Submissions, Raving Consulting, Uninflated Projections from Wells Gaming and Cummings & Assoc., Civic Economics

* Inflated by applicant at unknown rate

^ Estimated by Raving Consulting

Net Gaming Revenue Adjustment

- Cummings and Wells analysis allows an estimate of gaming revenue flows among states
- This analysis uses the sum of:
 - Import Substitution
 - Export

Money Flows from State to State

NET GAMING REVENUES IN KANSAS CASINOS, 2013			
Based on contractually obligated Phase I development			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
Wells		Wells	
Estimated Gaming Revenue	\$ 146,625,000	Estimated Gaming Revenue	\$ 134,518,000
Estimated Gaming Export	\$ 34,139,039	Estimated Gaming Export	\$ 2,990,255
Estimated Gaming Import Substitution	\$ 69,780,064	Estimated Gaming Import Substitution	\$ 68,231,289
Net or New Revenue	\$ 103,919,103	Net or New Revenue	\$ 71,221,544
Cummings		Cummings	
Estimated Gaming Revenue	\$ 186,000,000	Estimated Gaming Revenue	\$ 149,200,000
Estimated Gaming Export	\$ 49,800,000	Estimated Gaming Export	\$ 4,800,000
Estimated Gaming Import Substitution	\$ 76,100,000	Estimated Gaming Import Substitution	\$ 39,900,000
Net or New Revenue	\$ 125,900,000	Net or New Revenue	\$ 44,700,000
Average Net Revenue	\$ 114,909,552	Average Net Revenue	\$ 57,960,772
Net as a % of Gaming Revenue	69.1%	Net as a % of Gaming Revenue	43.1%
New Gaming Spending by Kansans	\$ 51,402,949	New Gaming Spending by Kansans	\$ 83,898,228

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics

Money Flows from State to State

NET GAMING REVENUES IN KANSAS CASINOS, 2013		CHISHOLM CREEK, SUMNER	
KANSAS ENTERTAINMENT, WYANDOTTE			
Wells		Wells	
Estimated Gaming Revenue	\$ 178,101,000	Estimated Gaming Revenue	\$ 156,449,000
Estimated Gaming Export	\$ 43,478,721	Estimated Gaming Export	\$ 4,466,073
Estimated Gaming Import Substitution	\$ 87,788,024	Estimated Gaming Import Substitution	\$ 87,883,992
Net or New Revenue	\$ 131,266,745	Net or New Revenue	\$ 92,350,065
Cummings		Cummings	
Estimated Gaming Revenue	\$ 191,400,000	Estimated Gaming Revenue	\$ 154,000,000
Estimated Gaming Export	\$ 53,400,000	Estimated Gaming Export	\$ 6,400,000
Estimated Gaming Import Substitution	\$ 76,700,000	Estimated Gaming Import Substitution	\$ 41,000,000
Net or New Revenue	\$ 130,100,000	Net or New Revenue	\$ 47,400,000
Average Net Revenue	\$ 130,683,373	Average Net Revenue	\$ 69,875,033
Net as a % of Gaming Revenue	70.7%	Net as a % of Gaming Revenue	44.7%
New Gaming Spending by Kansans	\$ 54,067,128	New Gaming Spending by Kansans	\$ 85,349,468

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics

Money Flows from State to State

NET GAMING REVENUES IN KANSAS CASINOS, 2015		
Based on applicant's proposed full build-out		
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER
Wells		
Estimated Gaming Revenue	\$ 222,699,000	\$ 180,639,000
Estimated Gaming Export	\$ 56,803,392	\$ 6,844,521
Estimated Gaming Import Substitution	\$ 112,526,489	\$ 108,410,942
Net or New Revenue	\$ 169,329,881	\$ 115,255,463
Cummings		
Estimated Gaming Revenue	\$ 225,700,000	\$ 166,400,000
Estimated Gaming Export	\$ 67,100,000	\$ 8,000,000
Estimated Gaming Import Substitution	\$ 91,100,000	\$ 49,800,000
Net or New Revenue	\$ 158,200,000	\$ 57,800,000
Average Net Revenue	\$ 163,764,941	\$ 86,527,732
Net as a % of Gaming Revenue	73.0%	47.9%
New Gaming Spending by Kansans	\$ 60,434,560	\$ 86,991,769

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics

Adjustment for Labor Cost

- Sought to use applicant submissions for labor intensity of operations
 - IMPLAN models lower than likely new reality
 - Applicants made case for varying labor cost
- Unable to use submissions due to inconsistent productivity values

LABOR COSTS ADJUSTMENTS				
Based upon applicants' projections of revenue, employment, and wages				
	Kansas		Chisholm Creek	
	Entertainment	Average		
Projected Revenue per Employee (FTE)	\$ 253,377	\$ 201,876	\$ 227,627	
Applicant Submitted Wages per Employee (FTE)	\$ 34,663	\$ 46,022	\$ 40,343	

Source: Applicant Submissions, Civic Economics

Finally, on to the numbers ...

Operating Impact, Wyandotte

OPERATING IMPACTS SUMMARY						
KANSAS ENTERTAINMENT, WYANDOTTE COUNTY						
	Direct	Indirect	Induced	Total	Relative Impacts	
ECONOMIC OUTPUT						
Total revenues associated with construction (\$ Millions, Real Dollars)						
Phase I	\$ 140,834,088	\$ 63,140,122	\$ 38,376,599	\$ 242,350,803		
Raving Minimum	\$ 168,148,365	\$ 74,655,164	\$ 46,216,487	\$ 289,020,011		
Full Build-Out	\$ 223,906,292	\$ 99,194,495	\$ 61,686,040	\$ 384,786,812		
EMPLOYMENT						
Total workers, including full-time and part-time						
Phase I	888	463	331	1,681		
Raving Minimum	1,100	548	398	2,045		
Full Build-Out	1,395	686	501	2,582		
WAGES						
Total wages paid to workers identified above (\$ Millions, Real Dollars)						
Phase I	\$ 28,877,347	\$ 21,359,988	\$ 11,660,265	\$ 61,897,602		
Raving Minimum	\$ 35,293,358	\$ 25,213,648	\$ 14,042,485	\$ 74,549,488		
Full Build-Out	\$ 47,237,104	\$ 33,516,193	\$ 18,742,613	\$ 99,495,914		

Source: Applicant Submissions, IMPLAN, Civic Economics

Non-Gaming Competitive Impacts

Competitive Impacts

- Civic Economics was asked to evaluate likely competitive pressures on existing businesses due to arrival of new non-gaming amenities
- Far simpler in 2009 as proposals are far less wide-ranging
 - Buffet, snack bar, steakhouse
 - Modest entertainment facilities
 - Bars in casino

Gaming Spend Issue

- Remaining projected revenue after NET is new gaming spending by Kansans
- This is money that previously went to other discretionary activity
- Beyond scope here to evaluate sources of that money, but totals are as follows

NEW GAMING SPENDING BY KANSANS, 2013	
Based on contractually obligated Phase I development	
KANSAS ENTERTAINMENT, WYANDOTTE	CHISHOLM CREEK, SUMNER
New Gaming Spend as a % of Gaming Revenue	56.9%
New Gaming Spend by Kansans (In Millions)	\$ 91.7

NEW GAMING SPENDING BY KANSANS, 2013	
Based on Raving Alternative Minimum destination casino design	
KANSAS ENTERTAINMENT, WYANDOTTE	CHISHOLM CREEK, SUMNER
New Gaming Spend as a % of Gaming Revenue	55.3%
New Gaming Spend by Kansans (In Millions)	\$ 93.3

NEW GAMING SPENDING BY KANSANS, 2015	
Based on applicant's proposed full build-out	
KANSAS ENTERTAINMENT, WYANDOTTE	CHISHOLM CREEK, SUMNER
New Gaming Spend as a % of Gaming Revenue	52.1%
New Gaming Spend by Kansans (In Millions)	\$ 100.8

SOURCE: Wells, Cummings, Civic Economics

Comparison to 2008 Proposals

- 2009 Kansas Entertainment proposal generates estimated NET gaming revenues between **69.1%** and **70.3%**.
- 2008 Wyandotte County proposals generated estimated NET gaming revenues of between **67.5%** and **69.9%**.

Food and Beverage Competition

- Reviewed Claritas data for 2009 sales in dining and drinking establishments
 - Kansas side of KC Metro
 - Wichita Metro
- Compared Raving forecast of F&B sales
- Very small impacts in both counties
 - 1 - 1.5% in KC
 - 2 - 2.2% in Wichita

Thank you.

CivicEconomics.com
dhouston@ or mattc@

October 16, 2009

Mr. Jay Hall
Review Board Liaison
Kansas Racing and Gaming Commission
700 SW Harrison, Suite 420
Topeka, KS 66603

Dear Jay:

Attached please find our fiscal impact analysis report for the proposed Kansas Entertainment casino. Our report includes three parts:

- Part 1 summarizes relevant casino information and our findings of fiscal impact.
- Part 2 shows a comparison of MBA's findings and those provided by the Proposer.
- Part 3 is the full fiscal impact analysis providing detailed calculations of findings shown in Parts 1 and 2. Assumptions and data used in the estimate of the fiscal impact are also outlined in detail in Part 3.

Please do not hesitate to call if you have any questions.

Sincerely,



Eugenia Larmore
Director

Economic Impact Analysis

Fiscal Impact Analysis

Forensic Accounting

Business Valuation

Gaming Feasibility

Litigation Support

660 Sierra Rose Dr., Ste. 2
Reno, Nevada 89511
P: 775-827-5300
F: 775-827-5301

Las Vegas
P: 702-433-6835

392
www.mbareno.com

TAB 1

**SUMMARY OF FISCAL IMPACT
FINDINGS**

**SUMMARY SHEET-WYANDOTTE COUNTY
KANSAS ENTERTAINMENT**

Phase 1 Opening	January-12
Phase 2 Opening	July-15
Casino sq. ft. @ Buildout	128,450
Total sq. ft. @ Buildout	509,470
# Hotel rooms @ Buildout	500
Total Construction Costs	\$ 389,828,444
Total FF&E	\$ 76,585,340
# Construction Employees Phase 1	871
# Construction Employees Phase 2	1,758
# Permanent Employees @ Buildout	1,320
Est. Oper. Payroll - 1st full year	\$ 34,988,870
Annual visitors-1st full year (Wells/Cummings)	3,001,500
Daily visitors	8,223
GGR-1st full year	\$ 258,372,410

FISCAL IMPACT SUMMARY-7 YEAR TOTAL

REVENUE

Gaming Contribution (tax)	\$ 288,311,233
Income Tax Revenue	15,804,436
Property Tax Revenue	54,320,025
Sales Tax Revenue	28,342,226
Room Tax Revenue	677,536
Building Permit Revenue	2,342,286
Total Revenue (w/o school state aid)	\$ 389,797,742
Unified Government	72,936,375
Kansas City School District	25,706,807
State Revenue	283,431,938
Edwardsville/Bonner Springs Revenue	7,722,622

COSTS

Unified Government Costs	\$ 2,850,584
School District Costs	-

SURPLUS/(DEFICIT)

Unified Government	\$ 70,085,791
School District	25,706,807

DEVELOPER CONTRIBUTIONS-Source: Development Agreement with UG

1. \$500,000/year to the three non-host school districts
2. \$500,000/year to the Wyandotte County social services and charitable activities
3. \$100,000/year to the UG Parks and Recreation division
4. \$25,000/year to the Wyandotte County Convention and Visitors Bureau (CVB)
5. \$10,000/year to the Wyandotte County Chambers of Commerce
6. Additional 1% of GGR to Wyandotte County (included in above revenue)
7. Following gaming contribution increases as shown in the Developer's template:
 - 27% total tax to State & County on first \$350 million of GGR
 - 30% total tax to State & County on GGR between \$350 million and \$400 million
 - 33% total tax to State & County on GGR above \$400 million
8. Land for fire/emergency services facility in a location near project

TAB 2

COMPARISON OF ESTIMATES

FISCAL IMPACT--7 YEAR SUMMARY*
KANSAS ENTERTAINMENT

Proposer's Estimates						
	<u>State</u>	<u>Unif. Govt.¹</u>	<u>Edwardsville</u>	<u>Bonner Springs</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 271,084,395	\$ 40,945,039	\$ 1,573,137	\$ 2,662,557	\$ -	
Property Tax	-	48,360,535	-	-	-	
Sales/Use Tax	31,207,801	13,357,780	-	-	-	
Income Tax	-	-	-	-	-	
Lodging Tax	-	-	-	-	-	
Total	\$ 302,292,196	\$ 102,663,354	\$ 1,573,137	\$ 2,662,557	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 939,883	\$ -	\$ -	\$ -	
Public Works	-	-	-	-	-	
Education	-	-	-	-	248,065	
Fire Protection/EMS	-	1,774,748	-	-	-	
Total	\$ -	\$ 2,714,631	\$ -	\$ -	\$ 248,065	
Surplus/(Deficit)	\$ 302,292,196	\$ 99,948,723	\$ 1,573,137	\$ 2,662,557	\$ (248,065)	

1. City and County numbers provided by Kansas Entertainment are combined under Unified Government.

Consultant's Estimates						
	<u>State</u>	<u>Unif. Govt.</u>	<u>Edwardsville</u>	<u>Bonner Springs</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 247,123,914	\$ 33,464,697	\$ 2,868,182	\$ 4,854,440	\$ -	
Property Tax	594,169	28,019,049	-	-	25,706,807	
Sales/Use Tax	19,895,867	8,446,359	-	-	-	
Income Tax	15,804,436	-	-	-	-	
Building Fees	-	2,342,286	-	-	-	
Lodging Tax	13,551	663,985	-	-	-	
School State Aid ¹	-	-	-	-	-	
Total	\$ 283,431,938	\$ 72,936,375	\$ 2,868,182	\$ 4,854,440	\$ 25,706,807	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 2,542,886	\$ -	\$ -	\$ -	
Public Works	-	-	-	-	-	
Education	-	-	-	-	-	
Building Inspection	-	-	-	-	-	
Fire Protection/EMS	-	-	-	-	-	
Admin. Overhead	-	307,698	-	-	-	
Total	\$ -	\$ 2,850,584	\$ -	\$ -	\$ -	
Surplus/(Deficit)	\$ 283,431,938	\$ 70,085,791	\$ 2,868,182	\$ 4,854,440	\$ 25,706,807	

1. No school state aid is estimated as local (property tax) revenue exceeds the required general state aid amount.

*Analysis encompasses a total of 7 years:

Phase 1 which consists of 2 years of construction (2010-11) and 2 years of operations (2012-13).

Phase 2 which consists of 2 years of construction (2014-15) and one year of operations (2016).

Voluntary Contributions:

Source: Development Agreement with UG

- \$500,000 per year to the three non-host school districts (distribution percentage to be determined at later date)
- \$500,000 per year to the Wyandotte County social services and charitable community activities
- \$100,000 per year to the UG Parks and Recreation division
- \$25,000 per year to the Wyandotte County Convention and Visitors Bureau (CVB)
- \$10,000 per year to the Wyandotte County Chambers of Commerce (distribution provided in agreement)
- Additional 1% of GGR to Wyandotte County (included in above revenue estimates by proposer and consultant).
- Following gaming contribution increases are shown in the Developer's template:
 - 27% total tax to State & County on first \$350 million of GGR
 - 30% total tax to State & County on GGR between \$350 million and \$400 million
 - 33% total tax to State & County on GGR above \$400 million
- Land for fire/emergency services facility in a location near project

**FISCAL IMPACT--CONSTRUCTION
PHASE 1
KANSAS ENTERTAINMENT**

Proposer's Estimates: 2010-11						
	<u>State</u>	<u>Unif. Govt.¹</u>	<u>Edwardsville</u>	<u>Bonner Springs</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ -	\$ -	\$ -	\$ -	\$ -	
Property Tax	-	-	-	-	-	
Sales/Use Tax ²	6,261,914	2,635,379	-	-	-	
Income Tax	-	-	-	-	-	
Lodging Tax ²	-	-	-	-	-	
Total	\$ 6,261,914	\$ 2,635,379	\$ -	\$ -	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 327,240	\$ -	\$ -	\$ -	
Public Works ³	-	-	-	-	-	
Education	-	-	-	-	106,126	
Fire Protection/EMS	-	658,936	-	-	-	
Total	\$ -	\$ 986,176	\$ -	\$ -	\$ 106,126	
Surplus/(Deficit)	\$ 6,261,914	\$ 1,649,203	\$ -	\$ -	\$ (106,126)	
Footnotes:						
1. City and County numbers provided by Kansas Entertainment are combined under Unified Government.						
2. Sales/Use Tax revenue for the UG includes hotel occupancy tax.						
3. Developer responsible for paying for agreed-upon infrastructure improvements as described in the Developer Agreement with UG and any future improvements as negotiated with the UG.						

Consultant's Estimates: 2010-11						
	<u>State</u>	<u>Unif. Govt.</u>	<u>Edwardsville</u>	<u>Bonner Springs</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ -	\$ -	\$ -	\$ -	\$ -	
Property Tax	54,247	2,558,089	-	-	2,346,985	
Sales/Use Tax	8,919,731	3,786,678	-	-	-	
Income Tax	2,268,647	-	-	-	-	
Building Fees	-	1,295,159	-	-	-	
Lodging Tax	-	-	-	-	-	
School State Aid ¹	-	-	-	-	-	
Total	\$ 11,242,625	\$ 7,639,926	\$ -	\$ -	\$ 2,346,985	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ -	\$ -	\$ -	\$ -	
Public Works ²	-	-	-	-	-	
Education	-	-	-	-	-	
Building Inspection	-	-	-	-	-	
Fire Protection/EMS	-	-	-	-	-	
Admin. Overhead	-	-	-	-	-	
Total	\$ -	\$ -	\$ -	\$ -	\$ -	
Surplus/(Deficit)	\$ 11,242,625	\$ 7,639,926	\$ -	\$ -	\$ 2,346,985	
Footnotes:						
1. No school state aid is estimated as local (property tax) revenue exceeds the required general state aid amount.						
2. Developer responsible for paying for agreed-upon infrastructure improvements as described in the Developer Agreement with UG and any future improvements as negotiated with the UG.						

**FISCAL IMPACT--OPERATING
PHASE 1
KANSAS ENTERTAINMENT**

Proposer's Estimates: 2012-2013					
	<u>State</u>	<u>Unif. Govt.¹</u>	<u>Edwardsville</u>	<u>Bonner Springs</u>	<u>K-12 Schools</u>
<u>REVENUE:</u>					
Gaming Rev. Sharing ^{2,3}	\$ 101,196,977	\$ 15,284,960	\$ 587,259	\$ 993,944	\$ -
Property Tax	-	17,921,242	-	-	-
Sales/Use Tax ⁴	7,283,192	3,579,810	-	-	-
Income Tax	-	-	-	-	-
Lodging Tax ⁴	-	-	-	-	-
Total	\$ 108,480,169	\$ 36,786,012	\$ 587,259	\$ 993,944	\$ -
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 381,036	\$ -	\$ -	\$ -
Public Works ⁵	-	-	-	-	-
Education	-	-	-	-	85,867
Fire Protection/EMS	-	815,164	-	-	-
Total	\$ -	\$ 1,196,200	\$ -	\$ -	\$ 85,867
Surplus/(Deficit)	\$ 108,480,169	\$ 35,589,812	\$ 587,259	\$ 993,944	\$ (85,867)
Footnotes:					
1. City and County numbers provided by Kansas Entertainment are combined under Unified Government.					
2. Gaming revenue sharing includes the additional 1% GGR to UG. (Source: Development Agreement with UG)					
3. Developer shows gaming revenue as a total to all cities, analysis divides revenue based on the Interlocal Agreement between these entities: 50% to Kansas City, 31% to Bonner Springs, and 19% to Edwardsville.					
4. Sales/Use Tax revenue for the UG includes hotel occupancy tax.					
5. Developer responsible for paying for agreed-upon infrastructure improvements as described in the Developer Agreement with UG and any future improvements as negotiated with the UG.					

Consultant's Estimates: 2012-2013					
	State	Unif. Govt.	Edwardsville	Bonner Springs	K-12 Schools
<u>REVENUE:</u>					
Gaming Rev. Sharing ¹	\$ 86,514,540	\$ 11,715,511	\$ 1,004,109	\$ 1,699,470	\$ -
Property Tax	164,113	7,739,025	-	-	7,100,370
Sales/Use Tax	1,849,098	784,994	-	-	-
Income Tax	2,641,147	-	-	-	-
Building Fees	-	1,047,126	-	-	-
Lodging Tax	-	-	-	-	-
School State Aid ²	-	-	-	-	-
Total	\$ 91,168,898	\$ 21,286,656	\$ 1,004,109	\$ 1,699,470	\$ 7,100,370
<u>COSTS:</u>					
Law Enforcement	\$ -	\$ 1,144,759	\$ -	\$ -	\$ -
Public Works ³	-	-	-	-	-
Education	-	-	-	-	-
Building Inspection ⁴	-	-	-	-	-
Fire Protection/EMS ⁴	-	-	-	-	-
Admin. Overhead	-	138,520	-	-	-
Total	\$ -	\$ 1,283,279	\$ -	\$ -	\$ -
Surplus/(Deficit)	\$ 91,168,898	\$ 20,003,377	\$ 1,004,109	\$ 1,699,470	\$ 7,100,370
	<u>Proposer</u>	<u>Consultant</u>	Source: GGR and visitor estimates average of		
GGR Estimate	\$ 201,469,177	\$ 177,575,000	Cummings Associates and Wells Gaming Research		
Visitor Estimate	2,899,153	2,175,000	estimates, September/October 2009.		

**FISCAL IMPACT--CONSTRUCTION
PHASE 2
KANSAS ENTERTAINMENT**

Proposer's Estimates: 2014-15						
	<u>State</u>	<u>Unif. Govt.¹</u>	<u>Edwardsville</u>	<u>Bonner Springs</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing ^{2,3}	\$ 109,685,104	\$ 16,567,021	\$ 636,516	\$ 1,077,313	\$ -	
Property Tax	-	19,012,646	-	-	-	
Sales/Use Tax ⁴	10,960,772	3,848,484	-	-	-	
Income Tax	-	-	-	-	-	
Lodging Tax ⁴	-	-	-	-	-	
Total	\$ 120,645,876	\$ 39,428,151	\$ 636,516	\$ 1,077,313	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 93,089	\$ -	\$ -	\$ -	
Public Works ⁵	-	-	-	-	-	
Education	-	-	-	-	37,010	
Fire Protection/EMS	-	300,648	-	-	-	
Total	\$ -	\$ 393,737	\$ -	\$ -	\$ 37,010	
Surplus/(Deficit)	\$ 120,645,876	\$ 39,034,414	\$ 636,516	\$ 1,077,313	\$ (37,010)	
Footnotes:						
1. City and County numbers provided by Kansas Entertainment are combined under Unified Government.						
2. Gaming revenue sharing includes the additional 1% GGR to UG. (Source: Development Agreement with UG)						
3. Developer shows gaming revenue as a total to all cities, analysis divides revenue based on the Interlocal Agreement between these entities: 50% to Kansas City, 31% to Bonner Springs, and 19% to Edwardsville.						
4. Sales/Use Tax revenue for the UG includes hotel occupancy tax.						
5. Developer responsible for paying for agreed-upon infrastructure improvements as described in the Developer Agreement with UG and any future improvements as negotiated with the UG.						

Consultant's Estimates: 2014-15						
	<u>State</u>	<u>Unif. Govt.</u>	<u>Edwardsville</u>	<u>Bonner Springs</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing ¹	\$ 98,599,996	\$ 13,352,083	\$ 1,144,376	\$ 1,936,874	\$ -	
Property Tax	218,156	10,287,511	-	-	9,438,545	
Sales/Use Tax	7,457,624	3,165,972	-	-	-	
Income Tax	9,252,337	-	-	-	-	
Building Fees	-	-	-	-	-	
Lodging Tax	-	-	-	-	-	
School State Aid ²	-	-	-	-	-	
Total	\$ 115,528,113	\$ 26,805,566	\$ 1,144,376	\$ 1,936,874	\$ 9,438,545	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 913,692	\$ -	\$ -	\$ -	
Public Works ³	-	-	-	-	-	
Education	-	-	-	-	-	
Building Inspection ⁴	-	-	-	-	-	
Fire Protection/EMS ⁴	-	-	-	-	-	
Admin. Overhead	-	110,560	-	-	-	
Total	\$ -	\$ 1,024,251	\$ -	\$ -	\$ -	
Surplus/(Deficit)	\$ 115,528,113	\$ 25,781,315	\$ 1,144,376	\$ 1,936,874	\$ 9,438,545	
Footnotes:						
1. Gaming revenue sharing includes the additional 1% GGR to UG. (Source: Development Agreement with UG)						
2. No school state aid is estimated as local (property tax) revenue exceeds the required general state aid amount.						
3. Developer responsible for paying for agreed-upon infrastructure improvements as described in the Developer Agreement with UG and any future improvements as negotiated with the UG.						
4. According to UG, existing capacity is available to handle additional services.						

**FISCAL IMPACT--OPERATING
PHASE 2
KANSAS ENTERTAINMENT**

Proposer's Estimates: 2016						
	<u>State</u>	<u>Unif. Govt.¹</u>	<u>Edwardsville</u>	<u>Bonner Springs</u>	<u>K-12 Schools</u>	
REVENUE:						
Gaming Rev. Sharing ^{2,3}	\$ 60,202,314	\$ 9,093,058	\$ 349,362	\$ 591,300	\$ -	
Property Tax	-	11,426,647	-	-	-	
Sales/Use Tax ⁴	6,701,924	3,294,107	-	-	-	
Income Tax	-	-	-	-	-	
Lodging Tax ⁴	-	-	-	-	-	
Total	\$ 66,904,238	\$ 23,813,812	\$ 349,362	\$ 591,300	\$ -	
COSTS:						
Law Enforcement	\$ -	\$ 138,518	\$ -	\$ -	\$ -	
Public Works ⁴	-	-	-	-	-	
Education	-	-	-	-	19,062	
Fire Protection/EMS	-	-	-	-	-	
Total	\$ -	\$ 138,518	\$ -	\$ -	\$ 19,062	
Surplus/(Deficit)	\$ 66,904,238	\$ 23,675,294	\$ 349,362	\$ 591,300	\$ (19,062)	
Footnotes:						
1. City and County numbers provided by Kansas Entertainment are combined under Unified Government.						
2. Gaming revenue sharing includes the additional 1% GGR to UG. (Source: Development Agreement with UG)						
3. Developer shows gaming revenue as a total to all cities, analysis divides revenue based on the Interlocal Agreement between these entities: 50% to Kansas City, 31% to Bonner Springs, and 19% to Edwardsville.						
4. Sales/Use Tax revenue for the UG includes hotel occupancy tax.						
5. Developer responsible for paying for agreed-upon infrastructure improvements as described in the Developer Agreement with UG and any future improvements as negotiated with the UG.						

Consultant's Estimates: 2016						
	<u>State</u>	<u>Unif. Govt.</u>	<u>Edwardsville</u>	<u>Bonner Springs</u>	<u>K-12 Schools</u>	
REVENUE:						
Gaming Rev. Sharing ¹	\$ 62,009,378	\$ 8,397,103	\$ 719,696	\$ 1,218,097	\$ -	
Property Tax	157,654	7,434,425	-	-	6,820,907	
Sales/Use Tax	1,669,415	708,714	-	-	-	
Income Tax	1,642,304	-	-	-	-	
Building Fees	-	-	-	-	-	
Lodging Tax	13,551	663,985	-	-	-	
School State Aid ²	-	-	-	-	-	
Total	\$ 65,492,302	\$ 17,204,227	\$ 719,696	\$ 1,218,097	\$ 6,820,907	
COSTS:						
Law Enforcement	\$ -	\$ 484,436	\$ -	\$ -	\$ -	
Public Works ³	-	-	-	-	-	
Education	-	-	-	-	-	
Building Inspection ⁴	-	-	-	-	-	
Fire Protection/EMS ⁴	-	-	-	-	-	
Admin. Overhead	-	58,618	-	-	-	
Total	\$ -	\$ 543,054	\$ -	\$ -	\$ -	
Surplus/(Deficit)	\$ 65,492,302	\$ 16,661,173	\$ 719,696	\$ 1,218,097	\$ 6,820,907	
	<u>Proposer</u>	<u>Consultant</u>	Source: GGR and visitor estimates average of			
GGR Estimate	\$ 250,842,974	\$ 250,847,000	Cummings Associates and Wells Gaming Research			
Visitor Estimate	3,122,395	3,001,500	estimates, September/October 2009.			

- Footnotes:**
1. Gaming revenue sharing includes the additional 1% GGR to UG. (Source: Development Agreement with UG)
 2. No school state aid is estimated as local (property tax) revenue exceeds the required general state aid amount.
 3. Developer responsible for paying for agreed-upon infrastructure improvements as described in the Developer Agreement with UG and any future improvements as negotiated with the UG.
 4. According to UG, existing capacity is available to handle additional services.

TAB 3

FISCAL IMPACT ANALYSIS

APPENDIX 1
KANSAS ENTERTAINMENT, LLC
BUILDOUT ASSUMPTIONS AND ESTIMATED CONSTRUCTION COST

<u>YEAR</u>	<u>USE TYPE</u>	<u>SQUARE FEET CONSTRUCTED</u>	<u>EST. TAXABLE CONSTR. COST</u>	<u>ESTIM. CONSTR. MATERIALS COST</u>	<u>FF&E PURCHASES</u>
Year 1	Casino	-	\$ 112,556,479	\$ 56,278,240	\$ -
	Restaurants	-	27,154,251	13,577,125	-
	Retail	-	4,946,857	2,473,429	-
	Hotel	-	-	-	-
	Convention	-	-	-	-
Subtotal		-	144,657,587	72,328,794	-
Year 2	Casino	100,000	55,186,791	27,593,395	47,078,263
	Restaurants	24,125	13,313,813	6,656,907	11,357,631
	Retail	4,395	2,425,459	1,212,730	2,069,090
	Hotel	-	-	-	-
	Convention	-	-	-	-
Subtotal		128,520	70,926,064	35,463,032	60,504,983
Year 3	Casino	-	-	-	-
	Restaurants	-	-	-	-
	Retail	-	-	-	-
	Hotel	-	-	-	-
	Convention	-	-	-	-
Subtotal		-	-	-	-
Year 4	Casino	-	-	-	-
	Restaurants	-	-	-	-
	Retail	-	-	-	-
	Hotel	-	-	-	-
	Convention	-	-	-	-
Subtotal		-	-	-	-
Year 5	Casino	28,450	8,772,310	4,386,155	-
	Restaurants	7,500	2,312,560	1,156,280	-
	Retail	-	-	-	-
	Hotel	285,000	87,877,271	43,938,635	-
	Convention	60,000	18,500,478	9,250,239	-
Subtotal		380,950	117,462,618	58,731,309	-
Year 6	Casino	-	4,240,590	2,120,295	1,200,909
	Restaurants	-	1,117,906	558,953	316,584
	Retail	-	-	-	-
	Hotel	-	42,480,430	21,240,215	12,030,192
	Convention	-	8,943,248	4,471,624	2,532,672
Subtotal		-	56,782,175	28,391,088	16,080,356
TOTAL		509,470	\$ 389,828,444	\$ 194,914,222	\$ 76,585,340

APPENDIX 1, ASSUMPTIONS:

1. Construction of the development is estimated to take place in 2 Phases.

Phase 1: 18-month construction period (July 2010 to January 2012):

	Sq. Footage	Other Information
Casino	100,000	2,300 slot machines, 86 table games
Restaurants	24,125	restaurants and bars
Retail	4,395	includes retail and coffee outlet
Total	128,520	

Source: Developer's application/template.

Phase 2: Analysis assumes 18-month construction period (January 2014 to July 2015) per Development Agreement between developer and UG.

APPENDIX 1
KANSAS ENTERTAINMENT, LLC
BUILDOUT ASSUMPTIONS AND ESTIMATED CONSTRUCTION COST

	Sq. Footage	Other Information
Casino	28,450	700 slot machines, 14 table games
Hotel	285,000	500 rooms
Restaurants**	7,500	2 restaurants
Convention	<u>60,000</u>	
Total	380,950	

**Restaurant square footage from Penn National 2009 gaming application data.

Source: Unless otherwise noted, Phase 2 construction data from Hollywood Casino Kansas Matrix, September 2009.

2. **Phase 1:** Construction costs estimated using above square footages and cost breakdown provided by the developer in its template document (land is added in year 1, 33% of building costs are added in year 1, and remainder in year 2, FF&E added in year 2):

Land	Building	FF&E	Total*
\$ 109,194,555	\$ 106,389,095	\$ 60,504,983	\$ 276,088,634

*Total amount does not equal investment amount as the analysis excludes soft costs such as pre-opening, project overhead and public sector infrastructure costs which are not included for property tax calculation purposes.

Source: Cost breakdown from developer's application template, total investment cost of \$ **361,000,000** from Hollywood Casino Kansas Matrix, September 2009.

Phase 2: Total construction cost of \$ **266,500,000** is provided in Hollywood Casino Kansas Matrix, September 2009, cost breakdown percentages from developer's application template (land is added in year 5, 66% of building is added in year 5, and remainder in year 6, FF&E added in year 6):

Land	Building	FF&E	Total*
\$ 3,898,268	\$ 170,346,525	\$ 16,080,356	\$ 190,325,150

*Total amount does not equal investment amount as the analysis excludes soft costs such as financing costs and professional fees.

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

APPENDIX 2
KANSAS ENTERTAINMENT, LLC
ESTIMATED PROPERTY TAX REVENUE AT
2008 PROPERTY TAX RATE

YEAR	USE TYPE	EST. REAL PROPERTY VALUE	CUMULATIVE PROPERTY VALUE	CUMULATIVE ASSESSED VALUE	SCHOOL DISTRICT REVENUE	UNIFIED GOVERNMENT REVENUE	STATE OF KANSAS REVENUE	KC COMMUN. COLLEGE REVENUE	LIBRARY REVENUE
Year 1	Casino	\$ 112,556,479	\$ 112,556,479	\$ 28,139,120					
	Restaurants	27,154,251	27,154,251	6,788,563					
	Retail	4,946,857	4,946,857	1,236,714					
	Hotel	-	-	-					
	Convention	-	-	-					
Subtotal		144,657,587	144,657,587	36,164,397	\$ -	\$ -	\$ -	\$ -	\$ -
Year 2	Casino	55,186,791	167,743,270	41,935,818					
	Restaurants	13,313,813	40,468,064	10,117,016					
	Retail	2,425,459	7,372,317	1,843,079					
	Hotel	-	-	-					
	Convention	-	-	-					
Subtotal		70,926,064	215,583,651	53,895,913	\$ 2,346,985	\$ 2,558,089	\$ 54,247	\$ 697,828	\$ 279,551
Year 3	Casino	-	172,775,568	43,193,892					
	Restaurants	-	41,682,106	10,420,526					
	Retail	-	7,593,486	1,898,372					
	Hotel	-	-	-					
	Convention	-	-	-					
Subtotal		-	222,051,160	55,512,790	\$ 3,497,719	\$ 3,812,327	\$ 80,844	\$ 1,039,976	\$ 416,615
Year 4	Casino	-	177,958,835	44,489,709					
	Restaurants	-	42,932,569	10,733,142					
	Retail	-	7,821,291	1,955,323					
	Hotel	-	-	-					
	Convention	-	-	-					
Subtotal		-	228,712,695	57,178,174	\$ 3,602,651	\$ 3,926,697	\$ 83,269	\$ 1,071,175	\$ 429,114
Year 5	Casino	8,772,310	192,069,910	48,017,478					
	Restaurants	2,312,560	46,533,106	11,633,276					
	Retail	-	8,055,930	2,013,982					
	Hotel	87,877,271	87,877,271	21,969,318					
	Convention	18,500,478	18,500,478	4,625,120					
Subtotal		117,462,618	353,036,694	88,259,174	\$ 3,710,730	\$ 4,044,498	\$ 85,767	\$ 1,103,310	\$ 441,987
Year 6	Casino	4,240,590	202,072,598	50,518,149					
	Restaurants	1,117,906	49,047,005	12,261,751					
	Retail	-	8,297,607	2,074,402					
	Hotel	42,480,430	132,994,019	33,248,505					
	Convention	8,943,248	27,998,741	6,999,685					
Subtotal		56,782,175	420,409,970	105,102,493	\$ 5,727,815	\$ 6,243,013	\$ 132,389	\$ 1,703,049	\$ 682,243

APPENDIX 2

KANSAS ENTERTAINMENT, LLC

ESTIMATED PROPERTY TAX REVENUE AT

2008 PROPERTY TAX RATE

<u>YEAR</u>	<u>USE TYPE</u>	<u>EST. REAL PROPERTY VALUE</u>	<u>CUMULATIVE PROPERTY VALUE</u>	<u>CUMULATIVE ASSESSED VALUE</u>	<u>SCHOOL DISTRICT REVENUE</u>	<u>UNIFIED GOVERNMENT REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>	<u>KC COMMUN. COLLEGE REVENUE</u>	<u>LIBRARY REVENUE</u>
Year 7	Casino	-	208,134,776	52,033,694					
	Restaurants	-	50,518,415	12,629,604					
	Retail	-	8,546,536	2,136,634					
	Hotel	-	136,983,840	34,245,960					
	Convention	-	28,838,703	7,209,676					
Subtotal		-	433,022,269	108,255,567	\$ 6,820,907	\$ 7,434,425	\$ 157,654	\$ 2,028,058	\$ 812,442
TOTAL		\$ 389,828,444			\$ 25,706,807	\$ 28,019,049	\$ 594,169	\$ 7,643,395	\$ 3,061,953

APPENDIX 2, ASSUMPTIONS:

1. Tax rate will remain constant at 2008 amount:

Entity-Fund	Tax Rate*	
School District	\$ 64.898	*rate per \$1,000 of assessed value.
Unified Government	\$ 70.735	blended rate per UG, 97% of property in SD204 (\$65.252) and 3% in SD500 (\$53.441)
State	\$ 1.500	Includes Wyandotte County and Kansas City rates.
KC Community College	\$ 19.296	
Library	\$ 7.730	
Total	\$ 164.159	

Source: Wyandotte County/Kansas City Unified Government Treasury Website. Rates include all funds for which property tax revenues are collected. Tax rates could decrease due to increase in assessed value but any change is at the discretion of the policy-making board and is not contemplated in this analysis.
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 real property. Source: "A Homeowner's Guide to Property Tax in Kansas." Kansas Department of Revenue.
4. Property value not inflated until Year 3 (FY 2012) to account for the recessionary period; inflation at 3%.
5. Property tax revenue is estimated in the year following construction and improvements to account for lien dates and work-in-progress.

APPENDIX 3

KANSAS ENTERTAINMENT, LLC

SALES TAX REVENUE

YEAR	CONSTRUCTION MATERIALS		FF&E PURCHASES	RETAIL SALES	ROOM REVENUES	TOTAL TAXABLE SALES	KANSAS CITY REVENUE	WYANDOTTE COUNTY REVENUE	STATE OF KANSAS REVENUE
	COST								
Year 1	Casino	\$ 56,278,240	\$ -	\$ -	-	\$ 56,278,240			
	Restaurants	13,577,125	-	-	-	13,577,125			
	Retail	2,473,429	-	-	-	2,473,429			
	Hotel	-	-	-	-	-			
	Convention	-	-	-	-	-			
Subtotal		72,328,794	-	-	-	72,328,794	\$ 904,110	\$ 723,288	\$ 3,833,426
Year 2	Casino	27,593,395	47,078,263	-	-	74,671,658			
	Restaurants	6,656,907	11,357,631	-	-	18,014,537			
	Retail	1,212,730	2,069,090	-	-	3,281,819			
	Hotel	-	-	-	-	-			
	Convention	-	-	-	-	-			
Subtotal		35,463,032	60,504,983	-	-	95,968,015	\$ 1,199,600	\$ 959,680	\$ 5,086,305
Year 3	Casino	-	-	-	-	-			
	Restaurants	-	-	14,953,077	-	14,953,077			
	Retail	-	-	1,914,205	-	1,914,205			
	Hotel	-	-	-	-	-			
	Convention	-	-	-	-	-			
Subtotal		-	-	16,867,282	-	16,867,282	\$ 210,841	\$ 168,673	\$ 893,966
Year 4	Casino	-	-	-	-	-			
	Restaurants	-	-	15,976,182	-	15,976,182			
	Retail	-	-	2,045,177	-	2,045,177			
	Hotel	-	-	-	-	-			
	Convention	-	-	-	-	-			
Subtotal		-	-	18,021,359	-	18,021,359	\$ 225,267	\$ 180,214	\$ 955,132
Year 5	Casino	4,386,155	-	-	-	4,386,155			
	Restaurants	1,156,280	-	16,377,983	-	17,534,263			
	Retail	-	-	2,096,614	-	2,096,614			
	Hotel	43,938,635	-	-	-	43,938,635			
	Convention	9,250,239	-	-	-	9,250,239			
Subtotal		58,731,309	-	18,474,597	-	77,205,906	\$ 965,074	\$ 772,059	\$ 4,091,913
Year 6	Casino	2,120,295	1,200,909	-	-	3,321,204			
	Restaurants	558,953	316,584	16,872,598	-	17,748,135			
	Retail	-	-	2,159,931	-	2,159,931			
	Hotel	21,240,215	12,030,192	-	-	33,270,407			
	Convention	4,471,624	2,532,672	-	-	7,004,296			
Subtotal		28,391,088	16,080,356	19,032,529	-	63,503,973	\$ 793,800	\$ 635,040	\$ 3,365,711

APPENDIX 3

KANSAS ENTERTAINMENT, LLC

SALES TAX REVENUE

YEAR	CONSTRUCTION MATERIALS COST	FF&E PURCHASES	RETAIL SALES	ROOM REVENUES	TOTAL TAXABLE SALES	KANSAS CITY REVENUE	WYANDOTTE COUNTY REVENUE	STATE OF KANSAS REVENUE
Year 7								
Casino	-	-	-	-	-			
Restaurants	-	-	20,461,838	-	20,461,838			
Retail	-	-	2,567,349	-	2,567,349			
Hotel	-	-	-	8,469,203	8,469,203			
Convention	-	-	-	-	-			
Subtotal	-	-	23,029,187	8,469,203	31,498,390	\$ 393,730	\$ 314,984	\$ 1,669,415
TOTAL	\$ 194,914,222	\$ 76,585,340	\$ 95,424,954	\$ 8,469,203	\$ 375,393,718	\$ 4,692,421	\$ 3,753,937	\$ 19,895,867

APPENDIX 3, ASSUMPTIONS:

1. Sales tax rate is as follows:

- Designation

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. Taxable sales based on the following data from the developer for Phase 1 (Years 1-5) and Phase 2 (Years 6-7):

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Retail	\$ -	\$ -	\$ 1,914,205	\$ 2,045,177	\$ 2,096,614	\$ 2,159,931	\$ 2,567,349
F&B	-	-	14,953,077	15,976,182	16,377,983	16,872,598	20,461,838
Rooms*	-	-	-	-	-	-	8,469,203
Total	\$ -	\$ -	\$ 16,867,282	\$ 18,021,359	\$ 18,474,597	\$ 19,032,529	\$ 31,498,390

Source: Developer's application template.

*Analysis reduced the amount provided by the developer by 10% to exclude complementary room revenue, as it does not generate sales tax revenue.

APPENDIX 4
KANSAS ENTERTAINMENT, LLC
LOTTERY GAMING CONTRIBUTION REVENUE

<u>YEAR</u>	<u>ESTIMATED GAMING REVENUE</u>	<u>BONNER SPRINGS REVENUE</u>	<u>EDWARDS-VILLE REVENUE</u>	<u>KANSAS CITY REVENUE</u>	<u>WYANDOTTE COUNTY REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>	<u>STATE PROB. GAMBLING REVENUE</u>
Year 1	Casino \$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year 2	Casino -	-	-	-	-	-	-
Year 3	Casino 177,575,000	837,177	494,635	1,331,813	4,439,375	39,066,500	3,551,500
Year 4	Casino 182,902,250	862,293	509,474	1,371,767	4,572,556	40,238,495	3,658,045
Year 5	Casino 188,389,318	888,161	524,758	1,412,920	4,709,733	41,445,650	3,767,786
Year 6	Casino 222,443,999	1,048,712	619,618	1,668,330	5,561,100	48,937,680	4,448,880
Year 7	Casino 258,372,410	1,218,097	719,696	1,937,793	6,459,310	56,841,930	5,167,448
TOTAL	\$ 1,029,682,976	\$ 4,854,440	\$ 2,868,182	\$ 7,722,622	\$ 25,742,074	\$ 226,530,255	\$ 20,593,660

APPENDIX 4, ASSUMPTIONS:

- Estimated Gross Gaming Revenue (GGR) is the average GGR estimated in Wells and Cummings reports:

	<u>Year 3 (2012)</u>	<u>Year 6 (2015)*</u>	
WGR GGR	\$ 151,850,000	\$ 255,094,000	
Cummings GGR	203,300,000	246,600,000	
Average	\$ 177,575,000	\$ 250,847,000	Revenue inflated 3% annually in Years 4 & 5.

Year 7 is considered full buildout, inflated 3% from Year 6; Year 6 data includes inflation at 3% per year from Year 2 forward.
Source: Wells Gaming Research and Cummings Associates, GGR estimates, September/October 2009.
- Local government revenue is estimated as follows:

State of Kansas	22.0%	of all lottery gaming revenues.
State Prob. Gambling	2.0%	of all lottery gaming revenues.
Wyandotte County	2.5%	of all lottery gaming revenues. Additional 1% per Development Agreement with UG.
Kansas City	0.75%	of all lottery gaming revenues.
Bonner Springs	0.47%	of all lottery gaming revenues.
Edwardsville	0.28%	of all lottery gaming revenues.

Source: SB 66 and Interlocal Agreement between Kansas City, Bonner Springs, and Edwardsville.
Analysis assumes Kansas City will be the host city, retaining 50% of city-share and Bonner Springs and Edwardsville will split the remaining 50%. According to the interlocal agreement, Edwardsville and Bonner Springs will share the remaining at 37.14% and 62.86% respectively.

	% of Total
Bonner Springs	62.86%
Edwardsville	37.14%

Source: Interlocal Cooperation Agreement
- Year 3 assumes first full year of operation for Phase 1 and Year 7 for Phase 2.

APPENDIX 5
KANSAS ENTERTAINMENT, LLC
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	\$ 2,126,154	\$ 11,600	\$ 74,415
	Operating	-	-	-
Subtotal		2,126,154	11,600	74,415
Year 2	Construction	40,396,921	46,400	2,194,232
	Operating	-	-	-
Subtotal		40,396,921	46,400	2,194,232
Year 3	Construction	-	-	-
	Operating	28,362,117	25,121	1,306,920
Subtotal		28,362,117	25,121	1,306,920
Year 4	Construction	-	-	-
	Operating	28,845,240	25,392	1,334,228
Subtotal		28,845,240	25,392	1,334,228
Year 5	Construction	84,029,284	47,792	4,589,126
	Operating	29,335,612	25,688	1,362,401
Subtotal		113,364,896	73,480	5,951,526
Year 6	Construction	42,014,642	23,896	1,900,646
	Operating	29,999,247	26,064	1,400,165
Subtotal		72,013,889	49,960	3,300,811
Year 7	Construction	-	-	-
	Operating	34,988,870	26,507	1,642,304
Subtotal		34,988,870	26,507	1,642,304
TOTAL		\$ 213,095,328		\$ 15,804,436

APPENDIX 5, ASSUMPTIONS:

1. **Phase 1:** Estimated construction payroll is provided by the Developer at \$ **42,523,075** during the construction phase of the project. This includes salaries only, no benefits are included. The following payroll per employee data is estimated

	Year 1	Year 2
Payroll	\$ 2,126,154	\$ 40,396,921
Average Employees	183	871
Payroll/Employee	\$ 11,600	\$ 46,400

Source: Developer's application template.

Phase 2: Construction employees and salary data estimated using construction data provided by developer in Phase 1.

Phase 1 Sq.Ft. Construction Payroll	\$	42,523,075		
Phase 1 Square Feet		128,520		
Payroll/Sq.Ft.	\$	330.87		
Phase 2 Sq.Ft. Constructed		380,950		
	Year 5	Year 6		
Payroll	\$	84,029,284	\$	42,014,642
Average Employees		1,758		1,758
Payroll/Employee	\$	47,792	\$	23,896

Salary inflated 3% from the amount shown in Phase 1.

2. Estimated on-going operating payroll is estimated at \$ **25,121** per year per person at full year of operation for **1,129** FTE employees. This includes salaries only, no benefit costs are included. The following payroll per employee data is estimated

	Year 3	Year 4	Year 5
Payroll	\$ 28,362,117	\$ 28,845,240	\$ 29,335,612
Ave. Employees	1,129	1,136	1,142
Payroll/Empl.	\$ 25,121	\$ 25,392	\$ 25,688

APPENDIX 5
KANSAS ENTERTAINMENT, LLC
STATE INCOME TAX REVENUE

	Year 6	Year 7
Payroll	\$ 29,999,247	\$ 34,988,870
Ave. Employees	1,151	1,320
Payroll/Empl.	\$ 26,064	\$ 26,507

Source: Developer's application template.

3. Personal income tax revenue for the State is estimated as follows, using a 2008 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. 2008 Kansas Individual Income Tax schedule.

APPENDIX 6
KANSAS ENTERTAINMENT, LLC
ESTIMATED BUILDING PERMIT FEE REVENUE

<u>YEAR</u>	<u>LAND USE</u>	<u># OF SQ. FT. BUILT</u>	<u>CONSTRUCTION VALUATION</u>	<u>UNIFIED GOVERNMENT PERMIT REVENUE</u>	<u>UG PLAN REVIEW REVENUE</u>	<u>TOTAL UG REVENUE</u>
Year 1	Casino	-	\$ 167,743,270			
	Restaurants	-	40,468,064			
	Retail	-	7,372,317			
	Hotel	-	-			
	Convention	-	-			
Total		-	215,583,651	\$ 863,440	\$ 431,720	\$ 1,295,159
Year 2	Casino	100,000	-			
	Restaurants	24,125	-			
	Retail	4,395	-			
	Hotel	-	-			
	Convention	-	-			
Total		128,520	-	-	\$ -	\$ -
Year 3	Casino	-	-			
	Restaurants	-	-			
	Retail	-	-			
	Hotel	-	-			
	Convention	-	-			
Total		-	-	-	\$ -	\$ -
Year 4	Casino	-	13,012,900			
	Restaurants	-	3,430,466			
	Retail	-	-			
	Hotel	-	130,357,701			
	Convention	-	27,443,727			
Total		-	174,244,794	\$ 698,084	\$ 349,042	\$ 1,047,126
Year 5	Casino	28,450	-			
	Restaurants	7,500	-			
	Retail	-	-			
	Hotel	285,000	-			
	Convention	60,000	-			
Total		380,950	-	-	\$ -	\$ -
Year 6	Casino	-	-			
	Restaurants	-	-			
	Retail	-	-			
	Hotel	-	-			
	Convention	-	-			
Total		-	-	-	\$ -	\$ -
Year 7	Casino	-	-			
	Restaurants	-	-			
	Retail	-	-			
	Hotel	-	-			
	Convention	-	-			
Total		-	-	-	\$ -	\$ -
TOTAL		509,470	\$ 389,828,444	\$ 1,561,524	\$ 780,762	\$ 2,342,286

APPENDIX 6, ASSUMPTIONS:

1. Construction Valuation is calculated in Appendix 1.
Building permit fee revenue is estimated in the year prior to construction.

APPENDIX 6
KANSAS ENTERTAINMENT, LLC
ESTIMATED BUILDING PERMIT FEE REVENUE

2. Commercial building permit fee calculation:

\$30	per first	\$30,000	plus
\$0.75	for each additional	\$100	of value.
\$255	for value between	\$30,000-1,000,000	plus
\$0.50	for each additional	\$100	of value.
\$5,105	for value above	\$1,000,000	plus
\$0.40	for each additional	\$100	of value.

Source: Wyandotte County/Kansas City Unified Government, Building Inspection Department website.

3. Plan review fees are estimated at **50%** of building permit fee revenue.

Source: Unified Government Research Division.

4. BPU flat fee of **\$228** is not estimated as the revenue is remitted to the BPU and the analysis estimates UG revenue only.

5. Revenue for mechanical, plumbing, and electrical permit fee and sewer tapping and water meter fees is not estimated as the information required to estimate these fees is unknown.

APPENDIX 7
KANSAS ENTERTAINMENT, LLC
TRANSIENT GUEST TAX REVENUE

<u>YEAR</u>		<u># OF ROOMS</u>	<u>ESTIMATED ROOM REVENUE</u>	<u>UNIFIED GOVERNMENT REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>
Year 1	Hotel	-	\$ -	\$ -	\$ -
Year 2	Hotel	-	-	-	-
Year 3	Hotel	-	-	-	-
Year 4	Hotel	-	-	-	-
Year 5	Hotel	-	-	-	-
Year 6	Hotel	-	-	-	-
Year 7	Hotel	500	8,469,203	663,985	13,551
TOTAL			\$ 8,469,203	\$ 663,985	\$ 13,551

APPENDIX 7, ASSUMPTIONS:

- Transient Guest Tax rate of **8%** is divided between the Unified Government and the State as follows:
98.000% UG
2.000% State
100.000% TOTAL

Source: Unified Government Research Division.

- Room revenue based on Developer's estimates. Source: Developer's template.

Year 7 Revenue* \$ **8,469,203**

*Analysis reduced the amount provided by the developer by 10% to exclude complementary room revenue, as it does not generate Transient Guest Tax revenue.

APPENDIX 8
KANSAS ENTERTAINMENT, LLC
SUMMARY OF ESTIMATED REVENUE

<u>YEAR</u>	<u>STATE OF KANSAS</u>	<u>SCHOOL DISTRICT</u>	<u>BONNER SPRINGS</u>	<u>EDWARDS-VILLE</u>	<u>OTHER DISTRICTS</u>	<u>UNIFIED GOV'T TOTAL</u>
Year 1	\$	\$	\$	\$	\$	\$
Property Tax	-	-	-	-	-	-
Sales Tax Revenue	3,833,426	-	-	-	-	1,627,398
Gaming Revenue	-	-	-	-	-	-
Income Tax Revenue	74,415	-	-	-	-	-
Building Permit Fee	-	-	-	-	-	1,295,159
Transient Guest Tax	-	-	-	-	-	-
Subtotal	3,907,841	-	-	-	-	2,922,557
Year 2						
Property Tax	54,247	2,346,985	-	-	977,379	2,558,089
Sales Tax Revenue	5,086,305	-	-	-	-	2,159,280
Gaming Revenue	-	-	-	-	-	-
Income Tax Revenue	2,194,232	-	-	-	-	-
Building Permit Fee	-	-	-	-	-	-
Transient Guest Tax	-	-	-	-	-	-
Subtotal	7,334,783	2,346,985	-	-	977,379	4,717,369
Year 3						
Property Tax	80,844	3,497,719	-	-	1,456,591	3,812,327
Sales Tax Revenue	893,966	-	-	-	-	379,514
Gaming Revenue	42,618,000	-	837,177	494,635	-	5,771,188
Income Tax Revenue	1,306,920	-	-	-	-	-
Building Permit Fee	-	-	-	-	-	-
Transient Guest Tax	-	-	-	-	-	-
Subtotal	44,899,730	3,497,719	837,177	494,635	1,456,591	9,963,029
Year 4						
Property Tax	83,269	3,602,651	-	-	1,500,289	3,926,697
Sales Tax Revenue	955,132	-	-	-	-	405,481
Gaming Revenue	43,896,540	-	862,293	509,474	-	5,944,323
Income Tax Revenue	1,334,228	-	-	-	-	-
Building Permit Fee	-	-	-	-	-	1,047,126
Transient Guest Tax	-	-	-	-	-	-
Subtotal	46,269,169	3,602,651	862,293	509,474	1,500,289	11,323,627
Year 5						
Property Tax	85,767	3,710,730	-	-	1,545,297	4,044,498
Sales Tax Revenue	4,091,913	-	-	-	-	1,737,133
Gaming Revenue	45,213,436	-	888,161	524,758	-	6,122,653
Income Tax Revenue	5,951,526	-	-	-	-	-
Building Permit Fee	-	-	-	-	-	-
Transient Guest Tax	-	-	-	-	-	-
Subtotal	55,342,643	3,710,730	888,161	524,758	1,545,297	11,904,284

APPENDIX 8 KANSAS ENTERTAINMENT, LLC SUMMARY OF ESTIMATED REVENUE							
Year 6	Property Tax	132,389	5,727,815	-	-	2,385,292	6,243,013
	Sales Tax Revenue	3,365,711	-	-	-	-	1,428,839
	Gaming Revenue	53,386,560	-	1,048,712	619,618	-	7,229,430
	Income Tax Revenue	3,300,811	-	-	-	-	-
	Building Permit Fee	-	-	-	-	-	-
	Transient Guest Tax	-	-	-	-	-	-
Subtotal		60,185,470	5,727,815	1,048,712	619,618	2,385,292	14,901,282
Year 7	Property Tax	157,654	6,820,907	-	-	2,840,500	7,434,425
	Sales Tax Revenue	1,669,415	-	-	-	-	708,714
	Gaming Revenue	62,009,378	-	1,218,097	719,696	-	8,397,103
	Income Tax Revenue	1,642,304	-	-	-	-	-
	Building Permit Fee	-	-	-	-	-	-
	Transient Guest Tax	13,551	-	-	-	-	663,985
Subtotal		65,492,302	6,820,907	1,218,097	719,696	2,840,500	17,204,227
TOTAL		\$ 283,431,938	\$ 25,706,807	\$ 4,854,440	\$ 2,868,182	\$ 10,705,348	\$ 72,936,375

APPENDIX 8, ASSUMPTIONS:

1. State of Kansas revenue includes 2% gaming contribution revenue for problem gambling fund.
2. Revenue in the Unified Government Total column is the sum of estimated revenue for the Wyandotte County and Kansas City.
3. Other Districts include Kansas Community College and Library districts.

APPENDIX 9
KANSAS ENTERTAINMENT, LLC
UNIFIED GOVERNMENT
POLICE DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u># OF UNIFORMED POSITIONS</u>	<u># OF NON-UNIFORMED POSITIONS</u>	<u>SALARIES & BENEFITS</u>	<u>SERVICES/ SUPPLIES</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL COST</u>
Year 1	0.0	0.0	\$ -	\$ -	\$ -	-
Year 2	0.0	0.0	-	-	-	-
Year 3	5.0	1.0	360,328	294,151	59,618	714,098
Year 4	5.0	1.0	374,742	45,917	10,003	430,662
Year 5	5.0	1.0	389,731	47,754	10,403	447,888
Year 6	5.0	1.0	405,320	49,664	10,819	465,804
Year 7	5.0	1.0	421,533	51,650	11,252	484,436
TOTAL			\$ 1,951,655	\$ 489,135	\$ 102,096	\$ 2,542,886

APPENDIX 9, ASSUMPTIONS:

- Analysis estimates development and to support the on-site security force at the casino. **5.0** uniformed positions will be required to provide 24/7 police services in the area surrounding the development.
- The following salary and benefits information is used: A non-uniformed position will be required to provide support to the uniformed positions.

	Salary	Benefits	Total Cost
Uniformed \$	43,226	\$ 12,968	\$ 56,194
Non-uniformed	20,800	6,240	27,040

Benefits are estimated at 30% of salary costs. Salary and benefits costs are increased 4% annually.

Source: Wyandotte County/Kansas City Unified Government, County Administrator's Office, 2008.

- Services/Supplies and Capital Projects costs estimated as follows:

	2007	2008	2009	Average
Personnel (P)	\$ 39,193,803	\$ 39,627,397	\$ 41,293,070	\$ 40,038,090
Services/Supplies (SS)	4,347,980	5,213,747	5,155,818	4,905,848
Capital Projects (CP)	1,645,966	1,171,535	388,750	1,068,750
SS % of P	11%	13%	12%	12%
CP % of P	4%	3%	1%	3%

Source: Wyandotte County/Kansas City Unified Government Budget FY 2009. Three-year average (2007-2009) for the Police Department.

- Employment-related costs such as a uniform allowance of \$910 annually per officer and vehicle maintenance costs of \$ 14,211 per vehicle are not included in the analysis as they are assumed to be covered by the Services/Supplies estimates above.
A one-time training fee of \$50,000 per uniformed position is estimated in Year 3.

Source: Wyandotte County/Kansas City Unified Government, County Administrator's Office, 2008.

- One vehicle is added at a cost of \$50,000 in Year 2. Vehicle replacement costs are assumed to be covered by the Capital Projects percentage.

Source: Wyandotte County/Kansas City Unified Government, County Administrator's Office, 2008.

APPENDIX 10
KANSAS ENTERTAINMENT, LLC
UNIFIED GOVERNMENT
SUMMARY OF ESTIMATED COSTS

YEAR	ESTIMATED REVENUES	STREETS DEPARTMENT	POLICE DEPARTMENT	WASTEWATER DEPARTMENT	FIRE/EMS DEPARTMENT	COMMUNITY DEVELOPMENT	ADMIN. OVERHEAD	TOTAL COSTS	REVENUE SURPLUS
Year 1	\$ 2,922,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,922,557
Year 2	4,717,369	-	-	-	-	-	-	-	4,717,369
Year 3	9,963,029	-	714,098	-	-	-	86,408	800,506	9,162,523
Year 4	11,323,627	-	430,662	-	-	-	52,111	482,773	10,840,854
Year 5	11,904,284	-	447,888	-	-	-	54,196	502,084	11,402,200
Year 6	14,901,282	-	465,804	-	-	-	56,364	522,167	14,379,115
Year 7	17,204,227	-	484,436	-	-	-	58,618	543,054	16,661,173
TOTAL	\$ 72,936,375	\$ -	\$ 2,542,886	\$ -	\$ -	\$ -	\$ 307,698	\$ 2,850,584	\$ 70,085,791

APPENDIX 10, ASSUMPTIONS:

1. Street Department: Developer is responsible for road improvements in the area around the development. Few additional streets will be added and maintenance costs are estimated to be minimal. Source: Development Agreement between the Unified Government and Kansas Entertainment, LLC., dated September 8, 2009.
2. Police Department: See Appendix 9 for calculations.
3. Wastewater Department: Developer will be responsible for the upsizing of the sanitary sewer pipe.
Source: Development Agreement between the Unified Government and Kansas Entertainment, LLC., dated September 8, 2009.
No additional operating or capital costs were expected for the 2008 study of this development.
Source: Wyandotte County/Kansas City Unified Government, County Manger's Office, 2008.
4. Fire/EMS Department: Developer will work with the Fire Department to determine if additional fire equipment is required. No additional facilities are anticipated to be required. Source: Development Agreement between the Unified Government and Kansas Entertainment, LLC., dated September 8, 2009.
No additional operating costs were expected for the 2008 study of this development as there is an existing fire station within an appropriate response time. Source: Wyandotte County/Kansas City Unified Government, County Manger's Office, 2008.
5. Community Development: No additional operating or capital costs were expected for the 2008 study of this development.
Source: Wyandotte County/Kansas City Unified Government, County Manger's Office, 2008.
6. Administrative overhead costs estimated at **12%** of all department costs estimated in this analysis.
Source: Wyandotte County/Kansas City Unified Government Budget. Three-year average indirect costs as percent of direct costs (2007-2009) for the General Fund and other funds for which costs are incurred.

Direct	2007	2008	2009	Average
Constituent Organization Dev.	186,360	235,864	243,338	221,854
Community Correct.	2,588,593	1,597,426	1,424,716	1,870,245
Emergency Manag.	587,338	1,614,943	1,211,339	1,137,873
Fire Department	40,990,962	44,019,508	44,923,630	43,311,367
Police Department	45,478,775	46,637,574	47,465,531	46,527,293
Sheriff	18,579,526	19,834,848	19,935,041	19,449,805
Court Trustees	367,227	605,305	622,945	531,826

APPENDIX 10

KANSAS ENTERTAINMENT, LLC
UNIFIED GOVERNMENT

SUMMARY OF ESTIMATED COSTS

District Attorney	4,187,912	4,223,058	4,464,260	4,291,743
District Court	2,563,467	2,666,423	2,272,525	2,500,805
Law Library	32,671	34,419	36,036	34,375
Municipal Court	1,836,385	1,596,308	1,677,350	1,703,348
Process Servers	682,518	716,112	750,122	716,251
Aging	3,028,638	4,204,219	4,205,540	3,812,799
Community Programs	15,463,631	9,105,780	9,503,877	11,357,763
Coroner	271,335	223,261	227,712	240,769
Economic Development	2,642,178	5,734,565	5,260,194	4,545,646
Elections	1,105,631	1,647,570	1,227,657	1,326,953
Health Department	7,195,216	6,579,797	6,711,027	6,828,680
Historical Museum	214,490	297,297	326,125	279,304
Human Services	3,132,235	3,774,253	3,791,366	3,565,951
Mental Health	636,950	645,219	671,741	651,303
Neighborhood Resource Ctr.	4,751,325	4,560,229	4,779,660	4,697,071
Parks and Recreation	7,398,270	10,086,860	9,977,633	9,154,254
Register of Deeds	433,361	1,136,214	733,582	767,719
Transit	4,684,690	5,280,930	5,371,635	5,112,418
Planning/Zoning	790,823	887,013	998,079	891,972
Public Works	44,561,136	58,101,010	56,458,364	53,040,170
Soil Conservation	57,674	68,964	59,404	62,014
County Fair	196,888	226,888	196,888	206,888
Library	1,431,019	1,745,896	1,877,375	1,684,763
Convention and Visitor's	400,000	650,000	850,000	633,333
Total	216,477,224	238,737,753	238,254,692	231,156,556
Indirect	2007	2008	2009	Average
Administration/Clerk	4,739,753	5,281,868	4,850,043	4,957,221
Mayor/Commissioner	686,536	800,253	864,328	783,706
County Administrator	1,119,366	1,776,022	1,689,853	1,528,414
Finance	3,896,627	4,726,852	4,961,118	4,528,199
Human Resources	1,279,877	1,329,709	1,245,077	1,284,888
Legal	3,657,799	3,006,082	3,283,678	3,315,853
Legislative Auditor	681,001	729,253	715,771	708,675
OS Business Office	203,959	212,630	229,891	215,493
Procurement/Contract	552,182	614,466	628,381	598,343
Technology	5,810,431	7,288,801	5,728,181	6,275,804
Public Safety Business	2,140,272	3,067,328	2,634,117	2,613,906
Extension Council	450,665	431,166	431,166	437,666
Special Community Grants	978,995	663,059	525,534	722,529
Total	26,197,463	29,927,489	27,787,138	27,970,697
% Indirect of Direct	12%	13%	12%	12%

APPENDIX 11
KANSAS ENTERTAINMENT, LLC
WYANDOTTE COUNTY SCHOOL DISTRICTS*
ESTIMATED NUMBER OF NEW STUDENTS

<u>YEAR</u>	<u>ESTIMATED TOTAL NO. OF EMPLOYEES</u>	<u>NUMBER OF NEW EMPLOYEES</u>	<u># OF NEW HOUSEHOLDS</u>	<u># OF NEW STUDENTS</u>
Year 3	1,129	144	144	144
Year 4	1,136	144	144	144
Year 5	1,142	145	145	145
Year 6	1,151	161	161	161
Year 7	1,320	161	161	161

APPENDIX 11, ASSUMPTIONS:

- *Per conversations with UG representatives, 97% of the property will be located in USD204 and 3% in USD500.
1. Number of employees is provided by the Developer (application template).
 Analysis assumes only Professional, Manager, Executive and Technician positions will be new to the area. Other positions will be filled by existing Wyandotte County residents. Existing residents are not expected to generate additional children for the School District.
 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.
 3. The analysis assumes **no fiscal impact** on K-12 school districts due to the following reasons:
 - a. The Kansas City area (six counties) had 32,300 unemployed people as of August 2009 (Kansas Dept of Labor) indicating that the labor force availability is more than sufficient to fill new jobs, eliminating the need to import new workers who may impact the school districts.
 - b. It is estimated that 144 to 161 jobs will be filled by out-of-area employees, adding the same number of new students.
 - c. Wyandotte County: Between 2003-04 and 2008-09, the County school districts experienced a decrease in enrollment of 1,566 students. KU's Institute for Policy and Social Research estimates a decreasing population in the County through 2030.

APPENDIX 12
KANSAS ENTERTAINMENT, LLC
WYANDOTTE COUNTY SCHOOL DISTRICTS
ESTIMATED SURPLUS/DEFICIT TO STATE

<u>YEAR</u>	<u>STATE FINANCIAL AID</u>	<u>LOCAL EFFORT</u>	<u>GENERAL STATE AID</u>	<u>TOTAL COSTS</u>
Year 1	\$ -	\$ -	- \$	-
Year 2	-	2,346,985	-	-
Year 3	607,392	3,497,719	-	-
Year 4	607,392	3,602,651	-	-
Year 5	611,610	3,710,730	-	-
Year 6	679,098	5,727,815	-	-
Year 7	679,098	6,820,907	-	-
TOTAL	\$ 3,184,590	\$ 25,706,807	- \$	-

APPENDIX 12, ASSUMPTIONS:

1. FY 09-10 State Financial Aid amount is estimated at \$ 4,218 per pupil.
Source: Dale Dennis, Deputy Commissioner, Kansas Department of Education. See Appendix 11 for student estimates.
2. Local Effort includes school districts' property tax revenue only; other revenue sources are a small percentage of the total and are not estimated. Property tax revenue estimated for Kansas City School Districts in Appendix 2.
3. General State Aid is estimated by subtracting Local Effort revenue from State Financial Aid revenue. As the Local Effort revenue exceeds State Financial Aid revenue, no General State Aid revenue is estimated.
Source: Dale Dennis, Deputy Commissioner, Kansas Department of Education.
4. No School District costs are estimated, see Appendix 11 for details.



**FISCAL IMPACT ANALYSIS
OF THE PROPOSED
KANSAS ENTERTAINMENT FACILITY
IN
NORTHEAST ZONE**

OCTOBER 2009



Study Purpose

- Estimate the Financial Impact on State and Local Governments' Budgets of the Proposed Lottery Gaming Facility
- To Determine if the Lottery Gaming Facility Will Cause a Financial Surplus or Deficit To Governments' Budgets

Methodology

- Compare Proposer's Estimated Public Sector Revenue and Costs to Consultant's Estimate
- Over the Construction Period and 1st Full Year of Operations
- 7-Year Fiscal Impact Summary Captures Findings
- Used Fiscal Data Collected for 2008 Analyses; 2009 Analysis Sent to Representatives for Review and Comment

Methodology (continued)

Revenue Estimated:

- Gaming Revenue Sharing
- Property Tax
- Sales Tax
- Income Tax
- Building Permit Fee
- Transient Guest Tax

Costs Estimated:

- Law Enforcement
- Education
- Administrative Overhead

Assumptions

- Development Agreement provides that
 - Developer shall be responsible for funding all on-site infrastructure improvements required for the project
 - Developer shall be responsible for funding the off-site infrastructure improvements relating to the project including
 - Sanitary sewer, transportation
- No significant incremental costs
 - Fire, Community Development, and Wastewater departments
 - Source: Development Agreement and 2008 Interviews with UG representatives

Assumptions (continued)

- No significant incremental resident-driven costs:
 - Court, Health, Social Services, General Government, etc.
 - Assume only Professional, Manager, Executive and Technician positions new to area-144 to 161 positions
 - Remaining positions covered by existing unemployment pool of approximately 32,300 people (Kansas City area rate of 7.1%)

Assumptions (continued)

- No significant incremental school costs-existing capacity within area school districts
 - Between 2003-04 and 2008-09, Wyandotte Co. had a decrease in enrollment of 1,566 students
 - KU's Institute for Policy and Social Research estimates a decreasing population in Wyandotte County through 2030

Governments Analyzed

- State--Revenue Only
- Unified Government*
- Edwardsville
- Bonner Springs
- Kansas City School District

*Sum of Wyandotte County and Kansas City impacts

KANSAS ENTERTAINMENT						
7-YEAR SUMMARY						
REVENUE	<u>State</u>	<u>Unified Government</u>	<u>Bonner Springs</u>	<u>Edwardsville</u>	<u>KC School District</u>	
Property Tax	\$ 594,169	\$ 28,019,049	\$ -	\$ -	\$ 25,706,807	
Sales Tax Revenue	19,895,867	8,446,359	-	-	-	
Gaming Revenue	247,123,914	33,464,697	4,854,440	2,868,182	-	
Income Tax Revenue	15,804,436	-	-	-	-	
Building Permit Fee	-	2,342,286	-	-	-	
Transient Guest Tax	13,551	663,985	-	-	-	
Total	\$283,431,938	\$ 72,936,375	\$ 4,854,440	\$ 2,868,182	\$ 25,706,807	
COSTS	<u>State</u>	<u>Unified Government</u>	<u>Bonner Springs</u>	<u>Edwardsville</u>	<u>KC School District</u>	
Law Enforcement	\$ -	\$ 2,542,886	\$ -	\$ -	\$ -	
Education	-	-	-	-	-	
Admin./Overhead	-	307,698	-	-	-	
Total	\$ -	\$ 2,850,584	\$ -	\$ -	\$ -	

Gaming Revenue includes additional fee to UG of 1%.

KANSAS ENTERTAINMENT					
7-YEAR SUMMARY					
	<u>State</u>	<u>Unified Government</u>	<u>Bonner Springs</u>	<u>Edwardsville</u>	<u>KC School District</u>
Revenue	\$ 283,431,938	\$ 72,936,375	\$ 4,854,440	\$ 2,868,182	\$ 25,706,807
Cost	-	2,850,584	-	-	-
Surplus/ (Deficit)	\$283,431,938	\$70,085,791	\$4,854,440	\$2,868,182	\$25,706,807

Kansas Entertainment Responses
To Requests from the
Lottery Gaming Facility Review Board

Stephen Martino

From: Stephen Martino
Sent: Thursday, September 17, 2009 5:26 PM
To: Thomas Auriemma
Cc: Jay Hall
Subject: Review Board follow-up

Tom:

Tuesday's Review Board meeting yielded some requests for clarification and more information. They are:

1. Clarify the terms and compensation paid to Cordish for Penn's right to buy its position in Kansas Entertainment.
2. What is Kansas Entertainment's definition of "commence construction" relative to the hotel project?
3. What is Kansas Entertainment's understanding about what act or non-act will trigger payment of the hotel penalty fee?
4. What is Kansas Entertainment's understanding about what act or non-act will stop payment of the hotel penalty fee?
5. Submit all market studies, including methodology, undertaken in their entirety in support of this project, including any market studies commissioned for Penn's withdrawn application for a location east of Interstate 435.
6. How long does Kansas Entertainment believe it would take to construct the hotel it has proposed?
7. What is the earliest Kansas Entertainment believes the second NASCAR race will be running at the Kansas Speedway?
8. When will the road course be constructed and operating at Kansas Speedway?
9. Please provide all market studies and any other quantification of economic impact for the road course, including frequency of activity, type and volume of participation.
10. Regarding the two Penn-owned casinos in Illinois and Mississippi:
 - a. What is the brand of each?
 - b. Does Penn own 100 percent of all facilities?
 - c. What is the distance between both sets of casinos?
11. Confirm that Kansas Entertainment is accounting for 100 acres of land contributed by International Speedway Corp. and that land is being valued at \$1 million an acre. If that is correct, what is the basis for that land valuation?
12. Confirm that Kansas Entertainment intends to open the facility with 2300 slot machines.
13. Does Kansas Entertainment intend to construct a temporary facility?

We would appreciate submission of these requests by close of business Monday. The information should be sent to Jay Hall and me and can be transmitted electronically.

If you have any questions, please let me know. Thanks.

Please note my email address has changed to: stephen.martino@krgc.ks.gov

Stephen Martino
Executive Director
Kansas Racing and Gaming Commission
700 SW Harrison, Suite 500
Topeka, KS 66603
785 296 5800
785 296 0900/fax

To: Stephen Martino

From: Kansas Entertainment, LLC ("KE")

RE: Responses to September 17, 2009 Questions

Steve,

On behalf of KE, I am pleased to submit the supplemental clarifications set forth below. Pursuant to our earlier conversation, KE, Penn National Gaming, Inc. and ISC are submitting this information to assist the Review Board in its deliberations and consistent with your assurances that you would give due consideration to treating certain submissions in a confidential manner. Given the involvement of two public companies and the submission of non-public information (particularly response 1 below), this is of paramount importance to KE. Our responses are presented in the order of your questions. As always, please do not hesitate to contact us if you need any further information.

1. Following the completion of our dialogue on confidential treatment, KE will submit the confidential Purchase Agreement between a Penn National and a Cordish subsidiary.
2. KE is working cooperatively with UG Counsel and staff on this clarification and will submit the collective response shortly.
3. KE is working cooperatively with UG Counsel and staff on this clarification and will submit the collective response shortly.
4. KE is working cooperatively with UG Counsel and staff on this clarification and will submit the collective response shortly.
5. We have enclosed as Attachment 5A, the market studies commissioned by KE in support of the proposed project prior to the change in branding. Penn National Gaming, Inc. commissioned no market studies for the project it recently withdrew. We have enclosed as Attachment 5B, a brief summary of the in-house demographic analysis for the project Penn National Gaming, Inc. withdrew. This model reflects the potential revenue for the market. It is based on the demographics in the market within 90 minutes of the facility, adjusted for any competition and our experience of how much revenue we anticipate from each segment of the adult population. Once Penn calculates that potential, Penn applies a penetration rate to determine the forecasted revenue for each year. It is our experience that new facilities open below their stable penetration rate. It typically takes 5 -7 years to

achieve a stable penetration rate and many years to approach 100% penetration. Attachment 5B contains the map with the adjusted 30, 60 and 90 minute drive time zones and calculates potential revenue. Of course, KE notes that all markets perform and develop differently and this is merely an estimate.

6. KE believes it will take approximately two years to construct the proposed hotel, barring any force majeure event.
7. The 2010 NASCAR Sprint Cup Series schedule has been established and released. As a result, and consistent to paragraph 67 of the KE Management Agreement with the Kansas Lottery Commission, we anticipate that the earliest date for a second NASCAR race at our site is 2011.
8. Pursuant to paragraph 67 of the KE Management Agreement with the Kansas Lottery Commission, we anticipate that construction of the proposed road course will be completed in 2011.
9. KE does not have economic analysis for the proposed road course and Grand-Am event at Kansas Speedway. ISC experience demonstrates that the road course will help drive tourism and revenue for the State of Kansas, Kansas City, KS, and Wyandotte County by adding several notable events to Kansas Speedway's portfolio. ISC anticipates hosting a number of events similar to those at their other road courses, of which a sample of events is listed below.

1. Grand-AM Road Racing
2. Car Clubs
3. Car Shows
4. Driving Schools
5. Community and Corporate Functions
6. Go-kart Events
7. Motorcycle Events
8. Bicycling Events
9. Manufacture Testing

Grand-Am road racing has established itself as the most competitive professional road racing in North America. The Series has attracted the attention of superstar drivers and fans that have revolutionized sports car racing. Our studies do show that 57.5% of Kansas Speedway fans visited a casino in the past 12 months and that Kansas Speedway fans are 27% more likely than

the average person in Kansas City to visit a casino and road racing fans with similar demographics to the Indy Racing League are 85% more likely to visit a casino. This further underscores the synergies between the track and casino.

10. Please refer to the slides in Attachment 10.

11. KE used a reasonableness test for land value utilizing a Residual Value calculation. This value is defined as “The quantity left over; in appraising, a term used to describe the result of an appraisal procedure in which the known components of value are accounted for, thus solving for the quantity that is left over, such as land residual or building residual.” (The Dictionary of Real Estate Appraisal, 4th edition, Appraisal Institute, 2002, p. 246.) In our case, the income approach, utilizing discounted cash flows, was used to determine the project value. Project cost, including developer’s profit, was then deducted to derive the residual land value. While “comparables” for uniquely situated projects of this magnitude are rare, the resulting valuation comports with other recent land valuations for gaming projects. For instance, a Penn National affiliate executed an option for land in Columbus, Ohio that may be entitled to gaming in a November, 2009 referendum that places the land value at \$1.5 million per acre. Similarly, a Penn National affiliate signed an option for the nearby Schlitterbahn site at \$500,000 per acre (in this case, the land required more infrastructure investment than the Speedway site and was obviously not as contiguous to the Speedway attractions). Finally, KE notes that the residual value calculation is only for Phase I, and does not include the hotel, Phase II expansions of the casino or any retail, dining or entertainment.

12. KE intends to open the proposed facility with 2300 games.

13. KE does not intend to construct a temporary facility.

Economic Impact Study

Casino Development – Cordish KC

Wyandotte County, Kansas

Prepared for:
The Cordish Company

March 2009

Prepared by:
The Innovation Group
7852 South Elati Street, Suite 100
Littleton, Colorado 80120

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INTRODUCTION

The Innovation Group was engaged by The Cordish Company (“Company”) to conduct an Economic Impact Study (“Study”) for a proposed \$390 million destination casino development in Wyandotte County, Kansas. This is only the first phase of a larger development which may eventually include a resort hotel, convention center and retail and entertainment district. The subject development site is located adjacent to and contiguous with the Kansas Speedway, just north of the intersection of Interstate 70 (“I-70”) and Interstate 435 (“I-435”), about 15 miles west of downtown Kansas City. The general area is known as Village West, Wyandotte County’s premier tourist destination.

This phase of the development reflects a 189,100-square foot development, featuring a full-service casino with about 2,300 slot machines, 86 table games, including a themed poker room. The development plan also exhibits several lounges and bars, a buffet, a coffee shop and a Hard Rock gift shop. The entire development will exhibit a Hard Rock theme with high-quality finish work and appointments.

The quantitative economic benefits generally include: 1) expenditures on goods and service in the local community; 2) the increase in earnings to area residents; and 3) the fiscal benefits to state and local government in the form of tax revenue. The assessment also translates the earnings increase into a job count. For this assessment, the local community and local government were defined as the Unified Government of Wyandotte County and Kansas City, Kansas (“Wyandotte County”). The analysis considers the direct, indirect and induced impact. The direct impact relates to the spending by the casino operation or casino patrons, while the indirect impact reflects the ripple effect in the economy. The induced impact relates to direct spending by patrons of the subject elsewhere in the local economy, such as other hotels, restaurants or entertainment venues.

The Economic Impact Study segregates the economic benefits into three broad categories, including the **construction phase**, the **ongoing operation** and **tax revenue**. The construction of the casino complex would represent an immediate stimulus to the local economy. These expenditures would directly impact the local economy, necessitating the immediate employment of many regional workers. The construction of the development would create a large number of short-term employment positions, as well as providing supplementary income and employment to those already with jobs. The ongoing operation of the facility would provide steady employment to local and regional workers, both at the casino and externally, via the service industries and the wholesale and retail outlets that provide goods and services to the casino and its patrons. Finally, Wyandotte County, as well as the state, would benefit from an increase in tax revenue. We identified four categories of tax revenue that would be supported, including the gaming tax, sales tax, hotel occupancy tax and property tax. In summary, when assessing the economic impact of a major development, it is important to view the cumulative impact.

Wyandotte County Employment Statistics

This development would sustain a large volume of employment during the construction phase, and would support a large employment base during operations. The Economic Impact Study evaluates the earnings and employment that the construction phase and operation would generate, both directly on the grounds of the property and indirectly, or elsewhere in the local economy.

The unemployment rate for Wyandotte County increased from 7.1% in 2007 to 7.6% in 2008. The rate is moderately higher than the Kansas City metro area average (2008) of 5.8%. Also, the rate for Wyandotte County is poised to increase further in 2009. For December 2008 (most recent data available), the rate was 9.3% for the month.

The labor force count in Wyandotte County has increase somewhat over the last few years from a near-term low of 71,900 in 2006 to 73,700 in 2008. The rate of growth is slightly higher than the growth in the underlying population base. The following table displays employment statistics for Wyandotte County:

Wyandotte County - Employment Summary				
	Unemployment	Employment	Labor Force	Unemployment Rate
2003	8,272	67,153	75,425	11.0%
2004	6,915	67,008	73,923	9.4%
2005	6,447	67,163	73,610	8.8%
2006	5,416	66,515	71,931	7.5%
2007	5,197	67,645	72,842	7.1%
2008	5,605	68,125	73,730	7.6%
1-yr AAG	7.9%	0.7%	1.2%	
3-yr AAG	-4.6%	0.5%	0.1%	
5-yr AAG	-7.5%	0.3%	-0.5%	

Source: Bureau of Labor Statistics

ECONOMIC IMPACT STUDY

Again, the Economic Impact Study quantifies the cumulative economic benefits associated with the construction and operation of the proposed development including the direct spending, earnings to area residents and additional tax revenue. The analysis was divided into the construction phase and ongoing operation while segregating the impact into the direct, indirect and induced components. The benefits associated with the construction phase are considered one-time in nature, while the benefits associated with the ongoing operation would accrue in perpetuity.

Construction Impact

The construction impact relates to the initial spending associated with building the physical facility. The construction impact is quantified in the form of salaries and wages to designers, managers and construction workers, and spending on the materials, often acquired from local vendors, such as concrete, steel and aggregate. The construction impact also includes an indirect component or multiplier effect (ripple effect) as local businesses hire more people, build new facilities and buy additional equipment and supplies to accommodate the increase in demand related to the construction project. For example, the concrete company may need to hire more drivers or buy additional trucks to handle the increase in business. This ripple effect continues as the seller and manufacturer of the trucks realizes increased spending power to purchase other goods and services in the region. Again, the benefits associated with the construction impact are one-time in nature as they cease when the construction project is complete. For the purpose of the analysis, the construction phase was estimated at about 12 months in duration. The impact of the construction phase would be felt immediately as a large portion relates to direct earnings to local workers. The following discussion analyzes the direct and indirect impact.

Direct Impact

The direct impact of construction relates to expenditures made directly by the development company to build the physical permanent structures. In other words, the parts of the development that one can touch and feel and that could not be moved in the event of relocation. These expenditures exclude soft costs and spending on Furniture, Fixtures and Equipment ("FFE") that are typically purchased from companies outside the region.

The construction cost figures were primarily based on estimates provided by the Company and tested for reasonability by The Innovation Group. Further, we made the determinations as to whether the costs relate to hard construction costs or equipment. Finally, we estimated the proportion that would be spent in the local community as opposed to elsewhere in the country or possibly internationally.

After subtracting soft costs (development fees, financing costs and transaction fees) and FFE, hard construction costs netted to approximately \$121.5 million. We segregated the construction cost figure into various components including construction materials, wholesale purchases, business services and labor. Construction materials include such things as fill, steel, concrete, sheet rock, among others. The wholesale category reflects the purchase of various systems such as the elevator system or the HVAC systems. Business services primarily relates to design, architecture and consulting.

We estimated the local percentage of each component based on the capabilities of region. In total, the local portion summed to about \$85.1 million or 70% of the hard construction budget. This figure represents the direct spending impact associated with the construction phase. The local percentage is high in comparison to more remote markets, reflecting the size and diversity of greater Wyandotte County area. Note that the local percentage for the labor category is high, as we believe Wyandotte County has a sufficient labor force to accommodate this project. The table below highlights direct construction spending.

Construction Impact - Direct Spending

Spending Category	Hard Construction Costs	Local %	Direct Spending
Construction Materials & Services	\$61,354,723	70.0%	\$42,948,306
Wholesale Purchases	12,149,450	35.0%	4,252,308
Business Services	5,467,253	90.0%	4,920,527
Labor	42,523,075	77.4%	32,929,869
Total	\$121,494,500	70.0%	\$85,051,010

Source: The Innovation Group

The labor portion (excluding payroll taxes) was estimated at \$32.9 million. Assuming an average construction salary of approximately \$46,400 (2010 dollars), the spending on labor converted into about 709 direct full-time equivalent construction jobs. The direct job count is reflected in man-years, or one year's worth of employment. The actual number of employees working on this project would much higher in that most construction employees would only be working on a part of the construction process, and not for the entire 12 months. In other words, many more workers will actually be involved in the construction.

Indirect Impact

The indirect construction impact reflects additional spending resulting from the initial construction expenditures. For example, local vendors that supply construction materials or services are likely to spend more in the local economy as they gear up for the added workload. They may need to buy additional equipment or materials to accommodate the new work orders. These additional expenditures continue to work through the economy during the construction period, again, described as the ripple effect. The Innovation Group applied industry multipliers, obtained from the Bureau of Labor Statistics ("BLS"), that were developed based on U.S. Census data, to determine the indirect impact of construction spending.

Based on the direct spending figure of \$85.1 million (outlined earlier), and after applying the government multipliers, total spending including the indirect component, summed to \$208.4 million, resulting in net indirect spending of \$123.4 million. The weighted average indirect multiplier calculated to 2.45 times. In other words, every \$1 of direct spending equates to \$2.45 cents in total spending. The labor component showed the highest multiplier of 2.55 times, as workers spend wages on a wide variety of goods and services. The wholesale component displays the lowest multiplier reflecting the distribution channel as opposed to the construction or manufacturing process. The following table summarizes indirect spending associated with the construction phase.

Construction Impact - Indirect Spending

Spending Category	Direct Spending	Indirect Multiplier	Total Spending w/ Indirect	Net Indirect
Construction Materials & Services	\$42,948,306	2.446	\$105,060,146	\$62,111,840
Wholesale Purchases	4,252,308	2.086	8,868,613	4,616,305
Business Services	4,920,527	2.144	10,548,134	5,627,607
Labor	32,929,869	2.549	83,951,409	51,021,539
Total	\$85,051,010	2.451	\$208,428,301	\$123,377,291

Source: The Innovation Group

We then estimated the indirect earnings component of indirect spending. Again, government multipliers were applied to direct spending by category in order to estimate indirect earnings. Indirect earnings summed to \$61.2 million, reflecting a weighted average multiplier of 0.72 times, suggesting that indirect workers earn 72 cents for every dollar of direct spending. Also note that indirect earnings represent about 50% of the indirect spending total.

Construction Impact - Indirect Earnings

Spending Category	Direct Spending	Indirect Earnings Multiplier	Indirect Earnings
Construction Materials & Services	\$42,948,306	0.7806	\$33,525,447
Wholesale Purchases	4,252,308	0.6350	2,700,215
Business Services	4,920,527	0.7407	3,644,635
Labor	32,929,869	0.6489	21,368,192
Total	\$85,051,010	0.7200	\$61,238,489

Source: The Innovation Group

Finally, we applied indirect job (employment) multipliers to direct construction spending in order to estimate indirect job creation. Note that the indirect earnings multipliers and indirect job multipliers are generally relative. The weighted average job multiplier calculated to approximately 22, which means that for every \$1.0 million in direct spending, 22 indirect jobs would be created. Total indirect jobs summed to about 1,860, with the majority coming from the construction material and labor categories. The table below displays the estimated indirect job impact of the construction phase.

Construction Impact - Indirect Jobs

Spending Category	Direct Spending	Indirect Jobs Multiplier *	Indirect Jobs
Construction Materials & Services	\$42,948,306	21.07	905
Wholesale Purchases	4,252,308	14.85	63
Business Services	4,920,527	27.49	135
Labor	32,929,869	22.95	756
Total	\$85,051,010	21.86	1,859

* Per \$1.0 million in Direct Spending (adjusted for inflation).

Source: The Innovation Group

Construction Phase Summary

In total, the temporary economic impact to the area expected during the construction phase was estimated at \$208.4 million. Roughly 45% or \$94.2 million of the total benefit relates to earnings to regional employees. The earnings figure translates in to approximately 2,568 jobs as measured in man-years of employment. We expect the construction phase to last about 12 months, at which time the construction benefits would cease and on-going economic impact would begin. The table below summarizes the direct and indirect economic benefits of the construction phase.

Construction Impact - Summary

	Direct	Indirect	Total
Spending	\$85,051,010	\$123,377,291	\$208,428,301
Earnings	\$32,929,869	\$61,238,489	\$94,168,359
Employment (Man-years)	709	1,859	2,568

Source: The Innovation Group

Ongoing Economic Impact

The ongoing economic impact relates to the operation of the finished project. First, the operation itself would expend monies in the local community to acquire goods and services needed to operate the facilities, pay staffing and pay several kinds of taxes. The goods and service would include such things as food, napkins, cleaning supplies, office supplies and equipment rental and repair. As discussed, a casino operation is labor intensive. Most of the jobs come with training and do not require special education or previous experience, and therefore are well suited for local hire. Regarding taxes, the operation would pay gaming, sales, property and income taxes. Second, direct spending by the patrons of the facility also represents an economic benefit to the area. These funds would be channeled into the economy via wages to employees and direct spending to suppliers. Note that the analysis excludes gaming expenditures in the interest of conservatism, as one might argue that the customer receives no value.

The ongoing impact is quantified again in the form of direct spending and additional salaries and wages to employees. Certainly, the majority of the jobs would be hired locally and a large portion of the spending on supplies would remain in the local economy. The ongoing impact also has a multiplier effect, or indirect impact, as the local vendors hire more people and buy additional materials to accommodate the increase in business. In addition, customers visiting the new project from outside the area would likely spend money in the area aside from the project. These expenditures are called induced spending. Induced spending includes spending on hotel rooms (other area hotels), food, gas, retail and local entertainment. These expenditures are important because they support other businesses in addition to the subject. The primary beneficiaries would be the other businesses in the Village West area, such as The Legends Mall, the area hotels and retailers (Nebraska Furniture Market and Cabela's). These expenditures would again result in more jobs in the local area. Unlike the construction phase, economic benefits resulting from the ongoing operation of the complex would continue in perpetuity, resulting in a constant stimulus to the economy.

Direct Spending

Expenditures that emanate from the proposed development constitute ongoing direct spending in the economy. Again, the broad categories include patron spending and spending by the operation itself. The patron spending category reflects the purchase of food and beverage and retail and entertainment at the subject. Note that the gaming revenue component is not considered a direct expenditure, though in theory it could fall into a gray area of 'entertainment service expenditures'. As such, though the gaming win by the casino is not reflected in the economic impact, the spending by the casino in the community and on employees as a direct result of this gaming win, along with the non-gaming expenditures by patrons, are the starting points of the analysis. The operational spending relates to the expenses of operating the facility including labor, supplies and services. The figures are based on a consolidated operating statement prepared by The Innovation Group and displayed in the Gaming Market Assessment.

Patron Spending

Based on the underlying *Gaming Market Assessment* conducted by The Innovation Group, we estimated that the subject facility would generate roughly \$17.8 million in sales revenue (Year 2). The majority relates to the food and beverage operation, a key component of any gaming operation.

We assumed that a portion of sales constitutes a capture or substitution related to other establishments in the local market. For example, in some instances it is likely that patrons of the casino restaurants would have patronized another area restaurant if not for the subject. The substitution effect accounts for those revenues that would have been spent elsewhere in the economy and are thus not included in the economic impact total.

Nonetheless, the subject facility would be offering various unique venues that are currently unavailable in the local area. The weighted average incremental percentage calculated to 88%, resulting in net direct patron spending of \$15.6 million, as displayed in the table below.

Patron Spending Summary (Year 2)

Component	Baseline Sales	Incremental	Net Patron
	Forecast	%	Spending
Food & Beverage	15,391,784	88%	13,544,770
Retail / Other	2,436,089	85%	2,070,676
Total	\$17,827,873	88%	\$15,615,446

Source: The Innovation Group

Operational Spending

The subject would expend significant monies associated with the operation of the facility. The expenditures reflect employee salaries and wages, supplies, and services. We segregated these expenditure by the various components of the operation including, casino, food & beverage, retail / other. The figures were again based on the broader assessment.

The expenditures were adjusted to exclude gaming and property taxes as these expenses are included in another component of economic benefit. Further, we assumed that only a portion of these expenditures would be expended in the local community. Based on our experience, we believe that the subject casino would make an effort to buy goods and services locally in order to maximize goodwill in the local community.

Total baseline expense, excluding taxes and other non-operational expenses, summed to \$67.0 million. Generally, we estimated the local market portion to be high as these operational expenses are heavily weighted towards labor. We feel, based on the types of jobs associated with the subject, that the local market would supply a high percentage of these jobs. For instance, we estimated that about 92% of food and beverage expenditures would be local as local residents can easily be trained for these jobs and suppliers are often available in the local community. The lowest local percentage would likely apply to the casino, as some of the supplies and labor needs are unique and thus imported to the

area. The weighted average local portion calculated to 87%, resulting in \$58.5 million in local direct spending by the subject operation.

Operational Spending Summary

Component	Baseline Spending Forecast	Local %	Net Operational Spending
Casino	\$55,747,190	86%	\$48,123,821
Food & Beverage	9,808,413	92%	9,024,590
Retail / Other	1,468,977	90%	1,322,080
Total	\$67,024,581	87%	\$58,470,491

Source: The Innovation Group

We then converted direct operational spending into earnings and jobs. The earnings calculation was based on the pro-forma operating statements, which discretely forecasts wages and salaries and FTE employment. In total, earnings (with benefits) and jobs summed to \$34.7 million and 987, respectively. The casino component accounts for roughly 85% of earnings and 78% of the jobs. The food and beverage component is also significant, generating \$4.1 million in earnings associated with about 197 jobs. The average salary, based on salary and wages, calculated to \$31,150. The casino average of \$33,930 was relatively high, reflecting a considerable proportion of professional jobs. The table below outlines the direct earnings and job impact of the subject development.

Ongoing Impact - Direct Earnings & Jobs

Component	Net Operational Spending	Earnings %	Total Earnings w/ Benefits *	Base Salary & Wages	Average Salary	FTE Jobs
Casino	\$48,123,821	61.0%	\$29,354,489	\$26,023,483	\$33,930	767
Food & Beverage	9,024,590	50.8%	4,582,927	4,062,878	\$20,655	197
Retail / Other	1,322,080	55.0%	727,144	644,631	\$28,200	23
Total	\$58,470,491	59.3%	\$34,664,559	\$30,730,992	\$31,150	987

* Excludes payroll taxes.

Source: The Innovation Group

Induced Spending

The Innovation Group anticipates that local merchants and hoteliers would realize additional business due to the subject development. Some patrons of the casino would likely spend money elsewhere in the area, ranging from convenience stores and gas stations to area restaurants and hotels. Our analysis was based on patrons that reside outside the local market area in order to only present incremental induced spending to the community. These expenditures are deemed to be induced by the presence of the casino, meaning that the draw of the casino brings the new business to the area. While local patron spending is not included in this analysis due to the substitution effect, it should be noted that this is a conservative approach. Without a casino in Wyandotte County, local gamers would patronize other casinos in the market, such as Harrah's, Ameristar and Argosy. As a result, the presence of a casino keeps local spending local.

The level of induced spending is primarily dependent on the magnitude of attractive retail and food and beverage facilities and lodging accommodations in the area. Our analysis showed that the level of development is high, generally reflecting The Legends Mall, the nearby specialty retailers (Cabela's, Nebraska Furniture Mart), and the numerous hotels and other restaurants in the Village West area.

The induced spending forecast assumes that a percentage of the subject's patronage would spend elsewhere in the area. The visitation estimate was adjusted to exclude residents of the immediate area. The participation rate and incremental expenditure forecasts were based primarily on the category of spending, including hotel, food and beverage and retail. For instance, we estimated that the incidents of hotel spending would be materially, as the subject development plan does not include a hotel. The food and beverage category would realize a higher participation rate but a lower expenditure amount.

The visitor base of 1.03 million reflects gaming patrons from the primary market. We estimated that about 3.5% of these visitors would utilize an area hotel, resulting in induced hotel spending of \$3.2 million. The food and beverage participation rate was estimated at 8.5%, as there are over 30 existing restaurants in the area. Based on an average expenditure of \$13.50, food and beverage induced spending calculated to \$1.2 million. In total, induced spending summed to \$7.3 million, as displayed in the table below.

Induced Spending Summary

Non-local Visitation	1,026,244		
Component	Capture %	Expenditure / Patron	Induced Spending
Hotel	3.50%	\$90.00	\$3,232,668
F&B	8.50%	\$13.50	\$1,177,615
Retail/Other	7.50%	\$37.00	\$2,847,827
Total			\$7,258,110

Source: The Innovation Group

Earnings and Jobs

A portion of induced spending would be directed to employee earnings. We estimated the earnings percentage of the induced hotel, F&B and retail spending at 21%, 35% and 10%, respectively. The resulting earnings calculated to \$1.38 million. Based on an average salary for the region of \$23,700, the induced spending would generate about 58 new jobs. Due to the size of the Kansas City metro market, wage rates for these businesses should not be adversely affected. The following table shows the spending, earnings and employment that should be induced by the presence of the destination casino development.

Induced Earnings and Jobs Summary

Component	Induced Spending	Earnings %	Induced Earnings	Average Payroll	Induced Jobs
Hotel	\$3,232,668	21.0%	\$678,860	\$24,427	28
F&B	\$1,177,615	35.0%	\$412,165	\$20,655	20
Retail/Other	\$2,847,827	10.0%	\$284,783	\$28,200	10
Total	\$7,258,110	19.0%	\$1,375,808	\$23,721	58

Source: The Innovation Group

Indirect Spending

Indirect spending again relates to the multiplier or ripple effect in the economy. A ripple of increased spending and earnings is created that begins with purchases made by the recipients of the direct and induced expenditures. Again, The Innovation Group applied industry multipliers, obtained from the Bureau of Labor Statistics ("BLS"), to determine the indirect impact of construction spending.

Indirect on Direct Spending

The direct spending base reflects the cost of goods sold ("COGS") associated with the patron spending (\$5.0 million) and the local portion of operational spending (\$58.5 million). These direct spending elements were analyzed and presented earlier. For the indirect analysis, the direct spending base summed to \$63.4 million. The labor or earnings portion was segregated, as a separate indirect multiplier is applied to this component. The labor component indirect multiplier is relatively high, suggesting that take-home pay has a profound impact on the economy. In total, the weighted average multiplier calculated to 1.40 times, resulting in \$89.0 million in indirect spending on direct.

Ongoing Impact - Indirect Spending on Direct

Component	Direct Spending Base	Indirect Spending Multiplier	Ongoing Indirect Spending
Casino	\$18,769,332	1.193	\$22,388,060
Food & Beverage	8,993,674	1.298	11,675,588
Other	1,009,071	1.224	1,234,901
Subtotal Non-labor	\$28,772,078	1.227	\$35,298,549
Labor Portion	34,664,559	1.549	53,709,268
Total	\$63,436,637	1.403	\$89,007,817

Source: The Innovation Group

Using the earnings multipliers, indirect earnings summed to \$44.5 million. The weighted average indirect earnings multiplier calculated to 0.54 times. The rate suggests that for every dollar of direct spending, indirect employees earn about 54 cents. The multipliers ranged from a low of 0.69 for the convention facility to high of 0.73 for the casino and food and beverage. The table below displays the indirect earnings calculation associated with direct spending.

Ongoing Impact - Indirect Earnings

Component	Direct Spending (Local)	Indirect Earnings Multiplier	Ongoing Indirect Earnings
Casino	\$18,769,332	0.727	\$13,649,058
Food & Beverage	8,993,674	0.727	6,536,603
Retail / Other	1,009,071	0.689	695,048
Subtotal Non-labor	\$28,772,078	0.726	\$20,880,709
Labor Portion	53,709,268	0.441	23,658,933
Total	\$82,481,346	0.540	\$44,539,642

Source: The Innovation Group

Again, based on government multipliers, the indirect impact on jobs was estimated at about 1,670. The casino and casino food and beverage operation combine to generate about 898 indirect jobs. Note that the weighted average jobs multiplier, excluding labor, calculated to 32.1 times. This means that for every \$1 million in direct spending, the economy generates about 32 indirect jobs.

Ongoing Impact - Indirect Jobs

Component	Direct Spending (Local)	Indirect Jobs Multiplier	Indirect Jobs
Casino	\$18,769,332	29.195	548
Food & Beverage	8,993,674	38.869	350
Retail / Other	1,009,071	24.968	25
Subtotal Non-labor	\$28,772,078	32.071	923
Labor Portion	53,709,268	13.943	749
Total	\$82,481,346	20.267	1,672

Source: The Innovation Group

Indirect on induced Spending

The same analysis was applied to “induced spending”, which only includes hotel, food & beverage and retail spending. Total indirect spending on induced summed to \$9.0 million, resulting in earnings of \$4.9 million and 190 FTE jobs. The following tables outline the calculations.

Ongoing Impact - Indirect Spending on Induced

Component	Induced Spending	Indirect Spending Multiplier	Ongoing Indirect Spending
Hotel	\$2,553,808	1.075	\$2,745,599
F&B	765,450	1.298	993,707
Retail/Other	2,563,044	1.224	3,136,654
Subtotal Non-labor	\$5,882,302	1.169	\$6,875,959
Labor Portion	1,375,808	1.549	2,131,677
Total	\$7,258,110	1.241	\$9,007,636

Source: The Innovation Group

Ongoing Impact - Indirect Earnings on Induced

Component	Direct Spending (Local)	Indirect Earnings Multiplier	Ongoing Indirect Earnings
Hotel	\$2,553,808	0.657	\$1,678,618
F&B	765,450	0.727	556,329
Retail/Other	2,563,044	0.689	1,765,425
Subtotal Non-labor	\$5,882,302	0.680	\$4,000,372
Labor Portion	2,131,677	0.441	939,004
Total	\$8,013,979	0.616	\$4,939,375

Source: The Innovation Group

Ongoing Impact - Indirect Jobs on Induced

Component	Direct Spending (Local)	Indirect Jobs Multiplier	Indirect Jobs
Hotel	\$2,553,808	26.218	67
F&B	765,450	38.869	30
Retail/Other	2,563,044	24.968	64
Subtotal Non-labor	\$5,882,302	27.319	161
Labor Portion	2,131,677	13.943	30
Total	\$8,013,979	23.761	190

Source: The Innovation Group

Ongoing Operation Summary

Combining all the ongoing impacts, total spending summed to approximately \$169 million. The earnings component represented about 51% of the total or \$86 million, resulting in about 2,900 ongoing jobs. Keep in mind that these reflect annual benefits, expected to continue in perpetuity.

The direct component accounted for about 38% of the total ongoing spending. The indirect component added \$98 million or 58% of the total. The induced component is relatively insignificant at only \$7 million. The table below summarizes the estimated ongoing economic impact of the destination casino in Wyandotte County.

Ongoing Operation Economic Impact Summary

	Direct	Induced	Indirect	Total
Spending	\$63,436,637	\$7,258,110	\$98,015,454	\$168,710,201
Earnings	\$34,664,559	\$1,375,808	\$49,479,017	\$85,519,385
Employment (man-years)	987	58	1,862	2,907

Source: The Innovation Group

Tax and Other Fiscal Benefit

The state and local economy would also benefit from the casino complex due to the expansion of various tax bases. The Innovation Group identified several tax bases that would be impacted by the subject development, including the gaming tax, sales tax, occupancy tax and property tax. The additional tax revenue would benefit the State of Kansas and the Unified Government of Wyandotte County and Kansas City, Kansas.

Gaming Taxes

A special tax, unique to the gaming industry, would be imposed against gaming revenue, estimated at \$212.9 million in Year 2. The gaming tax rate was set by legislation. The current legislation imposes a 22% and 3% rate against gaming revenue for the state and local government, respectively. The gaming operation has agreed to pay an additional 1% of gaming revenue as an incentive fee. Total gaming taxes in Year 2 calculated to \$46.8 million for the state and \$8.5 million for the local government, as displayed in the table below. Note that these tax figures would increase as gaming revenue increases. The casino operation would also pay an additional 2% to the problem gambling fund, but this \$4.3 million is not reflected below.

Gaming Tax Summary		
<i>Gaming Tax Base (Gaming Revenue)</i>		\$212,941,897
Jurisdiction	Rate	Gaming Taxes
State	22.0%	46,847,217
Local	4.0%	8,517,676
Total	26.0%	55,364,893

Source: The Innovation Group; Senate Bill 66

Sales Taxes

The current sales tax rate in Wyandotte County is 7.55%, segregated by state, county and city (Kansas City, KS) per the table below. We estimated the sales tax basis using the spending estimates discussed earlier, including direct, induced and indirect spending, adjusted to exclude labor and other nontaxable items. Again, the estimated tax base pertains only to the local spending. After applying the applicable sales tax rates, total sales tax revenue calculated to \$4.9 million, segregated as follows.

Sales Tax Summary		
<i>Sales Tax Base</i>		\$64,565,086
Jurisdiction	Rate	Sales Taxes
State	5.30%	3,421,950
County	1.00%	645,651
City (Kansas City, KS)	1.25%	807,064
Total	7.55%	4,874,664

Source: The Innovation Group; Wyandotte County

Property Taxes

According to information provided by Wyandotte County, property taxes are primarily based on the market value and subsequently, the assessed value of the real property. Personal property is exempt in Kansas. The County considers various factors during the valuation process, including input from the property owner. We estimated market value based on a percentage of hard construction costs. The Company estimated hard construction costs at \$121.5 million. We estimated the market value or appraised value at 65% of the total or \$79.0 million, reflecting the value of the physical property in a resale situation. Furthermore, assessed value, the basis for applying the property tax rate, is currently 25% of market value. The actual property tax rate depends on the school district associated with the development site. Based on the rate associated with a nearby property, we estimated the property tax rate at 14.5%, resulting in an annual property tax assessment of \$2.9 million

Property Tax Forecast

Hard Construction Costs	\$121,494,500
Market Value Factor	65.0%
Appraised/Market Value	\$78,971,425
Assessed Value %	25.0%
Assessed Value	\$19,742,856
Tax Rate	14.5%
Annual Property Tax Forecast	\$2,862,714

Source: The Innovation Group; Wyandotte County

Hotel Occupancy Tax

Wyandotte County also imposes a 6% hotel occupancy tax against room revenue. We forecast room revenue associated with induced room revenue (discussed earlier) at \$3.2 million in Year 2, resulting in hotel occupancy tax revenue of about \$194,000.

Tax Revenue Summary

After combining tax revenue from all sources, annual state and local tax revenue associated with the development summed to \$50.3 million and \$13.0 million, respectively. Note that gaming tax portion accounts for about 93% of state tax revenue, but only 65% of local tax revenue. The data shows the magnitude of the gaming tax impact for the state and a more diversified impact for the local government. The following table summarizes our tax revenue forecast.

Tax Revenue Summary

	State	Local	Total
Gaming Tax	\$46,847,217	\$8,517,676	\$55,364,893
Sales Tax	3,421,950	1,452,714	4,874,664
Property Tax	0	2,862,714	2,862,714
Hotel Occupancy Tax	0	193,960	193,960
Total	\$50,269,167	\$13,027,065	\$63,296,231

Source: The Innovation Group

Economic Impact Summary

As demonstrated throughout this document, the economic impact potential related to the subject destination casino project is substantial. Keep in mind, with regard to the analysis methodology, The Innovation Group used a conservative model. For instance, we did not include gaming expenditures in direct spending. Also, we excluded the local market patrons from the induced spending visitation base.

The one-time benefits associated with the construction phase total about \$208.4 million, generating nearly 2,570 construction jobs (man-years). We estimated that the ongoing operation would contribute over \$168.7 million in annual economic benefit. Roughly half of these benefits relate to employee earnings, equivalent to about 2,900 FTE jobs. If only half these jobs are filled by Wyandotte County residents, the Wyandotte County unemployment rate would be reduced to below the national average.

Economic Impact Summary		
	Construction Phase	Ongoing Operation
Spending	\$208,428,301	\$168,710,201
Earnings	\$94,168,359	\$85,519,385
Employment (man-years)	2,568	2,907

Source: The Innovation Group

Over the next 20 years, the present value of the ongoing economic benefits calculated to \$2.9 billion. The analysis assumes a conservative growth rate of 2.0% and a discount rate 3.25% (the current prime rate). The present value of the earnings benefit calculated to \$1.5 billion, a substantial economic benefit to area residents.

Present Value of Ongoing Impact *		
	Spending	Earnings Component
20 year Present Value	\$2,918,000,000	\$1,479,000,000

* Assumes a 2.0% growth rate and 3.25% discount rate (prime)

Source: The Innovation Group

As discussed, the annual tax benefit to the state and local governments summed to \$50.3 million and \$13.0 million, respectively, in Year 2. The 20 year present value estimate was again substantial, at over \$869 million for the state and \$225 million for local. The following table summarizes the tax revenue impact.

Present Value of Tax Revenue Impact *		
	State	Local
Annual Tax (Year 2)	\$50,269,167	\$13,027,065
20 year Present Value	\$869,000,000	\$225,000,000

* Assumes a 2.0% growth rate and 8.25% discount rate (prime)

Source: The Innovation Group

DISCLAIMER

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.

Gaming Market Assessment

Wyandotte County, Kansas

Prepared for:
The Cordish Company

March 2009



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INTRODUCTION

The Innovation Group was commissioned by The Cordish Company (“Company”) to conduct a Gaming Market Assessment (“Assessment”) for a proposed casino development in Wyandotte County (Kansas City), Kansas. The subject development site is located adjacent to and contiguous with the Kansas Speedway, just north of the intersection of Interstate 70 (“I-70”) and Interstate 435 (“I-435”), about 15 miles west of downtown Kansas City. The project will be developed by the Company, which has significant experience in successful gaming and resort developments, in partnership with the owner of the Kansas Speedway; International Speedway Corporation.

The full-scope development plan reflects a destination development, which includes a large convention facility, retail promenade, and restaurant and entertainment district along with a resort-style hotel with full-service spa and signature pool. However, this Assessment only considers Phase 1, which reflects a 189,100-square foot development, featuring a full-service casino with about 2,300 slot machines, 86 table games and a themed poker room. The Phase 1 development plan also exhibits several lounges and bars, a buffet, a coffee shop and a Hard Rock gift shop. The entire development will exhibit a Hard Rock theme with high-quality finish work and appointments. The Company expects to spend roughly \$390 million on this phase of the project, well above the minimum of \$225 million established by Kansas gaming law.

The Innovation Group utilized a gravity model to forecast local market gamer visits and gaming revenue. In addition to the local market, The Innovation Group identified the overnight and regional tourism and traffic intercept segments as potential sources of gaming revenue. The assessment projects gamer visits and gaming revenue for the 2011 to 2015 timeframe. The assessment also provides a consolidated pro-forma operating statement, which forecasts ancillary revenue and ultimately Earnings before Interest Taxes Depreciation and Amortization (“EBITDA”). The operating statement details costs by various departments.

Assumptions

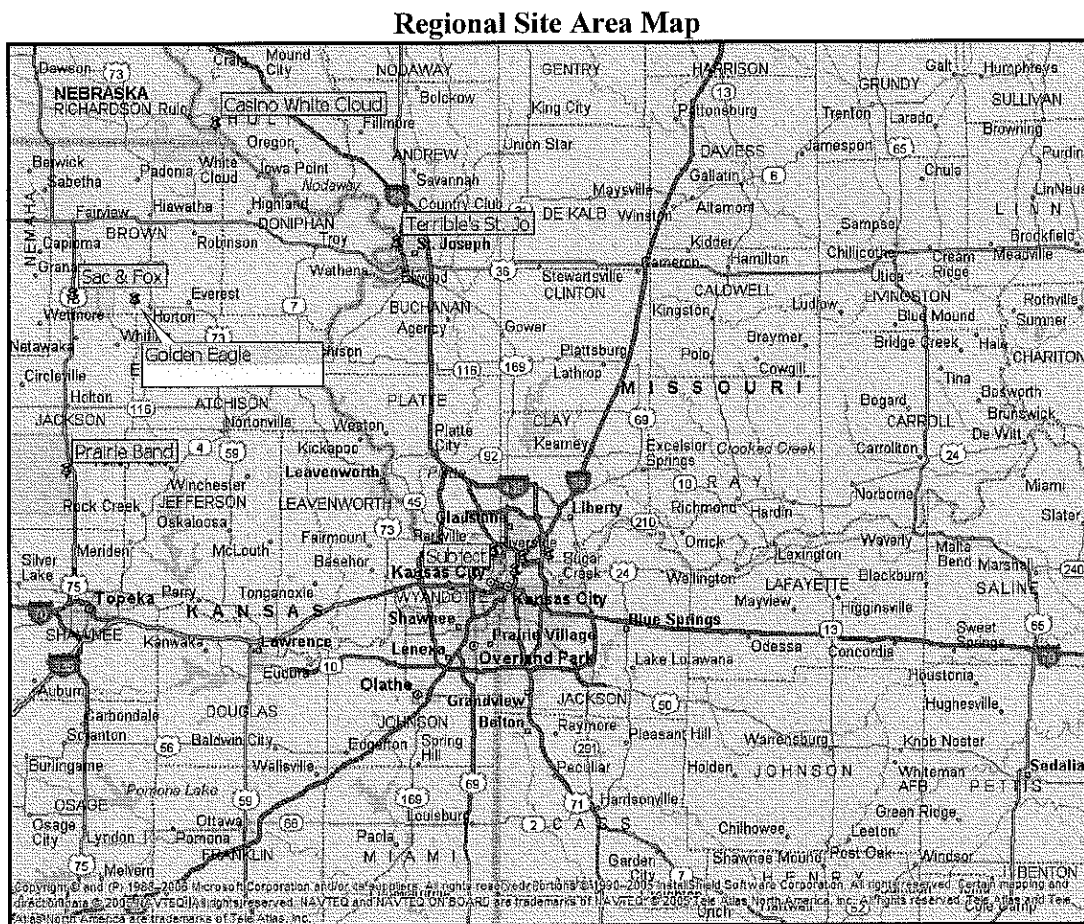
The following assumptions were made with regard to the assessment:

- The scope of the development will be consistent with the building program outlined above.
- The quality of the development will be consistent with the existing major casinos in the area, namely Argosy, Harrah’s and Ameristar.
- An experienced casino management team and/or a management company will operate the facility.
- The casino will implement an aggressive marketing program that targets high-worth gamers in the Kansas City area.
- The casino’s first full year of operations will be 2011.
- The proposed Woodlands racetrack casino will not be developed.

Site Location

The following map displays the subject site relative to the region. The development site is located about 15 miles west of downtown Kansas City, just northwest of the I-70 and I-435 intersection. While I-435 enhances north/south travel, I-70 cuts through the heart of the metro area. I-70 connects Kansas City to Topeka to the west, continuing on to Denver, Colorado. I-435 circumvents the metro area enhancing local market travel and connects to I-29 to the north, continuing on to St. Joseph, Missouri and Omaha, Nebraska.

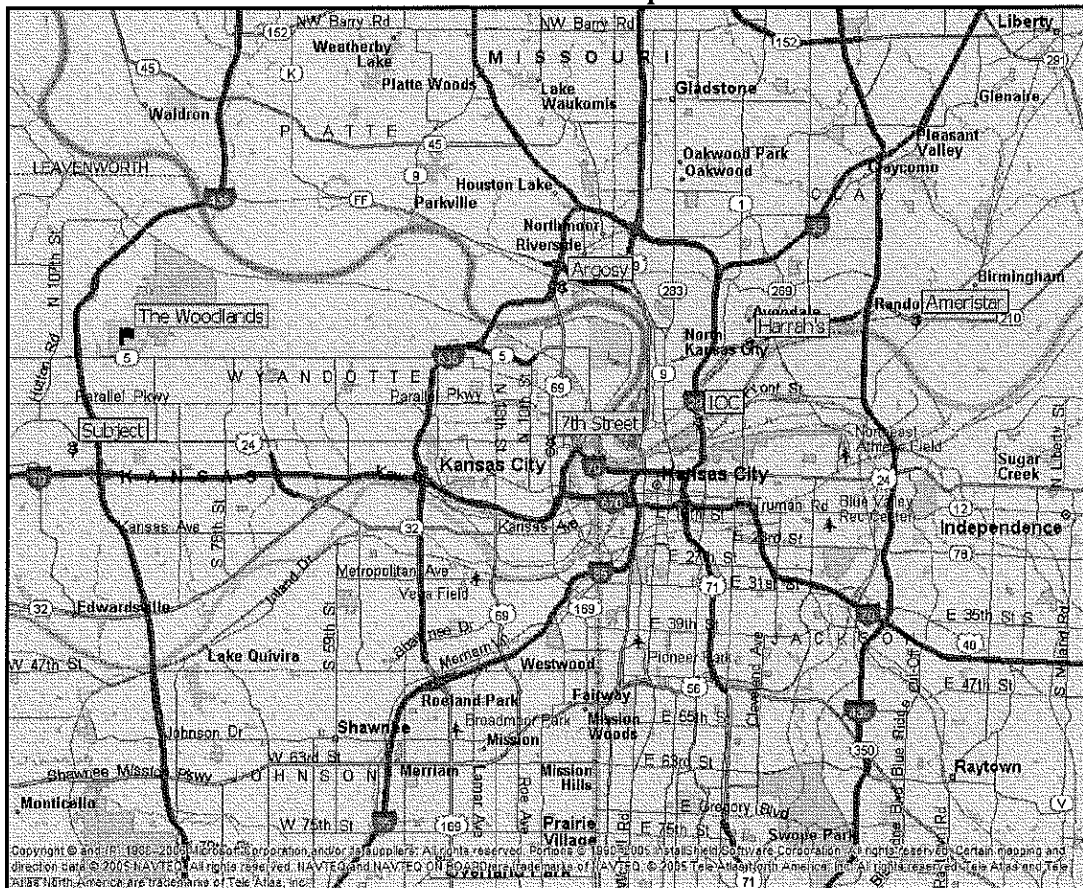
In addition to the casinos in the metro area, regional competition includes 4 Native American casinos in northeast Kansas and the Terrible's St. Jo facility, located about 50 miles to the north.



The development site area enjoys excellent ingress/egress characteristics via State Avenue (Highway 24) and Parallel Parkway from I-435, and Speedway Blvd from I-70. In addition, we believe that the project will be highly visible from I-70 and I-435, especially at night.

Note that the existing casinos in the metro area are located in close proximity to each other, along the Missouri River in the northern portion of the metro area. Harrah's and Isle of Capri are accessible via I-35, while patrons visiting Argosy and Ameristar generally use I-635 and I-435, respectively.

Close-In Site Map



Area Development

The development site is located contiguous with the Kansas Speedway and is able to take full advantage of interaction with this existing attraction, including direct view corridors onto the track itself. The site is also located in close proximity to various major attractions contained in an area known as Village West. These attractions include the Community America Ballpark, Legends Mall, Cabela's, Nebraska Furniture Mart and the Great Wolf Lodge.

Kansas Speedway

The Kansas Speedway is capable of hosting NASCAR, Indy Racing League and other motorsport events. The 1.5-mile tri-oval racetrack opened in 2003. Racing events in 2008 included the Kansas Lottery \$150 Grand (ARCA RE/MAX Series), O'Reilly Auto Parts 250 (NASCAR Craftsman Truck Series), Road Runner Turbo Indy 300 (IndyCar Series), Kansas Lottery 100 (Indy Lights Series), Kansas Lottery 300 (NASCAR Nationwide Series) and Camping World RV 400 presented by Coleman (NASCAR Sprint Cup Series). The racetrack grandstand holds 82,000 fans, with plans to expand capacity to 150,000 seats. The facility hosts roughly 650,000 patrons annually.

Community America Ballpark

The Community America Ballpark is located just north of the Kansas Speedway on Village West Parkway; the roadway that circumvents the speedway. The facility hosts the T-Bones minor league (Northern League) baseball club. The season generally runs from May through August. The Northern League, with eight teams, includes several teams from Canada as well as Illinois and North Dakota. The facility contains 4,365 fixed seats with additional seating available in the center field party area and on a grassy hill.

The T-Bones attracted about 280,800 patrons in 2008, or an average of 6,000 per game. Note that attendance was down slightly for the T-Bones despite winning the Northern League championship. The team reported record attendance of over 10,400 for a single game day in 2008. Over the last three and five years, the attendance figure has increased at an average rate of 5% and 7%, respectively, as displayed in the next table:

Kansas City T-Bones Attendance		
	Attendance	% Change
2003	204,198	
2004	238,745	17%
2005	244,414	2%
2006	269,205	10%
2007	289,162	7%
2008	280,795	-3%
AAG (3-yr)	5%	
AAG (5-yr)	7%	

Source: ERA Report; T-Bone Press Office

Legends Mall

The Legends Mall is also located north of the speedway, generally surrounding the Community America Ballpark. The 100-acre development is visible and accessible from both Village West Parkway and Parallel Parkway. The Legends Mall, which celebrated its grand opening in April 2006, is a 1.2 million square foot open-air shopping and entertainment district with over 90 tenants. On the retail side, the mall features such brands as Banana Republic, Ann Taylor and Tommy Hilfiger. On the entertainment side, the mall features a Dave & Buster's (restaurant and adult-style arcade game venue), and a T-Rex. T-Rex is a 20,000-square foot themed restaurant with dinosaur animatronics in a prehistoric setting exhibiting geysers, waterfalls and ice caves.

In total, there are about 30 restaurants in and around the mall. The mall also contains displays celebrating Kansans in art, history, politics, science, exploring and athletics. The mall icons include a 150-foot smokestack tower and a courtyard water fountain capable of shooting water 60-feet into the air. Visitation was estimated at over 10 million people annually. The following exhibit displays the current tenants with a locator map:

THE LEGENDS AT VILLAGE WEST

Parallel Parkway

Village West Parkway

State Avenue

Santoback Lane

100th Street

Prairie Crossing

Shopping Center Hours: Mon-Fri 10am-9pm; Sun 11am-6pm
Some store and restaurant hours may vary.

LegendsShopping.com

TO 1-835
TO 1-70

LEGEND

- FOOD/DRINK
- GUEST ENTRY
- GIFT CARDS
- RESTROOMS
- SECURITY
- TOWER
- PARKING GARAGE
- ATM

Cabela's

Cabela's is an 188,000 square foot outdoor themed retail complex, located just east of the speedway at the intersection of I-435 and State Avenue (Highway 24). The development is located on 43 acres of land and offers roughly 1,200 surface parking spaces. The facility features numerous exhibits including a live aquarium, a stuffed mule deer exhibit and a mountain animal exhibit. The facility also has an arcade shooting galley with roughly 20 stations. In addition, an extensive short-order grill on the second level is available. A gift shop featuring Cabela's themed items and other novelty gifts is also available.

Nebraska Furniture Mart

The Nebraska Furniture Mart, located just west of Cabela's, is one the nation's largest furniture stores and a tourist destination in and of itself. This 80-acre development contains the 712,000 square foot superstore and 3,200 surface parking spaces. The retail offering includes about 185,000 appliances and electronics and 85,000 home furnishings. The store also offers the largest carpet selection in the country. A Quiznos restaurant is available on site.

Great Wolf Lodge

The nearby Great Wolf Lodge is a full-service, indoor waterpark resort featuring a woodland theme. The lodge is located just off I-435 at the State Street exit (less than a mile north of I-70). Smith Travel Research rates this complex as upscale. The 281-room all-suite facility offers 7 accommodation choices, featuring various themed kids sleeping areas. The accommodations also differentiate with Jacuzzis, kitchenettes and gas fireplaces.

The facility contains a 49,000 square foot indoor entertainment area with an indoor waterpark, arcade with ticket redemption, children's craft and activity room, spa and fitness room, full-service restaurant, confectionery café, meeting space, outdoor pool, gift shop and miniature golf course. The 38,000 square-foot indoor waterpark contains eight waterslides, three pools and a four-story water fort. The facility utilizes nearly 200,000 gallons of water circulating throughout the complex. The waterslide selection features a 626-foot two-person tube slide. The outdoor pool area features a large, zero-depth entry pool and a kid's area with floor geysers and spray features and water basketball. Three cabanas provide a comfortable and shady area with pool-side food and beverage service, a 20-inch plasma screen TV and a refrigerator with complimentary beverages. The outdoor waterpark is open from Memorial Day weekend to Labor Day weekend.

The three-story Grand Lobby with massive stone fireplace and overstuffed furniture and wood tables contains the Northern Lights Arcade with ticket redemption center. This 6,000 square foot arcade features over 100 games, ticket redemption/video area and black-lit area for adventure and racing games. The latest entertainment addition is the Wacky Wilderness outdoor miniature golf course.

The lodge offers several dining choices featuring the full-service Camp Critter Bar & Grill with a rustic ambiance of campsite dining. For families wanting a quick and

convenient meal selection, the Bear Claw Café confectionery and Spirit Island Snack Shop are available. Finally, a Pizza Hut Express is located near the indoor pool area and the Oasis Bar & Grill is the outdoor pool venue with beverages and snacks. Most restaurants are open to the public.

Proposed – Schlitterbahn Vacation Village

Schlitterbahn, the owner and operator of three destination waterparks around the country, has commenced construction on a \$750 million entertainment destination in Kansas City, Kansas called Schlitterbahn Vacation Village. The full development plan exhibits a world-class Schlitterbahn Waterpark Resort, similar to the Schlitterbahn resorts in New Braunfels, South Padre Island and Galveston Island. The 370-acre proposed development site is located on the east side of I-435 between State Street and Parallel Parkway; within a few minutes of the subject casino. The first component of the project is scheduled to open in the summer of 2009. The first component features a waterpark with 16 signature attractions comprising 24 slides and shuts. A river transportation system will also be unveiled; a system which combines transportation and entertainment with the goal of minimizing the time guests spend in lines.

Proposed future phases include the Scheels All Sport Retail Destination, Vacation Village and Riverwalk. The Scheels store is expected to offer 221,000 square feet of specialty shops focusing on athletic gear, sportswear and outdoor gear. Store attractions include a 65-foot Ferris wheel, a 16,000-gallon aquarium and a home décor and gift lodge. Scheels is expected to open in the spring of 2011. The Vacation Village plan includes a total of 1,100 lodging accommodations featuring a unique elevated Treehaus Resort, waterfront cabins, along with a full-service hotel. The lodging options will be integrated with the various waterpark attractions. The Riverwalk area is a landscaped walkway through a shopping, dining and entertainment district. Proposed landscaping includes lush foliage, winding walkways and a functional river. The Riverwalk will also feature entertainment attractions such as SkyVenture, an indoor skydiving experience. The water transportation system will be expanded to connect the different components of the project.

Proposed – Retail Expansion

There is also a proposed 850,000 to 900,000 square foot power shopping center on a site just north of Village West, called the Plaza at the Speedway. This Block & Company retail project is expected to offer basic retail services such as a Wal-Mart and Best Buy, and thus fill in the gap with basic retail. Food and beverage options may include Olive Garden, Red Lobster and Taco Bell. The development has been segregated into two fairly equal phases. The first phase is expected to open in 2009 followed by the second phase in 2010.

Kansas Legislative Summary

Senate Bill 66

In late April 2007, Senate Bill 66 ("SB66") was signed into law allowing for the development of various destination casinos and racetrack casinos in Kansas.

Destination Casinos

The bill contemplates four destinations casinos, owned and operated by the Kansas Lottery. The designated locations include the following counties in Kansas: Wyandotte County, Ford County, one casino in either Cherokee or Crawford County, and one casino in either Sumner or Sedgwick County. However, each jurisdiction must approve gaming via a countywide vote. **The vote passed in every county but Sedgwick.** In addition, the capital investment associated with these developments must exceed \$225 million (\$50 million for the Ford County facility). The management company must also pay a \$25 million privilege fee (\$5.5 million for the Ford County facility).

The tax rate on gaming revenue was set at 27%; with 22%, 3% and 2% going to the state, local government and a problem gambling fund, respectively. State revenues would be deposited in the Expanded Lottery Act Revenues Fund, designated for the reduction of state debt, state infrastructure improvements (i.e. deferred maintenance at public universities) and local government property tax relief. The legislation dictates that 15-year contracts would be signed with the casino management company.

Racetrack Casinos

Under that bill, the three existing racetracks, including The Woodlands in Kansas City, the Wichita Greyhound Park in Valley Center (near Wichita) and Camptown Racetrack in Frontenac, would divide 2,200 slot machines, although the exact distribution is uncertain. **Again, the vote failed for Wichita Greyhound's host county (Sedgwick), which means the other two racetracks could get more slots.** An additional 600 slot machines would be available through an auction process selling licensing rights at a starting bid of \$2,500 per machine. The racino gaming revenue would be divided as follows:

Racino Gaming Revenue Distribution Summary		
Beneficiary	Percentage	Comment
State	40%	
Facility Owner	25%	
Kansas Lottery	15%	For expenses
Greyhound Purses	7%	Max of \$3750 per machine, per year
Thoroughbred Purses	7%	Max of \$3750 per machine, per year
Local Government	3%	
Problem Gaming Fund	2%	
Fair Fund	1%	Support fair pari-mutuel racing

Source: Legislative Summary

Due to the onerous tax structure, The Innovation Group believes there is significant uncertainty as to whether any racetrack casinos will be developed.

Other

SB 66 also renews the Kansas Lottery for 15 years and prohibits any further expansion of gaming in Kansas beyond that allowed under the bill for a period of 25 years. The Act creates a Lottery Gaming Facility Review Board to evaluate management company proposals. The Board will be composed of 7 members, with 3 appointed by the Governor, 2 appointed by the President of the Kansas Senate and 2 appointed by the Speaker of the Kansas House. The Act contains extensive criteria for membership on the Board, including strong conflict of interest provisions. SB 66 contains strong ethics provisions, prohibiting state office holders and legislators from working with a gaming company until they have been out of office for at least 5 years. SB 66 contains strong regulatory oversight and auditing procedures as well.

Missouri Regulatory Environment

The Missouri regulatory environment has changed significantly in recent months. A constitutional amendment was approved by the voters of Missouri in November 2008 which caps the number of gaming licenses, removes the so-called “loss limit” restriction and increases the tax rate slightly.

License Cap

The amendment restricts the number of casinos to those which are build or being built. This change means that the propose Sugar Creek facility will not be a factor in the Kansas City market, notwithstanding a new constitutional amendment.

Restrictions on Gaming

The amendment eliminated the “loss limit” or more accurately described as a \$500 buy-in limit. In other words, patrons were only allowed to convert cash into \$500 worth of chips or tokens during each 2-hour cruise session. The loss limit controls required patrons to obtain an entry card by showing photo identification. The loss limit negatively impacted gaming revenue by requiring identification at the entry gate, limiting high-end play, and generally slowing the pace of play due to the controls. The Innovation Group believes the identification requirement had the greatest impact, as gamblers are often sensitive to perceived player tracking.

Tax Rate Structure

The gaming tax rate was increased from 20% to 21% on gaming revenue. The admission fee of \$2 per admission was unchanged. The change in the tax rate was at the low end of what was expected in exchange for the “loss limit” removal. The effective tax rate (all-in) was about 26.5% in 2008, notwithstanding local municipality add-ons.

REGIONAL BACKGROUND

Demographic Profile

An area's demographic profile is indicative of its ability to support a gaming development. In this section, some of the specific demographic characteristics of the market area that affect the potential demand for gaming were analyzed. For purposes of this assessment, we analyzed total population, gamer population (21+) and Average Annual Household Income ("AAHI") using a 100-mile concentric ring emanating from the development site, divided into 25-mile increments.

Total Population

The total population within 100 miles of the subject was estimated at 2.95 million in 2008. The count is expected to reach 3.05 million by 2012, reflecting an average annual growth rate of 0.7%. The anticipated growth rate is slightly lower than the national average, but modestly higher than the Kansas state average.

The innermost ring (0-25 miles) with 1.5 million people (2008) accounts for roughly 50% of the market, generally reflecting the Kansas City metro area. The 25-50 mile ring captures the balance of the metro area as well as the cities of Topeka, Kansas and St. Joseph, Missouri. This market segment contains about 814,400 people or 28% of the market. The 50-75 mile segment contains no major cities as it extends into rural Kansas and Missouri and adds only about 250,000 people. The outer ring contributes 370,000 people (2008), but again contains no major cities. In general, the larger population centers are expected to grow at a rate in line with the national average while the rural areas are expected to remain relative flat. The following table displays the population statistics for the greater Kansas City market:

Kansas City Market Area Population					
Ring	2000	2008	2013	A.A.G. 2000-2008	A.A.G. 2008-2013
0-25 miles	1,414,229	1,510,976	1,568,849	0.8%	0.8%
25-50 miles	738,680	814,439	855,645	1.2%	1.0%
50-75 miles	240,375	250,130	253,994	0.5%	0.3%
75-100 miles	371,885	369,867	367,270	-0.1%	-0.1%
Total	2,765,169	2,945,412	3,045,758	0.8%	0.7%
Kansas	2,688,418	2,781,655	2,835,833	0.4%	0.4%
Missouri	5,595,211	5,911,870	6,088,004	0.7%	0.6%

Source: Ixpress/Claritas, The Innovation Group

Gamer Population (21+)

The gamer population within 100 miles of the subject site was estimated at 2.09 million in 2008 or 70.9% of the total population. The proportion is expected to increase to 71.4% by 2013, resulting in 2.17 million gamer adults, or an average increase of 0.8% per year. This aging of the population is in line with the state and national average.

The innermost ring (0-25 miles) was estimated to contain about 1.07 million gamer adults (2008) or 70.8% of the total population. The 25-50 mile ring showed a similar adult proportion. The outer two ring segments showed a slightly older population base. The following table displays the gamer population statistics for the Kansas City market:

Kansas City Market Gamer Population (21+)					
Ring	2008	% of Total Population	2013	% of Total Population	A.A.G. 2008-2013
0-25 miles	1,070,406	70.8%	1,115,337	71.1%	0.8%
25-50 miles	576,253	70.8%	610,039	71.3%	1.1%
50-75 miles	179,198	71.6%	184,156	72.5%	0.5%
75-100 miles	263,888	71.3%	263,752	71.8%	0.0%
Total	2,089,745	70.9%	2,173,284	71.4%	0.8%
Kansas	1,955,582	70.3%	2,010,090	70.9%	0.6%
Missouri	4,236,121	71.7%	4,397,546	72.2%	0.8%

Source: Ixpress/Claritas, The Innovation Group

Average Annual Household Income

The Average Annual Household Income ("AAHI") for the greater Kansas City market was estimated at about \$64,000 in 2008. The figure is moderately higher than the Kansas and Missouri state average, but slightly lower than the national average. The AAHI for the market is expected to grow 2.2% per year over the next five years, reaching \$71,400 by 2013. The growth rate is in line with the national average.

The innermost ring, generally reflecting the Kansas City metro area, showed the highest AAHI of \$68,400 (2008). The figure is expected to reach \$75,900 by 2013, or an increase of 2.1% per year. The 25-50 mile ring segment showed a slightly lower AAHI, while the more rural rings segments displayed income levels in the \$48,700 to \$54,900 range. The growth rates for the ring segments were similar, as displayed below.

Kansas City Market Average Household Income					
Ring	2000	2008	2013	A.A.G. 2000-2008	A.A.G. 2008-2013
0-25 miles	\$58,041	\$68,430	\$75,861	2.1%	2.1%
25-50 miles	\$54,485	\$65,478	\$72,862	2.3%	2.2%
50-75 miles	\$45,106	\$54,891	\$61,608	2.5%	2.3%
75-100 miles	\$39,904	\$48,722	\$54,979	2.5%	2.4%
Total	\$53,566	\$64,032	\$71,362	2.3%	2.2%
Kansas	\$52,080	\$62,238	\$69,297	2.3%	2.2%
Missouri	\$49,956	\$58,753	\$64,932	2.0%	2.0%

Source: Ixpress/Claritas, The Innovation Group

Economic Analysis

An area's economic health is also indicative of its ability to support a gaming development. This section analyzes key economic data, focusing on employment.

Employment by Sector

Total nonfarm employment in the Kansas City metro area reached 1.02 million in 2008, an increase of only 0.5% over the prior year. Over the last 5 years the growth rate averaged 1.2%. In 2008, the leading industrial sector was Trade and Transportation representing about 20% of employment. Professional & Business Services and Government were also well represented with about 15% of employment, followed closely by Educational at 12%.

Regarding growth, the Professional & Business Services sector exhibited the highest average annual growth rate of 4.2% over the last five years. The Educational, Government and Leisure sectors also posted relatively strong growth of 2.8%, 1.4% and 1.3%, respectively. The Information sector was the only segment to show a materially decline. The next chart depicts the industry composition of Kansas City over the last several years.

Kansas City MSA Employment by Industry (000's)

Industry	2003	2004	2005	2006	2007	2008	5-yr AAG	% of Total (2008)
Natural Resources	50.9	50.9	52.8	54.4	53.0	50.2	-0.3%	4.9%
Manufacturing	82.6	83.7	83.1	83.3	82.4	81.2	-0.3%	8.0%
Trade and Transportation	201.6	202.7	203.7	205.0	207.9	206.0	0.4%	20.2%
Information	47.8	45.2	42.4	42.0	42.5	42.1	-2.5%	4.1%
Financing	70.9	69.5	71.2	73.1	74.2	73.8	0.8%	7.2%
Professional / Business	122.6	130.2	137.8	141.6	147.9	150.3	4.2%	14.8%
Educational	107.7	109.2	111.5	114.5	118.6	123.6	2.8%	12.1%
Leisure	90.7	92.2	92.8	94.6	95.3	96.6	1.3%	9.5%
Other Services	41.4	40.2	39.8	39.9	41.1	41.8	0.2%	4.1%
Government	142.5	143.7	144.1	145.8	150.5	153.0	1.4%	15.0%
Total Nonfarm	958.7	967.5	979.2	994.2	1,013.4	1,018.6	1.2%	100.0%

Source: Bureau of Labor Statistics

Unemployment

The unemployment rate for the Kansas City metro area spiked to 5.8% in 2008 after bottoming out at 5.0% in 2007. However, the rate is poised to increase further in 2009. For December 2008 (most recent data available), the rate was 6.9% for the month.

The labor force increased at an average rate of 0.6% per year over the last five years. Note that the rate of growth is slightly lower than the growth in the underlying population base. The following table displays employment statistics for the Kansas City metro area:

Kansas City Metro Area - Employment Summary

	Unemployment	Employment	Labor Force	Unemployment Rate
2003	60,709	950,481	1,011,190	6.0%
2004	62,062	956,996	1,019,058	6.1%
2005	57,727	966,954	1,024,681	5.6%
2006	51,305	975,209	1,026,514	5.0%
2007	51,536	989,389	1,040,925	5.0%
2008	60,252	982,723	1,042,975	5.8%
1-yr AAG	16.9%	-0.7%	0.2%	
3-yr AAG	1.4%	0.5%	0.6%	
5-yr AAG	-0.2%	0.7%	0.6%	

Source: Bureau of Labor Statistics

Major Employers

The diversity of employment in the Kansas City market is highlighted in the table below that depicts the largest area private employers. The largest employer in the area is Sprint Nextel, employing about 13,200 people; almost double the next largest employer. Note that the health care and telecommunication industries are well represented. In the top employers list, there are 5 health related concerns and 4 telecommunication/technology companies. The Ford Motor Company employs roughly 4,400 people at an assembly plant.

Top Private Employers - Kansas City

Company	Industry	Employment
Sprint Nextel Corp	Telecommunications	13,200
HCA Midwest Health System	Health Systems	7,000
McDonald's USA LLC	Restaurant	6,400
Saint Luke's Health System	Health Systems	5,454
Cerner Corp	Health Care IT	4,700
DST Systems Inc.	Information Technology	4,500
Ford Motor Company	Manufacturing	4,400
Hallmark Cards Inc.	Greeting Cards	4,200
Children's Mercy Hospitals	Health Care	4,108
AT&T	Telecommunications	4,013
Embarq Corp	Telecommunications	3,809
Black & Veatch	Engineering	3,800
Truman Medical Centers	Health Systems	3,056
Farmers Insurance	Insurance	3,000

Source: Kansas City Business Journal

Tourism

The Innovation Group found Wyandotte County to be a solid family-oriented tourist destination offering historical sites and events, unique restaurants, ample shopping, sports and one-of-a-kind attractions. Outdoor recreation activities such as hiking, biking and golfing are also available with regard to two large state parks and three 18-hole golf courses. The Village West district represents the centerpiece for tourism in the county offering a mix of shopping, dining, sports and entertainment.

Cultural/Historical

The county hosts many historical and cultural events, such as the Wyandotte County Fair, Dodge City Days and the Renaissance Festival. The county fair, held in 2007 at The Woodlands racetrack, attracts more than 100,000 people annually. The Dodge City Days, a new event held at Village West, reflects a partnership with Dodge City, Kansas to cross-promote the state's western heritage. The Renaissance Festival also draws large crowds, featuring 16th century shops, spectacles and entertainment.

Sports

The Community America Ballpark hosts the Kansas City T-Bones, a minor league baseball club associated with the Northern League. The team attracts over 280,000 fans a year. The stadium is also used for community shows and concerts due to its seating capacity of about 4,400 fixed-seats plus lawn seating.

Truly unique to the area is the Kansas Speedway with NASCAR, Indy Racing League and other motorsport events. Racing events in 2008 included the Kansas Lottery \$150 Grand (ARCA RE/MAX Series), O'Reilly Auto Parts 250 (NASCAR Craftsman Truck Series), Road Runner Turbo Indy 300 (IndyCar Series), Kansas Lottery 100 (Indy Lights Series), Kansas Lottery 300 (NASCAR Nationwide Series) and Camping World RV 400 presented by Coleman (NASCAR Sprint Cup Series).

Shopping/Restaurants

The shopping and dining experience in the county is currently focused on the Village West development. The development features the Legends Shopping Mall with various department stores, boutiques and numerous restaurants. Other major retail venues include the Nebraska Furniture Mart and Cabela's for outdoor gear.

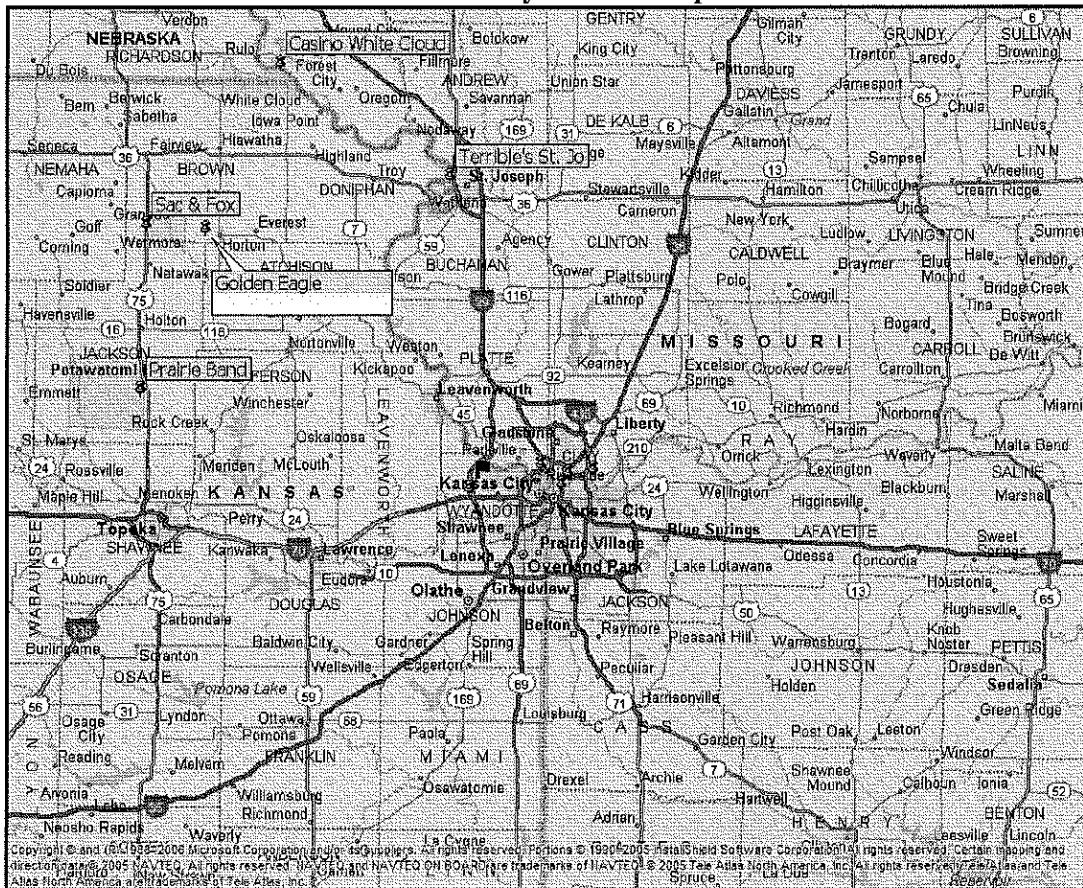
Lodging

The county is able to host modest conventions and corporate events. With three convention hotels, the county is able to accommodate groups from 10 up to 5,000 people. The convention hotels highlighted by the county include Best Western Inn, Great Wolf Lodge and Hilton Garden Inn.

COMPETITIVE ENVIRONMENT

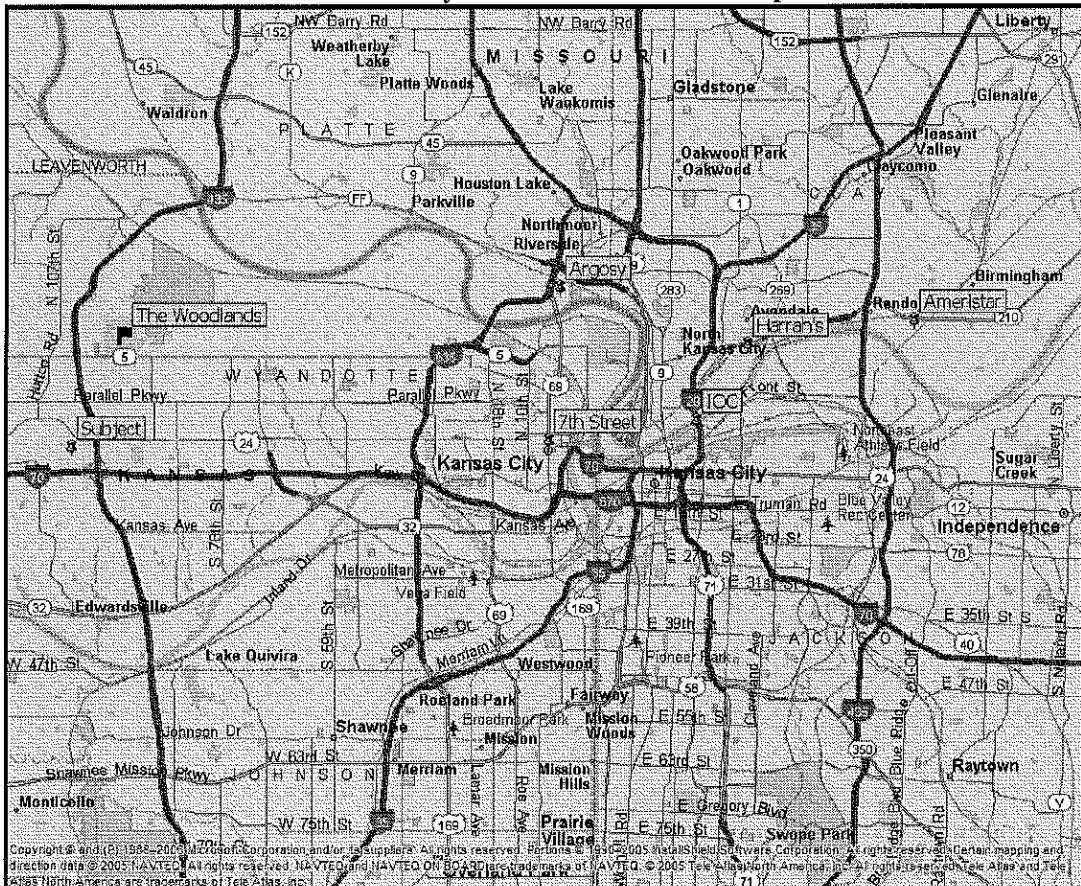
The Innovation Group believes that Kansas City market is primarily a regional market, capturing customers within about 100 miles of the market center. In addition to the Kansas City metro area, the 100-mile market captures the major cities of St. Joseph and Sedalia, Missouri, and Topeka and Lawrence, Kansas. The 100-mile Kansas City market contains 9 casinos and one racetrack. The inventory includes 5 commercial casinos in the Kansas City metropolitan area (including St. Joseph) under the jurisdiction of the MGC, 4 Native American casinos in northeast Kansas and one small Class II Native American casino in Downtown Kansas City, Kansas. The racetrack, called the Woodlands, is located in Kansas City, Kansas near the intersection of Interstate 70 and Interstate 435. The market is truncated to the north by commercial casinos in Iowa and to the east by the casino in Boonville and the major casinos in St. Louis. However, there is little competition to the west and south. The following map displays the location of each of these gaming facilities:

Kansas City Market Map



The major commercial gaming facilities in the Kansas City market include Harrah's and Isle of Capri in North Kansas City, Argosy in Riverside and Ameristar. The casinos are situated within about a 10-mile stretch along the Missouri River, generally in the northern portion of the metro area. The following map displays the commercial gaming facilities in the Kansas City metropolitan area.

Kansas City Metro Area Market Map



The following discussion outlines the relevant information with regard to each gaming facility in the 100-mile market area, including details on location, size, quality and amenity package.

Native American Developments

Prairie Band Casino

The Prairie Band of Potawatomi Nation of Kansas operates a Class III casino near Mayetta, Kansas; about 20 miles north of Topeka and 65 miles east of Kansas City. The property is accessible from Highway 75 via I-70. The 35,000 square foot casino offers about 1,050 slots and 33 table games, including a poker room. Other table games include Blackjack, Craps, Pai Gow Poker and Roulette. The food and beverage offerings include a buffet, steakhouse and 24-hour grill. The facility features a recently expanded 297-room hotel and convention center. Hotel amenities include a whirl pool area. The 12,000 square foot convention center hosts concerts, conventions, receptions, and business meetings.

Golden Eagle Casino

The Kickapoo Tribe in Kansas opened the Golden Eagle Casino facility in May 1996, on tribal grounds in Horton, Kansas; roughly 45 miles north of Topeka. This facility is also accessible via Highway 75. The 45,000 square foot casino features about 800 slot machines and 20 table games including a 7-table poker room. The facility also contains a 370-seat bingo parlor. The full-service restaurant offers various buffets for lunch and dinner as well as a full breakfast menu. The facility features a 540-seat showroom, presently live entertainment, primarily on weekends. The Kickapoo Tribe also operates the Kickapoo Truck Plaza a convenience store with 20 pumps.

Sac & Fox Casino

The Sac & Fox Nation of Missouri in Kansas operates a Class III gaming facility on tribal lands off Highway 75, near Powhattan, Kansas. The casino has been in operation since 1997 and currently features about 475 slot machines and 15 table games, including 4 poker tables. The casino's main dining option is the Lodge Buffet. Other food and beverage alternatives include a deli and the Boat Bar (serving food). The facility's ancillary amenities include a golf driving range, an open arena, some RV pads, and a truck stop/convenience store station.

Casino White Cloud

Located in extreme northeast Kansas near White Cloud, Kansas, the Iowa Tribe of Kansas owns and operates Casino White Cloud. This modest casino offers only about 360 slot machines and 7 table games, predominantly blackjack. The facility also has a 400-

seat bingo parlor, a restaurant offering both buffet and off-menu options, and an outdoor arena. Casino White Cloud opened in December 1998, the last facility to open in the area.

Wyandotte 7th Street Casino

The Wyandotte 7th Street Casino opened for business in January 2008 with about 560 Class II machines and 7 Blackjack tables. The casino is located in downtown Kansas City, just a few blocks west of the intersection of I-70 and Armstrong Avenue. The property offers a full-service restaurant, a couple of bars and a concession stand. According to a Kansas City Star article, the casino generated about \$4 million in revenue in its first full quarter.

Commercial Casinos (Missouri Jurisdiction)

Ameristar

The Ameristar Casino is the most eastern casino in the Kansas City metro area, located just off I-435, about 7 miles south of the I-70/I-435 juncture. Since I-435 generally circles the metropolitan area, the casino is easily accessible from most areas, but predominately the eastern portion. Highway 210 (Armor Road) provides decent access to the casino entrance. In addition to the 2,650-space parking garage, the property offers a large surface parking lot.

The development features a 140,000 square foot gaming floor with about 3,000 slot machines and 95 table games, including a 15-table poker room. The two-level casino is spacious with the second level opening to the first via two center atriums. The finish level is high quality exhibiting woodwork, unique lighting (chandelier centerpieces) and several well done lounge areas. The slot product exhibits the latest machines, all with ticketing technology. Table pits are available on both levels with the poker room secluded on the second. The condition of the casino, including the signage, carpeting, slot chairs and tablecloth, was found to be well maintained.

The casino is contained in a large mall featuring a streetscape theme. The mall houses 11 restaurants, a 1,400-seat entertainment venue, an 18-screen movie theater, Kids Quest, arcade and the 184-room hotel. The food and beverage offering (enhanced in 2003) is extensive with 5 full-service restaurants, a buffet, an Arthur Bryant's BBQ outlet, a deli and a 3-unit food court. The full-service offering includes the Great Plains Cattle Co. (steakhouse), Pearls Oyster Bar, 24-hour Falcon Diner and the Amerisport Brew Pub. Ameristar also boasts of numerous bars and lounge areas including the Pullman railroad car bar near the entrance.

Ameristar offers a high-end 184-room hotel located adjacent to the mall promenade. The lobby of the hotel suggests luxury and is secluded from the gaming area. The rooms were recently renovated with distinctive appointments and carpeting, upscale bedding, plasma

TVs, and upgraded baths with granite and marble flooring. The king suite exhibits a formal décor with rich colors. The deluxe suite features a larger sitting area. The hotel contains no meeting space or pool, generally catering to the adult gamer tourist.

Harrah's

The Harrah's Casino is located about 3 miles west of Ameristar off Highway 210. The property is easily accessible via I-435 or I-35 (major north/south thoroughfares). The property is also accessible from the south via the Chateau Bridge. Ingress/egress characteristics are excellent as the property entrance has its own stoplight. The entrance gateway/road is lighted and themed, featuring two Vegas-like video billboards, giving one a definite sense of arrival. Both ample surface parking and a modest (two-level) parking garage are available. The garage has a direct entrance into the casino, as opposed to Ameristar, which requires a decent hike.

The food and beverage area (The District) contains a centerpiece bar surrounded by seven outlets. The offering features the Range Steakhouse, Toby Keith's (bar & grill), the standard Harrah's buffet, a full-service Italian restaurant, and a Starbuck's. There is also a short order grill and deli located on the casino floor called the Corner Grill for food on the go. A themed nightclub called the Voodoo Lounge is the primary source of live entertainment. Two themed bars on the casino provide additional entertainment.

The casino exhibits a two-level format with escalator systems providing access to the second level – one at the entrance and one in the center of the casino. The casino offers about 1,755 slot machines and 60 tables, generally equal to Argosy in terms of size, but significantly smaller than Ameristar. The slot product presents a good mix of denominations with decent volume in the newer themes, again all with ticketing technology. The second level contained a poker machine area with numerous types. The table game offering featured a 30-table pit on the first level, with electronic roulette, one of the newer casino innovations. The casino also offered Harrah's signature poker room on the second level. The Harrah's facility is extremely popular and does the most business relative to its size.

Harrah's presents a very nice 392-room hotel complex located about 200 yards from the casino. The lobby area is spacious and semi-formal, and we found the desk service to be excellent. The standard room is oversized in comparison to most hotels, available with a king bed or two double beds. The rooms are nicely appointed with above average bedding and an upgraded bath. The bath features a separate shower, faux marble and separate toilette area. The hotel offers a premium room with a larger sitting area containing a sleeper sofa. The Harrah's hotel offers significant convention space, totaling about 10,800 square feet. The space comprises a 9,800 main ballroom divisible into segments as small as 1,100 square feet. Also available are two separate breakout rooms, including an executive boardroom. Finally, the hotel contains a small indoor pool with whirlpool adjacent to the lobby.

Argosy

The Argosy Casino Riverside is the westernmost facility, located about five miles north of downtown Kansas City. The casino is immediately adjacent to I-635, which connects to I-29/I-35 to the north and traveling south through the western portion of the metro area. Therefore, as stated by Penn National, the casino primarily attracts customers that reside in the northern and western regions of the metropolitan area. The Argosy property also exudes a sense of arrival with a large video sign, a nice porte cochere, which is distinguished by a fountain. A new 1,400-space parking garage is located on the western end of the property. Ample surface and valet parking are also available.

The casino complex underwent a \$105 million expansion in 2003, featuring a landside casino barge in a moat (formerly a boat on the river), an upgraded food and beverage offering and the new parking garage. The complex exhibits a Mediterranean wharf theme, including a streetscape setting connecting the restaurants with the casino floor. The one-level gaming floor presents a circular format, which is difficult to navigate for first timers, with no corners to provide orientation. The casino contains themeing elements especially in the table games area, which provides a distinction from other casinos in the market. Also, the slot signage is unique and obviously expensive. The casino offers about 1,975 slot machines with a decent balance of video, reel and poker. The table area contains all the popular games including Pai Gow Poker, Texas Hold'em and Mini Bacarrat.

Although the food and beverage offering is less extensive than Harrah's and Ameristar, the quality is high and the restaurants are uniquely themed. The offering includes a popular buffet, steakhouse, full-service sports bar/grill called Crazy Olives and a coffee shop with pastries and gifts. In addition, a nicely decorated deli, featuring handmade sandwiches, is available on the casino floor. All the establishments exhibit the Mediterranean theme. The facility offers about 11,000 square feet of functional meeting space, featuring a 7,500 square foot main ballroom.

Argosy's 258-room high-end hotel, which opened in March 2007, is the newest hotel in the market. Regarding the exterior, the lower portion of the hotel exhibits the prevailing Mediterranean theme, while the façade of upper floors is reflective glass. The oversized rooms present a luxury feel with upgraded bedding and upgraded baths with a formal décor and unique shower. Each room contains a refrigerator and 42-inch plasma TV. The hotel features a luxury spa and state-of-the-art fitness center. In addition, the facility offers roughly 13,400 square feet of functional meeting space including a 7,500 square foot ballroom, 4,900 square feet of pre-function space and a formal boardroom. The ballroom is divisible into four equal sections, while the boardroom features oak-paneled walls, leather-backed chairs and audio visual facilities.

Isle of Capri

The Isle is located a few miles north of downtown Kansas City just off I-35 (Front Street exit). A large surface parking lot is available across Front Street and connects to the property via a pedestrian bridge. A small parking garage is also available, but not immediately apparent upon arrival. This riverboat casino features a two-level format. The entry level (loft level) is open to the casino level below. The ticketing and food and beverage amenities are located on the loft level, while escalators and elevators provide access to the casino below.

The 45,300 square foot gaming floor contains about 1,315 slot machines and 23 table games, including a 6-table poker room. Note that the casino has eliminated about 300 gaming positions over the last three years. The casino presents the typical tropical theme associated with most Isle properties, although the rock waterfall feature has been replaced by a centerpiece bar. The food and beverage offering includes a 45-seat Tradewinds Marketplace, a 96-seat Farraddays' Bistro and a 372-seat Calypso's buffet – the standard Isle spread.

Proposed Developments

Woodlands Racino

SB 66 legalized a limited number of slot machines at the two existing racetracks and one proposed racetrack in Kansas, pending county approval. Wyandotte County, the home county of The Woodlands approved gaming. However, due to the onerous tax structure imposed on racetrack casinos, The Woodlands opted not to develop a casino, and in fact, closed entirely. Nonetheless, The Innovation Group believes that if the tax structure were revised materially, The Woodlands may change course.

The Woodlands Racetrack is located about 3 miles north of I-70, just off of I-435. The complex features a horse racing venue and a separate greyhound racing venue. These are large facilities typical of racetrack venues; with grandstand seating and several food and beverage concession stands. In the event that The Woodlands moves forward on the gaming development, the gaming facility would likely be housed in an attached venue or free space in the existing venues. The facility would likely contain fewer amenities in comparison to the other casinos. We would anticipate the racino offering approximately 800 to 1,200 slot machines.

Kansas City Gaming Market Statistics

The Innovation Group analyzed the gaming market statistics for the Kansas City metro market including gaming revenue, patron volume and win per patron ("WPP") as well as win per unit and market share. For the purpose of this analysis, the market was restricted to the four major boats in the metro area: Argosy (Riverside), Ameristar (Kansas City, Harrah's North Kansas City and Isle of Capri (Kansas City). A profile of these properties is outlined below.

Kansas City Market Property Summary

	Gaming Sqft	Slots	Tables	Restaurants	Hotel Rooms
Argosy	62,000	1,975	47	4	258
Isle of Capri	45,300	1,315	23	3	0
Ameristar	140,000	3,002	95	11	184
Harrah's	63,300	1,755	62	5	390
Total	310,600	8,047	227	23	832

Source: MGC; The Innovation Group

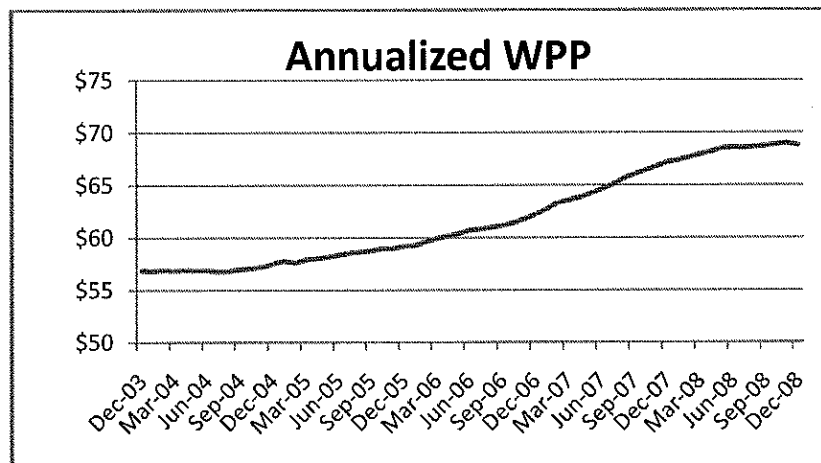
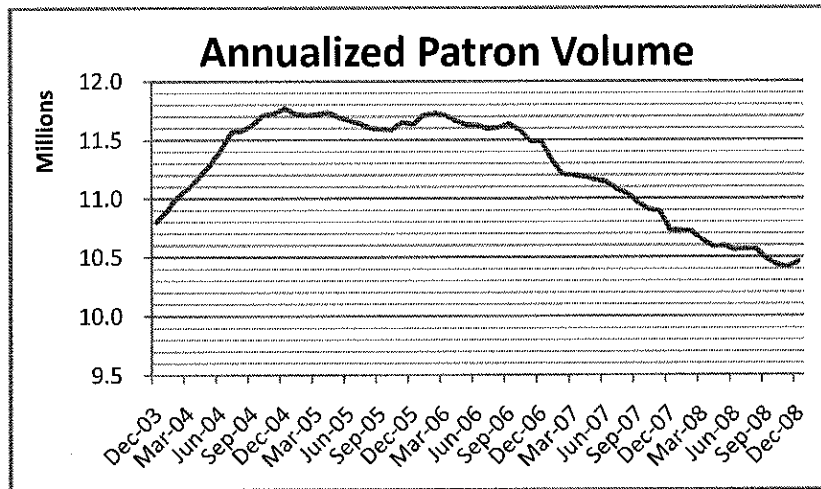
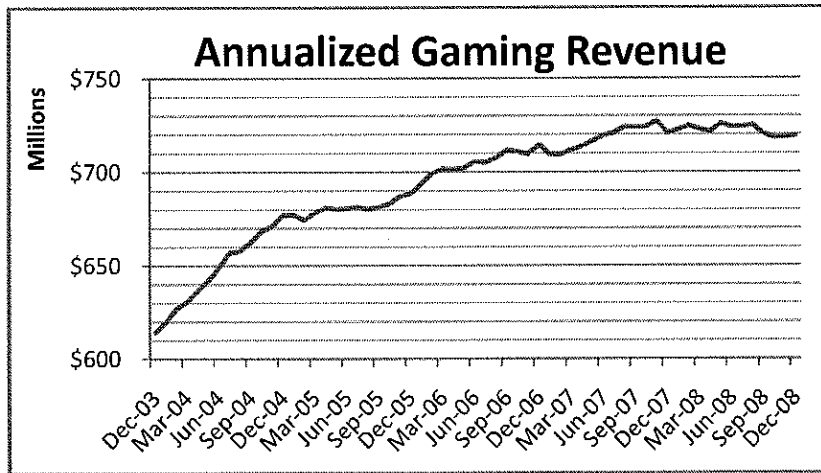
The Kansas City market posted gaming revenue of \$719.3 million in 2008, reflecting flat results compared to the prior year. The results reflect higher WPP offset by lower patron volume. Over the last three and five years, gaming revenue has grown at an average annual rate of 1.5% and 3.2%, respectively. Overall, the growth reflects gaming facilities that continually upgrade and expand their product offering, most recently evidenced by the Harrah's and Argosy hotel expansions, which included convention facilities and an improved food & beverage offering.

While patron volume has been declining over the last several years, WPP has increased from about \$57 in 2003 to the current \$69 rate, an average increase of 3.9% per year. In general, the growth likely reflects higher AAHI levels and a marketing approach that targets the more avid gamers. The following chart and graph display the Kansas City market gaming statistics over the last several years:

Kansas City Market Summary

	Patrons	Gaming Revenue	Win per Patron	Gaming Positions	Win / Position
Dec-03	10,801,638	\$614,300,663	\$56.87	8,604	\$196
Dec-04	11,770,894	\$677,020,969	\$57.52	9,888	\$188
Dec-05	11,634,367	\$688,594,535	\$59.19	9,525	\$198
Dec-06	11,488,564	\$714,609,047	\$62.20	9,652	\$203
Dec-07	10,729,925	\$720,748,645	\$67.17	9,590	\$206
Dec-08	10,459,407	\$719,298,577	\$68.77	9,465	\$208
AAG (1-yr)	-2.5%	-0.2%	2.4%	-1.3%	1.1%
AAG (3-yr)	-3.5%	1.5%	5.1%	-0.2%	1.7%
AAG (5-yr)	-0.6%	3.2%	3.9%	1.9%	1.3%

Source: MGC; The Innovation Group



Market Share Analysis

The Ameristar property continues as the market leader with \$248.8 million in gaming revenue in 2008, accounting for 34.6% of the total market. Ameristar's market share has declined somewhat over recent years primarily in favor of Argosy. Harrah's continues to hold the second place spot with 27.6% of the market, however Argosy is gaining quickly. Argosy has realized a significant increase in market share following its major expansion in 2004, which featured a landside barge in a comprehensive development exhibiting a Mediterranean marketplace theme and a hotel expansion in 2007. The Isle continues to hold last place with an 11.1% share in 2008, down from 11.6% in 2007. The decline reflects a relative static product offering relative to the competition. The following tables display gaming revenue by property and the corresponding market share percentages:

Kansas City Market - Revenue by Property

	Argosy	IOC	Ameristar	Harrah's	Total
2003	\$96,452,866	\$97,736,563	\$211,127,850	\$208,983,385	\$614,300,663
2004	\$146,772,795	\$103,874,650	\$237,459,902	\$188,913,622	\$677,020,969
2005	\$149,230,737	\$94,801,925	\$252,810,390	\$191,751,484	\$688,594,535
2006	\$162,222,098	\$90,933,146	\$259,248,857	\$202,204,945	\$714,609,047
2007	\$182,017,682	\$83,822,291	\$252,607,169	\$202,301,503	\$720,748,645
2008	\$192,323,039	\$79,917,298	\$248,773,251	\$198,284,989	\$719,298,577
AAG (1-yr)	5.7%	-4.7%	-1.5%	-2.0%	-0.2%
AAG (3-yr)	8.8%	-5.5%	-0.5%	1.1%	1.5%
AAG (5-yr)	14.8%	-3.9%	3.3%	-1.0%	3.2%

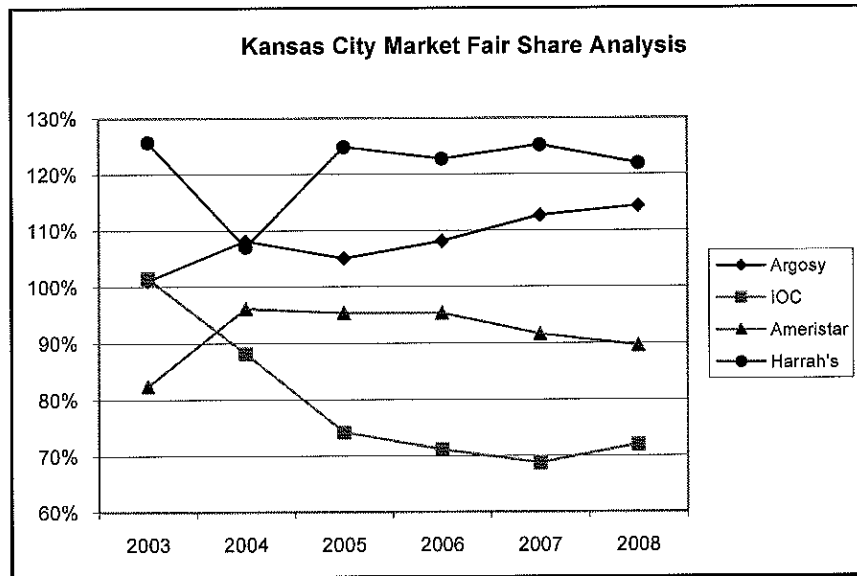
Source: MGC; The Innovation Group

Market Share Percentages

	Argosy	IOC	Ameristar	Harrah's	Total
2003	15.7%	15.9%	34.4%	34.0%	100%
2004	21.7%	15.3%	35.1%	27.9%	100%
2005	21.7%	13.8%	36.7%	27.8%	100%
2006	22.7%	12.7%	36.3%	28.3%	100%
2007	25.3%	11.6%	35.0%	28.1%	100%
2008	26.7%	11.1%	34.6%	27.6%	100%

Source: The Innovation Group

The Innovation Group also compared position market share to gaming revenue market share in order to derive each property's fair share ratio. Harrah's realizes the highest premium to fair share at it captures 27.6% of the market with only 22.6% of the gaming positions. In contrast, the Isle captures 11.1% with 15.4% of the positions. Argosy continues to show the highest increase in this ratio, primarily at the expense of Ameristar.



GAMING MARKET ASSESSMENT

Again, this Assessment only considers Phase 1 of the long-term development plan. Phase I encompasses a 189,100 square foot development, featuring a full-service casino with about 2,300 slot machines, 86 table games and a themed poker room. The development plan also exhibits several lounges and bars, a buffet, a coffee shop and a Hard Rock gift shop. The entire development would exhibit a Hard Rock theme with high-quality finish work and appointments.

The Innovation Group identified several potential sources of gaming revenue for the assumed project including the local market, transient tourism, visitation tourism (associated with the Village West tourist district) and traffic intercept. The local market relates to day-trip gamer visits associated with residents living within roughly 100 miles of the development. The tourism segment reflects traditional tourists that utilize the non-casino hotels in the area. The tourism visitation segment reflects tourist that patronize the area due to the various attractions in close proximity to the subject development site that decide to visit the casino as an added attraction. The traffic intercept segment reflects potential customers that are passing through the area on I-70 and I-435 that decide to stop and patronize the casino, and often reflect truckers.

Local Market Forecast

For the purpose of the forecasting local market segment, The Innovation Group employed a complex gravity model. Gravity models are commonly used in location studies for commercial and residential developments and public facilities. First formulated in 1929 and later refined in the 1940s, the gravity model is an analytical tool that defines consumer behavior based on travel distance and the availability of goods or services at various locations. The general form of the equation is that attraction is directly related to a measure of availability such as square feet (or for casinos, gaming positions) and inversely related to the square of the travel distance. Thus, the gravity model quantifies the effect of distance on the behavior of potential patrons, while considering quality, scope and the impact of competing venues.

A constrained gravity model was used for projecting local market gaming activity for the Kansas City market using various discrete market areas. For this study, we defined the market using a 100-mile concentric ring emanating from the proposed development. Each of these market areas was assigned a unique set of propensity and frequency factors. These factors are generally derived based upon primary research in other gaming markets as well as actual data associated with the Kansas City market. The gamer visits are then distributed among the competitors based upon the size, quality and scope of each facility and the relative distance from each zip code in the market segment. This model utilizes the coordinates of each competitor, both existing and proposed. The gravity model then calculates the probabilistic distribution of gamer visits from each market area to each of the gaming locations in the market. Other competitors outside the 100-mile market are treated as external competitors siphoning off a portion of gaming trips from zip codes

within the region. The model is constructed to include only those alternative venues that are considered to be within a reasonable travel time. Travel distances and time have been developed through use of The Innovation Group's GIS system and adjusted from there based upon the nature of the roadways, travel patterns, and convenience. The following section provides a description and definition of the various components of the model.

Propensity - Propensity measures the proportion of the adult population within a market that is likely to participate in gaming. Generally, propensity decreases as the distance from the market center increases. In fully developed casino markets, such as the local Las Vegas market, propensity can reach 60%, while in single venue or slots-only markets it can be as low as 20%. This measure is type dependent in that it refers to the propensity of individuals likely to participate in a specific form of gaming.

Frequency - Frequency is a measure of the average number of times per year that individuals with a propensity to participate in gaming within a market will actually do so. Like propensity, frequency tends to decline as the distance from the market center increases and as competition from other entertainment options increase. In markets where there are multiple operators, frequency generally ranges from 12 to 24 times per year, although the figure is considerably higher for the major gaming markets in Nevada.

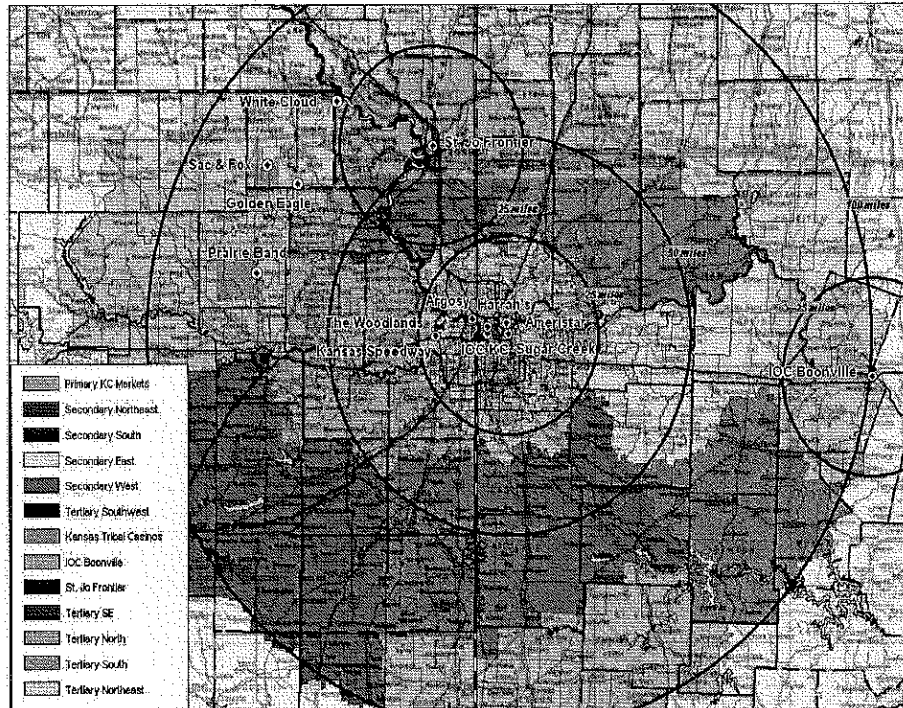
Win Per Visit ("WPV") - WPV reflects the casino's average gaming win for each customer visit for a given market or market segment. Win per visit tends to increase in proportion to distance traveled as the gamers make fewer trips per year with a higher budget. Win per visit also varies based on income and the specific facility characteristics such as the degree of overcrowding and the slot product.

Attraction Factors - Attraction factors measure the relative attraction of one gaming venue relative to the competition. Attraction factors are applied to the size of the gaming venue as measured by the number of positions. The market average attraction factor would be one. When this is applied to the number of positions in a gaming venue there is no change in the size of the gaming venue as calculated by the model and hence its attraction to potential patrons. A value of less than one adjusts the size of the gaming venue downwards and conversely a value greater than one indicates that the gaming venue has characteristics that make it more attractive. Attraction factors can be based on a number of components including branding, the level and effectiveness of marketing efforts, and the level of quality and amenities of a facility.

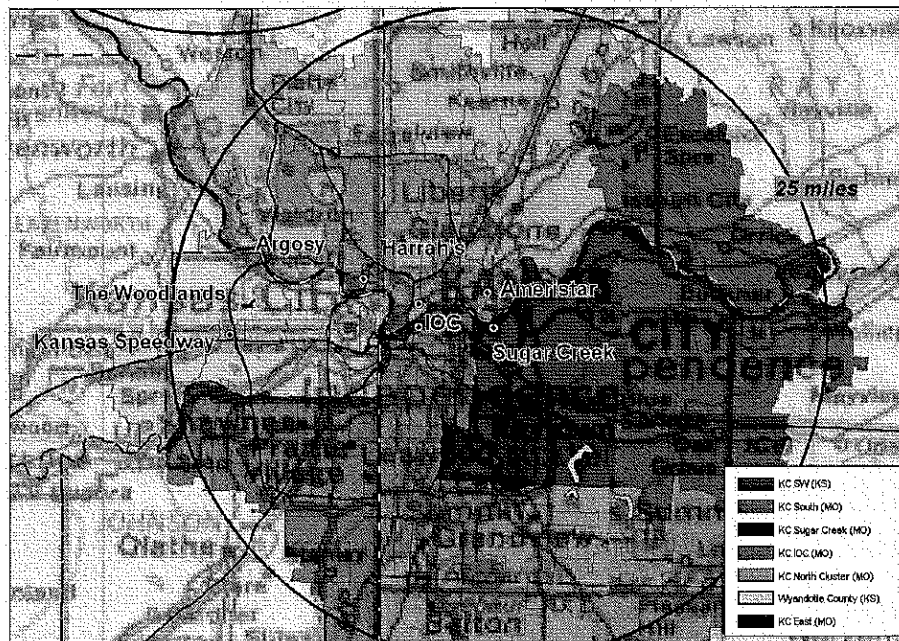
Market Carve-Out

The Kansas City market was defined using a 100-mile ring emanating from downtown Kansas City. Within this ring, about 19 unique market segments were defined to account for variations in highway access, population centers, gaming competition and demographics. For each market area, the gamer population and average household income statistics were obtained and analyzed.

Kansas City Market Area with Competitive Sites



Kansas City Market Close-up



Gamer Population by Market Segment

The gamer population (21+) for all the segments totaled 2.15 million in 2008. The subject's home segment (Primary Wyandotte) was estimated to contain 107,000 gamer adults or 5.0% of the market. The primary markets (KC close-up map) in total were estimated to contain about 1.12 million gamer adults or 52% of the market. Other significant markets include St. Jo at 105,600 and Secondary West, which contains Topeka (capital of Kansas) at 264,000 gamer adults.

The gamer population is expected to grow to 2.23 million by 2013, reflecting an average annual growth rate of 0.8%. This growth rate is just slightly below the national average of 1.0%. The individual market segments showed a wide range of growth rates. The Secondary West segment showed the highest expected growth rate of 2.0%, followed by Primary KC East (MO) and Primary KS North (MO) at 1.8% and 1.7%, respectively. Note that several segments are expected to exhibit declines. The following chart exhibits gamer population counts and the expected growth rates over the next five years for the market:

Market Carve-Out Adult (21+) Population

Market Segment	2008	2009	2010	2011	2012	2013	A.A.G. 2008-2013
Primary KC Southwest (KS)	270,731	274,984	279,303	283,690	287,930	292,673	1.6%
Primary KC South (KS)	151,152	153,274	155,425	157,607	159,742	162,062	1.4%
Primary KC East (MO)	57,487	58,514	59,560	60,625	61,693	62,811	1.8%
Primary KC West (MO)	171,934	170,880	169,832	168,791	167,747	166,727	-0.6%
Primary KS North (MO)	200,338	203,785	207,291	210,857	214,393	218,175	1.7%
Primary Wyandotte (KS)	106,985	106,761	106,537	106,314	106,059	105,869	-0.2%
Primary East (MO)	159,888	159,542	159,197	158,853	158,455	158,167	-0.2%
Secondary Northeast	44,702	44,878	45,056	45,233	45,406	45,591	0.4%
Secondary South	77,212	77,931	78,656	79,389	80,121	80,874	0.9%
Secondary East	61,015	61,134	61,254	61,373	61,486	61,613	0.2%
Secondary West	263,953	269,227	274,606	280,093	285,620	291,397	2.0%
Tertiary Southwest	166,368	166,618	166,868	167,119	167,352	167,621	0.2%
Kansas Tribal Casinos	99,419	99,747	100,076	100,406	100,720	101,070	0.3%
IOC Boonville	26,214	26,263	26,311	26,360	26,406	26,458	0.2%
St. Jo Frontier	105,608	105,672	105,737	105,801	105,856	105,930	0.1%
Tertiary SE	54,715	55,130	55,549	55,971	56,393	56,824	0.8%
Tertiary North	32,307	32,187	32,068	31,949	31,829	31,713	-0.4%
Tertiary South	46,162	46,142	46,122	46,102	46,080	46,062	0.0%
Tertiary Northeast	49,810	49,764	49,719	49,673	49,625	49,582	-0.1%
Total	2,146,000	2,162,433	2,179,167	2,196,206	2,212,916	2,231,219	0.8%

Source: Ciaritas, MapInfo, The Innovation Group

AAHI

The Innovation Group also analyzed the average annual household income (“AAHI”) statistics for the Kansas City market segments. In total, AAHI was estimated at \$63,950 in 2008. The figure is expected to reach \$71,500 by 2013, reflecting an average annual increase of 2.2%. Generally, the area exhibited a wide range of income levels. The Primary Southwest (KS) segment showed the highest AAHI of \$98,200 (2008), while the tertiary segments generally showed significantly lower AAHIs. The AAHI statistics for the Kansas City market area are detailed in the following table:

Average Annual Household Incomes

Market Segments	2008	2009	2010	2011	2012	2013	A.A.G. 2008-2013
Primary KC Southwest (KS)	\$98,203	\$100,184	102205.36	\$104,267	\$106,371	\$108,516	2.0%
Primary KC South (KS)	\$70,216	\$71,727	\$73,271	\$74,848	\$76,460	\$78,105	2.2%
Primary KC East (MO)	\$66,780	\$68,119	\$69,484	\$70,878	\$72,299	\$73,748	2.0%
Primary KC West (MO)	\$48,816	\$49,552	\$50,299	\$51,057	\$51,826	\$52,608	1.5%
Primary KS North (MO)	\$71,393	\$72,744	\$74,121	\$75,524	\$76,954	\$78,411	1.9%
Primary Wyandotte (KS)	\$48,980	\$49,864	\$50,764	\$51,681	\$52,614	\$53,563	1.8%
Primary East (MO)	\$61,309	\$62,467	\$63,646	\$64,848	\$66,072	\$67,319	1.9%
Secondary Northeast	\$53,477	\$54,849	\$56,257	\$57,701	\$59,182	\$60,701	2.6%
Secondary South	\$57,135	\$58,550	\$59,999	\$61,485	\$63,007	\$64,567	2.5%
Secondary East	\$53,217	\$54,525	\$55,866	\$57,240	\$58,648	\$60,090	2.5%
Secondary West	\$71,795	\$73,452	\$75,147	\$76,881	\$78,655	\$80,470	2.3%
Tertiary Southwest	\$53,246	\$54,166	\$55,101	\$56,053	\$57,021	\$58,006	1.7%
Kansas Tribal Casinos	\$54,348	\$55,668	\$57,019	\$58,404	\$59,822	\$61,275	2.4%
IOC Boonville	\$48,502	\$49,701	\$50,929	\$52,187	\$53,477	\$54,799	2.5%
St. Jo Frontier	\$54,067	\$55,315	\$56,592	\$57,899	\$59,236	\$60,603	2.3%
Tertiary SE	\$46,020	\$47,042	\$48,087	\$49,154	\$50,246	\$51,362	2.2%
Tertiary North	\$46,426	\$47,612	\$48,829	\$50,076	\$51,356	\$52,668	2.6%
Tertiary South	\$43,726	\$44,765	\$45,830	\$46,920	\$48,035	\$49,177	2.4%
Tertiary Northeast	\$44,114	\$45,172	\$46,255	\$47,364	\$48,500	\$49,664	2.4%
Average	\$63,958	\$65,396	\$66,867	\$68,371	\$69,908	\$71,481	2.2%

Source: Claritas, MapInfo, The Innovation Group

Local Market Forecast – 2008 Calibration

The first step in the forecasting process was to calibrate the gravity model to the 2008 estimated results. The estimates were primarily based on actual results provided by the Missouri Gaming Commission (“MGC”) for the commercial casinos in the Kansas City market. The Innovation Group estimated that the Kansas City local market generated roughly 10.8 million gamer visits related to the 5 area commercial casinos and 5 Native American casinos. We apportioned the gamer visits by market segment, based on estimated gaming factors for each segment. The factors were generally based on drive time, adjusted to consider the quality and scope of the relevant casinos. Numerous gaming studies conducted by us and independent third parties have provided valuable insight into the expected propensity and frequency factors. The weighted average propensity and frequency calculated to 35.8% and 14.0 times, respectively. Local market gaming revenue summed to \$716.3 million, based on a weighted average win per visit factor of \$67. The following table displays the estimated market gamer visits and gaming revenue by market segment.

Local Market Gaming Revenue - 2008 Calibration

Market Segments	Gamer Population	Propensity	Frequency	Gamer Visits	Win / Visit	Gaming Revenue
Primary KC Southwest (KS)	270,731	42.3%	17.5	2,003,361	\$81	\$161,365,276
Primary KC South (KS)	151,152	41.4%	16.1	1,007,997	\$70	\$70,447,911
Primary KC East (MO)	57,487	42.7%	16.9	414,091	\$66	\$27,502,267
Primary KC West (MO)	171,934	43.6%	15.9	1,189,828	\$50	\$59,091,785
Primary KS North (MO)	200,338	43.6%	16.9	1,480,835	\$62	\$91,131,484
Primary Wyandotte (KS)	106,985	42.7%	14.1	644,154	\$52	\$33,184,217
Primary East (MO)	159,888	40.9%	15.3	1,000,833	\$59	\$59,361,058
Secondary Northeast	44,702	30.3%	10.5	142,036	\$65	\$9,256,834
Secondary South	77,212	28.8%	9.5	211,621	\$67	\$14,175,745
Secondary East	61,015	24.5%	7.7	114,338	\$65	\$7,462,284
Secondary West	263,953	35.2%	13.0	1,211,133	\$76	\$92,522,243
Tertiary Southwest	166,368	23.0%	7.0	267,073	\$78	\$20,928,436
Kansas Tribal Casinos	99,419	28.5%	9.3	262,791	\$80	\$21,131,926
IOC Boonville	26,214	36.5%	11.8	113,059	\$57	\$6,415,226
St. Jo Frontier	105,608	40.1%	13.6	574,164	\$57	\$32,969,480
Tertiary SE	54,715	17.4%	4.3	41,022	\$72	\$2,958,092
Tertiary North	32,307	21.4%	5.7	39,255	\$61	\$2,378,417
Tertiary South	46,162	14.2%	3.2	20,990	\$84	\$1,763,128
Tertiary Northeast	49,810	15.1%	3.5	26,141	\$85	\$2,210,171
Total	2,146,000	35.8%	14.0	10,764,722	\$67	\$716,255,980

Source: The Innovation Group

Kansas City Metro Submarket

The Innovation Group estimated that the Kansas City metro submarket, comprising the 4 commercial casinos in Kansas City, captured roughly 85% of the local market gaming revenue or about \$606.0 million. The high capture rate reflects the proximity of these casinos relative to the population as well as a higher level of quality and scope relative to the Native American facilities.

Note that Harrah's and Argosy realizes a significant premium to size fair share. While Ameristar presents the premier facility, it has difficulty capturing fair share due to its large size relative to the competition. The Ameristar facility offers roughly 1,370 more gaming positions compared to the next largest competitor (Argosy). The discount to fair share associated with Isle of Capri mainly reflects inferior gaming product as well as the riverboat format. The following table displays the gamer visit estimate for the metro area submarket:

Kansas City Metro Area Submarket Analysis

	Positions	Position Mkt Share	Local Mkt Gamer Revenue	Gamer Visits Mkt Share	Ratio
IOC KC	1,465	15.5%	\$74,391,869	12.3%	0.79
Argosy	2,256	23.8%	\$163,013,187	26.9%	1.13
Ameristar	3,622	38.3%	\$214,251,686	35.4%	0.92
Harrah's	2,122	22.4%	\$154,310,270	25.5%	1.14
Total	9,465	100.0%	\$605,967,012	100.0%	1.00

Source: The Innovation Group

Local Market Forecast – 2012 Baseline

The next step in the forecasting process was to estimate local market gamer visits and gaming revenue through 2012 primarily considering normative growth and the elimination of the “loss limit” in Missouri. This forecast represents the baseline from which we will forecast the impact of adding the subject project. The Innovation Group noted that there is little in the way of planned expansions at the existing casinos in the market. Notwithstanding the “loss limit” removal, The Innovation Group forecasted that market gaming revenue would actually decline over the next 18 months before rebounding to just above the 2008 level. Therefore, the vast majority of the growth highlighted below was due to the “loss limit” removal as Missouri bucks the trend of declining gaming revenue plaguing other states.

The Innovation Group estimated that the Kansas City local market would generate approximately 11.8 million gamer visits in 2012, reflecting an average annual increase of 2.4% over the four-year period. The weighted average propensity and frequency calculated to 36.4% and 14.7 times, respectively. After factoring in a slightly higher win per visit of \$68, gaming revenue exceeded \$800 million; reflecting an average increase of 2.9% per year. In total, gaming revenue increased by \$85 million or 12% relative to 2008, again, almost entirely due to the elimination of the loss limit. The table below displays the 2012 baseline local market forecast by market segment:

Local Market Gaming Revenue - 2012 Baseline

Market Segments	Gamer Population	Propensity	Frequency	Gamer Visits	Win / Visit	Gaming Revenue
Primary KC Southwest (KS)	287,930	42.9%	18.3	2,267,306	\$82	\$185,045,736
Primary KC South (KS)	159,742	42.0%	16.8	1,130,024	\$71	\$80,012,115
Primary KC East (MO)	61,693	43.4%	17.6	470,504	\$67	\$31,654,191
Primary KC West (MO)	167,747	44.3%	16.5	1,228,802	\$50	\$61,804,598
Primary KS North (MO)	214,393	44.3%	17.7	1,680,449	\$62	\$104,747,391
Primary Wyandotte (KS)	106,059	43.4%	14.8	679,268	\$52	\$35,463,909
Primary East (MO)	158,455	41.6%	16.0	1,054,270	\$60	\$63,344,656
Secondary Northeast	45,406	30.7%	11.0	152,966	\$66	\$10,097,911
Secondary South	80,121	29.2%	10.0	232,853	\$68	\$15,799,676
Secondary East	61,486	24.8%	8.0	121,933	\$66	\$8,060,397
Secondary West	285,620	35.7%	13.6	1,390,338	\$77	\$107,556,753
Tertiary Southwest	167,352	23.3%	7.3	284,798	\$79	\$22,605,373
Kansas Tribal Casinos	100,720	28.9%	9.7	282,293	\$81	\$22,995,216
IOC Boonville	26,406	37.0%	12.3	120,685	\$57	\$6,938,100
St. Jo Frontier	105,856	40.7%	14.2	609,941	\$58	\$35,475,672
Tertiary SE	56,393	17.6%	4.5	44,742	\$73	\$3,268,435
Tertiary North	31,829	21.7%	5.9	40,978	\$61	\$2,515,011
Tertiary South	46,080	14.5%	3.3	22,172	\$85	\$1,886,575
Tertiary Northeast	49,625	15.4%	3.6	27,559	\$86	\$2,360,220
Total	2,212,916	36.4%	14.7	11,841,880	\$68	\$801,631,933
AAG (2008)	0.8%	0.4%	1.2%	2.4%	0.4%	2.9%

Source: The Innovation Group

Kansas City Metro Submarket

We further estimated that the capture rate for the Kansas City metro submarket (4 commercial casinos in Kansas City) would stay steady at about 85% as the competitive set remains static. The fair share ratios for the submarket also remained steady.

Kansas City Metro Area Submarket Analysis

	Positions	Position Mkt Share	Local Mkt Gamer Revenue	Gamer Visits Mkt Share	Ratio
IOC KC	1,465	15.5%	\$83,087,804	12.2%	0.79
Argosy	2,256	23.8%	\$183,613,550	27.0%	1.13
Ameristar	3,622	38.3%	\$240,622,907	35.4%	0.92
Harrah's	2,122	22.4%	\$172,918,192	25.4%	1.13
Total	9,465	100.0%	\$680,242,452	100.0%	1.00

Source: The Innovation Group

Local Market Forecast – 2012 with Cordish KC

The pro-forma 2012 forecast assumes that the subject would come online in late 2010. Note that the forecast no longer considers a racetrack casino at The Woodlands Racetrack. Racetrack management decided that the project was not financially feasible under the current tax structure for racetrack casinos, and has since closed.

We updated the gravity model to include the subject assuming 2,670 gaming positions. In summary, we forecasted that positions in the Kansas City market would increase by 17% to approximately 18,250 positions. The additional location would enhance the convenience of gaming and thus the propensity and frequency factors for the market segments in close proximity to the subject. In addition, with more competitors, the level of marketing would generally increase, again supporting a higher frequency and win per visit factor. Based on our analysis, the weighted average propensity and frequency increased to 36.4% and 15.6 times, respectively, resulting in 12.5 million local market gamer visits. In comparison to the 2012 baseline, market gamer visits increase by 5.9%. Local market gaming revenue summed to \$880.5 million, an increase of 9.8% over the baseline forecast.

Local Market Gaming Revenue - 2012 with Cordish KC

Market Segments	Gamer Population	Propensity	Frequency	Gamer Visits	Win / Visit	Gaming Revenue
Primary KC Southwest (KS)	287,930	42.9%	20.6	2,545,767	\$85	\$216,521,023
Primary KC South (KS)	159,742	42.0%	17.2	1,152,625	\$73	\$84,169,662
Primary KC East (MO)	61,693	43.4%	17.9	479,914	\$69	\$33,176,445
Primary KC West (MO)	167,747	44.3%	16.9	1,253,378	\$52	\$64,795,804
Primary KS North (MO)	214,393	44.3%	18.1	1,714,058	\$64	\$109,585,469
Primary Wyandotte (KS)	106,059	43.4%	16.9	775,996	\$54	\$42,182,274
Primary East (MO)	158,455	41.6%	16.3	1,075,355	\$62	\$66,309,987
Secondary Northeast	45,406	30.7%	11.2	156,025	\$68	\$10,588,580
Secondary South	80,121	29.2%	10.6	247,010	\$70	\$17,301,104
Secondary East	61,486	24.8%	8.1	124,371	\$68	\$8,449,968
Secondary West	285,620	35.7%	15.1	1,542,942	\$80	\$124,139,181
Tertiary Southwest	167,352	23.3%	7.7	300,255	\$81	\$24,446,053
Kansas Tribal Casinos	100,720	28.9%	9.9	287,939	\$83	\$24,002,321
IOC Boonville	26,406	37.0%	12.6	123,098	\$59	\$7,244,611
St. Jo Frontier	105,856	40.7%	14.5	622,140	\$60	\$37,077,973
Tertiary SE	56,393	17.6%	4.6	45,637	\$75	\$3,420,522
Tertiary North	31,829	21.7%	6.1	41,797	\$63	\$2,632,099
Tertiary South	46,080	14.5%	3.4	22,615	\$88	\$1,982,767
Tertiary Northeast	49,625	15.4%	3.7	28,110	\$88	\$2,478,237
Total	2,212,916	36.4%	15.6	12,539,033	\$70	\$880,504,079
% Change (Baseline)	0.0%	0.0%	5.9%	5.9%	3.7%	9.8%

Source: The Innovation Group

Subject Gamer Visit Capture

The gravity model, supported by our estimated attraction factors, apportioned the market gamer visits by property. As discussed earlier, we assumed that the subject would exhibit a quality and scope level generally equal to the existing casinos in the area. Nonetheless, the Hard Rock brand would support a higher attraction factor. The weighted average capture rate for the subject calculated to 19.2%, resulting in 2.40 million gamer visits for the subject. As one might expect, the Wyandotte County (KS) market segment showed a strong capture rate of 42%. The subject is also expected to perform well in the KC SW (KS) and Secondary West market with captures rates of 33% and 42%, respectively. Patrons in the KC SW (KS) segment would have excellent access to the subject via I-435, while the Secondary West market (Topeka) would primarily use I-70, passing in close proximity to the development site. Generally, all the markets originating to the west and south west would find the subject to be more convenient relative to the Missouri casino.

Win per visit generally varies based on income, drive time, and specific facility characteristics. For example, the KC SW (KS) segment showed an elevated win per visit due to a high AAHI. The tertiary market segments yield relatively high win per visit levels due to the longer drive times. After applying the estimated win per visit by market segment, we estimated that the subject would realize a weighted average win per visit of approximately \$78, resulting in \$187.2 million in local market gaming revenue for the base year of 2012. The following table details local market gaming revenue by market segment:

Subject Local Market Gaming Revenue

Market Segments	Market Gamer Visits	Subject Capture	Subject Gamer Visits	Win per Visit	Gaming Revenue
Primary KC Southwest (KS)	2,545,767	32.9%	837,054	\$88	\$73,883,376
Primary KC South (KS)	1,152,625	12.7%	146,138	\$77	\$11,194,720
Primary KC East (MO)	479,914	6.9%	33,310	\$72	\$2,409,404
Primary KC West (MO)	1,253,378	4.8%	59,818	\$56	\$3,356,519
Primary KS North (MO)	1,714,058	5.5%	94,656	\$66	\$6,253,291
Primary Wyandotte (KS)	775,996	42.5%	329,504	\$56	\$18,518,479
Primary East (MO)	1,075,355	4.0%	42,847	\$65	\$2,782,356
Secondary Northeast	156,025	10.2%	15,948	\$70	\$1,120,010
Secondary South	247,010	18.1%	44,662	\$73	\$3,242,340
Secondary East	124,371	10.4%	12,901	\$70	\$903,855
Secondary West	1,542,942	41.6%	641,558	\$82	\$52,664,470
Tertiary Southwest	300,255	18.8%	56,569	\$82	\$4,619,011
Kansas Tribal Casinos	287,939	9.3%	26,769	\$82	\$2,208,019
IOC Boonville	123,098	2.8%	3,460	\$58	\$199,963
St. Jo Frontier	622,140	6.8%	42,089	\$59	\$2,481,202
Tertiary SE	45,637	9.8%	4,494	\$76	\$342,475
Tertiary North	41,797	11.8%	4,924	\$64	\$314,451
Tertiary South	22,615	17.1%	3,857	\$90	\$348,315
Tertiary Northeast	28,110	15.0%	4,211	\$91	\$381,781
Total	12,539,033	19.2%	2,404,771	\$78	\$187,224,035

Source: The Innovation Group

Kansas City Metro Submarket

The Innovation Group forecasted that the subject would realize a premium to fair share of 1.10 times. The premium primarily reflects the location of the subject relative to the competition. The subject is separated from the bulk of the competition on the Missouri side and would thus have less competition related to the market segments in Kansas.

Kansas City Metro Area Submarket Analysis

	Positions	Position Mkt Share	Local Mkt Gamer Revenue	Gamer Visits Mkt Share	Ratio
Subject	2,672	22.0%	\$187,224,035	24.3%	1.10
IOC KC	1,465	12.1%	\$71,489,558	9.3%	0.77
Argosy	2,256	18.6%	\$151,297,638	19.6%	1.05
Ameristar	3,622	29.8%	\$212,285,795	27.5%	0.92
Harrah's	2,122	17.5%	\$149,747,015	19.4%	1.11
Total	12,137	100.0%	\$772,044,041	100.0%	1.00

Source: The Innovation Group

Tourist Gaming Revenue Forecast

This segment reflects traditional tourists to the area that might patronize the casino as a secondary attraction. This segment generally includes leisure tourists, business travelers and pass-through travelers. The Innovation Group assessed tourist volume based on the room count and occupancy rate associated with the non-casino hotels in the area.

The Innovation Group analyzed the hotel room inventory in the Kansas City market and identified a total of 211 hotels, yielding about 26,900 rooms. Therefore, the average hotel size was about 128 rooms. Based on information obtained from Smith Travel Research, we segregated the hotels by class. The room inventory was heavily weighted with upscale rooms. Note that the upscale hotels are much larger, averaging 231 rooms, compared to 111 and 94 for the mid-range and economy segments, respectively. Mid-range rooms accounted for about 29% of the total compared to only 17% for the economy class.

The market contains several large hotels including the 983-room Marriott Kansas City Downtown, 731-room Hyatt Regency Crown Center and 729-room Westin Crown Center. These hotels are situated in major commercial districts and feature large convention centers. Another group of prominent hotels is located in the Westport Shopping District, a major tourist destination. The airport area (about 15 miles north of the subject site) also contains a significant hotel offering featuring the 347-room Hilton Kansas City Airport and 382-room Marriott Kansas City Airport. The inventory currently includes three 4-diamond hotels: Weston Crown Center, Inter-Continental Kansas City at the Plaza and the Hotel Phillips.

The Innovation Group also analyzed the hotel room inventory in the immediate market; within 5 miles of the subject property. This market contains 11 hotels, yielding about 1,160 rooms. While the inventory includes the 281-room Great Wolf Lodge (upscale) and the 62-room Chateau Avalon, it generally reflects small, mid-range and economy class hotels servicing highway and business travelers. The following table displays the hotel count in the Kansas City market segregated by class:

Hotel Summary - Kansas City Market

Hotel Class	Hotel Count	Average Size	Room Count	% of Total
Independent	43	79	3,388	13%
Economy	50	94	4,680	17%
Mid-range	70	111	7,755	29%
Upscale	48	231	11,099	41%
Total	211	128	26,922	100%

Source: Smith Travel Research; The Innovation Group

We estimated the market occupancy rate based on information acquired from Smith Travel Research, adjusted to 2012. The gamer capture rate reflects the proximity of these rooms to the area casinos, while considering the nature of the visit. Assuming a conservative win per room night of \$105, overnight gaming revenue calculated to \$24.8 million market wide. We estimated that the subject would capture 16.5% (moderate discount to size fair share) of this revenue or \$4.1 million, with the balance going to other casino in the Kansas City market. The discount reflects the location of the subject relative to the bulk of the hotels in the downtown area. The following table outlines the calculation:

Tourist Gaming Revenue (2012)

	Room Inventory	Occupancy	Gamer Capture Rate	Gamer Room Nights	Win / Room Night	Overnight Gaming Revenue	Subject Capture Rate	Subject Gaming Revenue
Hotel Market	26,922	65.0%	3.7%	236,328	\$105	\$24,814,445	16.5%	\$4,097,264

Source: The Innovation Group

Visitation Tourism

We also believe that out-of-town tourism associated with the area's unique attractions would provide another source of gaming revenue. The Innovation Group identified various area attractions as the basis for the analysis including the Cabela's, Kansas Speedway, Nebraska Furniture Mart and Community America Ballpark. We estimated visitation based on our independent research as well as information provided by the Company. We considered only the non-local portion of the visitation in order to avoid double counting with the local market segment. The non-local percentage estimates were again based on independent research and our experience in other markets. After applying a gaming capture rate which considers the gaming propensity of each customer base and the likelihood that these customers would patronize the casino during the visit to the area, gamer visits summed to 191,600. Assuming a conservative \$69 win per visit, gaming revenue associated with the visitation tourism segment calculated to \$13.3 million. Details of the calculation are displayed in the following table:

Village West Tourism Gaming Revenue (2012)

Attraction	Visitation	Non-Local %	Gaming Capture Rate	Gamer Visits	Win per Visit	Gaming Revenue
Cabela's	4,000,000	25.0%	12.0%	120,000	\$66	\$7,941,235
Speedway	650,000	20.0%	12.5%	16,250	\$109	\$1,771,207
Nebraska Furniture Mart	3,000,000	15.0%	11.6%	51,975	\$62	\$3,237,221
Community America	280,000	15.0%	8.1%	3,402	\$97	\$331,079
Total	7,930,000	20.5%	11.8%	191,627	\$69	\$13,280,742

Source: The Innovation Group

Traffic Intercept Forecast

The traffic intercept segment reflects potential customers that are passing through the area on I-70 and I-435 that decide to stop and patronize the casino. I-70 is one of the major east/west corridors in the nation. The Innovation Group believes that the subject casino would realize material traffic intercept gaming revenue due its location relative these highways, as the casino would be highly visible from both highways, especially at night. Also, the development site enjoys excellent ingress/egress characteristics from both of these highways.

The key variable in assessing this customer segment is the vehicle count traversing I-70 and I-435 in the area. The vehicle count estimates were based on information obtained from the Kansas Department of Transportation. The counts were adjusted to reflect 2012 figures and only pass-through vehicles. The Average Annual Daily Traffic ("AADT") was estimated at 44,600 and 41,000 for I-70 and I-435, respectively, in 2006. We assumed that traffic volume would grow at an average annual rate of 1.0% through 2012.

The pass-through percentage for I-70 was estimated at about 34%, typical for major interstate highways on the outskirts of metro areas. The rate for I-435 was judged to be considerably lower at about 20% as I-435 primarily serves the metro area. The Innovation Group estimated the gaming capture rate at about 1.2% and 1.5% for I-70 and I-435, respectively. Again, the capture rates reflect the excellent visibility and access. We assumed a win per visit of \$51, reflecting a discount to the local market figure as the trip was likely spontaneous as oppose to planned and budgeted. After compiling these factors, The Innovation Group estimated gamer visits and gaming revenue from the traffic intercept segment at 164,800 and \$8.3 million, respectively. The calculation is outlined as follows:

Traffic Intercept Gaming Revenue (2012)

Highway	AADT	Pass-through %	Adults / Vehicle	Gamer Capture Rate	Gamer Visits	Win per Visit	Gaming Revenue
I-70	47,344	34%	1.3	1.2%	91,571	\$51	\$4,634,038
I-435	43,522	20%	1.5	1.5%	73,229	\$51	\$3,705,818
Total	90,866	28%	1.4	1.32%	164,800	\$51	\$8,339,856

Source: KS Department of Transportation, The Innovation Group

Total Gaming Revenue Forecast

Combining revenues from all sources, The Innovation Group forecasted gaming revenue for the subject property at \$212.9 million in 2012. The local market component accounts for about 87.9% of the total, typical for metro area casinos without a hotel. Note that Village West tourism and traffic intercept segments account for 6.2% and 3.9% of the total, respectively, attesting to favorable location of the development site. The following table summarizes the gaming revenue by customer component for the subject project:

Subject Total Gaming Revenue (2012)				
Market Component	Gamer Visits	Win per Visit	Gaming Revenue	% of Total
Local Market	2,404,771	\$78	\$187,224,035	87.9%
Regional Tourism	62,434	\$66	\$4,097,264	1.9%
Village West Tourism	191,627	\$69	\$13,280,742	6.2%
Traffic Intercept	164,800	\$51	\$8,339,856	3.9%
Total	2,823,633	\$75	\$212,941,897	100%

Source: The Innovation Group

Gaming Revenue Forecast (FY 2011 – FY 2015)

The Innovation Group forecasted gaming revenue for the five-year timeframe of the report (2011–2015). We assumed a ramp-up period during 2011 as revenue grows to the base year of the forecast (2012). We further assumed conservative rate of growth of 2.5% in Years 3 through 5; resulting in gaming revenue of \$229.3 million by 2015.

Based on a casino with about 2,670 gaming position, daily win per position came in at \$218 in 2012, increasing to \$235 by 2015. A win per position at this level would yield an efficient operation with sufficient capacity during peak times. The daily “win per position” figures reflect a premium to the current Kansas City market average of \$208 (2008). The Kansas City average is weighted down by weak results at the Isle of Capri, which generates a daily win per position in the \$147 range.

Subject Gaming Revenue (2011 - 2015)					
	2011	2012	2013	2014	2015
Gaming Revenue	\$194,841,835	\$212,941,897	\$218,265,444	\$223,722,080	\$229,315,132
Visitation	2,682,451	2,823,633	2,851,869	2,880,388	2,909,192
Win per Visit	\$72.64	\$75.41	\$76.53	\$77.67	\$78.82
Number of Positions	2,672	2,672	2,672	2,672	2,672
Win/Position/Day	\$200	\$218	\$224	\$229	\$235

Source: The Innovation Group

PRO-FORMA OPERATING STATEMENT

The pro-forma operating statement projects the potential Earnings before Interest, Taxes, Depreciation & Amortization ("EBITDA") for the subject casino project. The estimates outlined in the operating statement were based on a detailed analysis of the income and costs elements associated with the project and take into consideration the operating characteristics of existing casinos in the market. Existing and assumed future market dynamics were also taken into consideration during the analysis.

Cordish Kansas City 5-year Pro-forma Operating Statement

	2011	2012	2013	2014	2015
REVENUES:					
Table	\$20,458,393	\$22,358,899	\$22,917,872	\$23,490,818	\$24,078,089
Slots	171,850,499	187,814,753	192,510,122	197,322,875	202,255,946
Poker	2,532,944	2,768,245	2,837,451	2,908,387	2,981,097
Gross Gaming	\$194,841,835	\$212,941,897	\$218,265,444	\$223,722,080	\$229,315,132
Hotel & Related	\$0	\$0	\$0	\$0	\$0
Food and Beverage	14,406,103	15,391,784	15,778,887	16,255,410	16,746,323
Hard Rock Store	1,844,185	1,970,366	2,019,921	2,080,922	2,143,766
Other	435,898	465,723	477,436	491,854	506,708
TOTAL GROSS REVENUES	\$211,528,022	\$230,769,770	\$236,541,688	\$242,550,267	\$248,711,930
Less: Promotional Allowances	26,303,648	28,747,156	29,465,835	30,202,481	30,957,543
NET REVENUES	\$185,224,374	\$202,022,614	\$207,075,853	\$212,347,786	\$217,754,387
DEPARTMENTAL EXPENSES:					
Tables	\$6,661,497	\$6,761,419	\$6,862,841	\$7,000,097	\$7,140,099
Slots	10,068,519	10,219,547	10,372,840	10,580,297	10,791,902
Poker	1,239,020	1,257,605	1,276,469	1,301,999	1,328,039
Cage/ Count	3,414,579	3,465,797	3,517,784	3,588,140	3,659,903
Gaming Tax	54,555,714	59,623,731	61,114,324	62,642,182	64,208,237
Hotel & Related	0	0	0	0	0
Food & Beverage	10,588,486	11,143,267	11,252,167	11,476,063	11,704,413
Hard Rock Store	1,198,720	1,261,527	1,273,856	1,299,203	1,325,054
Other	270,257	284,417	287,197	292,911	298,740
General and Administration	20,134,198	20,436,211	20,742,755	21,157,610	21,580,762
Facilities and Maintenance	6,692,772	6,793,164	6,895,061	7,032,963	7,173,622
Marketing	14,117,010	14,328,765	14,543,697	14,834,570	15,131,262
Security and Surveillance	4,060,832	4,121,745	4,183,571	4,267,242	4,352,587
TOTAL DEPARTMENTAL EXPENSES	\$133,001,604	\$139,697,195	\$142,322,561	\$145,473,276	\$148,694,620
EBITDA	\$52,222,770	\$62,325,418	\$64,753,292	\$66,874,509	\$69,059,767
<i>EBITDA % (net)</i>	<i>28.2%</i>	<i>30.9%</i>	<i>31.3%</i>	<i>31.5%</i>	<i>31.7%</i>
<i>Hard Rock Licensing Fee</i>	<i>1,970,841</i>	<i>2,548,093</i>	<i>2,721,251</i>	<i>2,901,508</i>	<i>3,086,358</i>
Adjusted EBITDA (Excl Licensing)	\$50,251,930	\$59,777,325	\$62,032,042	\$63,973,001	\$65,973,409
<i>Adjusted EBITDA Margin</i>	<i>27.1%</i>	<i>29.6%</i>	<i>30.0%</i>	<i>30.1%</i>	<i>30.3%</i>

Source: The Innovation Group

Pro Forma Assumptions

Revenues

Gaming Revenue

The assumptions and estimates were outlined in the Gaming Market Assessment section of the report.

Food & Beverage

The food and beverage revenue estimate assumes an offering that is sufficient to meet demand. The forecast was based on the expected admissions, and assumes a 28% participation rate for the restaurants. We estimated the average check at about \$14 in Year 2. We further estimated that a portion of casino guests would purchase alcoholic beverages on the casino floor.

Hard Rock Store / Other

The other revenue generally reflects gift shop revenue associated with the proposed signature Hard Rock store. Further, we forecasted ancillary revenue associated with check cashing services, ATM fees and vending. The estimates were based on results in comparable markets.

Promotional Allowance

The promotional allowance expense item, or the retail value of goods provided to gaming customers, was forecasted at 13.5% of gross gaming revenues reflecting the competitive nature of the market. However, we assumed that the subject would realize a rate below the market average due to the more remote location of the property as well as the newness factor.

Departmental Expenses

Table/Slots/Poker/Cage & Count

The expenses associated with the gaming operation include the costs of operating the casino floor, cages and count room. The expenses are generally associated with labor, supplies, equipment rental and outside services. The estimates assume an efficient slot operation featuring ticketing technology with staffing levels that would foster a service oriented casino operation. The labor burden associated with taxes and benefits was estimated at 32% of salaries and wages.

Gaming Taxes

The Innovation Group assumed a statutory gaming tax rate of 27.0% per our understanding of the Kansas gaming legislation. We also included an additional incentive fee of 1.0% of gaming revenue for the host municipality, as proposed by the Company.

Food & Beverage

Food and beverage expenses were estimated at 73.5% of food and beverage revenues in the first year of operation, improving to 70.0% by Year 5 as efficiencies take hold. The low margins reflect the nature of the food & beverage operation in gaming markets.

General & Administrative

General and administrative expenses include all administrative salaries and wages for the casino and food and beverage operation, and were based on an analysis of necessary labor positions and wage rates. Included in this figure are the general manager and support staff, purchasing, human resources, information systems, and finance and accounting. The department also includes expenses such as supplies, travel and entertainment, outside professional fees, insurance costs, property taxes, and energy.

Facilities & Maintenance

Maintenance expenses are based on estimates for maintaining and repairing the facility and related grounds. This figure includes the costs of cleaning the facility on a daily basis and assumes that maintenance workers are on staff thereby eliminating the need for any significant outside services. Figures assume that management will have an ongoing capital expenditure policy to reserve for significant capital expenditure items.

Marketing

Marketing expenses include all of the costs to staff the marketing department for the casino, as well as all advertising and promotional costs (exclusive of promotional allowance). The figures are consistent with a marketing program for this type of casino in an effort to provide a year round flow of customers. Aggressive marketing programs for both slot patrons and table patrons as well as on floor promotions and giveaways were assumed in order to create an atmosphere of excitement and to position the property to capture the market share assumed in the Gaming Market Assessment.

Security & Surveillance

These costs reflect the payroll and other expenses associated with the security and surveillance departments. The costs are heavily weighted towards labor. The estimate assumes a department head for both departments.

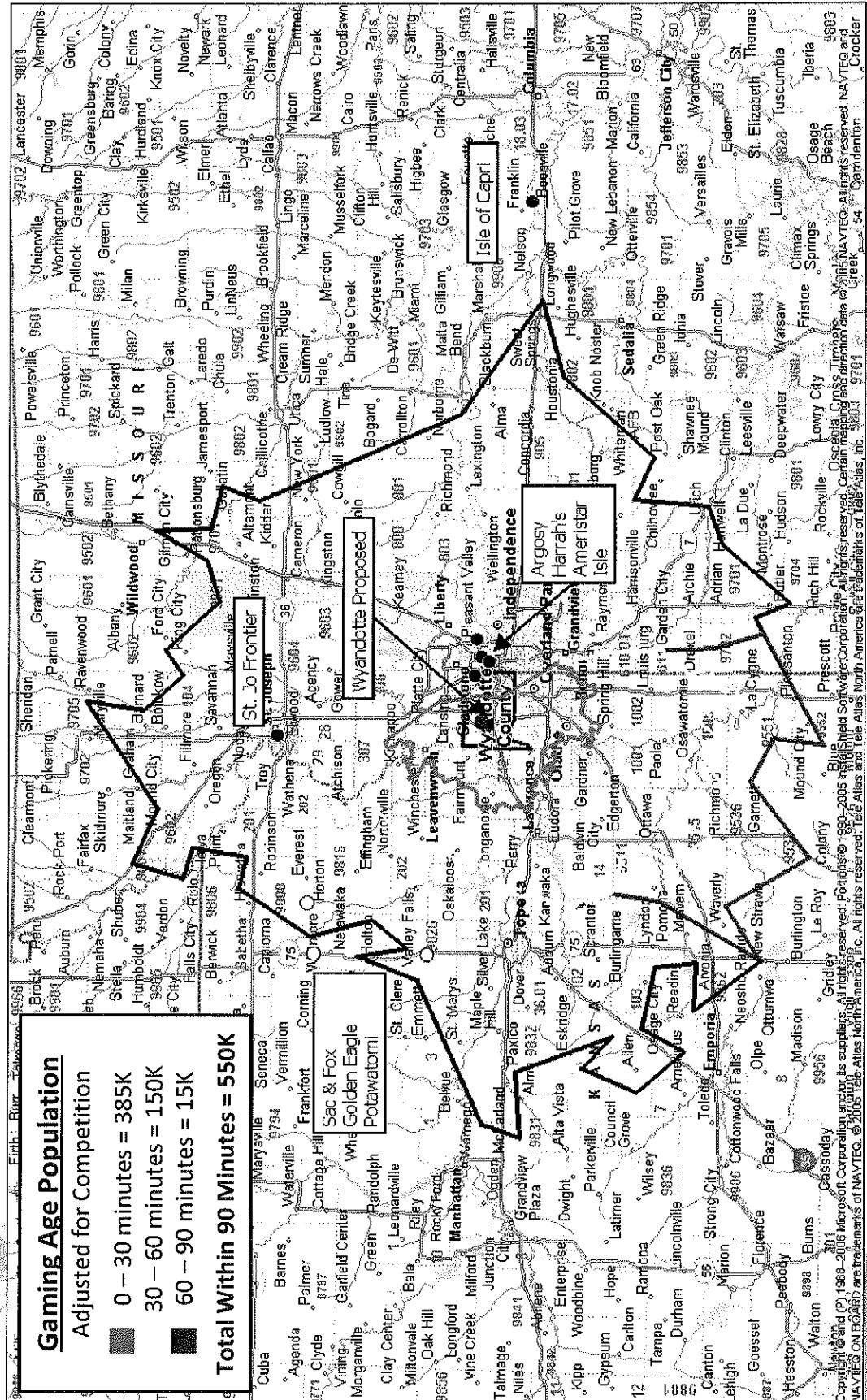
DISCLAIMER

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.

Kansas City Map



Attachment SB

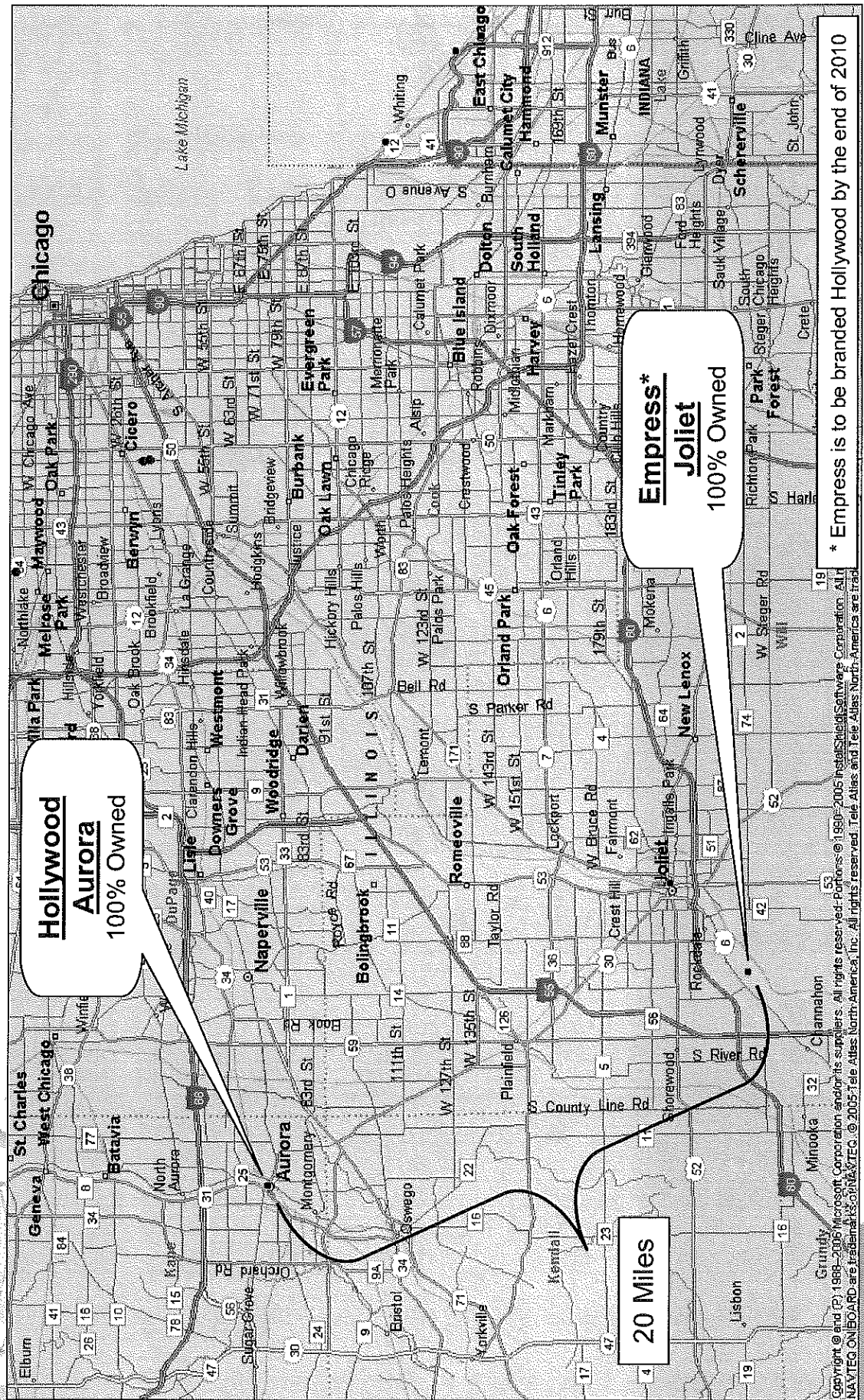
Revenue Potential

Wyandotte	GAP	Win Per	Potential
0 - 30	385,473	800	308,378,120
30 - 60	148,630	600	89,177,782
60 - 90	16,975	300	5,092,459
Total Within 90 Minutes	551,077	731	402,648,361
Outside 90 Mins 10%			40,264,836
Total Potential Revenue			<u>442,913,197</u>

Attachment 10



Illinois



* Empress is to be branded Hollywood by the end of 2010

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**Unified Government of
Wyandotte County/Kansas City, Kansas**
Joseph F. Reardon, Mayor/CEO

701 North 7th Street, Suite 926
Kansas City, Kansas 66101
Phone: (913) 573-5010
Fax: (913) 573-5020

October 14, 2009

Mr. Stephen Martino
Executive Director
Kansas Racing and Gaming Commission
700 SW Harrison, Suite 500
Topeka, Kansas 66603

Re: Response to question posed to Kansas Entertainment, LLC ("Entertainment") and the Unified Government of Wyandotte County/Kansas City, Kansas ("Unified Government") regarding interpretation of "commence construction."

Dear Director Martino:

This letter is in response to questions posed to both Entertainment and the Unified Government in recent emails, specifically, regarding their collective interpretation of "commence construction" as that term relates to the construction of the hotel proposed in Entertainment's Application and Development Agreement with the Unified Government.

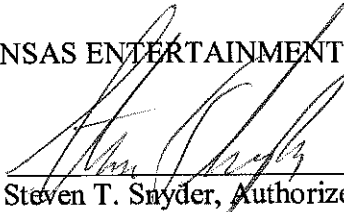
Entertainment and the Unified Government have discussed this matter and come to a mutually agreeable interpretation of the phrase "commence construction." Each of the Unified Government and Entertainment believes that an objective and fair way to measure "commenced construction" is by determining whether, within two years following the opening of the first phase of the gaming project to the public, Kansas Entertainment has obtained a permit (the "**Permit**") issued pursuant to Chapter 8, Article II, Division 1, Section 8-25-123 of the Ordinances of the Unified Government (the "**Code**") and subsequently commences construction of the work authorized by the Permit. Pursuant to Chapter 8, Article II, Division 1, Section 8-25-129 of the Code, in the event the work authorized by the Permit is not commenced within 180 days following issuance of the Permit, or, once work has commenced, if such work has been abandoned prior to completion for a period of 180 days, then Entertainment shall not be deemed to have "commenced construction" and all applicable remedies may be enforced.

This interpretation requires Entertainment to obtain, at a minimum, a footings and foundation permit, commence construction of the improvements authorized by the permit and continue the construction of such improvements to completion, which, as you know, would require significant capital expenditures to get to the point of issuance of a footings and foundation permit.

We hope that this agreed upon interpretation sufficiently answers the question posed during the hearing. If you should have any questions regarding this letter, please feel free to contact Mr. Carl Sottosanti at (610) 378-8214 or Mr. Harold Walker at (913) 573-5060.

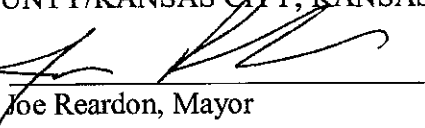
Sincerely,

KANSAS ENTERTAINMENT, LLC

By: 

Steven T. Snyder, Authorized Representative

UNIFIED GOVERNMENT OF WYANDOTTE
COUNTY/KANSAS CITY, KANSAS

By: 

Joe Reardon, Mayor

NOTE: Following is a redline comparison of the 2009 Kansas Entertainment and Penn Hollywood contracts in the Northeast Gaming Zone. The base document is the Kansas Entertainment contract (which is the only remaining active contract). The verbiage in **black colored print** is what is in both agreements. The underlined red colored verbiage is that which was in Penn's contract but not in the Kansas Entertainment contract. The strike outs (example) show items that are in the Kansas Entertainment contract but not in Penn's. **Stated another way**, if you read everything below but ignore the words stricken through, that is the way the final contract negotiated with Penn was worded.

LOTTERY GAMING FACILITY MANAGEMENT CONTRACT
(Pursuant to the Kansas Expanded Lottery Act)

This LOTTERY GAMING FACILITY MANAGEMENT CONTRACT is for the development, construction, and management of a Lottery Gaming Facility, the business of which will be owned and operated by the Kansas Lottery, to be located in the Northeast Gaming Zone.

This Agreement is between the Kansas Lottery, which is acting on behalf of the State of Kansas in accordance with the Kansas Expanded Lottery Act, K.S.A. 2008 Supp. 74-8733 through 74-8773, and Penn Hollywood Kansas, Inc. ("Manager").

NOW THEREFORE, in consideration for the mutual promises and covenants between the parties, it is agreed that:

1. **Certain Defined Terms.** The capitalized terms listed below will have the following meanings. Any other capitalized terms not specifically defined in this Agreement will have the meanings attributed to them in the Kansas Lottery Act, the Kansas Expanded Lottery Act, or the rules and regulations implementing those Acts, as the case may be, and as amended from time to time.
 - a) "Ancillary Lottery Gaming Facility Operations" means additional non-lottery facility game products and services not owned and operated by the state which may be included in the overall development associated with the Lottery Gaming Facility. Such operations may include, but are not limited to, restaurants, hotels, motels, museums or entertainment facilities.
 - b) "Application for Lottery Gaming Facility Manager" means the competitive proposal and all attachments submitted to the Kansas Lottery by Manager under the Kansas Expanded Lottery Act for the privilege of being designated the Lottery Gaming Facility Manager in the Northeast Gaming Zone.
 - c) "Business Plan" means the document prepared by Manager and approved by the Executive Director, at least annually, setting out the management activities anticipated for the Lottery Gaming Facility as provided below in Paragraph 11 for an upcoming Fiscal Year or portion of Fiscal Year as the case may be.

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- d) “Commencement Date” means the date specified in writing when the Executive Director first determines Manager has satisfied all conditions required by this Agreement so that Lottery Facility Games may be offered for play at the Lottery Gaming Facility.
- e) “Commission” means the Kansas Lottery Commission.
- f) “Effective Date” means the date this Agreement is signed by all the parties and all required written approvals for the Agreement are obtained in accordance with the Kansas Expanded Lottery Act and rules and regulations promulgated pursuant thereto.
- g) “Electronic Gaming Machine” means any electronic, electromechanical, video or computerized device, contrivance or machine authorized by the Kansas Lottery which, upon insertion of cash, tokens, electronic cards or any consideration, is available to play, operate or simulate the play of a game authorized by the Kansas Lottery pursuant to the Kansas Expanded Lottery Act, including, but not limited to, bingo, poker, roulette, blackjack, keno and slot machines, and which may deliver or entitle the Player operating the machine to receive cash, tokens, merchandise or credits that may be redeemed for cash, tokens, service or merchandise. Electronic Gaming Machines may use bill validators and may be single-position reel-type, single or multi-game video and single-position multi-game video electronic game, including, but not limited to, poker, blackjack and slot machines. Electronic Gaming Machines are one type of Lottery Facility Games.
- h) “Executive Director” means the executive director of the Kansas Lottery.
- i) “Fiscal Year” means the accounting year established for the Lottery Gaming Facility, which is specified here to be a calendar year and includes any partial (short) year.
- j) “Gray Machine” means any mechanical, electro-mechanical or electronic device, available to the public for play that is capable of being used for gambling, that is: (1) not authorized by the Kansas Lottery; (2) not linked to the lottery central computer system as required by the Kansas Expanded Lottery Act; or (3) capable of simulating a game played on an Electronic Gaming Machine or any similar gambling game authorized pursuant to the Kansas Expanded Lottery Act.
- k) “Immediately” means as soon as practicable given the circumstances of the incident but in no case more than 24 hours.
- l) “Kansas Expanded Lottery Act” means the provisions contained in K.S.A. 2008 Supp. 74-8733 *et seq.*, and amendments thereto which may become effective during this Agreement’s term.
- m) “Kansas Lottery” means the state agency created by the Kansas Lottery Act, K.S.A. 74-8701, *et seq.*, as amended, to operate a lottery or lotteries pursuant to the Kansas Lottery Act or the Kansas Expanded Lottery Act.

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- n) “Lottery Facility Games” means any Electronic Gaming Machines and any other games authorized, as of January 1, 2007, to be conducted or operated at a tribal gaming facility, as defined in K.S.A. 74-9802, and amendments thereto, located within the State of Kansas’ boundaries and are owned and operated by the Kansas Lottery.
- o) “Lottery Gaming Enterprise” means the entertainment enterprise and all facilities and operations associated therewith, including a Lottery Gaming Facility and Ancillary Lottery Gaming Facility Operations, as more fully set forth in the Manager’s Application for Lottery Gaming Facility Manager.
- p) “Lottery Gaming Facility” means (i) that portion of the Lottery Gaming Enterprise used for the purposes of operating, managing and maintaining Lottery Facility Games, as more fully described in the Application for Lottery Gaming Facility Manager filed by Manager with the Kansas Lottery or (ii) a temporary facility for the purposes of operating, managing and maintaining Lottery Facility Games as approved by the Executive Director.
- q) “Lottery Gaming Facility Revenues” means the total revenues from the play of Lottery Facility Games operated at the Lottery Gaming Facility after all related Prizes are paid. This term does not include (i) money generated from Ancillary Lottery Gaming Facility Operations (to which the Kansas Lottery has no financial interest) even if the revenue is generated within the Lottery Gaming Facility or (ii) Promotional Credit(s).
- r) “Player” means a person who: (1) takes part in a Lottery Facility Game by paying consideration or using Promotional Credit for the chance of winning a Prize; and (2) is lawfully eligible to play a Lottery Facility Game under the Kansas Expanded Lottery Act or applicable rules and regulations.
- s) “Progressive Electronic Game” means a game played on one or more Electronic Gaming Machines for which at least one payoff increases uniformly as the game is played and the Prize is determined by application of a formula to the income of independent, local, or interlinked Electronic Gaming Machines.
- t) “Promotional Credit” means any non-cashable credit, coupon or voucher redeemable by a Player at a Lottery Gaming Facility for use in playing Lottery Facility Games that is provided to a Player by Manager on a discretionary basis for purposes of promoting the Lottery Gaming Facility in accordance with a promotional program approved by the Executive Director.
- u) “Promotional Item” means any non-cash, complimentary service or discount provided to a Player by Manager on a discretionary basis for purposes of promoting the Lottery Gaming Facility in accordance with a promotional program approved by the Executive Director.

- v) “Prize” means any money, cash, tokens, merchandise, or credits redeemable for cash or play in a Lottery Facility Game that a Player may be entitled to as an award for playing a Lottery Facility Game under the rules of that game. For any Electronic Gaming Machines offering progressive winnings to a Player based on the use of Electronic Gaming Machines in a Progressive Electronic Game, “Prize” also includes a percentage of every wager played on a Progressive Electronic Game that is contributed to a growing jackpot amount paid to a successful Player as an award for playing an Electronic Gaming Machine under the rules of that Progressive Electronic Game, but does not include the reset amount. “Prize” does not include any administrative fees or other expenses associated with an Electronic Gaming Machine’s acquisition, operation, maintenance or replacement that are not payable to a winning Player.

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w) . “Unified Government” means the Unified Government of Wyandotte County/Kansas City, Kansas.

2. **Date Agreement Becomes Binding.** This Agreement will become effective and binding on the Effective Date; except that the parties agree that Paragraphs 2, 8, 20, 28, 30, 31, 54, 57, 58, 60, 66, 70, 71 and 72 will become effective and binding on the parties immediately upon this Agreement’s approval by the Commission.

3. **Term of Agreement.** This Agreement will terminate fifteen (15) years after the Commencement Date or by operation of law, unless this Agreement is terminated earlier, renegotiated, or renewed, in accordance with the terms set out below.

4. **Commencement Date Deadline.** The Commencement Date will occur no later than 24 months after the Effective Date. This deadline will be extended by the number of days determined by the Executive Director that Manager is unable to perform its responsibilities under this Agreement due to:

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- a) Court order restricting the authority of the Commission or the Kansas Lottery to own and operate Lottery Facility Games at the Lottery Gaming Facility under the Kansas Expanded Lottery Act or under this Agreement, or enjoining Manager from performing under this Agreement;
- b) Any force majeure cause as provided in Paragraph 63;
- c) Any other reason determined by the Executive Director in his sole discretion that adversely impacted Manager’s ability to perform; or
- d) Any delay, not caused or enhanced by Manager, in Manager securing any and all licenses, credentials, permits and approvals necessary to construct and operate the Lottery Gaming Enterprise, or any aspect thereof, provided that Manager shall have made timely application for such permits and approvals, and shall have diligently prosecuted the same.

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Deleted: new contract is substantially the same as this agreement.

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5. **Renewal of Agreement.** Prior to its expiration, this Agreement may be renewed by the mutual written consent of the parties and in accordance with the Kansas Expanded Lottery Act, and amendments thereto. This written consent will set out the terms under which the renewal is to be effective. Further, the Kansas Lottery shall not attempt to negotiate a new Lottery Gaming Facility

Management contract with another party without first giving Manager notice and the opportunity to first renew this Agreement.

6. **Manager's Representations and Warranties.** Manager represents and warrants to the Kansas Lottery as follows:

- a) Manager is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business as such in Kansas.

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- ~~b) Manager has the requisite authority to enter into this Agreement and following written approval of the Kansas Racing and Gaming Commission will have~~ full power, authority, and legal right to perform and observe the provisions in this Agreement, the requirements imposed by the Kansas Expanded Lottery Act, the rules and regulations imposed by the Commission, and the rules and regulations imposed by the Kansas Racing and Gaming Commission.

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- c) Subject to the condition that all approvals required by the Kansas Expanded Lottery Act are obtained, this Agreement constitutes a valid and binding obligation on Manager that is fully enforceable in accordance with its terms, and does not constitute a breach of, or default under, any other agreement to which Manager is a party or any of its assets are bound or affected.

- d) During this Agreement's term, Manager will, at its own expense, keep in full force and affect its legal existence, rights and franchises required in order for it to observe all of this Agreement's terms and conditions. Upon receiving any information or notice contrary to the representations contained in this subsection during this Agreement's term, Manager must Immediately notify the Executive Director in writing with full details regarding the same. Notwithstanding the foregoing, any legally permissible and approved organizational changes made by Manager or its affiliates shall not cause a breach of the representation made in this subparagraph (d).

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- e) Manager has acquired full title or the ability to acquire full title to the premises on which the Lottery Gaming Facility will be located, free and clear of any liens, encumbrances, covenants, charges, burdens or claims, except (i) those which do not materially and adversely affect the use by Manager of the premises as a Lottery Gaming Enterprise, and (ii) any secured liens directly related to the Lottery Gaming Enterprise, which will be disclosed to the Executive Director concurrently with Manager's acquisition of the property or for which the Executive Director's prior approval has been obtained.
- f) The Lottery Gaming Enterprise and the operations thereof at all times will conform in all material respects with all applicable material zoning, planning, building, licensing, and environmental laws and regulations of governmental authorities (federal, state, or local) having jurisdiction over the Lottery Gaming Enterprise, including any amendments to such laws or regulations occurring after this Agreement's execution. Such laws include, but are not limited to, the federal Money Laundering Control Act

of 1986, the Bank Secrecy Act of 1970, and the USA Patriot Act of 2001, and amendments thereto. The Manager shall defend, indemnify and hold the Kansas Lottery and the State of Kansas and all employees of the Kansas Lottery and the State of Kansas harmless from any liability or expenses resulting from any failure by the Manager to comply with the provisions of this subsection (f).

- g) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body pending or, to the knowledge of the Manager, threatened against or affecting the Manager or its principals, and in which an adverse result would in any way diminish or adversely impact the Manager's ability to fulfill its obligations under this Lottery Gaming Facility Management Contract. No revenue bonds, state tax abatement, local tax abatement, tax increment financing or similar financing will be used to finance or apply to any part of Manager's Lottery Gaming Enterprise.

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- h) The Lottery Gaming Enterprise will comply in all material respects with all environmental laws and regulations, and, except in material compliance with environmental laws and regulations agrees that to the best of its knowledge (1) that no pollutants, contaminants, solid wastes, or toxic or hazardous substances will be stored, treated, generated, disposed of, or allowed to exist at the Lottery Gaming Facility or the location of any related Ancillary Lottery Gaming Facility Operations, except in compliance with all applicable laws; (2) Manager will take all reasonable and prudent steps to prevent an unlawful release of hazardous substances onto the Lottery Gaming Facility or the location of any related Ancillary Lottery Gaming Facility Operations or onto any other property; (3) that no asbestos will be incorporated into or disposed of on the Lottery Gaming Facility or the location of any related Ancillary Lottery Gaming Facility Operations; (4) that no underground storage tanks will be located on the Lottery Gaming Facility or the location of any related Ancillary Lottery Gaming Facility Operations, except as approved by the Executive Director; and (5) that no investigation, order, agreement, notice, demand or settlement with respect to any of the above is threatened, anticipated, or in existence with respect to the Lottery Gaming Facility or the location of any related Ancillary Lottery Gaming Facility Operations. Upon receiving any information or notice contrary to the representations contained in this subsection, Manager must immediately notify the Executive Director in writing with full details regarding the same. Manager has executed the Environmental Compliance Agreement attached as Exhibit A. Manager shall defend, indemnify and hold the Kansas Lottery and the State of Kansas harmless from any liability or expenses resulting from any failure by Manager to comply with the provisions of this subsection (h).

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- i) Manager will provide to the Executive Director a certificate or certificates of insurance containing all of the insurance provision requirements provided in this Agreement as follows: as respects the builder's risk and liability including worker's compensation covering construction activities, prior to the commencement of construction activities, and as respects all other insurance, prior to the commencement of any operations presenting an insurable risk. Each insurance policy obtained by Manager to comply with the insurance provision requirements must

provide that if the insurance is canceled for any reason whatsoever, or the same is allowed to lapse or expire, or there be any reduction in amount, or any material change is made in the coverage, such cancellation, lapse, expiration, reduction or change shall not be effective as to the Kansas Lottery or the State of Kansas until at least thirty (30) days after receipt by the Executive Director of written notice by the insurer of such cancellation, lapse, expiration, reduction or change.

- j) Manager will comply with all requirements imposed by the Kansas Racing and Gaming Commission now or in the future for the oversight of all operations at the Lottery Gaming Facility including, but not limited to: oversight of internal controls; adherence to technical standards adopted by the Kansas Racing and Gaming Commission; oversight of security; performance of background investigations; determinations of qualifications and any required certifications, credentialing or licensing of Manager's officers, directors, board members, employees, contractors and agents; auditing of Lottery Gaming Facility Revenues; maintenance and integrity of all Lottery Facility Games approved by the Executive Director for play at the Lottery Gaming Facility; maintenance of facility exclusion lists; player tracking, rewards, clubs, coupons or other incentive programs; oversight of progressive payout systems and programs; oversight of unclaimed winnings; oversight of lost patron monies; or responsible gaming. Manager understands and agrees that failure to adhere to the Kansas Racing and Gaming Commission's rules, regulations, or technical standards may result in the imposition of fines, or other sanctions or penalties against Manager. Upon receiving any information or notice claiming a violation of any requirement of the Kansas Racing and Gaming Commission or any other governmental entity with jurisdiction over gaming-related activities after the Effective Date, Manager must Immediately notify the Executive Director in writing with full details regarding the same.
- k) Manager, at a minimum, meets and will continue to meet the following criteria: (1) has sufficient access to financial resources to support the activities required of it by this Agreement and the Kansas Expanded Lottery Act; (2) is current in filing all applicable tax returns and in payment of all taxes, interest and penalties owed to the state of Kansas and any taxing subdivisions where the Manager is located in the state of Kansas, excluding items under formal appeal pursuant to applicable statutes; and (3) Manager or its principals, affiliates or officers and/or members have at least three consecutive years' experience in the management of gaming which would be class III gaming, as defined in K.S.A. 46-2301, and amendments thereto, operated pursuant to state or federal law.
- l) Manager will comply with all applicable rules and regulations imposed now, or in the future, by the Kansas Lottery.
- m) Except as may be authorized by applicable law and confirmed in writing by the Executive Director, Manager will not own, lease, license, or control the rights to: (1) any software, hardware, computer chip, EPROMS (erasable, programmable, read-only memory), flash drives, CD-ROM or other computerized device required to operate the games available for play on the Lottery Facility Games, (2) any software,

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hardware, computer chip, EPROMS (erasable, programmable, read-only memory), flash drives, CD-ROM or other computerized device containing information regarding or affecting an Lottery Facility Game's chance of winning, awarding of Prizes, or setting the consideration paid by a Player, such as the random number generator or payout tables; (3) any CPUs or other electronic components involved in the operation and calculation or display of game play (e.g., game controller electronics and components housing the game or system firmware program storage media or EPROMS); or (4) any communication controller electronics, and components housing the communication control program that is used for communicating financial data, program information and security events to the central computer authorized by the Executive Director for purposes of security, real-time monitoring and auditing, as well as ticket validation and any other system used that affects the integrity of the Lottery Facility Games made available at the Lottery Gaming Facility.

- n) Manager acknowledges and agrees the State of Kansas, acting through the Commission and the Kansas Lottery, pursuant to their statutory authority, has the sole right to own, lease and operate the Lottery Facility Games placed at the Lottery Gaming Facility and has the full, complete and ultimate ownership and operational control of the gaming operation of the Lottery Gaming Facility. Manager further acknowledges and agrees the Executive Director explicitly retains the power to overrule any action of Manager affecting the gaming operation without prior notice and the Executive Director retains full control over all decisions concerning Lottery Facility Games. No Gray Machines will be permitted at the Lottery Gaming Facility. Notwithstanding the foregoing, nothing herein shall be a waiver of any right of appeal or contest Manager may have.

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- o) Manager, on behalf of the Kansas Lottery, will be responsible at all times for processing payment of all Prizes and matters relating thereto, including the withholding of income taxes and reporting of Prizes in accordance with all applicable laws and regulations.
- p) Manager has a resolution of endorsement from the Board of Commissioners of the Unified Government of Wyandotte County/Kansas City, Kansas, where the Lottery Gaming Facility will be located, which is attached as Exhibit B.
- q) The undersigned is duly authorized to execute and deliver this Lottery Gaming Facility Management Contract on behalf of Manager.

7. **The Kansas Lottery's Representations and Warranties.** The Kansas Lottery represents and warrants to Manager as follows:

- a) The Kansas Lottery is duly established under the Kansas Lottery Act and the Kansas Expanded Lottery Act, and has the power to enter into the transactions contemplated by this Lottery Gaming Facility Management Contract and to carry out its obligations. Based upon the representations of Manager as to the utilization of the

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Lottery Gaming Facility, the Kansas Lottery has the authority to take the actions contemplated by applicable statute.

b) The Executive Director is duly authorized to execute and deliver this Lottery Gaming Facility Management Contract.

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c) Neither the execution and delivery of this Lottery Gaming Facility Management Contract, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the provisions of this Agreement will conflict with or result in a breach of any of the terms, conditions or provisions of any other contract to which the Commission or Kansas Lottery is a party or by which either is bound, or will constitute default under any of the foregoing.

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8. **Kansas Expanded Lottery Act Litigation.** Manager acknowledges it enters into this Agreement with the understanding that the Kansas Expanded Lottery Act and/or the implementation of that Act by the Kansas Lottery or the Commission, may come under review by courts of competent jurisdiction from time to time during this Agreement's term. Manager agrees it will proceed with its responsibilities under this Agreement at its own risk as to the Kansas Expanded Lottery Act's validity, or the validity of the implementation of that Act by any state agency, except that nothing in this section will be interpreted to restrict any rights Manager may have to seek repayment of Managers' privilege fee if the Kansas Expanded Lottery Act were to be amended or repealed by a legislative body or declared unconstitutional in a future proceeding. In the event litigation is commenced, against Manager or the Kansas Lottery, arising out of or in connection with the Kansas Expanded Lottery Act (including constitutionality, implementation, and the applicant contracting process) related to this agreement and requesting relief in the form of an injunction or termination of this Agreement or the invalidation of the Kansas Expanded Lottery Act, Manager may suspend construction, if not yet complete, until receipt of an order, at the trial level or on appeal, upholding the Kansas Expanded Lottery Act or its implementation as applied to this Agreement.

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Deleted: At the time of the execution of this agreement, anything contained in this agreement notwithstanding, Kansas Lottery hereby represents and warrants, to the knowledge of Kansas Lottery, that there is no action, suit, proceeding, at law or in equity, before or by any court, public board or body, naming the Kansas Lottery as a party, arising out of or in connection with the Kansas Expanded Lottery Act (including constitutionality and the applicant contracting process.) In the event litigation is commenced

9. **Required Approvals Prior to this Agreement Becoming Effective.** Subject to the terms of Paragraph 2, this Agreement will not become effective until it is approved, as required by the Kansas Expanded Lottery Act, by all three of the following public entities: (a) the Commission; (b) the Lottery Gaming Facility Review Board; and (c) the Kansas Racing and Gaming Commission, (which approval by the Kansas Racing and Gaming Commission shall be evidenced in writing as per this Agreement).

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10. **Conditions Precedent to Lottery Gaming Facility Opening.** Prior to permitting initial public access to the Lottery Gaming Facility, Manager must (as and when applicable):

a) Be in compliance with all statutory requirements imposed by the Kansas Expanded Lottery Act, as amended, for placing Lottery Facility Games at the Lottery Gaming Facility.

b) Be in compliance with all rules and regulations, written policies, or written standards imposed by the Kansas Lottery Commission for placing Lottery Facility Games at the Lottery Gaming Facility.

- c) Be in compliance with all rules and regulations, licensing requirements, written policies, or written standards imposed by the Kansas Racing and Gaming Commission for placing Lottery Facility Games at the Lottery Gaming Facility.
- d) Have in an operational condition Manager's portion of the central communication system specified by the Executive Director for the purposes of security, monitoring and auditing of Electronic Gaming Machines placed at the Lottery Gaming Facility.
- e) Have current written approvals from the Executive Director for all Lottery Gaming Facility activities as required by this Agreement.
- f) Be in compliance with all material local zoning requirements applicable to the Lottery Gaming Facility.
- g) Have delivered to the Secretary of State, with a copy to Executive Director, Manager's irrevocable consent to the jurisdiction and courts of the State of Kansas in accordance with K.S.A. 2008, Supp. 74-8755.
- h) Obtain and maintain all necessary governmental permits and licenses/certifications when and as may be required by law in connection with the operation of the Lottery Gaming Enterprise.
- i) Be in compliance with all other requirements in this Agreement as and when applicable.

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11. **Manager's Business Plan.** The Executive Director and Manager will jointly develop a Business Plan, which will be based upon and not inconsistent with Manager's Application for Lottery Gaming Facility Manager, promptly after the Effective Date. This Business Plan will provide for the Lottery Gaming Facility's pre-opening activities in preparation for operation after the Commencement Date, hours of operation with 24 hour operations seven days a week being permitted by the Executive Director, advertising, marketing, public relations, number and type of Lottery Facility Games to be available to the public, process for selection of such games, Prizes, theoretical hold percentages, initial budget, Promotional Credits and procedures for controlling and accounting for the use of Promotional Credits, Promotional Items and procedures for controlling and accounting for the use of Promotional Items, special events or activities planned or anticipated by Manager during the period of time covered by the Business Plan, and other management activities to be performed by Manager consistent with the Kansas Expanded Lottery Act and applicable law that either the Manager or the Executive Director wants to address in the Business Plan. Once approved by the Executive Director, Manager will implement the approved Business Plan. The Executive Director, in consultation with Manager, may amend the Business Plan from time to time to promote the Lottery Gaming Facility's competitive position in the market in order to enhance, to the extent profitable to Manager, Lottery Gaming Facility Revenues. In connection with the Executive Director's annual Business Plan review and approval and to encourage the efficient operation and administration of the Lottery Gaming Facility, the Executive Director, may issue standing approvals for decisions which are capable of repetition during the Fiscal Year, such as advertising campaigns, Lottery Facilities Games approved for play in the Lottery Gaming Facility, and similar types of

decisions requested by Manager. At any time, Manager may propose to the Executive Director for his approval any amendments to the Business Plan. The initial Business Plan will include Manager's proposed name for the Lottery Gaming Facility, which must be approved by the Executive Director. Any subsequent change to the facility's name must be approved by the Executive Director.

12. **Ancillary Lottery Gaming Facility Operations.** At the same time that Manager and the Executive Director develop a proposed Business Plan for the Lottery Gaming Facility, Manager separately will provide the Executive Director with Manager's anticipated business plan and budget for all Ancillary Lottery Gaming Facilities Operations that Manager anticipates developing in conjunction with the Lottery Gaming Facility, such as restaurants, hotels, motels or entertainment facilities. Manager agrees not to conduct any Ancillary Lottery Gaming Facility Operations that the Executive Director determines in his sole discretion would: (a) result in an appearance that reflects adversely on the Kansas Lottery or the Kansas Lottery Commission as the owner and operator of the Lottery Facility Games; or (b) violate any regulatory standards or local zoning laws.

13. **Lottery Gaming Facility Construction.** Manager will diligently construct at its own expense the Lottery Gaming Facility substantially in accordance with Manager's Application for Lottery Gaming Facility Manager and the plans and specifications. Prior to beginning construction, the Executive Director must approve the final plans and specifications for the Lottery Gaming Facility (or in lieu thereof such other construction-related documents acceptable to the Executive Director that are suitable for this purpose) to ensure construction will conform with the Manager's Application for Lottery Gaming Facility Manager and Manager's representation to the Kansas Lottery Commission, Lottery Gaming Facility Review Board, the Kansas Racing and Gaming Commission, or the county or city governing body where the Lottery Gaming Facility is to be located. All construction of the Lottery Gaming Facility must be approved for occupancy and the Lottery Facility Games ready for play by the public within that facility no later than the Commencement Date, unless a time extension is approved by the Executive Director. The schedule setting out Manager's anticipated benchmarks for construction completion is attached as Exhibit C. For each month between the Effective Date and the Commencement Date, Manager will report no less than monthly as directed by the Executive Director on Manager's progress toward completing construction, implementing the Business Plan, and opening the Lottery Gaming Facility to the public. No material alterations to the scope and design of the plan for the Lottery Gaming Facility increasing or decreasing the total costs by more than one percent (1%) of the total cost provided for in Manager's Application for Lottery Gaming Facility Manager may be made without the Executive Director's written approval unless such change materially affects the floor plan, surveillance, or security for the Lottery Gaming Facility, in which case the Executive Director's approval is required for any material change regardless of the dollar amount. The Executive Director will promptly notify Manager of his approval or rejection of any proposed change. Manager will not need to obtain the Executive Director's approval for expenditures covered by the Manager's contingency budget.

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14. **Construction Related to Ancillary Lottery Gaming Facilities Operations.** Manager must diligently construct at no expense to the Kansas Lottery the buildings and related improvements for its Ancillary Lottery Gaming Facility Operations substantially in accordance with Manager's Application for Lottery Gaming Facility Manager and Exhibit C. In addition to any other remedy available to the Executive Director under this Agreement, with respect to this Paragraph 14, Manager's failure to substantially perform its Ancillary Lottery Gaming Facility Operations obligations according to objectively verifiable standards and, provided such failure cannot be

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disputed in good faith, will authorize the Executive Director to withhold payment of Manager's compensation for which it would otherwise be entitled under Paragraph 26, less such amounts necessary for Manager to meet its cash operating expenses and debt service payment per the annual Budget or Business Plan, after the date forty-five (45) days following the Executive Director's written notice to Manager of such failure, until the breach is cured. If the Executive Director determines to withhold Manager's compensation as provided in this paragraph, he will deposit the applicable funds in an interest bearing account, until the Executive Director determines the breach is cured, at which time the compensation and any interest held by the Executive Director will be promptly returned to Manager. Provided, however, if the breach is not cured within 180 days of the date each amount is withheld as provided herein, the Kansas Lottery shall be entitled to retain each amount and any interest so withheld. (for example, if such breach is cured 181 days following the date Manager's compensation is initially withheld, the Kansas Lottery shall retain one day's share of such amount and interest so withheld and shall remit the remaining 180-days' share to Manager).

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15. **Manager's Construction-Related Responsibilities.** Manager will be responsible for the management and construction of all aspects of construction-related activities concerning the Lottery Gaming Facility and the buildings and related improvements for its Ancillary Lottery Gaming Facility Operations. These responsibilities include, but are not necessarily limited to, the following:

- a) The direction of all construction activities;
- b) The direction and coordination of the performance of the architect, the other consultants and contractors;
- c) Causing all construction activities to be carried out in a good and workmanlike manner, all in substantial compliance with the Manager's Application for Lottery Gaming Facility Manager;
- d) Preparing the Lottery Gaming Facility to accommodate the central communication system as required by the Executive Director in accordance with the vendor contract for that central communication system, including installation of all specified power and communication services;
- e) Correcting or remedying or causing to be corrected or remedied, any violations of applicable law;
- f) Arranging for the preparation of all working drawings and specifications;
- g) Preparing or arranging for the preparation of all construction contracts and arranging for the preparation and execution of all other related documentation required in accordance with the development obligations undertaken by Manager;
- h) Securing financing, if necessary, including mortgage liens on the real property and improvements and liens on personal property, for the construction of the Lottery Gaming Facility or the building and improvements related to the Ancillary Gaming Facility Operations, including completing the necessary documentation therefor;

- i) Maintaining appropriate cost-accounting records in accordance with generally accepted accounting principles;
- j) Obtaining all necessary government approvals, consents, permits, and licenses/certifications;
- k) Providing legal support related to the development and construction responsibilities undertaken by Manager; ~~and~~
- l) Ensuring all required insurance is maintained in force; ~~and~~
- m) Provide such information to the Executive Director reasonably sufficient to allow the Executive Director to confirm that Manager's actual construction costs meet the statutory minimum required investment ~~and the manager's application proposal. The Executive Director may reasonably rely on all information received from Manager's~~ third party construction ~~vendors or auditors, but shall have the right to require additional information and verification.~~

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16. **Exclusive Use of Lottery Gaming Facility.** ~~During the term of this Agreement, the~~ Lottery Gaming Facility will be used exclusively for the playing of Lottery Facility Games owned and operated by the Kansas Lottery, and the ancillary management activities approved by the Executive Director, which may include, but are not limited to, beverage service, food service, entertainment, retail, promotional, and ATM facilities. Manager may not permit any other business activities within the Lottery Gaming Facility unless approved in writing by the Executive Director.

17. **Approval of Manager's Floor Plan.** Prior to opening the Lottery Gaming Facility, Manager must submit its proposed floor plan to the Executive Director for approval. This floor plan must show the location of all Lottery Facility Games, count rooms, cages and other equipment and facilities to be contained within the Lottery Gaming Facility. No material change affecting surveillance or security, or any other material aspect of operations may be made to the approved floor plan without the Executive Director's prior written approval. Manager must perform its duties in accordance with the floor plan approved by the Executive Director, except to the extent necessary for Manager to implement pre-approved changes to the plan. The Executive Director, after consultation with Manager, will determine the location within the floor plan for each game, or type of game, to be offered to the public at the Lottery Gaming Facility.

18. **Approval of Manager's Surveillance Plan.** Prior to opening the Lottery Gaming Facility, Manager must submit its proposed surveillance plan to the Executive Director for approval. This surveillance plan at a minimum must contain all items required by applicable rule and regulation. No material change to the approved surveillance plan may be made without the Executive Director's prior written approval. Manager must perform its duties in accordance with the surveillance plan approved by the Executive Director, except to the extent necessary for Manager to implement pre-approved changes to the plan, in all material respects.

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19. **Approval of Manager's Security Plan.** Prior to opening the Lottery Gaming Facility, Manager must submit its proposed policies and procedures relating to security to the

Executive Director for approval. This security plan at a minimum must contain all items required by applicable rule and regulation. No material change to the approved security plan may be made without the Executive Director's prior written approval. Manager must perform its duties in accordance with the security plan approved by the Executive Director, except to the extent necessary for Manager to implement pre-approved changes to the plan in all material respects.

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20. **Privilege Fee Payment.** No later than thirty (30) days after the Commission approves this Agreement, Manager must pay to the state treasurer of the State of Kansas a privilege fee of \$25 million. This payment to the state treasurer will be deposited into the state treasury and credited to the Lottery Gaming Facility Manager Fund, which is a temporary fund created pursuant to the Kansas Expanded Lottery Act. Notwithstanding any other provision in this Agreement, if Manager fails to pay this privilege fee, which Manager may withhold in its sole discretion, within 30 days after the Commission's approval, this Agreement will be void and Manager will have no duty, obligation or liability under this Agreement except as otherwise provided in Paragraphs 28 and 54 or under the Kansas Expanded Lottery Act. Once all required approvals for this Agreement are obtained in accordance with the Kansas Expanded Lottery Act (including the written approval of the Kansas Racing and Gaming Commission), the Manager's privilege fee will be transferred on the Effective Date from the Lottery Gaming Facility Manager Fund to the Expanded Lottery Act Revenues Fund as provided by law. If (a) the required approvals for this Agreement are not obtained in accordance with the Kansas Expanded Lottery Act or (b) if Manager withdraws its application to be Lottery Gaming Facility Manager in the Northeast Gaming Zone prior to written approval of the Kansas Racing and Gaming Commission, the Executive Director will promptly direct the state treasurer to refund, without interest, Manager's privilege fee payment. The Kansas Lottery acknowledges, following investigation thereof, to the best of its knowledge and belief, that Kansas Penn Gaming, LLC, is a separate and operationally distinct company from Penn Hollywood Kansas, Inc. and the Kansas Lottery further acknowledges that K.S.A. 60-723(d) states in part that all property, funds, credits and indebtedness of the state or of any agency of the state shall be exempt from garnishment, attachment, levy and execution and sale, and no judgment against the state or any agency of the state shall be a charge or lien on any such property, funds, credits or indebtedness; however, the Kansas Lottery makes no representation or warranty regarding the legal effect or applicability of said statute to this Agreement or the Kansas Expanded Lottery Act.

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21. **Lottery Facility Game Ownership.** The Manager must purchase or lease, on behalf of the State of Kansas, for the Kansas Lottery all Lottery Facility Games, including all necessary equipment such as approved tables, felt, dice, cards, chips, layouts, or intellectual property rights as determined by the Executive Director. Manager has no authority under this Agreement to own, purchase or lease any Lottery Facility Games, except on behalf of the State of Kansas and through the Kansas Lottery. The Executive Director, in consultation with Manager, will select the Lottery Facility Games to be offered for play at the Lottery Gaming Facility and determine the Prizes to be awarded for the play of such games. The Executive Director will determine and approve all rules of play and gaming policies that are applicable to the play of all Lottery Facility Games offered at the Lottery Gaming Facility. The parties acknowledge that this Agreement vests the Executive Director with the authority associated with the ownership and control of a Lottery Gaming Facility as required under the Kansas Expanded Lottery Act. The Kansas Lottery further acknowledges that following the Effective Date, Manager is eligible for selection because of its ability to make a substantial private investment in the Lottery Gaming Enterprise that can only be undertaken with the expectation of a profit and can only be recouped with the type of prudent management skills and operational skill

Deleted: Notwithstanding the foregoing, Manager may grant a security interest in all Lottery Facility Games arising in connection with the financing and/or lease of same. So long as Manager complies with its duties to the Kansas Lottery under this Agreement and the Kansas Expanded Lottery Act, the Kansas Lottery agrees that the Manager may

set consistent with those exercised by Manager's affiliates at other gaming facilities. The Kansas Lottery further acknowledges that Manager's investment is subject to substantial business and financial risk. The parties further acknowledge that Manager is a wholly owned subsidiary of a publicly-traded, multi-jurisdictional gaming and racing company, subject to federal and state laws, rules and regulations governing among other things, periodic public reporting and the duty to maximize shareholder value. Accordingly, the Kansas Lottery agrees that it is Manager's intention to manage the Lottery Gaming Facility and its investment in the Lottery Gaming Facility in a manner that maximizes its profitability. Neither the Kansas Lottery nor the Executive Director anticipate taking any action that would prevent Manager from fulfilling its obligations under any federal or state laws, rules or regulations applicable to Manager or its affiliates. In the exercise of their legal duties, the Lottery Commission will give due consideration to the duties and obligations of Manager.

22. **Control Software Licensing and Ownership.** The Kansas Lottery will be the licensee, owner and possessor of the right to use all control software and logic chips required to operate the games available on the Lottery Facility Games at the Lottery Gaming Facility. This includes: (a) any software, hardware, computer chip, EPROMS (erasable, programmable, read-only memory), flash drives, CD-ROM or other computerized device required to operate the games available for play on the Lottery Facility Games, (b) any software, hardware, computer chip, EPROMS (erasable, programmable, read-only memory), flash drives, CD-ROM or other computerized device containing information regarding or affecting a Lottery Facility Game's chance of winning, awarding of prizes, or setting the consideration paid by a Player, such as the random number generator or payout tables; (c) CPUs and other electronic components involved in the operation and calculation or display of game play (e.g., game controller electronics and components housing the game or system firmware program storage media or EPROMS); or (d) communication controller electronics, and components housing the communication control program that is used for communicating financial data, program information and security events to the central computer authorized by the Executive Director for purposes of security, real-time monitoring and auditing, as well as ticket validation and any other system used that affects the integrity of the Lottery Facility Games made available to Players at the Lottery Gaming Facility. Manager will transfer to the Kansas Lottery any rights obtained by Manager to use all control software and logic chips required to operate the games available on the Lottery Facility Games available to Players at the Lottery Gaming Facility. The Executive Director shall have the right to approve all agreements concerning software licensing and ownership affecting the Lottery Facility Games made available to Players at the Lottery Gaming Facility.

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23. **Daily Electronic Payment of Lottery Gaming Facility Revenues.** Manager must pay all Lottery Gaming Facility Revenues daily to the Executive Director as provided by applicable regulation. For purposes of this Paragraph 23, "daily payment" means no later than 5:00 pm central standard time. Manager will make this payment electronically in accordance with the Executive Director's written instructions, which will conform to necessary banking practices. These instructions may be changed from time to time in the Executive Director's sole discretion with reasonable notice to Manager. The Executive Director, in consultation with Manager, will develop a process so that Manager may audit and reconcile Lottery Gaming Facility Revenues after the daily payments are made. Notwithstanding any other provision in this Agreement, Manager's failure to make a daily electronic payment of Lottery Gaming Facility Revenues as required by this Agreement will be deemed an event of default unless the payment cannot be achieved due to the unavailability of bank services, force majeure events, or malfunctions in the central communications system not within

Manager's control in which case the payment must be made on the first succeeding day that such services are available or such events or malfunctions cease. Manager's failure to comply with this paragraph will authorize the Executive Director in his sole discretion to immediately terminate this Agreement if Manager does not cure its failure within 24 hours of receiving written notice of Manager's failure to comply, provided that Manager's failure to make the required daily payment is not intentional.

24. **Payment Obligation is Unconditional.** Manager's obligation to make the daily payments of all Lottery Gaming Facility Revenues required above is a general obligation of Manager and is absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim Manager may otherwise have against the Commission, the Kansas Lottery, or any agency of the State of Kansas. Subject to an act of God or natural disaster, Manager agrees, for so long as it is managing the Lottery Gaming Facility, it will not suspend, discontinue or abate any daily payment required above for any cause whatsoever including, without limiting the generality of the foregoing, failure of consideration, destruction of or damage to the Lottery Gaming Facility, commercial frustration of purpose, any change in the tax or other laws, any administrative rulings of or administrative actions by the State of Kansas or any political subdivision thereof, or any failure by any agency or entity acting on behalf of the State of Kansas to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with this Lottery Gaming Facility Management Contract, or otherwise. Subject to the foregoing provisions, nothing contained in this paragraph shall be construed to release the Kansas Lottery from the performance of any of the agreements on its part contained in this Lottery Gaming Facility Management Contract or to affect Manager's right to seek reimbursement or damages from the Kansas Lottery as provided in this Agreement. Manager must not grant, authorize or permit any interest in the Lottery Gaming Facility Revenues that are to be remitted daily to the State to be given to anyone.

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25. **Setoff Right Against Manager.** Any amounts owed to Manager under this Agreement are subject to set off by the state, municipalities, or certain others in accordance with K.S.A. 75-6201, *et seq.*, and amendments thereto.

26. **Total Compensation Paid to Lottery Gaming Facility Manager.** As its sole compensation for the management services for the Lottery Gaming Facility as set out in this Agreement, Manager will be paid 73% of the Lottery Gaming Facility Revenues generated at the Lottery Gaming Facility.

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The Executive Director will direct this payment to Manager on a monthly basis, in arrears, based on the previous month's Lottery Gaming Facility Revenues after first deducting Manager's share of Kansas Lottery expenses and share of Kansas Racing and Gaming Commission expenses incurred for oversight and regulation as provided in Paragraph 28 below. Manager may pledge, encumber or grant any interest in the compensation to be paid Manager, subject to the deductions and setoffs provided for in this Agreement and subject further to the Executive Director's authority under Paragraph 14.

27. **Payments to Problem Gaming and Addictions Grant Fund and Local Governments.** Manager acknowledges and agrees the Executive Director will cause two percent (2%) of Lottery Gaming Facility Revenues to be paid to the problem gaming and addictions grant

fund established by K.S.A. 2006 Supp. 79-4805, and amendments thereto. Manager further acknowledges and agrees the Executive Director will cause three percent (3%) to be delivered to the Unified Government of Wyandotte County/Kansas City, Kansas, as provided by K.S.A. 2008 Supp. 74-8734(h)(15).

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28. Manager's Payments for Kansas Lottery's Expenses and Kansas Racing and Gaming Commission's Costs for Oversight and Regulation. Manager must pay the expenses of the Kansas Lottery and the Kansas Racing and Gaming Commission, as follows:

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- a) Manager's share of the Kansas Lottery's reasonable and necessary expenses directly attributable to Manager and the Kansas Lottery's proportionate share of other expenses incurred for the implementation and operation of the Kansas Expanded Lottery Act and this Agreement will be paid in accordance with this sub-paragraph (a). Expenses incurred by the Kansas Lottery will be billed directly to Manager by the Kansas Lottery within thirty (30) days of the Commission's approval of this Agreement and must be paid by Manager within thirty (30) days of billing. Thereafter, and prior to the Commencement Date, the Executive Director will bill Manager periodically for the Kansas Lottery's expenses and Manager will pay such expenses within thirty (30) days of billing. After the Commencement Date, the Executive Director will deduct Manager's share of Kansas Lottery expenses 10 days after providing a statement of such expenses, from Manager's compensation payment as provided above in Paragraph 26. Manager's share of Kansas Lottery expenses will be calculated by taking the costs incurred by the Kansas Lottery that are directly attributed to Manager and Manager's Lottery Gaming Facility, and adding to that amount the Kansas Lottery's common expenses attributable to all racetrack and lottery gaming facility managers as a result of the Kansas Lottery's activities pursuant to the Kansas Expanded Lottery Act, which common expenses will be divided equally among all managers.

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- b) All costs incurred by the Kansas Racing and Gaming Commission for its oversight and regulation of Manager and the Lottery Gaming Facility in accordance with the requirements for calculating and paying such costs as determined by the executive director of the Kansas Racing and Gaming Commission. Manager acknowledges and agrees this obligation includes the requirement that Manager pay its *pro rata* share of the anticipated expenses of the Lottery Gaming Facility Review Board, which will be billed to Manager after the Kansas Lottery Commission's approval of this Agreement. If Manager fails to pay these expenses when due, this Agreement may be void, and Manager may forfeit any rights it may have to be a Lottery Gaming Facility Manager under the Kansas Expanded Lottery Act ten (10) days after receiving written notice from the Kansas Racing and Gaming Commission of Manager's failure to timely pay. Manager further acknowledges that the executive director of the Kansas Racing and Gaming Commission will assess each manager, whose agreement is approved by the Lottery Gaming Facility Review Board, a proportionate share of all costs incurred by the Kansas Racing and Gaming Commission since 2007 Senate Bill 66 became effective on April 19, 2007, that are attributable to that agency's responsibilities under the Kansas Expanded Lottery Act. The Manager's estimated share of the Kansas Racing and Gaming Commission expenses and costs from July

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2007 and as projected through December 2009 are approximately \$2,043,124, subject to a possible adjustment in the event casinos are not approved and opened in the other three gaming zones and/or there are no racetrack gaming facilities approved and opened in the state, which adjustment is estimated to be in the maximum additional amount of \$562,591.17 (estimated through December, 2009 only), plus any interest accrued to the date of payment.

- c) Manager's share of the expenses incurred for the central computer system, which share will be based proportionately on Lottery Gaming Facility Revenues generated by the Electronic Gaming Machines placed at Manager's Lottery Gaming Facility in comparison to the revenues generated by other Electronic Gaming Machines placed by the Kansas Lottery at Racetrack Gaming Facilities and Lottery Gaming Facilities that are part of the central computer system.

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29. **Manager's Maintenance Responsibilities.** Manager must:

- a) Keep the Lottery Gaming Facility and all property and improvements associated with its Ancillary Lottery Gaming Facility Operations in good repair and in a reasonably safe condition;
- b) Make all necessary repairs and replacements to the Lottery Gaming Facility, including maintaining in an operational condition Manager's portion of the central communication system as required by the Executive Director in accordance with the vendor contract for that central communication system, and all property and improvements associated with its Ancillary Lottery Gaming Facility Operations (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen); and
- c) Maintain the Lottery Gaming Facility and all property and improvements associated with its Ancillary Lottery Gaming Facility Operations in good, commercially viable condition, ordinary wear and tear excepted, including, without limitation, interior and exterior cleaning, painting and decorating, replacement of lighting fixtures, wall coverings, floors and floor coverings, furnishings, plumbing, electrical, HVAC and any structural or mechanical repairs and any other maintenance or replacement requirements that may be commercially reasonable.

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30. **Prohibitions Applicable to the State.** The Kansas Lottery, acting on behalf of the State of Kansas, agrees by entering into this Agreement that:

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- a) Neither the Kansas Lottery nor the State of Kansas will enter into a management contract for, or otherwise authorize, more than four (4) lottery gaming facilities or similar facilities in the four gaming zones outlined in the Kansas Expanded Lottery Act, as initially enacted, with one lottery gaming facility in each gaming zone;
- b) Neither the Kansas Lottery nor the State of Kansas will designate additional areas of the state where operation of Lottery Gaming Facilities or similar gaming facilities

will be authorized, other than those set out in the Kansas Expanded Lottery Act, as initially enacted; or

- c) Neither the Kansas Lottery nor the State of Kansas will operate an aggregate of more than 2,800 Electronic Gaming Machines at all parimutuel licensee locations.

31. **State Payment for Breach.** Manager will be entitled, as its sole monetary remedy, to payment in an amount equal to the actual privilege fee paid by Manager, plus interest on such amount, compounded annually at the rate of ten percent (10%), if the State of Kansas violates any provision in Paragraph 30 above during the term of this Agreement. The parties acknowledge and agree that nothing in this paragraph will be interpreted to prevent or limit any rights Manager may have to seek specific performance or other equitable relief against the Kansas Lottery or the State of Kansas to enforce the prohibitions contained in Paragraph 30. Nothing in this paragraph will be deemed a waiver of the immunities and protections reserved to the State of Kansas under the Eleventh Amendment to the Constitution of the United States.

32. **Executive Director's On-Site Personnel.** The Executive Director may appoint one or more persons to oversee on-site the Lottery Facility Games at the Lottery Gaming Facility and Manager's performance under this Agreement. Such person(s) will report to the Executive Director, and have such authority as the Executive Director in writing may determine. Such person(s) will oversee operations, observe gaming activities, enforce gaming rules and policies, resolve disputes between Manager and Players, and perform such other tasks as directed by the Executive Director. All determinations made by such persons will be subject to review by the Executive Director, provided that Manager may act and rely upon written and verbal determinations made by the Executive Director's on-site personnel until Manager receives written notice from the Executive Director amending or reversing any such determination.

33. **Deactivation and Possession of Lottery Facility Games.** Upon order of the Executive Director, any or all Lottery Facility Games located at the Lottery Gaming Facility will be subject to immediate deactivation and/or cessation of operation. At any time, the Executive Director will be entitled to physically secure or take possession of any or all Lottery Facility Games and any related equipment necessary to play such games.

34. **Insurance Required.** At the time provided in Paragraph 6(i) above, and at all times thereafter, including without limitation during any period of construction of the Lottery Gaming Facility, Manager must maintain or cause to be maintained insurance against such risks and for such amounts as are customarily insured against by businesses of like size and type paying, as the same become due and payable, all premiums in respect thereto, including, but not necessarily limited to:

- a) Property Insurance on an "all-risk" form or equivalent policy form, including but not limited to insurance against the perils of fire, lightning, windstorm, hail, and explosion. Such insurance to be in an amount not less than the full replacement value of the Lottery Gaming Facility, exclusive of excavations and foundations, as determined by a recognized appraiser or insurer selected by Manager or an amount not less than the maximum foreseeable loss, as determined by a property insurance carrier provided the policy provides a replacement cost endorsement up to the limit of the policy with customary and reasonable deductibles approved by the Executive

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Director; or as an alternative to the foregoing, Manager may insure the Lottery Gaming Facility under a blanket insurance policy or policies covering not only the Lottery Gaming Facility but other properties as well, provided a periodic appraisal is performed at intervals determined by the Executive Director and provided to the Executive Director.

- b) Workers' compensation insurance, disability benefits insurance, and each other form of insurance which Manager is required by law to provide, covering loss resulting from injury, sickness, disability or death of Manager's employees who are located at or assigned to the Lottery Gaming Facility.
- c) Commercial General Liability Insurance against loss or losses from liabilities imposed by law or assumed in any written contract and arising from personal injury and death or damage to the property of others caused by any accident or occurrence, subject to the terms and conditions of the insurance policy, with limits of not less than \$10,000,000 per accident or occurrence with a \$10,000,000 general aggregate, on account of personal injury, including death resulting there from, and \$10,000,000 per accident or occurrence with a \$10,000,000 general aggregate, on account of damage to the property of others, excluding liability imposed upon Manager by any applicable worker's compensation law. These liability limits may be satisfied by any combination of primary and excess liability policies. The primary general liability insurance may have a self-insured retention and the excess liability policy may have a commercially-reasonable deductible, as determined by the Executive Director. These liability insurance requirements may be satisfied by blanket policies in the aggregate amount of not less than \$10,000,000 per accident or occurrence with a \$10,000,000 general aggregate.

~~d) Employer's practices liability coverage providing customary coverage for alleged violations of local, state or federal civil rights laws or ordinances, or employment discrimination laws.~~

~~e) Employee Dishonesty Combination Crime coverage in amount sufficient to cover all employees employed by Manager who are, or may be, responsible for handling any Lottery Gaming Facility Revenues or other monies belonging to the Kansas Lottery that come under the Manager's custody or control.~~

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35. **Additional Provisions Regarding Insurance.** In addition to the above, Manager must ensure that:

- a) All insurance required in Paragraph 34 above names the Commission, the Kansas Lottery, and the State of Kansas as named insureds, or additional named insureds. All insurance will be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the Manager, but authorized to write such insurance in Kansas. Such insurance may be written with deductible or self-insured retentions approved by the Executive Director in amounts comparable to those on similar policies carried by other companies engaged in the gaming industry for facilities similar in size, character and other respects to the Lottery Gaming

Facility. All policies evidencing such insurance must provide for (1) payment of the losses of the Commission, the Kansas Lottery, the State of Kansas, and the Manager as their respective interest may appear, and (2) at least thirty (30) days written notice of the cancellation thereof to the Executive Director and the Manager. Policies referred to in this subparagraph (a) must include both the Kansas Lottery and the Manager as loss payees as their interest may appear.

- b) All certificates of insurance from the insurers that such insurance is in force and ~~affect~~, must be deposited with the Executive Director on or before the Effective Date, except as provided in paragraph 6(i) above. Prior to expiration of the policy evidenced by said certificates, Manager must furnish the Executive Director with evidence that the policy has been renewed or replaced or is no longer required by this Agreement. Copies of the actual insurance policies will be provided to the Executive Director promptly at his request.
- c) Within one hundred twenty (120) days after the end of each Fiscal Year, the Manager must file with the Executive Director a certificate executed by the Manager to the effect that the insurance it maintains with respect to the Lottery Gaming Facility complies with this Agreement and that duplicate copies of all policies or certificates were filed with the Executive Director and are in full force and effect.

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36. **Kansas Lottery's Right to Pay Insurance, Taxes, or Other Charges.** If Manager fails (a) to pay any tax, assessment or other governmental charge required to be paid and not being formally contested by Manager in an appropriate forum with jurisdiction to hear such contests, or (b) to maintain any insurance required to be maintained, the Executive Director, in his discretion, and following written notice to Manager, may authorize the Kansas Lottery to make payment of such tax, assessment, or other governmental charge or the premium for such insurance. Manager will reimburse the Kansas Lottery for any amount so paid together with interest thereon from the date of payment at twelve percent (12%) per annum. The Kansas Lottery may set off such payments from any money otherwise due Manager.

37. **Lottery Gaming Facility Damage, Destruction or Condemnation.** If the Lottery Gaming Facility is damaged, destroyed or condemned (in whole or in part) at any time during the term of this Agreement, Manager must promptly replace, repair, rebuild, or restore the Lottery Gaming Facility to substantially the same condition and value as an operating entity as existed prior to such damage or destruction, to the extent insurance proceeds are available to cover such costs, with such changes, alterations and modifications as may be desired by Manager and approved by the Executive Director, and may use insurance or condemnation proceeds for all such purposes. If the Lottery Gaming Facility is damaged to an extent that it must be closed for business and Manager elects to rebuild the Lottery Gaming Facility at any point during the term of this agreement, the term of this agreement will be tolled until such time repairs and reconstruction of the Lottery Gaming Facility are sufficiently completed so as to allow Lottery Facility Games to be offered for play as determined by the Executive Director. The Kansas Lottery agrees to remit any insurance proceeds it receives as a result of the damage or destruction of the Lottery Gaming Facility or Lottery Facility Games (unless those proceeds are to cover the Kansas Lottery's losses under Sections 23 or 26 of this agreement) to the Manager for the specific replacement, repair, rebuilding or restoration loss for which the Kansas Lottery received any insurance proceeds. Manager will have no obligation to

rebuild the Lottery Gaming Facility if such damage, destruction, or condemnation impacts at least 33 1/3% of the Lottery Gaming Facility and occurs within five years prior to the end of this Agreement's term. Manager shall have one hundred-twenty (120) days from the damage or destruction to elect to rebuild. If Manager so elects not to rebuild the Lottery Gaming Facility within the last five years remaining on the term of this Agreement, the term of this agreement as defined under Section 3 of this Agreement will immediately end and the Kansas Lottery shall have the ability to exercise any rights available to it under the terms of the Kansas Expanded Lottery Act.

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38. **Advertising, Marketing, and Promotion.** Manager must use its commercially reasonable efforts to advertise, market, and promote the Lottery Gaming Facility in order to attract the public to the facility and reasonably enhance to the extent profitable to Manager, Lottery Gaming Facility Revenues. Manager must comply with all applicable regulatory requirements imposed for such materials and activities. All advertising, marketing and promotion materials employed by Manager must be approved by the Executive Director prior to their first use. Manager agrees that such materials may be disapproved if the Executive Director determines in his sole discretion that such materials would reasonably be expected to offend a substantial number of people, or violate any regulatory standards applicable to such materials. In addition, Manager must make available to the public the odds of winning any prize or prizes for games played on all Lottery Facility Games offered at the Lottery Gaming Facility to the extent possible given the nature of such games and subject to the Executive Director's approval. Advertising, marketing and promotion materials shall include information regarding problem gambling as directed by the Executive Director. Subject to the approval of the Executive Director, Manager may also include the Lottery Gaming Facility in marketing programs which benefit other properties of Manager and its affiliates.

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39. **Players' Club.** The Executive Director may institute a Player's club or similar incentive or promotional program applicable to some or all Racetrack Gaming Facilities or Lottery Gaming Facilities owned and operated by the Kansas Lottery. If the Executive Director institutes a Player's club, the Executive Director agrees that: (a) Manager will have no direct or indirect responsibility to fund such a program; (b) Manager will not be required to provide the Executive Director with any customer data under Manager's control for purposes of a Player's club instituted by the Executive Director; (c) the Executive Director shall take reasonable measures so that the Player's club shall be designed and implemented in a manner which does not materially impair any similar program implemented by Manager, and (d) the Executive Director will not institute an incentive or awards programs in such Player's club that is applicable to another Racetrack Gaming Facility or Lottery Gaming Facility without also making it available to Manager for use at the Lottery Gaming Facility. As to subparagraph (b), Manager acknowledges that nothing in subparagraph (b) will be read to restrict the Executive Director's access to any customer data for regulatory, security, responsible gaming oversight, or auditing purposes; and the Executive Director agrees customer data provided by Manager will not be used for any Player's club or similar incentive or promotion program instituted by the Executive Director. Nothing in this paragraph will be read to prevent Manager from instituting its own Player's club or similar incentive or promotional program at the Lottery Gaming Facility provided that such club or program is authorized by the Executive Director. The Executive Director agrees Manager has the right to establish a Player's club that awards to Players credits based on their play at the Lottery Gaming Facility, provided that such awards programs are approved by the Executive Director.

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40. **Players' Tracking System.** The Executive Director may institute a Players' tracking system applicable to some or all Racetrack Gaming Facilities or Lottery Gaming Facilities owned and operated by the Kansas Lottery, which will be administered by employees of the Kansas Lottery. Nothing in this paragraph will be read to prevent Manager from instituting its own Player's tracking system at the Lottery Gaming Facility provided that such system is authorized by the Executive Director. The Executive Director will consult with Manager in developing a Player's tracking system in an effort to avoid materially impairing any similar system being implemented by Manager.

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41. **Use of Trademarks, Service Marks, Trade Names and Proprietary Information.** Manager is authorized to employ any of the Kansas Lottery's trademarks, trade names, and service marks in any advertising, marketing or promotion for the Lottery Gaming Facility or the Lottery Facility Games placed therein, subject to the Executive Director's right to approve such advertising, marketing or promotion. Manager acknowledges it has no other right regarding the Kansas Lottery's trademarks, service marks, and trade names. Manager will not be required to pay any royalty or other fee for this usage. In addition, the Executive Director may require Manager to place Kansas Lottery's trademarks, trade names, or service marks at locations within the Lottery Gaming Facility as designated by the Executive Director in order to identify the games and gaming equipment as being owned and operated by the Kansas Lottery on behalf of the State of Kansas.

The Kansas Lottery is authorized to employ any of Manager's trademarks, trade names, and service marks in any advertising, marketing or promotion for the Lottery Gaming Facility or the Lottery Facility Games placed therein, subject to the Manager's right to approve such advertising, marketing or promotion. The Kansas Lottery acknowledges it has no other right regarding the Manager's trademarks, service marks, and trade names. The Kansas Lottery will not be required to pay any royalty or other fee for this usage.

To the extent the Kansas Lottery obtains or has access to any Proprietary Information or Trade Secrets as defined in K.S.A. 60-3320 (4)(i)(ii) ("Information") of Manager or its affiliates, the Kansas Lottery agrees: (a) to maintain the confidentiality of such Information; (b) not to use such Information for any purpose other than as permitted under this Agreement; and (c) upon the termination of this Agreement, to return same to Manager (including all copies thereof), including but not limited to documents, notes, memoranda, lists, computer programs and any summaries of such Information in the Kansas Lottery's possession or control, but excluding any Information which the Kansas Lottery may retain pursuant to the express terms of this Agreement and that immediately upon termination of this Agreement the Kansas Lottery shall cease using all Information.

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To the extent the Manager obtains or has access to any Proprietary Information or Trade Secrets as defined in K.S.A. 60-3320 (4)(i)(ii) ("Information") of the Kansas Lottery, the Manager or its affiliates agree: (a) to maintain the confidentiality of such Information; (b) not to use such Information for any purpose other than as permitted under this Agreement; and (c) upon the termination of this Agreement, to return same to the Kansas Lottery (including all copies thereof), including but not limited to documents, notes, memoranda, lists, computer programs and any summaries of such Information in the Manager's possession or control, but excluding any Information which the Manager may retain pursuant to the express terms of this Agreement and that immediately upon termination of this Agreement the Manager shall cease using all Information.

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Subject to the requirements of the Kansas Expanded Lottery Act and with Executive Director approval, Manager may purchase, lease, license, or otherwise obtain and have installed and maintained, either through Manager and its affiliates or Manager's designated suppliers, any computer and other systems that Manager determines to be necessary for management of the Lottery Gaming Facility in accordance with the approved Budget and Business Plans; provided that such systems may not adversely affect the Kansas Lottery's central computer system or affect a Lottery Facility Game's elements of chance, consideration or prize.

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42. **Personnel.** Manager will provide, supervise, direct the work of, discharge, and determine the compensation and other benefits of all personnel necessary to provide for the play of Lottery Facility Games at the Lottery Gaming Facility, except as otherwise noted in this Agreement, based upon a staffing plan approved by the Executive Director. Such personnel will not be considered employees of the Kansas Lottery or any other agency or department of the State of Kansas. Manager may determine the compensation to be paid to all of its personnel working at the Lottery Gaming Facility provided that such compensation is within the budget for personnel compensation approved by the Executive Director. Manager must ensure its personnel meet all applicable regulatory requirements imposed by the Commission or the Kansas Racing and Gaming Commission. Manager will not discriminate against any employee or applicant for employment because of race, creed, color, sex, age, or national origin nor violate any applicable law, regulation or local ordinance governing employer obligations.

43. **Personnel Training.** Manager will provide and direct employee recruitment, instructional programs, incentives, and on-the-job training necessary to ensure a first class facility for the playing of Lottery Facility Games by the public. Such trainings and other programs for personnel are subject to the Executive Director's approval, but may be conducted on or off site, on the job, or by instructors at or from educational training facilities.

44. **Key Employees.** Manager agrees the personnel, or positions, as well as any independent contractors designated in Exhibit D, are considered Key Employees, whose ability to participate in the operation or management of the Lottery Gaming Facility are subject to the Executive Director's approval within his sole discretion; provided, however, that nothing in this paragraph will restrict the right of either the Kansas Lottery or the Kansas Racing and Gaming Commission to take action regarding the license/certification held by any of Manager's employees in accordance with applicable statutes or rules and regulations promulgated pursuant to law. The Executive Director may amend the Key Employees list at any time for any reason upon reasonable prior notice to Manager.

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45. **Books and Records; Financial Statements.** Manager must maintain an accurate accounting system in connection with its management of the Lottery Gaming Facility. The books and records will be kept in accordance with generally accepted accounting principles maintained in accordance with current industry standards for similar gaming businesses. The books and records shall be maintained at all times either at the Lottery Gaming Facility or at such other locations as may be specified by regulation. The Executive Director, or his designees, shall have the right and privilege of examining these books and records at any time. In addition, the Executive Director may at any time but not more than one per quarter of each Fiscal Year, obtain and pay for an audit performed by an independent certified public accountant. If this audit reveals a discrepancy greater than \$10,000 in Lottery Gaming Facility Revenues or a cumulative discrepancy greater than

\$100,000 on any other line items previously reported to the Executive Director from the books and records provided by Manager, the audit's cost will be reimbursed by Manager as a set off from the compensation to be paid Manager pursuant to Paragraph 25 above. On or before the 20th day following the close of each month, Manager must furnish the Executive Director with a reasonably detailed operating statement for the Lottery Gaming Facility for that period, including year-to-date results.

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46. **Records Retention and Access.** Manager must maintain all books and records regarding the Lottery Gaming Facility for a minimum period of five (5) years, or such other longer period as may be imposed by regulation or statute. Manager must permit access to such books and records as is legally required by law, regulation, or this Agreement, including giving access to the Post Auditor for the Kansas Legislature, the Executive Director or his designee, authorized representatives for the Kansas Racing and Gaming Commission, or any authorized representative of the United States government. Such records may be stored at such off-site facilities determined by Manager and approved by the Executive Director.

47. **Budget and Business Plans for Each Fiscal Year.** No later than forty-five (45) days prior to the commencement of each Fiscal Year, Manager must submit to the Executive Director a budget (the "Budget") and a proposed Business Plan for the Lottery Gaming Facility for such Fiscal Year, containing reasonably detailed revenue and expense projections and providing projections for all expenditures that Manager anticipates to be made, as well as all capital expenditures and expenditures for replacements. The Budget will accompany and be compatible with Manager's proposed Business Plan for the upcoming Fiscal Year. The Budget is intended as, and will represent only, an estimate of the projected revenues and expenditures for the Fiscal Year based upon assumptions believed by Manager to be reasonable at the time of preparation. The Budget and proposed Business Plan for each upcoming Fiscal Year will be subject to the Executive Director's approval and/or amendment. Thereafter, Manager will use reasonable efforts to achieve the budgetary goals reflected in the Budget, but the parties both recognize the Budget cannot be relied upon as an assurance of actual results for such Fiscal Year. Manager must promptly notify the Executive Director of any need to depart in any material way from the Budget if, in Manager's judgment, adherence to the Budget is impractical or if such departure is necessary or desirable for the Lottery Gaming Facility's efficient or profitable operation. Any such deviations from the Budget are subject to the Executive Director's approval. Until such time as a Budget or Business Plan is approved for any fiscal year, Manager may operate in accordance with the previous fiscal year's Budget or Business Plan as approved by the Executive Director. ▼

Deleted: Notwithstanding the foregoing, if the Executive Director objects to any portion of a proposed Budget, Executive Director shall advise Manager of such objection (and deliver to Manager a reasonably detailed description of such objections, the "Disapproved Items") and Manager shall promptly revise the Budget to address the Disapproved Items and shall resubmit the same to Executive Director until Executive Director approves such Disapproved Items. In addition, if any Disapproved Item is required to be paid pursuant to applicable federal, state or local law, rule, regulation, order or statute or by any governmental authority with jurisdiction with respect thereto, the cost and expense of which were approved pursuant to previous Budgets, then Manager shall be permitted to pay the same. Until such time that Executive Director approves such Disapproved Items, the most recently approved Budget shall apply other than with respect to the Disapproved Items with respect to which the previously approved Budget shall apply.

48. **Bank Accounts.** Manager will establish a special bank account (the "Collection Account") in its name at a Kansas bank approved by the Executive Director in order to make the payments to the Executive Director required pursuant to Paragraph 23. Manager will establish an additional bank account in its name at a bank of its choice (subject to the Executive Director's approval) into which the Executive Director will deposit all amounts due and payable to Manager in accordance with Paragraph 26 (the "Operations Account"). Manager will give the Executive Director written notice of the account information necessary for the Executive Director to make deposits into the Operations Account. The Executive Director will cause Manager's portion of the Lottery Gaming Facility Revenues to be deposited electronically on a monthly basis into the Operations Account. Manager may establish additional accounts and subaccounts at its election, provided that all payments required to be made to the Executive Director must continue to be deposited into the

Collection Account. Manager may grant a security interest in the Operations Account and any other accounts established by Manager (other than the Collection Account) to any Lender.

49. **Events of Default.** Each of the following will constitute an event of default by Manager:

- a) Manager's failure to pay any amount owed the Kansas Lottery in the manner provided for in this Agreement, subject to any applicable grace period and Manager's right to cure as provided in Paragraph 23, if the Kansas Lottery decides in its sole discretion to give notice of such default to Manager;
- b) The filing of a voluntary assignment in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law by Manager;
- c) The consent to an involuntary petition in bankruptcy by Manager;
- d) Entry of an order, judgment or decree by any court of competent jurisdiction, on application of a creditor, adjudicating Manager a bankrupt or insolvent or approving a petition seeking reorganization or appointing a receiver, trustee or liquidator of all or a substantial part of Manager's assets, if such order, judgment or decree continues without a stay and in effect for a period of 120 consecutive days;
- e) Manager's failure to perform, keep or fulfill any other covenant, undertakings, obligations or conditions set out in this Agreement, (a) which is material in amount or in its adverse effect on the operation, ownership or possession of the Lottery Gaming Facility; or (b) which constitutes intentional misconduct, reckless behavior or repeated events of default of a similar nature by Manager; or (c) the remedies under this Agreement are otherwise inadequate to redress such event of default for a period of thirty (30) days after written notice of said failure from the Executive Director (unless a shorter period of time is specified in this Agreement); provided, however, that if the default is not susceptible of being cured within this thirty (30) day period and the defaulting party with due diligence takes and continues action to cure, then no event of default will be deemed to have occurred until the failure to take or to continue to take such action; or
- f) Withdrawal of any approval granted, loss or suspension of any license/certification issued to Manager by the Kansas Racing and Gaming Commission or any other regulatory entity with jurisdiction over Manager's activities unless such withdrawal, suspension or loss is being contested by Manager in the appropriate forum with jurisdiction over the agency action at issue.

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50. **Remedies on Default.** If an event of default occurs as provided in Paragraph 49, the Executive Director may, without prejudice to any other legal or equitable remedy which he may have, give Manager written notice of the Kansas Lottery's intention to terminate this Agreement after the expiration of sixty (60) days from the date of such written notice, describing the nature of the default, if the default is not timely cured, except in the case of breach for non-payment of the Lottery

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Gaming Facility Revenues as provided in Section 23, and upon the expiration of such period, unless another cure period is expressly provided for, this Agreement will be deemed terminated; provided, however, that nothing in this paragraph, or in this Agreement, will be construed to restrict the Executive Director's authority to: (a) immediately cease operation of any or all Lottery Facility Games at the Lottery Gaming Facility for any reason; or (b) physically secure or take possession of any or all Lottery Facility Games and any related equipment necessary to play such games. Manager acknowledges and agrees that once this Agreement is terminated, the Kansas Lottery thereafter will be free to enter into a management contract with a new manager for another Lottery Gaming Facility in the Kansas gaming zone without penalty to the Kansas Lottery or further recourse by Manager.

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During the sixty (60) day period between Manager's receipt of notice of termination from the Executive Director and such termination becoming effective, the Executive Director shall cooperate in good faith with Manager in any effort undertaken by Manager to locate a third party to acquire the Lottery Gaming Enterprise and assume the obligations of Manager hereunder; provided, however, the Manager expressly acknowledges and agrees that any third party must comply with all statutory and licensure requirements and be able to perform all such obligations hereunder. Notwithstanding the foregoing, Manager further acknowledges that its failure to make any daily electronic payment of Lottery Gaming Facility Revenues as required by Paragraph 23 will authorize the Executive Director in his sole discretion to immediately terminate this Agreement.

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51. **Remedies Cumulative.** No remedy conferred upon or reserved to the Kansas Lottery in this Agreement is intended to be exclusive of any other available remedy, but each and every such remedy will be cumulative and in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. Notwithstanding anything to the contrary, Manager's liability for any consequential, special, or incidental damages (arising out of or related to this Agreement for instance, lost profit or revenue claims) shall be limited to the following maximum amounts: (i) \$1,000,000, if the action triggering liability occurred after written approval of the Kansas Racing and Gaming Commission, but prior to commencement of operations of the Lottery Gaming Facility; or (ii) \$20,000,000, if the action triggering liability occurred after commencement of operations of the Lottery Gaming Facility and Manager had no cause, under this Agreement, for such action.

No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver, but any such right and power may be exercised from time to time and as often as may be deemed expedient in favor of the Kansas Lottery.

52. **Surrender Upon Termination.** At the Executive Director's request, Manager agrees that at the expiration or earlier termination of this Agreement, Manager will deliver to the Executive Director, or his designee, all books, records, accounting documents, computerized files, contracts, leases, licenses/certifications, permits or other governmental authorizations, files, supplies, keys, locks safe combinations, insurance policies not maintained as part of Manager's blanket policies, warranty contracts and cards, operating instructions and other information, warranties and guaranties concerning all equipment relating to the Lottery Facility Games, (excluding data owned by Manager or its affiliates as set forth in Paragraph 41), as well as any maintenance or preventive maintenance programs, schedules and logs, records, inventories of personal property and equipment purchased on behalf of the Kansas Lottery or the State of Kansas, and all other information regarding the Lottery Facility Games, and all accounts and sums held or maintained by Manager on behalf of the Kansas Lottery. Manager will have a reasonable period of time, not to exceed forty-five (45) days from the termination date, to complete all accounting functions with respect to the Lottery Gaming Facility.

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Manager must cooperate with the Executive Director in changing any bank accounts maintained for the Kansas Lottery's benefit. Manager must take all actions reasonably necessary to facilitate the orderly transition or termination of the management of the Lottery Gaming Facility and must perform all reporting and accounting functions required by this Agreement for the period from the date of the last report or accounting to the termination date. If, at the termination of this Agreement, there are any Lottery Facility Games that were purchased by Manager on behalf of the Kansas Lottery with ownership transferred to the Kansas Lottery, then the Executive Director will transfer ownership of such games to Manager or Manager's designee, if such transfer is lawful; but if such transfer is not lawful, then the Executive Director will refund to Manager the residual value received by the Executive Director in a sale of such game to an eligible buyer. The Kansas Lottery will vacate the physical space where the Lottery Gaming Facility was located within ninety (90) days after the termination of this Agreement.

53. **Agreement to Pay Attorneys' Fees and Expenses.** If Manager defaults under any provision of this Agreement and the Kansas Lottery should employ attorneys or incur other expenses for the collection of amounts payable or to enforce performance or observance of Manager's obligations under this Agreement, Manager must pay, on demand, the reasonable fees of such attorneys and such other expenses incurred by the Kansas Lottery, if the Kansas Lottery is the prevailing party.

54. **Manager's Indemnification Responsibilities.** In addition to any other indemnification obligations provided in this Agreement or by law, to the fullest extent allowed by law, Manager agrees as follows:

- a) To hold and save harmless the State of Kansas, Commission, Commission members, the Executive Director, the Kansas Lottery, Kansas Lottery staff, Kansas Racing and Gaming Commission, Kansas Racing and Gaming Commission members, the Kansas Racing and Gaming Commission's executive director, and Kansas Racing and Gaming Commission staff (each an "Indemnified Party") from liability for injury to persons or damages to property by reason of any cause whatsoever, either in and about the Lottery Gaming Facility or elsewhere, when Manager is carrying out the provisions of, or any way connected with, this Agreement.
- b) To hold and save harmless any Indemnified Party upon demand for any money or other property which they are required to pay out for any reasons whatsoever, whether the payment is for a budgeted expense or any other charges or debts incurred or assumed by Manager, or any other party, or judgments, settlement or expenses in defense of any claim, civil action, proceeding, charge, or prosecution made, instituted or maintained against Manager or an Indemnified Party jointly or severally, affecting or because of the condition or use of the Lottery Gaming Facility, or acts or failure to act by Manager or Manager's agents, or arising out of or based upon any law, regulation, requirement, contract or award related to the hours of employment, working conditions, wages and/or compensation of employees or former employees at the Lottery Gaming Facility, or any other cause in connection with the Lottery Gaming Facility's management or Manager's activities related to any Ancillary Lottery Gaming Facility Operations.

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- c) To hold and save harmless any Indemnified Party from liability for any claim arising as a result of the selection of Manager under the Kansas Expanded Lottery Act to manage the Lottery Gaming Facility, the denial of some other potential manager in making that selection, the process used in making the selection, or the process used in applying to become a Lottery Gaming Facility Manager under the Kansas Expanded Lottery Act.
- d) To hold and save harmless any Indemnified Party from liability for any violation or breach of this Agreement by Manager, its employees, or agents.
- e) To hold and save harmless any Indemnified Party from liability for any claims alleging negligent acts or omissions by Manager, its officers, employees, agents, board members, contractors, subcontractors or agents in the performance of this Agreement.
- f) To hold and save harmless any Indemnified Party from liability for any claims alleging violations of any intellectual property right for any intellectual property supplied by Manager under this Agreement, including but not limited to, infringement of patents, trademarks, trade dress, trade secrets, or copyrights arising from Manager's performance under this Agreement.

Manager's duties under this paragraph will survive the termination or expiration of this Agreement. To the extent Manager is responsible to defend any Indemnified Party as required under this Agreement, Manager agrees to defend (with counsel ~~reasonably acceptable to the Executive Director~~), at Manager's sole expense, any Indemnified Party, and to pay on demand all costs and expenses related to such defense regarding any indemnification right provided for in this paragraph. The Kansas Lottery shall cooperate in any such defense and will promptly provide ~~written~~ notice to Manager ~~describing the potential liability arising under any indemnification obligation in this Agreement~~. Manager's ~~indemnification~~ obligations under this ~~Agreement~~ may be satisfied in whole, or in part, by insurance purchased at Manager's expense, provided that Manager will be responsible for any indemnified liabilities in excess of insurance ~~proceeds paid to the Kansas Lottery~~. Notwithstanding any provision to the contrary in this Agreement, Manager shall in no event be liable under any indemnification obligation provided in this Agreement to the extent such liability arises out of or is related to the negligence ~~or willful misconduct of any Indemnified Party or resulting from actions taken by Manager at the specific direction of the Executive Director or the Executive Director's on-site personnel (as provided in Section 32) or agents~~. The provisions of this paragraph in no way eliminate or cancel the insurance protection and rights granted to the Kansas Lottery, the Commission, the State of Kansas and their agents and employees as set forth in Paragraphs 34 and 35 of this Agreement.

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55. **Compliance with Orders, Ordinances, Etc.** Throughout this Agreement's term, Manager will promptly comply in all material respects with all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses/certifications, authorizations, directions and requirements of all federal, state, county, municipal and other governments, departments, commissions, boards, companies or associations insuring the premises, courts, authorities, officials and officers, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Lottery Gaming Facility or any part thereof, or

to any use, manner of use or condition of the Lottery Gaming Facility or any part thereof. Notwithstanding these requirements, Manager may in good faith contest the validity of the applicability of any requirement of the nature referred to in this paragraph. In such event, Manager may fail to comply with the requirement or requirements so contested during the period of such contest and any appeal therefrom, so long as such non-compliance is permitted by law. Manager will give notice to the Executive Director of any such non-compliance.

56. **Discharge of Liens and Encumbrances.** Manager shall not permit or create or suffer to be permitted or created any lien upon the Lottery Gaming Facility Revenues or the Lottery Gaming Facility, or any part thereof, by reason of any labor, services or materials rendered or supplied or claimed to be rendered or supplied with respect to the Lottery Gaming Facility or any part thereof, except any liens expressly approved by the Executive Director. Notwithstanding these requirements, Manager may in good faith contest any such lien. In such event, Manager, upon prior written notice to the Executive Director, may permit the items so contested to remain un-discharged and unsatisfied during the period of such contest and any appeal, unless the Executive Director requires Manager to promptly secure payment of all such unpaid items by filing the requisite bond, in form and substance satisfactory to the Executive Director, thereby causing a lien to be removed. Manager agrees this Agreement is not to be considered property, and will not permit this Agreement to be attached, garnished, or executed upon by any creditor for any reason, but such attachment, garnishment or execution shall not be grounds for default if Manager promptly contests and obtains vacation of such writs or secures a bond that causes the lien thereof to be removed. This Agreement is not transferable in bankruptcy without the Executive Director's approval, provided that the Manager's trustee, if Manager is insolvent or bankrupt, may continue to operate the Lottery Gaming Facility pursuant to this Agreement under order of the appropriate court for no longer than one year after the bankruptcy or insolvency of Manager.

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57. **Assignment.** This Agreement may not be assigned in whole or in part without the Executive Director's express written consent, which may be granted or withheld in his sole and absolute discretion. Notwithstanding the foregoing, the Executive Director acknowledges that a joint venture or other business combination or transfer of an equity interest involving Manager, or any membership or equity interest in Manager, with or to suitable third party or parties is permissible, including, but not limited to, another party that has submitted an Application for Lottery Gaming Facility Manager, provided such party or parties receive all approvals required by applicable statute or regulation. Additionally, Manager may assign this Agreement to any wholly owned corporation, limited liability company, or similar entity, provided such assignment complies with and the entity has been approved under the provisions of the Kansas Expanded Lottery Act. Nothing in this section shall be deemed to be a preapproval of any proposed assignment, business combination or transfer of equity interest involving Manager, its affiliates or a third party.

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58. **Notices.** All notices and other communications provided for under this Agreement, or any applicable statute or regulation, must be in writing and sent via (a) U.S. Mail, certified mail, return receipt requested, (b) recognized national overnight courier (e.g. FedEx, UPS, DHL, etc.) or (c) fax, if followed by notice under (a) or (b) at the addresses set forth below, or at such other address as such party may specify by written notice to the other parties hereto:

If to the Executive Director:

Ed Van Petten
Kansas Lottery

128 N. Kansas Avenue
Topeka, KS 66603-3638
Telephone: 785-296-5703
Facsimile: 785-296-5722

If to Manager:

Carl Sottosanti
Penn Hollywood Kansas, Inc.
825 Berkshire Boulevard
Wyomissing, PA 19610
Telephone:
Facsimile:

Notice will be deemed given three days after mailing, if by certified mail, return receipt requested, the next business day after delivery to an overnight delivery service for next business day delivery, or on the date sent by fax if confirmation of receipt is obtained and retained and provided that notice under (a) or (b) above is sent the same day.

59. **Amendments.** Except as otherwise provided in this paragraph, no amendment, waiver, or consent as to any provision in this Agreement will be effective unless it is in writing and agreed to by the Executive Director and Manager, and each such waiver or consent will be effective only in the specific instance and for the specific purpose for which given. In addition, and notwithstanding any other provision in this Agreement, Manager acknowledges and agrees the Executive Director may overrule any action by Manager affecting operations within the Lottery Gaming Facility without prior notice to Manager, and that the Kansas Lottery maintains at all times full control over all decisions concerning the Lottery Facility Games placed at the Lottery Gaming Facility. This Agreement will also be modified, in whole or in part, in order to comply with future statutory enactments or judicial interpretations of applicable law by a court of competent jurisdiction. This Agreement is subject to modification, in whole or in part, or cancellation, as deemed necessary by the Executive Director to comply with any future statutory enactments, subsequent regulatory changes, or judicial interpretations of applicable law by a court of competent jurisdiction occurring after this Agreement's execution, without additional consideration being exchanged between the parties. The parties agree nothing in this paragraph will be read to limit the remedies provided to Manager in Paragraphs 31 or 65.

60. **No Recourse; Special Obligation.** The Kansas Lottery's obligations and agreements contained herein and any other instrument or document executed in connection with this Agreement, and any other instrument or document supplemental thereto or hereto, are deemed the obligations and agreements of the Kansas Lottery, and not of any member, officer, contractor (other than Manager), or employee of the Commission or Kansas Lottery in his or her individual capacity, and such individuals will not be liable personally hereon or thereon or be subject to any personal liability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby.

61. **Severability.** If any provision in this Agreement is determined to be invalid or unenforceable by any court with competent jurisdiction, such holding will not invalidate or render unenforceable any other provision, and the parties may renegotiate this Agreement to conform to any such court holding.

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Deleted: Baltimore,
Maryland 21202

Deleted: 410-752-5444

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With a copy to: Joe Weinberg
The Cordish Company
601 East Pratt Street
6th Floor
Baltimore, Maryland 21202
Telephone: 410-752-5444
Facsimile: 410-659-9491

¶ And to: Jeff Boerger
Kansas Speedway
Development Corp.
400 Speedway Boulevard
Kansas City, Kansas 66111
Telephone: 913-328-3303
Facsimile: 913-328-3372

¶ And to: James I. Hisiger
Latham & Watkins LLP
885 Third Avenue
New York, New York 10022
Telephone: 212-906-1371
Facsimile: 212-751-4864

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The Manager's obligations and
agreements contained herein and any
other instrument or document executed
in connection with this Agreement and any
other instrument or document
supplemental thereto or hereto, are
deemed the obligations and agreements of
Manager, and not of any direct or indirect
equity owner, member, partner, officer,
director, contractor, or employee of
Manager in his or its individual capacity,
and such entities and individuals will not
be liable personally hereon or thereon or
be subject to any personal liability based
upon or in respect hereof or thereof or of
any transaction contemplated hereby or
thereby, with the exception of
agreements, documents or instrum... [1]

62. **Binding Effect.** This Agreement will inure to the benefit of, and will be binding upon, the State of Kansas, the Kansas Lottery, Manager, and their respective successors and assigns.

63. **Force Majeure.** With respect to any obligation to be performed by a party during this Agreement's term, no party will be liable for failure to perform when prevented by any force majeure cause beyond the reasonable control of such party such as an act of God, strike, lockout, breakdown, accident, final resolution of any material litigation, order or regulation of or by any governmental authority, delay in obtaining any approval required by any governmental authority (and such delay is not caused by Manager), the failure of supply or inability, by the exercise of reasonable diligence, to obtain supplies, parts or employees necessary to perform such obligation, or war or other emergency. The time within which such obligation must be performed will be extended for a period of time equivalent to the delay from such cause. But failure to perform by Manager's subcontractors or agents will not be considered a force majeure unless such subcontractor or supplier is prevented from timely performance by a force majeure as described above. This paragraph will not apply to any financial difficulties of Manager, or any parent, subsidiary, affiliated or associated company of Manager, but will apply to orders of the Kansas Racing and Gaming Commission or court orders preventing Manager's ability to perform. The provisions of this Paragraph 63 notwithstanding, the parties agree the litigation components of the force majeure definition do not apply to Manager's obligations to pay the privilege fee as required by Paragraph 20 above or to Manager's obligations to pay the expenses of the Kansas Lottery or the Kansas Racing and Gaming Commission as required by Paragraph 28.

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64. **Emergency Closings.** If at any time during this Agreement's term it becomes necessary in the Executive Director's or Manager's reasonable opinion to cease operations at the Lottery Gaming Facility in order to protect the facility or the health, safety and welfare of guests or employees for reasons of force majeure such as, but not limited to, acts of war, insurrection, civil strife and commotion, labor unrest, environmental risks or other casualty, then the Lottery Gaming Facility may be closed and cease operation of all or part of the facility. If this occurs based on Manager's determination, Manager must immediately notify the Executive Director, who will then determine when the Lottery Gaming Facility is reopened without jeopardy to the facility, its guests or employees.

65. **Manager's Right to Cease Management Activities.** Manager may cease management of the Lottery Gaming Facility and terminate this Agreement with no less than six months advance written notice if:

- a) K.S.A. 2008 Supp. 74-8734(h)(1) or other applicable statute or regulation is amended to reduce the term of this Agreement;
- b) Either K.S.A. 2008 Supp. 74-8734(h)(12) or (13) or other applicable statute or regulation are amended to increase the minimum percentages stated in K.S.A. 2008 Supp. 74-8734(h)(12) or (13) above the amounts provided for in this Agreement;
- c) K.S.A. 2008 Supp. 74-8734 (h)(16) or other applicable statute or regulation is amended to increase above the aggregate the minimum percentages stated in K.S.A. 2008 Supp. 74-8734(h)(16) above the amounts provided for in this Agreement;

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- d) The Kansas Lottery fails to effect payment of Manager's compensation as due under this Agreement and not otherwise in dispute, provided such failure of payment is not cured within ten (10) business days of notice by Manager to the Executive Director;
- e) K.S.A. 2008 Supp. 74-8739 is amended to no longer permit the sale or service of alcoholic beverages at the Lottery Gaming Facility or Ancillary Lottery Gaming Facility Operations;
- f) The Kansas Expanded Lottery Act is amended to preclude the Kansas Lottery from owning and operating table games at the Lottery Gaming Facility;
- g) A court of competent jurisdiction, after all appropriate appeals are exhausted, invalidates paragraph 30 above or the corresponding provisions of the Kansas Expanded Lottery Act;
- h) The Lottery Gaming Facility operates at a financial loss to Manager at the net income level (as defined by GAAP and verified by an independent audit by an auditor approved by the Executive Director) during a full Fiscal Year and Manager gives the Executive Director at least 180-days' advance written notice of Manager's intent to cease management activities within forty-five (45) days after the end of the Fiscal Year in which the financial loss occurs; or
- i) The Executive Director exercises his right under Paragraph 33 or the Kansas Expanded Lottery Act to physically secure, deactivate or cease operation of such a substantial number of Lottery Facility Games that the Lottery Gaming Facility is no longer commercially viable.

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The parties agree that in addition to, or in lieu of, Manager's right to cease management activities under this paragraph, Manager will have available to it any legal or equitable remedy against the State of Kansas, including any impairment of the obligations of this contract prohibited by Article I, Section 10, Clause 1 of the Constitution of the United States of America, if any of the circumstances stated above in sub-paragraphs (a), (b), (c), (d), (e) or (f) occur. Nothing in this paragraph will be deemed a waiver of the immunities and protections reserved to the State of Kansas under the Eleventh Amendment to the Constitution of the United States.

66. **Manager's Ability to Withdraw Application.** Manager may withdraw its application to be a Lottery Gaming Facility Manager, in its sole discretion, at any time prior to its written approval by the Kansas Racing and Gaming Commission. Notice of Manager's withdrawal must be given in writing to the Executive Director. If at the time of Manager's withdrawal, Manager has paid a privilege fee to the state treasurer and credited to the Lottery Gaming Facility Manager Fund, the Executive Director will promptly notify the state treasurer of Manager's withdrawal and direct the state treasurer to refund Manager's privilege payment without interest. Except as permitted pursuant to paragraph 57 above, Manager acknowledges and agrees that if it withdraws its application pursuant to this paragraph, this Agreement will be void and Manager will have no further liability to the Kansas Lottery (with the exceptions of Sections 28, 54, with respect to any existing claims or fees owed, and also Sections 58, 60, 70, 71 and 72) and it will not be permitted to re-apply

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as a Lottery Gaming Facility Manager in the Northeast Gaming Zone unless the application process is reopened. Manager will not be permitted any refund for payments made by Manager to reimburse the Kansas Lottery or the Kansas Racing and Gaming Commission's expenses as required by this Agreement.

67. **Financing Commitment for Construction.** In accordance with K.S.A. 2008 Supp. 74-8734(h)(9), Manager attaches as Exhibit E its financing commitment for construction of the Lottery Gaming Facility and ancillary facilities.

68. **Executive Director's Approval.** When it is provided in this Agreement that the Manager will submit a budget, plan or other issue for the Executive Director's approval, the Executive Director will respond within a commercially reasonable time based on the issue under consideration, provided that any request from Manager in which the Executive Director fails to respond in a commercially reasonable time will be deemed denied. The Executive Director will not exercise his discretionary authority provided to him in this Agreement in an unreasonable, arbitrary or capricious manner.

69. **Central Computer System.** Manager acknowledges and agrees that all Electronic Gaming Machines at the Lottery Gaming Facility will be directly linked to a central computer at a location determined by the Executive Director for purposes of security, monitoring, auditing, and providing other available program information to the Kansas Lottery. The Executive Director will have sole authority to determine the functions and operational capacities to be performed through this central computer system by Manager, as well as the services provided by the vendor engaged by the Executive Director to provide the central computer system. In addition to all other functions to be performed by the central computer system, the Executive Director expressly reserves the authority to determine if this central computer system will be used to validate or redeem tickets issued by an Electronic Gaming Machine commonly referred to as "Ticket-in Ticket Out."

70. **Counterparts.** This Agreement may be executed in counterparts, each of which will be an original and all of which will constitute one and the same instrument.

71. **Applicable Law.** This Agreement will be governed, construed, and enforced in accordance with Kansas law for contracts to be wholly performed within the state.

72. **Jurisdiction and Venue.** Any action by or between the parties challenging the constitutionality of, or arising out of, any provision of the Kansas Expanded Lottery Act, this Agreement, or any rule or regulation promulgated pursuant to the Kansas Expanded Lottery Act must be brought in the district court of Shawnee County, Kansas, unless a dispute is first subject to proceedings under the Kansas Administrative Procedure Act.

73. **Headings Not Controlling; Construction; Survival.** Each paragraph heading is prepared for convenience only and is not to control, affect the meaning, or be taken as an interpretation for any provision in this Agreement. Use of the word "including" in this Agreement does not mean including in a restrictive sense, but rather means in the sense of providing a non-exclusive illustration, as if the words "including without limitation" were included in the text. The terms and provisions of Paragraphs 31, 52, 54, 58, 65, 71, 72, 74 and 78 shall survive the termination

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If Manager is designated the Lottery Gaming Facility Manager no later than April 30, 2010, then following the Effective Date, International Speedway Corporation ("ISC") shall request the approval of the National Association for Stock Car Auto Racing, Inc. ("NASCAR") to add a second NASCAR Sprint Cup Series event to be held at Kansas Speedway (the "Event") no later than the 2011 NASCAR Sprint Cup Series season. ISC has authorized the realignment of the Event from its current portfolio of events, subject to NASCAR's approval. If the Event is not held at Kansas Speedway no later than the 2011 NASCAR Sprint Cup Series season, Manager shall pay Ten Million Dollars (\$10,000,000) to be allocated as follows: Five Million Dollars (\$5,000,000) to the Kansas Lottery and Five Million Dollars (\$5,000,000) to the Unified Government of Wyandotte County. Such payment shall be made no later than ninety (90) days following written notice from Kansas Lottery to Manager that the Event was not held in accordance with this Section 67. The Kansas Lottery hereby acknowledges and agrees that payments made pursuant to this Section 67 shall not be due if the Event is held in accordance with the terms of this Section 67. ISC's commitment to the above is memorialized in the attached Commitment Letter from ISC, which is included as Exhibit G to this Agreement. ¶

¶ If Manager is designated the Lottery Gaming Facility Manager no later than April 30, 2010, then following the Effective Date, the Manager shall dedicate such funds as necessary to construct a road racing course at Kansas Speedway, which shall be suitable for the holding of major road racing motorsports events. As part of same, Kansas Speedway agrees to promote a race sanctioned by the Grand American Road Racing Association following the completion of such road racing course and no later than the 2011 racing season. Kansas Speedway shall also provide ... [2]

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of this Agreement, and the provisions of Paragraph 48 shall survive for one year after termination or sooner upon approval of the Executive Director.

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74. **No Joint Venture Created.** Manager and the Kansas Lottery agree and acknowledge that by entering into this Agreement they are not entering into a joint venture.

75. **Covenant for Continued Disclosure.** Within 30 days after the close of the Fiscal Year, Manager must update all exhibits to this Agreement as designated by the Executive Director. Upon the Executive Director's written request, Manager will provide such other information regarding the financial or legal undertakings of Manager, the Lottery Gaming Facility, or the Ancillary Lottery Gaming Facility Operations.

76. **No Endorsement Made.** By executing this Agreement the Kansas Lottery, the Kansas Racing and Gaming Commission, and the State of Kansas have not considered or endorsed the marketability of Manager's securities or marketability of any securities of Manager's affiliates.

77. **Contractual Attachment.** It is further agreed that the provisions found in the Contractual Provisions Attachment (Form DA-146a), and is attached as Exhibit F, are incorporated in this Agreement as though set out in full.

78. **Lender Protections.** The Kansas Lottery expressly recognizes the need for Manager to obtain favorable financing terms and the need for any third party lender (Lender) associated with the development of the Lottery Gaming Enterprise to protect its investment. Therefore, in connection with any financing from a Lender during the term of this Agreement or in connection with the construction of the Lottery Gaming Enterprise, the following provisions will apply:

- a) The Kansas Lottery acknowledges that Manager may grant a security interest in, and/or grant a mortgage encumbering, the Lottery Gaming Enterprise, Lottery Facility Games, and any bank accounts of Manager referenced in Paragraph 48 but excluding any Collection Accounts. In connection therewith, Lender may pursue rights of foreclosure or similar remedies pursuant to which title to the real estate, improvements, equipment, fixtures, furniture and all other assets which comprise the Lottery Gaming Enterprise may be transferred and /or assigned to Lender or a third party and, provided, a suitable third party has received all approvals required pursuant to the Kansas Expanded Lottery Act, may assign this Agreement to such approved third party;
- b) This Agreement is not transferable in bankruptcy without the Executive Director's approval, provided that the Manager's trustee, if Manager is insolvent or bankrupt, may continue to operate the Lottery Gaming Facility pursuant to this Agreement under order of the appropriate court for no longer than one year after the bankruptcy or insolvency of Manager;
- c) If the Kansas Lottery elects to terminate this Agreement for any other reason, it shall notify Lender, and Lender may request that the Kansas Lottery promptly enter into a new management agreement on substantially the same terms as this Agreement (New Management Agreement) with a new, Third Party Manager. Kansas Lottery need not

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<#>¶
<#>Notwithstanding anything in the Agreement to the contrary, upon a default by Manager under the financing agreements, without Kansas Lottery's or Executive Director's consent, at any time, any Lender may initiate and complete any foreclosure, deed in lieu or similar proceeding to acquire the Lottery Gaming Enterprise and exercise any other rights and remedies against Manager or its affiliates and the Lottery Gaming Enterprise. If any such actions by Lender cause Manager to be in default under this Agreement, the Kansas Lottery and/or Executive Director may enforce all of their rights against Manager, including termination of this Agreement.¶

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Upon a bankruptcy of Manager, or if

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consider such a request, however, unless a Lender has first: (i) cured all reasonably curable defaults to the extent required hereunder; (ii) reimbursed Kansas Lottery's costs and expenses (including reasonable attorneys' fees and expenses) to terminate this Agreement, recover the Lottery Gaming Facility, and enter into the New Management Agreement; and (iii) ensured that any new Third Party Manager and/or the New Management Agreement are in compliance with any and all statutory requirements, approvals or consents, and any regulatory procedures, including those related to suitability. The Kansas Lottery agrees to co-operate with a Lender in good faith to find a new acceptable Third Party Manager upon any such termination of Manager.

d) The Kansas Lottery agrees to notify Lender of any material amendments made under Section 59 of this Agreement.

e) Manager agrees to notify the Lottery of any Lender's contact information and keep it current with the Lottery at all times. Manager's failure to keep a Lender's contact information current will nullify the Kansas Lottery's duty of notice under (a), (b) or (c) of this Section; and

f) The rights of Lender hereunder shall inure to the benefit of a Lender's affiliate, assignee, designee, nominee, subsidiary, or others designated by Lender.

The Kansas Lottery agrees to provide any standard business consents, estoppels or similar instruments reasonably requested by Manager or Lender in connection with any such financing of the Lottery Gaming Enterprise or Lottery Facility Games.

79. **No Third Party Beneficiaries.** In no event shall any person or entity that is not a party to this Agreement be an express, implied, or intended third party beneficiary.

IN WITNESS WHEREOF, the Executive Director, on behalf of the Kansas Lottery, and Manager have caused this Agreement to be executed in their respective names, all as of the date first above written.

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THE KANSAS LOTTERY

By: _____ Dated: _____ Deleted: : _____
Ed Van Petten, Executive Director

PENN HOLLYWOOD KANSAS, INC. Deleted: ENTERTAINMENT, LLC, a Delaware limited liability company

By: _____ Dated: _____ Deleted: _____
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EXHIBIT SCHEDULE

EXHIBIT A – Environmental Compliance and Indemnification Agreement

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EXHIBIT B – County Endorsement

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EXHIBIT C –Expected Construction Sequence

EXHIBIT D –Key Employees

EXHIBIT E– Financing Commitment Description

EXHIBIT F – DA-146a

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EXHIBIT G—Commitment letter from ISC¶
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EXHIBIT H—Commitment letter from Kansas Speedway

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The Manager's obligations and agreements contained herein and any other instrument or document executed in connection with this Agreement and any other instrument or document supplemental thereto or hereto, are deemed the obligations and agreements of Manager, and not of any direct or indirect equity owner, member, partner, officer, director, contractor, or employee of Manager in his or its individual capacity, and such entities and individuals will not be liable personally hereon or thereon or be subject to any personal liability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby, with the exception of agreements, documents or instruments that are signed by any person or entity in his or its individual capacity, such as an individual disclosure form.

If Manager is designated the Lottery Gaming Facility Manager no later than April 30, 2010, then following the Effective Date, International Speedway Corporation ("ISC") shall request the approval of the National Association for Stock Car Auto Racing, Inc. ("NASCAR") to add a second NASCAR Sprint Cup Series event to be held at Kansas Speedway (the "Event") no later than the 2011 NASCAR Sprint Cup Series season. ISC has authorized the realignment of the Event from its current portfolio of events, subject to NASCAR's approval. If the Event is not held at Kansas Speedway no later than the 2011 NASCAR Sprint Cup Series season, Manager shall pay Ten Million Dollars (\$10,000,000) to be allocated as follows: Five Million Dollars (\$5,000,000) to the Kansas Lottery and Five Million Dollars (\$5,000,000) to the Unified Government of Wyandotte County. Such payment shall be made no later than ninety (90) days following written notice from Kansas Lottery to Manager that the Event was not held in accordance with this Section 67. The Kansas Lottery hereby acknowledges and agrees that payments made pursuant to this Section 67 shall not be due if the Event is held in accordance with the terms of this Section 67. ISC's commitment to the above is memorialized in the attached Commitment Letter from ISC, which is included as Exhibit G to this Agreement.

If Manager is designated the Lottery Gaming Facility Manager no later than April 30, 2010, then following the Effective Date, the Manager shall dedicate such funds as necessary to construct a road racing course at Kansas Speedway, which shall be suitable for the holding of major road racing motorsports events. As part of same, Kansas Speedway agrees to promote a race sanctioned by the Grand American Road Racing Association following the completion of such road racing course and no later than the 2011 racing season. Kansas Speedway shall also provide to the Kansas Lottery with two (2) trackside billboards during each year of the term hereof. The two (2) trackside billboards shall be 20' x 60' in size, shall be used solely by the State of Kansas for purposes of promoting tourism for the State of Kansas and, accordingly, the rights to use such billboards may not be transferred or assigned by the State of Kansas. Kansas Speedway's commitments to the above are memorialized in the attached Commitment Letter from Kansas Speedway, which is included as Exhibit H to this Agreement.

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Quantitative Comparison – Phase 1-A only (Northeast Zone)

	Kansas Entertainment (Penn/Speedway)	Original Penn Proposal
Investment in Infrastructure	\$361.8 million	\$385 million
Number of Slot Machines	2300	2540
Number of Tables	86 (657 positions)	80
Hotel Rooms	N/A	250 rooms (including 12 suites)
Full Time Employees	1,043	Approximately 1300
Estimated Number of Tourists (players living 100 or more miles away)	439,599	Approximately 15% of 8,600,000
Average Net Machine Income Per Day Estimated By Applicant	\$231	\$243
Average Net Table Income Per Position Per Day Estimated By Applicant	\$108	\$921 (estimate is per table rather than per position)

Reports and Evaluations of
Lottery Gaming Facility Review Board
Consultants to Chisholm Creek Proposal

Gaming Revenue Projections for Chisholm Creek – South-Central Gaming Zone

Presentation to Lottery Gaming Facility Review Board
by Will Cummings / Cummings Associates

October 26, 2009

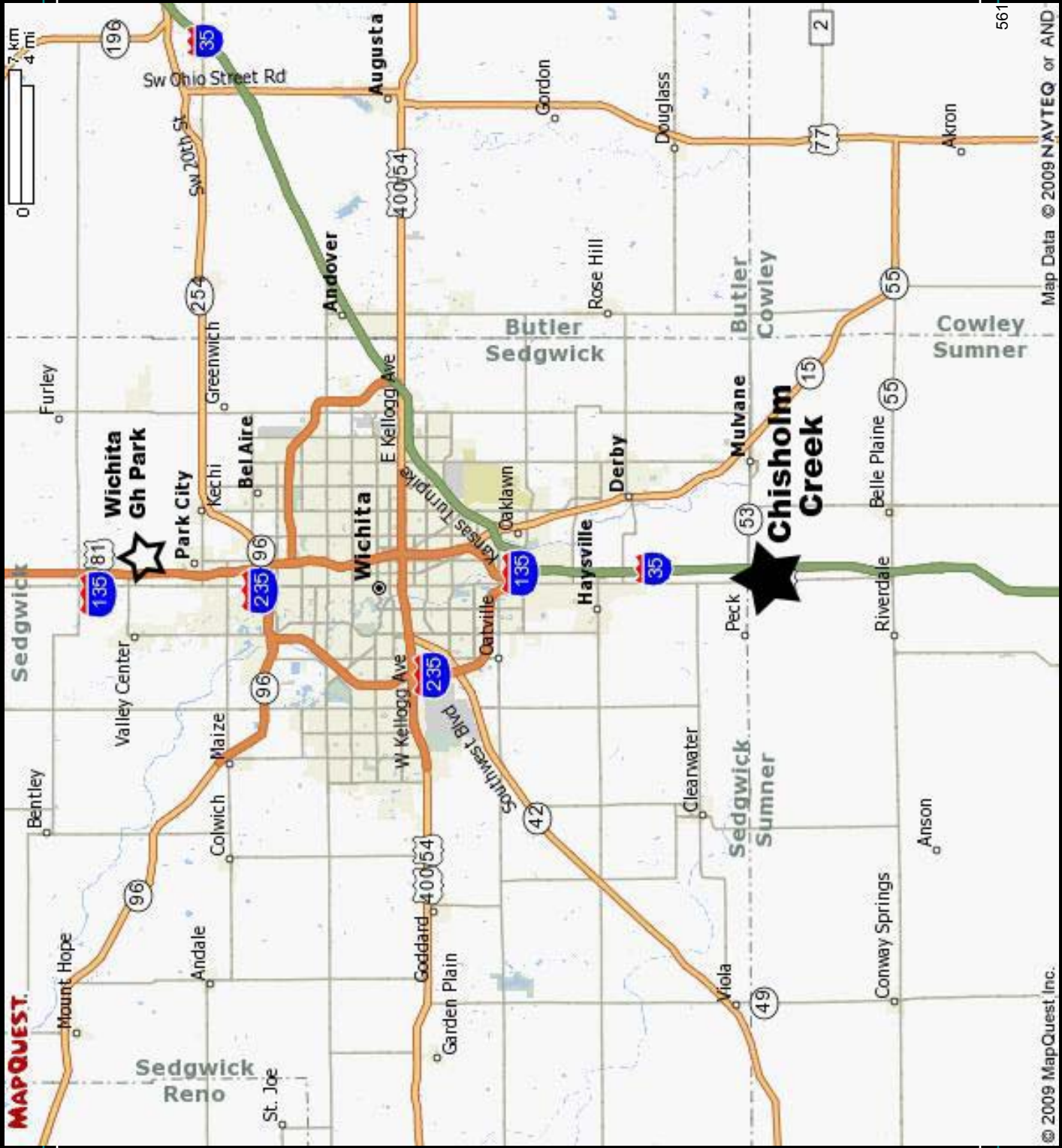
Will E. Cummings

Cummings Associates

Questions, Please!
-- at any time --

Overview

- Location, Location and Size ... and
- Everything Else: “Power Ratings” +
- Cummings Projections
- Compare with Applicant’s
- Net Export \$ and Tourist #s



Gravity Model(s) Updated

- Separate Slot / Table Models
- Precise Locations
- Precise Sizes
- Everything Else . . .

“Power Ratings” + “Reach”

Exhibit 4: Gaming-Device "Power Ratings"

(Total Annual Spending versus benchmark of \$700)

Northeastern US Markets	Medium to Large Midwest (+/-) Markets	Rural Markets West & Midwest
Midwest Standard +10%	Atlantic City, NJ avg.	Deadwood, SD 129.9 e
		S Dakota Indian avg. (8) 124.7 e
		Upstate Michigan avg. 120.0 e
		Kansas Natives avg. 116.9 e
		Diamond Jo Worth, IA 116.7
		Terribles Lakeside. IA 115.6
		Iowa Natives average 112.0 e
		Upstate Wisconsin avg. 110.0 e
		Emmetsburg, IA 109.1
		Colorado (2) 106.6
"Midwest Standard"	Niagara (NY) casino	IOC Marquette, IA 106.4 o
		IOC Boonville, MO 106.3 o
		Other New Mexico avg. 105.7
		Mt. Pleasant, MI 102.6 e
		Wisconsin Dells 102.1 e
		Harrahs NKCMO 105.6
		Ameristar Council Bluffs, IA 105.7
		Riverside, IA 106.7
		Dubuque Diamond Jo, IA 107.1
		Horseshoe / Bluffs Run, IA 107.4
Foxwoods, CT	Mohegan Sun, CT	Albuquerque, NM avg. 107.4
		Dubuque Greyh Park, IA 108.9
		Mississippi / Louisiana (average of MANY facilities) 115.5
		Harrahs Joliet, IL 100.0 o
		Prairie Meadows, IA 100.4
		Michigan City, IN 100.4
		Ameristar KCMO 101.0
		Harrahs Council Bluffs, IA 101.2
		IOC Waterloo, IA 101.7
		Argosy Riverside, MO 103.1
Salamancas NV	Mohegan Sun, CT	Harrahs W St Louis 97.9
		Clinton, IA 96.7
		Argosy Sioux City, IA 95.7 o
		Ameristar St Chas, MO 95.4
		Jumers Rock Island, IL 94.7
		St Jo MO 94.6 o
		Catfish Bend Burlington, IA 94.4
		IOC Bettendorf, IA 94.0 o
		Belterra, Florence, IN 93.7
		Ameristar E Chicago, IN 92.6 n
563		

"Midwest Standard"		Harrahs Council Bluffs, IA	101.2		
		Ameristar KCMO	101.0		
		Prairie Meadows, IA	100.4		
		Michigan City, IN	100.4		
		Harrahs Joliet, IL	100.0 o		
Mohegan Sun, CT	98.3 o	Harrahs W St Louis Clinton, IA	97.9 96.7	Metropolis, IL/KY	97.0 o
		Argosy Sioux City, IA	95.7 o		
		Ameristar St Chas, MO	95.4		
		Jumers Rock Island, IL	94.7		
		St Jo MO	94.6 o		
		Catfish Bend Burlington, IA	94.4		
		IOC Bettendorf, IA	94.0 o		
Foxwoods, CT	93.7 o	Belterra, Florence, IN	93.7		
Salamanca, NY	93.7 e	Ameristar, E Chicago IN	93.6 o	Mark Twain, MO	93.0 o
Dover Downs, DE	91.4	East St Louis, IL	90.4 o		
Midwest Standard -10%					
Harrington Raceway, DE	89.4	Green Bay, WI	89.6 e		
		Rhythm City, IA	88.7 o		
Wheeling, WV	88.4	Grand Vic, Rising Sun, IN	88.1 o	Caruthersville, MO	88.0 o
Delaware Park	87.4	Hammond, IN	87.9	French Lick, IN	87.9
Charles Town, WV	87.3				
Erie, PA	86.7	Aurora (Chicago), IL	86.6 o		
Mohegan @ Pocono Downs	86.0	Elgin (Chicago) IL	86.4 o		
Tioga Downs, NY	85.9	Hollywood, Lawr'burg, IN	86.1 o*		
Philadelphia Park	85.0	Joliet Empress, IL	85.1 o		
Saratoga, NY	84.7	Hoosier Park, IN	84.3		
		Louisville, KY/IN	84.0 o		
Penn National (Harrisburg)	83.6	Indiana Downs	83.4		
Vernon Downs, NY	83.4	Majestic Star, Gary IN	83.1 o		
Harrahs @ Chester, PA	83.0	Detroit (avg / 3 facils)	82.3 o		
		IOC KCMO	81.3 o		
Hollywood @ Bangor, ME	81.0	Milwaukee, WI	81.0 e o		
Mount Airy (Pocono), PA	81.0	Lumiere + Admiral, St Louis	80.3 o*		
Finger Lakes, NY	80.1				
Batavia, NY	79.6				
The Meadows (Pittsburgh)	77.9				
(Buffalo) Fairgrounds, NY	77.6				
Newport Grand, RI	77.1	South Dakota VLTs	77.3		564
Mountaineer Park, WV	77.1				
Tri-State, WV	75.3				

2008 Exhibit 1: Power Ratings Used in Previous Projections 2008

	Kansas City*	Harrah's Mulvane	Marvel Wellington	Penn Wellington	Penn Cherokee	Dodge City
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
Total Power Rating	97.0	90.0	92.0	87.0	85.0	95.0

* Power Ratings for Northeast-Zone Applicants updated for this report in Exhibit 2. All others remain unchanged.

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

2008 Exhibit 2: Power Ratings Updated for Northeast Applicants 2008

	Speedway/ Cordish	Golden Gaming	PNK Kansas	Legends Sun
Gaming Positions (not inc. poker):	3,840	2,980	2,660	2,360
Baselines for Slots and Tables:				
Midwest Standard	100.00	100.00	100.00	100.00
Synergy with Area Attractions	1.00	1.00	1.00	1.00
Bricks & Mortar \$ / Gaming Position (in \$100ks)	1.84	1.96	2.34	3.25
Casino Square Footage / Gaming Position (x .02)	0.66	0.88	0.74	1.12
Hotel Rooms / Gaming Position (x 2)	0.16	0.20	0.38	0.30
Total Power Rating	103.66	104.04	104.46	105.67

Note: 100 = "Midwest Standard." Latest facilities in Iowa (smaller & less expensive) range from 99 to 104. "High" and "Low" projections remain 5 points above and below these figures, respectively.

2009 Exhibit 5: Projected Power Ratings (etc.) 2009

	Kansas Entertainment			Chisholm Creek		
	Phase 1	Raving	Full Build	Phase 1	Raving	Full Build
Gaming Positions (not inc. poker):	2,666	2,666	3,450	1,480	1,480	2,300
Baselines for Slots:						
Midwest Standard	100.00	100.00	100.00	100.00	100.00	100.00
Synergy with Area Attractions	1.00	1.00	1.00			
Distance from Major Population				1.00	1.00	1.00
Bricks & Mortar \$ / Gaming Position (in \$100ks)	1.35	1.35	1.82	0.84	1.52	0.98
Casino Square Footage / Gaming Position (x .02)	0.75	0.75	0.74	0.78	0.78	0.83
Hotel Rooms / Gaming Position (x 2)	0.00	0.15	0.29	0.00	0.14	0.13
Total Power Rating	103.10	103.25	103.85	102.62	103.43	102.93
"Reach" (miles before extra decline with distance)	150	200	200	120	200	200
Compare: Last year at this location			103.66			104.00

"Big Three" KCMO facilities currently range from 101 to 106. Table power ratings all 100 or less.

Cummings Projections

	Slots	Tables	Total
Phase 1 (1,300 slots, no hotel)	\$ 140.8	\$ 22.2	\$ 163.0
Full Build (2,000 slots, 150 rooms)	\$ 166.7	\$ 26.2	\$ 192.8
(all \$ million in then-year dollars)			
(2013\$ for Phase 1, 2015\$ for Full Build)			

Cummings vs. Applicant

	Cummings	Applicant	%
Phase 1 (1,300 slots, no hotel)	\$ 163.0	\$121.1	-26%
Full Build (2,000 slots, 150 rooms)	\$ 192.8	\$230.0	* +19%

(all \$ million in then-year dollars)

* not clear that Cummings and Applicant are in same year for Full Build

Cummings vs. Applicant

	Cummings	Applicant	%
Phase 1 (1,300 slots, no hotel)	\$ 163.0	\$121.1	-26%
Full Build (2,000 slots, 150 rooms)	\$ 192.8	\$230.0	* +19%
	\$ 30.2	\$108.9	

(all \$ million in then-year dollars)

* not clear that Cummings and Applicant are in same year for Full Build

Cummings Projections

	Slots	Tables	Total
Phase 1 (1,300 slots, no hotel)	\$ 140.8	\$ 22.2	\$ 163.0
Full Build (2,000 slots, 150 rooms)	\$ 166.7	\$ 26.2	\$ 192.8
(all \$ million in then-year dollars)			
(2013\$ for Phase 1, 2015\$ for Full Build)			

Projections for Net Exports & Tourist #s

Projected Impacts on . . .

	Net Exports	# “Tourists”*
Phase 1 (1,300 slots, no hotel)	\$ 48.8mn	73,300
Full Build (2,000 slots, 150 rooms)	\$ 66.8mn	149,700

* “Tourists” defined as those traveling over 100 miles.

Will E. Cummings

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South Central Gaming Zone of Kansas

Projections of Casino Visits and Gaming Revenues



Prepared For:

Kansas Lottery Gaming Facility Review Board

October 2009

Prepared by:

Wells Gaming Research

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**South Central Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues**

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***South Central Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues***

Section 1

Introduction, Research Methodology, & Limiting Conditions

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

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 out of the State of Kansas, the legislature passed Senate Bill 66 (SB 66), the Kansas Expanded Lottery Act, which legalized casino gaming. The governor, Kathleen Sebelius, signed SB 66 on April 12, 2007.

Key Gaming Provisions of Senate Bill 66

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 lottery gaming facility in each of the four Kansas gaming zones.
3. Permitting an aggregate of 2,800 slot machines to be installed at the three existing racetracks.

Other provisions included in SB 66:

Referendum Elections

SB 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: The Woodlands (closed in 2008) located in Kansas City, Kansas (northeast gaming zone), and Camptown Greyhound Park (closed since November 2000) located near Frontenac, Kansas (southeast gaming zone).

Kansas Lottery Commission

Casino companies interested in developing casino projects in one of the gaming zones must submit their applications to the Executive Director of the Kansas Lottery Commission. The lottery commission approves management contracts with potential lottery gaming facility managers to operate and/or to construct and operate a casino within one of the four designated gaming zones where it has been determined that the casino would promote tourism and generate economic development. Kansas Lottery Commission negotiates and signs a contract with

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

the applicant(s). These documents are, in turn, sent to the Lottery Gaming Facility Review Board for consideration.

Lottery Gaming Facility Review Board

SB 66 provided for the creation of an independent, seven-member lottery gaming facility review board (three members are appointed by the governor, two by the president of the senate, and two by the speaker of the house). The Lottery Gaming Facility Review Board evaluates the applications to become lottery gaming facility managers that are submitted to the Kansas Lottery Commission. The Board can engage recognized experts and consultants in the casino gaming industry to provide the assistance necessary to fully review and analyze the subject applications. The cost for the outside services is paid by the prospective lottery gaming facility managers.

Capital Investment Requirements & Privilege Fees

SB 66 requires the casino developers to make the following minimum capital investments, and pay the accompanying privilege fees.

Gaming Zone	Minimum Capital Investment (Dollars in Millions)	Privilege Fee (Dollars in Millions)
Northeast	\$225	\$25
Southeast	\$225	\$25
South Central	\$225	\$25
Southwest	\$50	\$5

The capital investment represents the minimum investment required to build the proposed gaming facility. The privilege fee is an upfront, one-time fee paid by the prospective lottery gaming facility manager, for the privilege of being selected as a lottery gaming facility manager of a lottery gaming facility.

For example, a developer in the south central gaming zone would be required to make a minimum capital investment of \$225 million and pay a one-time only privilege fee of \$25 million to the state.

Creation of a State Owned Lottery Gaming Facility

SB 66 stipulates that the Kansas lottery gaming facilities will be state-owned, the first in the United States. The state will own and control the gaming functions. The Lottery Gaming Facility Review Board will select the applicants, who in turn will become gaming facility managers of the state-owned gaming facilities. These managers will act on behalf of the Kansas Lottery Commission. The gaming facility managers will fund, build, and operate all of the lottery gaming facilities under contract with the state lottery.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Gaming Taxes

The contract managers will be required to pay the following taxes, all of which are based on a percentage of each lottery gaming facility's gaming revenues:

1. The lottery gaming 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 addiction issues.
2. 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.
3. 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.
4. If the lottery gaming facility were located in either the southeast or the south central gaming zone, but not in a city, the lottery 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).
5. 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 lottery gaming facility were located (1%), and to the second county in the gaming zone (1%).

2009 Applications

The State of Kansas reopened the application bidding process in 2009. To date, only two of the gaming zones (northeast and south central) have applicants who are positioned to move forward with their respective lottery gaming facilities: the Hollywood Casino (northeast zone) and the Chisholm Creek Casino Resort (south central zone).

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Gaming Revenue Potential in Kansas

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 of the four Kansas gaming zones. The updated study was released in March of 2008.

The Kansas Lottery Gaming Facility Review Board engaged experts in 2008 to address a variety of issues including the gaming revenue potential for the State of Kansas. Wells Gaming Research (WGR) and Cummings & Associates were both asked to conduct independent market analyses of the four gaming zones, and to evaluate the revenue potential of each applicant's proposal. This evaluation process was completed in September 2008, and four winning applicants were selected: the Hard Rock Speedway (northeast zone), Penn National Hollywood (southeast zone), Harrah's (south central zone), and Boot Hill (southwest zone).

Recession Impacts

The 2008-2009 ongoing recession has unfortunately triggered severe economic downturns in the casino gaming industry. The impact for Kansas was that three of the four winning applicants were unable to fund and build their proposed lottery gaming facilities. Boot Hill was the only applicant able to move forward with construction and development of its lottery gaming facility.

Heightened Competition in the Southeast

The southeast gaming zone now faces formidable competition from the Downstream Casino, a large, new Tribal casino located in the northeast corner of Oklahoma within a few hundred yards of the Kansas casino development site. The realities of the recession together with the increased competition raise questions regarding the economic viability of a casino located in the southeast gaming zone of Kansas that requires a minimum capital invest of \$225 million plus a \$25 million privilege fee.

Project Objective

The objective of the following report and analyses is to provide the Lottery Gaming Review Board with independent forecasts for the number of potential casino visitors and the gaming revenues for the proposed Chisholm Creek Casino Resort.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Scope of Work & Research Methodology

The scope of work and research methodology required to forecast the casino visits and gaming revenues for the Chisholm Creek Casino Resort included:

Identifying the Trade Area

WGR defined the south central trade area as the geography lying within an approximate 100-to-125-mile radius of the Sumner County, Kansas casino development site. It takes in counties located in two states (Kansas and Oklahoma). The boundaries extend to Saline and Dickinson Counties, Kansas on the north; to the Oklahoma counties of Canadian, Oklahoma, and Lincoln on the south; Kiowa and Comanche Counties, Kansas on the west; and Labette County, Kansas on the east. The trade area was extended south to include all of the Oklahoma City metro area (refer to the map on page 1-6).

Site Visits

Richard Wells (Wells), president of WGR, visited Chisholm Creek's 75-acre development site in Sumner County, Kansas (south central gaming zone). Other site visits included the Oklahoma and Missouri casinos that are located within the trade area boundaries for both the northeast and south central gaming zones of Kansas. These site visits were made between June and September 2009. Wells also visited the five Kansas tribal casinos; Kansas City, Missouri casinos; and the northern Oklahoma casinos in June-July of 2008.

Demographic Data

Detailed population (total and adult) data for the trade area was obtained from the Bureau of Business & Economic Research, University of Nevada, Reno at the census tract level of detail for 2000 through 2015. Median household income statistics were also obtained from the same source.

Capacity Statistics

In addition to compiling the current gaming capacity and amenity statistics, the following information was also included in the gravity models:

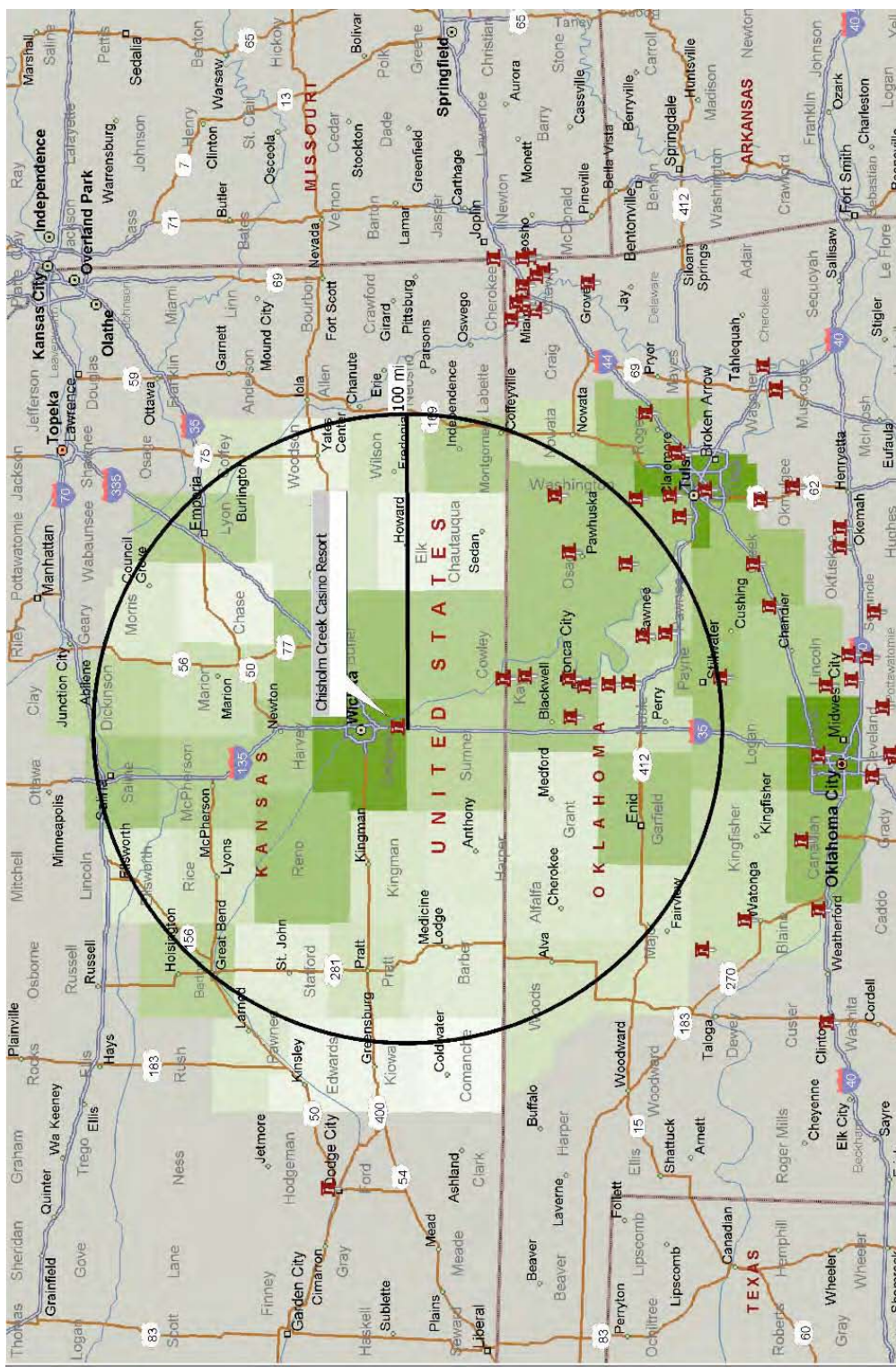
Two casino expansions in Oklahoma including an entertainment venue at the Cherokee Hard Rock Casino Tulsa and parking at the River Spirit Casino in Tulsa.

New Boot Hill Casino (southwest gaming zone of Kansas) with 875 slots, 20 table games, and 124 hotel rooms.

Chisholm Creek – Phase 1 with 1,300 slot machines and 30 table games.

Chisholm Creek – Full Build Out with 2,000 slots, 50 table games, and 150 hotel rooms.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues



South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

WGR's Proprietary Databases

WGR's proprietary databases were used as a data resource. The databases contain a wealth of casino related statistics dating back to 1990 and running continuously through the present. This is an unmatched data resource available exclusively to WGR for use in casino market studies.

Applicant Templates & Application Documents

Project and pro forma specific data were obtained from the templates and applications prepared by Chisholm Creek and submitted to the Kansas Racing and Gaming Commission (KRGC). The KRGC provided the documents to WGR.

Chisholm Creek's 2009 Application versus the three 2008 Applicants

WGR conducted a line item comparison of the Hollywood's 2009 application with the three 2008 applicants: Harrah's, Marvel's Trailhead, and Penn National's Hollywood (refer to Exhibit 3-9, page 3-12, for a line item comparison of the results).

Gravity Models

By way of background, 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.

Applications for the Business World

Even though 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, the concepts have been successfully applied to business. William J. Reilly first advanced the concept of using gravity modeling in 1931 in his book entitled *Law of Retail Gravitation*. Reilly illustrated that the concept of gravitational force (pull) can be applied to various types of problems, including business, retail, and traffic. Reilly applied the concept to retail shopping center trade areas and customer attraction.

WGR's Gravity Model

WGR has developed a custom, proprietary, gravity model for use in estimating casino gaming revenues 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.

Recession Analyses

WGR analyzed the impact of the ongoing 2008-2009 economic recession on casino gaming. Our findings show that the recession has not had a significant negative impact on casinos located in the Midwest region of the United States. In contrast, the period-over-period declines for the fiscal year

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

ended June 30, 2009 for Las Vegas have been 11% or more. Reno comparisons for the same period show declines of approximately 20%. Unfortunately, Reno's casino industry has not only had to cope with the economic slowdown, but also with the continued expansion of Tribal gaming in northern California (Reno's primary feeder market).

Gravity Model for the South Central Gaming Zone

WGR built a new, custom designed gravity model for the south central gaming zone for the 2009 analyses. It contains current demographic and competitive information.

Recession Assumption for 2010

WGR has assumed that the impact of the current recession will continue through 2010. As a result, we have assumed that there will be zero growth in gaming revenues during 2010 in both the northeast and south central gaming markets. We are assuming that the recession will be over and that normal growth will resume in 2011.

Inflation Factors

WGR, together with the other consultants working on this project, agreed to use a 3% annual inflation rate beginning in 2011.

Gaming Revenues

Gaming revenue projections will only be reported for the mid case (mean). Footnotes will be included that identify the low and high percentage variances for a 68% confidence interval. In this way, the reader will know the statistical percentage variances in the casino revenues that can be expected within one standard deviation of the mean, i.e. within a 68% confidence interval.

**South Central Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues**

Limiting Conditions

Limit of Liability

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***South Central Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues***

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Section 2

Executive Summary

***South Central Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues***

Executive Summary

Chisholm Creek Casino Resort, LLC is proposing to build a lottery gaming facility (casino) on 75 acres in Sumner County, Kansas (south central gaming zone). The development site is located southwest of the Intersection of I-35 (Kansas Turnpike) and Highway 53 (Exit 33). It is bounded on the west by Highway 81.

The Kansas Lottery Gaming Facility Review Board engaged Wells Gaming Research (WGR) to conduct an independent study of Chisholm Creek's application. WGR's assignment included:

- Defining the project's trade area (refer to Section 1, pages 1-5 and 1-6 for a description of the trade area boundaries and the map).
- Inventorying the existing casino capacity located within the boundaries of the south central trade area
- Identifying casino expansions and proposed new casinos that could ratchet up future competition
- Researching demographic trends for the trade area (population, both total and adult, and median household income)
- Estimating the number of casino visits for the Chisholm Creek Casino Resort
- Forecasting gaming revenues for Chisholm Creek
- Conducting side by side analyses of Chisholm Creek's 2009 application with the three 2008 applicants (Harrah's, Marvel, and Penn National).

Highlights of WGR's research and analyses follow in this section. Complete detailed analyses can be found in the subsequent section.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Casino Capacities for the South Central Trade Area

Casino capacity is summarized in Exhibit 2-1. Currently, there are 61 casinos located within the boundaries of the south central trade area (refer to Section 3, page 3-6 for details).

Exhibit 2-1 Casino Capacity for the South Central Gaming Zone

Casinos	# of Slots	# of Tables	# of Rooms	Entertainment	Parking
Current Capacity for Existing Casinos					
Existing 61 Casinos	35,197	571	1,372	17	43,807
Expansions & Proposed					
Expansions:					
Cherokee Hard Rock	0	0	0	1	0
River Spirit Casino	0	0	0	0	1,700
Proposed:					
Boot Hill Casino & Resort	875	20	124	2	1,575
Subtotal	875	20	124	3	3,275
Chisholm Creek - Phase-1					
Chisholm Creek - Phase I	1,300	30	0	0	1,925
Total Existing, Expansions & New	37,372	621	1,496	20	49,007
% Change Over Current	6%	9%	9%	18%	12%
Chisholm Creek - Full Build Out					
Chisholm Creek - Full Build Out	2,000	50	150	3	3,000
Total Existing, Expansions & New	38,072	641	1,646	23	50,082
% Change Over Current	8%	12%	20%	35%	14%

Data Source: Wells Gaming Research, October 2009.

Expansions and proposed includes expansions at two northeastern Oklahoma casinos (an entertainment venue at the Cherokee Hard Rock Casino Tulsa and parking at the River Spirit Casino in Tulsa). Also includes the new Boot Hill Casino located in the southwest gaming zone of Kansas.

Chisholm Creek – Phase 1 includes the expansions and proposed plus phase 1 of Chisholm Creek’s Casino Resort. The capacity proposed in phase 1 would increase the number of slot machines by 6% (up from the current capacity of 35,197 to 37,372), the total number of table games by 9% (up from the current 571 to 621), and the number of hotel rooms by 9% (up from 1,372 to 1,496).

Chisholm Creek – Full Build Out includes key capacity increases of 8% for slot machines (up from the current 35,197 machines to 38,072), 12% for table games (up from 571 to 641), and 20% for hotel rooms (up from 1,372 to 1,646).

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Demographic Data for the Trade Area

Demographic statistics for the south central trade area are summarized in Exhibit 2-2 for 2000, 2013, and 2015. Gaming population (adults 21 + years old) forecasts for the south central trade area for 2013-2015 indicate that adults will make up approximately 69% of the total in both the Kansas and Oklahoma sections of the defined trade area. Population concentrations for 2013-2015 indicate that approximately one-third (33%) of the trade area's gaming population will be located in Kansas and two-thirds (67%) in Oklahoma.

Exhibit 2-2 Trade Area Demographic Statistics

State	2000				2013				2015			
	Total Pop	Adult Pop	% Adult by ST	MHI	Total Pop	Adult Pop	% Adult by ST	MHI	Total Pop	Adult Pop	% Adult by ST	MHI
KS	1,004,072	690,510	35%	\$40,919	1,028,926	706,586	33%	\$55,396	1,032,710	709,065	33%	\$57,826
OK	1,875,349	1,303,213	65%	\$38,907	2,059,792	1,430,577	67%	\$55,417	2,085,193	1,448,150	67%	\$58,271
Total	2,879,421	1,993,723	100%	\$39,604	3,088,718	2,137,163	100%	\$50,257	3,117,903	2,157,215	100%	\$58,125
% Total		69.2%				69.2%				69.2%		

Data Sources: University of Nevada, Center for Regional Studies & Wells Gaming Research, October 2009.

Median household income statistics for the south central trade area have been forecasted at \$55,396 for 2013 for the Kansas portion of the trade area and \$55,417 for the Oklahoma part.

Corresponding median household income levels for 2015 have been forecasted to reach \$57,826 for the Kansas geography located within the trade area and \$58,271 for the Oklahoma portion.

By way of comparison, the US Census Bureau projects MHI at \$58,606 for 2013 and at \$61,464 for 2015 for the United States.

South Central Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues

Casino Visits

WGR used a custom, proprietary gravity model to forecast Chisholm Creek's casino visits. A comparison between Chisholm Creek's forecast and WGR's is illustrated in Exhibit 2-3.

Exhibit 2-3 Casino Visit Projections

Chisholm Creek Visits	Phase I		Full Build Out
	2013	2015	2015
Chisholm Creek's Projections	1,866,744	1,885,470	3,020,000
WGR's Projections	2,052,682	2,070,664	2,711,986
Difference - Applicant vs WGR	-185,938	-185,194	308,014

Data Sources: Wells Gaming Research & Chisholm Creek Casino Resort. LLC, October 2009.

Chisholm Creek versus WGR (2013 & 2015)

- **Phase 1**

Chisholm Creek's forecast of 1.87 million visits for 2013 is 186 thousand visits (8%) lower than WGR's 2.01 million. A similar difference of 185 thousand visits was forecasted for 2015.

- **Full Build Out**

Chisholm Creek's 3.0 million forecast for 2015 is 308 thousand higher (10%) than WGR's 2.7 million.

South Central Gaming Zone of Kansas

Projections of Casino Visits & Gaming Revenues

Gaming Revenue Projections

WGR used gravity modeling techniques to forecast casino gaming revenues for the Chisholm Creek Casino Resort. 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 the future gaming revenues of a particular project (refer to section-1, pages 1-8 and 1-9 for additional information on WGR's gravity modeling methodology).

WGR's 2013 gaming revenue forecasts for Chisholm Creek included the impacts of the 2008-2009 ongoing recession and a 3% inflation factor, which was used in the calculations starting in 2011 (inflation was not calculated into the 2010 forecast because of the recession).

Exhibit 2-4 Revenue Projections

Chisholm Creek Revenues	Phase I		Full Build Out
	2013 ¹	2015 ¹	2015 ²
Chisholm Creek's Projections	\$121,139,087	\$129,794,817	\$230,000,000
WGR's Projections	\$144,643,292	\$154,757,092	\$206,064,825
Difference - Applicant vs WGR	-\$23,504,205	-\$24,962,275	\$23,935,175

Footnotes:

- 1. Phase 1 for WGR** --- At a 68% confidence interval (one standard deviation from the mean, assuming a normal distribution), revenues can be expected to vary +8% and -10%. In other words, predicted revenues can be expected to fall within this range 68% of the time.
- 2. Full Build Out for WGR** --- At a 68% confidence interval, revenue can be expected to vary +6% and -7%, i.e., predicted revenues can be expected to fall within this range 68% of the time.

Data Source: Wells Gaming Research, October 2009.

Chisholm Creek versus WGR

- **Phase 1**

Chisholm Creek's \$121.1 million gaming revenue projection for 2013 is \$23.5 million (19%) lower than WGR's \$144.6 million. A similar difference was forecasted for 2015 with Chisholm at \$129.8 million and WGR at \$154.8 million, a \$25 million difference (19%).

- **Full Build Out**

Chisholm Creek's \$230 million gaming revenue forecast for 2015 is \$23.9 million (10%) higher than WGR's at \$206.1 million.

South Central Gaming Zone of Kansas **Projections of Casino Visits & Gaming Revenues**

Key 2009 Applicant Forecasts Compared with WGR & the 2008 Applicants

Highlights of Chisholm Creek's 2009 forecasts (phase 1 and the full build out) compared with WGR, and the three 2008 applicants (Harrah's, Marvel, and Penn National) are illustrated in Exhibit 2-5. It is important to note that due to the availability of data, a timing difference does exist between Chisholm Creek's 2015 forecasts for the full build out, and the 2012 projections developed by the 2008 applicants. The following comparison is being presented to the Kansas Lottery Gaming Facility Review Board to lend additional perspective on the 2009 applicant's project.

Exhibit 2-5 Chisholm Creek's versus WGR & the 2008 Applicants

Capacities & Amenities	2009 Application Chisholm Creek		2008 Applications (Projections Made by WGR for 2012) ¹		
	Phase I (2012)	Full Build Out (2015)	Harrah's	Marvel's Trailhead	Penn National's Hollywood
Capital Investment	\$125,000,000	\$225,000,000	\$450,000,000	\$393,156,577	\$365,000,000
Gaming Revenues:					
Applicant	\$117,037,434	\$230,000,000	\$252,359,000	\$258,216,000	\$194,234,748
WGR	\$139,843,679	\$206,064,825	\$203,911,008	\$138,363,216	\$125,679,360
Gaming Capacity					
# of Slots	1,300	2,000	2,000	2,000	1,500
# of Tables Games	30	50	59	83	40
Hotel Rooms	0	150	365	304	350

Capital Investment Comparisons

Phase 1 - Variances between Chisholm Creek's proposed \$125 million investment for phase 1 and the 2008 applicants illustrate that the applicants are:

- \$325 million (72%) lower than Harrah's \$450 million
- \$268 million (68%) lower than the Marvel's \$393 million
- \$240 million (66%) lower than the Penn National's \$365 million

Full Build Out - Variances show that the Chisholm Creek's proposed investment of \$225 million is:

- \$225 million (50%) lower than Harrah's \$450 million
- \$168 million (43%) lower than the Marvel's \$393 million
- \$140 million (38%) lower than the Penn National's \$365 million

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Gaming Revenue Comparisons

Variances between Chisholm Creek's proposed gaming revenues and WGR's forecasts illustrates that the:

Chisholm Creek 2009 application vs. WGR projections

Phase 1

- \$117 million projection for 2012 is \$23 million (20%) lower than WGR's \$140 million (Chisholm Creek's 2012 gaming revenue projections should not be confused with the 2013 forecasts featured in Exhibit 2-4, page 2-5).

Full Build Out

- \$230 million forecast for 2015 is \$22 million (10%) higher than WGR's \$206 million

Chisholm Creek 2009 application vs. the 2008 applicants

Phase 1

Gaming revenue comparisons between Chisholm Creek's \$117 million gaming revenue projection and the 2008 applicants shows that the Chisholm Creek is:

- \$135 million (54%) lower than Harrah's \$252 million
- \$141 million (55%) lower than the Marvel's \$258 million
- \$77 million (40%) lower than the Penn National's \$194 million

Full Build Out

Chisholm Creek's gaming revenue projection of \$230 million for 2015 is:

- \$22 million (9%) lower than Harrah's \$252 million
- \$28 million (11%) lower than the Marvel's \$258 million
- \$36 million (19%) higher than the Penn National's \$194 million

Slot Machines

Phase 1

Compared to the 2008 applicants, Chisholm Creek's proposed 1,300 slots are:

- 700 (35%) lower than Harrah's 2,000
- 700 (35%) lower than the Marvel's 2,000
- 200 (13%) lower than the Penn National's 1,500

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Full Build Out

Chisholm Creek's slot capacity projections of 2,000 slots are:

- Equal to Harrah's 2,000
- Equal to Marvel's 2,000
- 500 (33%) higher than the Penn National's 1,500

Total Table Games

Phase 1

Capacity variances between the Chisholm Creek and the 2008 applicants shows that Chisholm's 30 table games are:

- 29 (49%) lower than Harrah's 59
- 53 (64%) lower than Marvel's 83
- 10 (25%) higher than the Penn National's 40

Full Build Out

Chisholm Creek's proposed 50 table games are:

- 9 (15%) lower than Harrah's 59
- 33 (40%) lower than the Marvel's 83
- 10 (25%) higher than the Penn National's 40

Hotel Rooms

Chisholm Creek's Phase 1 proposal did not include hotel rooms; however, 150 rooms were proposed for the full build out.

Full Build Out

Chisholm Creek versus the 2008 applicants shows the following variances:

- 215 (59%) lower than Harrah's 365
- 154 (51%) lower than the Marvel's 304
- 200 (57%) lower than Penn National's 350

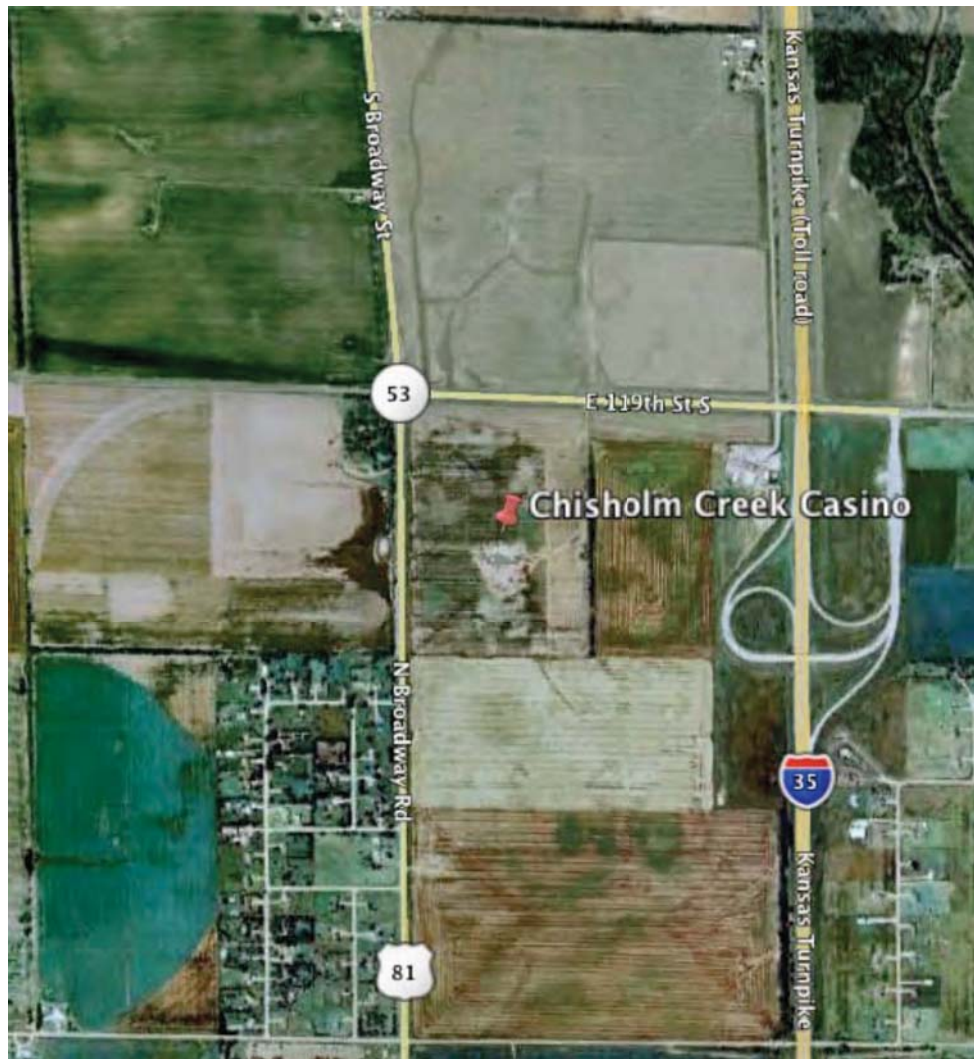
Section 3

Chisholm Creek Casino Resort Detail

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Chisholm Creek Casino Resort Detail

Chisholm Creek Casino Resort, LLC is proposing to build the Chisholm Creek Casino Resort on 75 acres in Sumner County, Kansas. The development site shown below is located southwest of the Intersection of I-35 (Kansas Turnpike) and Highway 53 (Exit 33). It is bounded on the west by Highway 81.



South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Facility Statistics & Amenities

Exhibit 3-1 shows the capacity statistics and amenities proposed for phase 1 (opening status for the Chisholm Creek Casino Resort), as well as for the full build out (proposed for completion in 2015).

**Exhibit 3-1
Phase-1 versus Full Build Out**

Capacities & Amenities	Phase I (2012)	Full Build Out (2015)
Capital Investment	\$125,000,000	\$225,000,000
Gaming Revenues:		
Applicant	\$117,037,434	\$230,000,000
WGR	\$139,843,679	\$206,064,825
Difference	-\$22,806,245	\$23,935,175
Visitor Projections:		
Applicant	1,857,565	3,020,000
WGR	2,043,836	2,711,986
Difference	-186,271	308,014
Casino:		
Square Footage	54,475	95,000
# of Slots	1,300	2,000
# of Tables Games	30	50
# of Poker tables	Not Specified	Not Specified
Hotel Rooms	0	150
Restaurants/Entertainment:		
# of Restaurants	3	5
# of Small Entertainment Venues	0	1
# of Large Entertainment Venues	0	2 ¹
Convention Square Footage	0	12,000 ¹
Sports/Recreation Facilities	Not Specified	Not Specified
Parking:		
# of Surface Spaces	1,925	3,000
# of Covered Spaces	0	0
# of RV Spaces	0	0
# of Retail Outlets	1	1
# of FTE's (full time equivalents)	874	Not Specified

Footnote:

1. One live entertainment venue is included in addition to a multipurpose meeting and entertainment venue.

Data Source: Wells Gaming Research, October 2009.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Capital Investment

Chisholm Creek estimates that a \$125 million capital investment would be required to complete phase 1 (the opening status of the lottery gaming facility). The full build out would require an additional \$100 million bringing the total capital investment to \$225 million.

Projected Opening Date

The targeted opening date is September 1, 2011 (assuming an August 31, 2010 start). As proposed, the first full year of operation would be 2012.

Facility Size & Design

Phase 1 would encompass an estimated 153,000 square feet and reflect a prairie style contemporary architectural theme. Prairie style architecture is most common in the Midwest United States. Typically, it reflects horizontal lines, flat or hipped roofs with broad overhanging eaves, windows grouped in horizontal bands, integration with the landscape, solid construction, craftsmanship, and discipline in the use of ornamentation. Frank Lloyd Wright was the most famous proponent of prairie style architecture.

Casino

Phase 1 would have 54,475 square feet of gaming space equipped with 1,300 slots and 30 table games. An additional 2,000 square feet would be dedicated to the cage, slot club, and promotions.

The casino in the full build out would have 95,000 square feet of gaming space equipped with 2,000 slots and 30 table games.

Hotel

A 150-room hotel, targeted for completion by 2015, would be part of the full build out.

Restaurants

The applicant's template included three restaurants (buffet, deli, and casual steakhouse) in phase 1.

The full build out would have five restaurants (the three included in phase 1 and two additional for full build out).

Entertainment Venues

The template information did not include any entertainment venues for phase 1. The full build out has been projected to have two entertainment venues, one live and one multipurpose meeting and entertainment space.

***South Central Gaming Zone of Kansas
Projections of Casino Visits & Gaming Revenues***

Convention & Meeting Space

Multipurpose convention and entertainment space has been included in the full build out plans.

Sports/Recreational Facilities

None have been specified.

Parking Facilities

Phase 1 of the applicant's template identified 1,925 parking spaces. Parking for 3,000 vehicles was included in the full build out.

Retail Space

The applicant's template included 1,200 square feet of retail space (1 outlet). Additional retail was not proposed in the full build out.

FTE's

Phase 1 includes 874 FTE's. The number required to operate the full build out was not been provided by Chisholm Creek; however, the expanded property would most likely require additional FTE's.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Gaming Capacity

The existing and expanded gaming capacity including the addition of the proposed Chisholm Creek Casino Resort is illustrated in Exhibit 3-2 (refer to Exhibit 3-3, page 3-6, for a casino-by-casino listing of the capacity for the 61 existing Oklahoma casinos located within the boundaries of the south central trade area).

Exhibit 3-2 Capacity Summary for South Central Gaming Zone

Casinos	# of Slots	# of Tables	# of Poker	# of Total Tables	# of Bingo Seats	Race-book	Casino S.F.	Convention S.F.	# of Rooms	# of Restaurants	Entertainment	Parking
Current Capacity for Existing Casinos												
Existing 61 Casinos	35,197	348	223	571	2,860	8	1,723,784	107,850	1,372	93	17	43,807
Expansions & Other Proposed												
Expansions:												
Cherokee Hard Rock Hotel & Casino	0	0	0	0	0	0	0	0	0	0	1	0
River Spirit Casino	0	0	0	0	0	0	0	0	0	0	0	1,700
Proposed:												
Boot Hill Casino & Resort	875	15	5	20	0	0	48,457	19,776	124	3	2	1,575
Subtotal	875	15	5	20	0	0	48,457	19,776	124	3	3	3,275
Chisholm Creek Casino Resort - Phase-1												
Chisholm Creek Casino Resort Phase I	1,300	30	0	30	0	0	57,475	0	0	3	0	1,925
Total Existing, Expansions & New	37,372	393	228	621	2,860	8	1,829,716	127,626	1,496	99	20	49,007
% Change Over Current	6%	13%	2%	9%	0%	0%	6%	18%	9%	6%	18%	12%
Chisholm Creek Casino Resort - Full Build Out												
Chisholm Creek Full Build Out	2,000	50	0	50	0	0	95,000	12,000	150	5	3	3,000
Total Existing, Expansions & New	38,072	413	228	641	2,860	8	1,867,241	139,626	1,646	101	23	50,082
% Change Over Current	8%	19%	2%	12%	0%	0%	8%	29%	20%	9%	35%	14%

Footnote:

1. Refer to page 3-6 For a casino-by-casino listing of the capacity for the 61 existing casinos located in the south central gaming zone's trade area (all 61 are located in Oklahoma).

Data Source: Wells Gaming Research, October 2009.

Key projected gaming capacity increases with Phase 1 of Chisholm Creek include slot machines, up from 35,197 to 37,372 (6%), and total table games, up from 571 to 621 (9%).

The full build out capacity proposed for Chisholm Creek would result in an 8% increase in slot machines (up from 35,197 slots to 38,072) and a 12% increase in the number of table games (up from 571 to 641).

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Exhibit 3-3 Existing Gaming Capacity

# of Loc	Oklahoma Casinos	# of Slots	# of Tables	# of Poker Tables	# of Total Tables	# of Bingo Seats	Race-book	Casino S.F.	Convention S.F.	# of Rooms	# of Restaurants	Entertainment	Parking
1	7 Clans Paradise Casino	632	8	6	14	0	0	30,000	0	0	2	0	500
2	Blue Star Gaming and Casino	196	0	0	0	300	0	20,000	0	0	1	0	200
3	Border Town Casino	1,300	10	10	20	650	1	73,000	0	0	2	0	400
4	Bordertown Outpost Casino	265	0	0	0	0	0	3,000	0	0	0	0	1,300
5	Buffalo Run Casino	925	14	10	24	0	0	70,000	10,000	101	3	1	1,300
6	Cherokee Casino - Fort Gibson	295	0	0	0	0	0	7,430	0	0	1	0	182
7	Cherokee Casino - Will Rogers Downs	500	0	0	0	0	1	18,277	11,000	450	2	0	728
8	Cherokee Hard Rock Hotel & Casino	2,303	35	35	70	0	0	125,000	35,000	471	8	4	2,415
9	Cherokee Nation Outpost Tobacco Shop	81	0	0	0	0	0	1,728	0	0	0	0	42
10	Cimarron Casino	368	0	0	0	0	0	9,600	0	0	1	0	400
11	Creek Nation Casino Bristow	219	0	0	0	0	0	8,500	0	0	1	0	215
12	Creek Nation Casino Muskogee	456	7	10	17	300	0	30,000	0	0	1	0	450
13	Creek Nation Casino Okemah	298	0	0	0	110	0	1,800	0	0	0	0	200
14	Creek Nation Casino Okmulgee	334	2	3	5	0	0	11,000	0	0	1	0	600
15	Creek Nation Travel Plaza	43	0	0	0	0	0	920	0	0	1	0	50
16	Downstream Casino Resort	2,000	30	14	44	0	1	70,000	10,000	222	5	3	3,000
17	Duck Creek Casino	265	0	0	0	0	0	5,000	0	0	1	0	300
18	Feather Warrior Casino - Canton	137	0	0	0	0	0	0	0	0	0	0	92
19	Feather Warrior Casino - Watonga	175	0	0	0	0	0	2,200	0	0	0	0	118
20	FireLake Casino	800	13	8	21	500	0	50,000	5,000	0	3	0	800
21	FireLake Grand Casino	1,800	23	22	45	0	0	125,000	13,000	0	5	2	4,000
22	First Council Casino	700	10	8	18	0	0	0	0	0	3	0	950
23	Golden Pony Casino	400	0	0	0	0	0	10,000	0	0	1	0	500
24	Goldsbey Gaming Center	294	0	0	0	300	1	15,462	0	0	1	0	190
25	Grand Lake Casino	920	10	0	10	0	0	45,000	0	0	1	1	1,000
26	High Winds Casino	500	8	0	8	0	0	35,000	0	0	2	0	505
27	Kaw Southwind Casino	800	6	10	16	700	0	55,000	0	0	2	0	1,000
28	Kickapoo Casino	615	10	0	10	0	0	20,000	0	0	1	0	600
29	Kickapoo Conoco Station	52	0	0	0	0	0	900	0	0	0	0	30
30	Lil' Bit of Paradise Casino 1	306	0	0	0	0	0	0	0	0	0	0	60
31	Lil' Bit of Paradise Casino 2	47	0	0	0	0	0	0	0	0	0	0	30
32	Lucky Star Casino - Clinton	710	8	8	16	0	0	13,000	0	0	1	0	600
33	Lucky Star Casino - Concho	930	13	11	24	0	0	40,000	0	0	1	0	1,000
34	Lucky Turtle Casino	113	0	0	0	0	0	3,000	0	0	1	0	140
35	Miami Tribe Entertainment	93	0	0	0	0	0	0	0	0	0	0	60
36	Muscogee Travel Plaza	129	0	0	0	0	0	3,000	0	0	0	0	80
37	Mystic Winds Casino	322	0	0	0	0	0	0	0	0	0	0	215
38	Native Lights Casino	652	6	0	6	0	0	22,500	0	0	2	0	590
39	Newcastle Gaming Center I & II	1,255	28	14	42	0	0	21,073	0	0	3	0	1,100
40	Osage Million \$ Elm - Bartlesville	575	6	2	8	0	0	42,000	0	0	3	0	700
41	Osage Million \$ Elm Casino - Hominy	225	0	0	0	0	0	0	0	0	1	0	215
42	Osage Million \$ Elm - Pawhuska	178	0	0	0	0	0	0	0	0	1	0	50
43	Osage Million \$ Elm - Ponca City	223	0	0	0	0	0	7,700	0	0	0	0	150
44	Osage Million \$ Elm - Sand Springs	506	6	0	6	0	0	25,000	0	0	1	0	500
45	Osage Million \$ Elm - Skiatook	148	0	0	0	0	0	0	0	28	1	0	165
46	Osage Million \$ Elm - Tulsa	1,269	11	8	19	0	0	47,000	1,600	0	3	2	800
47	Pawnee Travel Plaza	35	0	0	0	0	0	0	0	0	0	0	20
48	Peoria Gaming Center	160	0	0	0	0	0	4,200	0	0	1	0	250
49	Quapaw Casino	498	8	0	8	0	0	27,000	0	0	1	0	430
50	Remington Park	700	0	0	0	0	1	55,000	0	0	3	0	6,700
51	River Spirit Casino	2,800	24	15	39	0	0	300,000	0	0	4	1	1,000
52	Riverwind Casino	2,318	32	23	55	0	1	76,308	14,000	100	7	2	4,000
53	Sac and Fox Casino - Shawnee	651	0	5	5	0	0	35,000	0	0	2	0	575
54	Sac and Fox Casino - Stroud	161	0	0	0	0	0	825	0	0	0	0	105
55	Seminole Nation Trading Post	175	0	0	0	0	0	3,424	0	0	0	0	115
56	Sugar Creek Casino	400	0	0	0	0	0	0	0	0	0	0	260
57	The Stables Casino	533	4	0	4	0	1	25,000	0	0	2	0	260
58	Thunderbird Casino	420	6	0	6	0	1	61,000	8,250	0	2	0	600
59	Tonkawa Casino	380	2	1	3	0	0	14,437	0	0	1	0	330
60	Trading Post Casino	98	0	0	0	0	0	3,500	0	0	1	0	130
61	Wyandotte Nation Casino	514	8	0	8	0	0	50,000	0	0	2	1	510
61 Total Existing Casinos		35,197	348	223	571	2,860	8	1,723,784	107,850	1,372	93	17	43,807

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Demographic Statistics

The following demographic statistics (total and adult population, and median household income) were compiled by research category for the south central trade area. Included are statistics for each of the seven counties contiguous with Sumner County (includes Sumner), as well as a combined total for the contiguous counties. Also included are demographic statistics for the 26 non-contiguous Kansas counties, 19 non-contiguous Oklahoma counties located within the trade area, and for the total 53 counties that make up the geography of the south central trade area.

Total Population of the South Central Gaming Zone

Exhibit 3-4 shows a total trade area population of 3.03 million for 2009, increasing slightly to 3.1 million by 2015. Of this total, 687.6 thousand (22%) will live in the counties contiguous with Sumner. Approximately 73% of the contiguous county population will be in Sedgwick County, Kansas. Butler and Kay are a distant second and third with 9.9% and 6.8%, respectively. By 2015, the Kansas population excluding the contiguous counties will represent 12.71% of the 3.1 million trade area total. Oklahoma excluding the contiguous counties will represent 65.23%.

The average compound growth rate in total population for 2009-2015 has been estimated at 0.43% for the contiguous counties and 0.47% for the total trade area.

Exhibit 3-4 Total Population for the South Central Trade Area - 2000 & 2009 through 2015¹

County	2000	2008	2009	2010	2011	2012	2013	2014	2015	% of 2015	CACGR
Butler County, KS	59,482	63,562	64,190	64,826	65,572	66,253	66,944	67,641	68,346	9.94%	1.05%
Cowley County, KS	36,291	34,065	33,919	33,769	33,688	33,563	33,437	33,313	33,190	4.83%	-0.36%
Harper County, KS	6,536	5,857	5,775	5,695	5,632	5,558	5,486	5,414	5,343	0.78%	-1.29%
Kingman County, KS	8,673	7,720	7,629	7,543	7,477	7,398	7,320	7,242	7,165	1.04%	-1.04%
Sedgwick County, KS	452,869	482,866	485,043	487,237	490,194	492,667	495,143	497,630	500,141	72.73%	0.51%
Sumner County, KS	25,946	23,616	23,393	23,173	22,999	22,795	22,595	22,395	22,199	3.23%	-0.87%
Grant County, OK	5,144	4,450	4,450	4,450	4,450	4,450	4,450	4,450	4,450	0.65%	0.00%
Kay County, OK	48,080	45,633	45,744	45,854	46,132	46,301	46,469	46,639	46,807	6.81%	0.38%
Total Contiguous Counties	643,021	667,769	670,143	672,547	676,144	678,985	681,844	684,724	687,641	100.00%	0.43%
KS Excluding Contiguous Counties	414,275	402,381	401,177	399,978	399,723	398,855	398,001	397,163	396,326	12.71%	-0.20%
OK Excluding Contiguous Counties	1,822,125	1,947,781	1,960,748	1,973,808	1,984,174	1,996,479	2,008,873	2,021,347	2,033,936	65.23%	0.61%
Total Population	2,879,421	3,017,931	3,032,068	3,046,333	3,060,041	3,074,319	3,088,718	3,103,234	3,117,903	100.00%	0.47%

Footnote:

1. The population statistics shown above are limited to those counties located in the identified south central trade area and are not necessarily representative of the population for the entire states of Kansas or Oklahoma.

Data Sources: Center for Regional Studies, University of Nevada, Reno
& Wells Gaming Research, October 2009.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Adult Population Statistics for the South Central Trade Area

Exhibit 3-5 shows that in 2009 approximately 455.1 thousand adults reside in the counties contiguous with the Chisholm Creek casino site in Sumner County. Projections for 2015 reflect an increase to 466.9 thousand. Of these, 72.6% will be in Sedgwick County, Kansas. Butler and Kay with 9.8% and 6.9%, respectively, will continue to rank a distant second and third in adult population for the contiguous counties.

By 2015, the Kansas adult population, excluding the contiguous counties, will represent 12.87% of the 2.2 million adults in the trade area total. Oklahoma excluding the contiguous counties will represent 65.49%.

The average compound growth rate in adult population for 2009-2015 has been estimated at 0.42% for the counties contiguous with Sumner and 0.46% for the total trade area.

Exhibit 3-5 Adult Population - 2000 & 2009 through 2015¹

# of CO	County	2000	2008	2009	2010	2011	2012	2013	2014	2015	% of 2015	CACGR
	Butler County, KS	39,923	42,661	43,084	43,509	44,010	44,468	44,931	45,397	45,872	9.82%	1.05%
	Cowley County, KS	24,901	23,374	23,274	23,171	23,115	23,029	22,941	22,858	22,774	4.88%	-0.37%
	Harper County, KS	4,719	4,229	4,170	4,111	4,067	4,013	3,961	3,909	3,858	0.83%	-1.30%
	Kingman County, KS	6,044	5,380	5,317	5,257	5,211	5,156	5,101	5,047	4,993	1.07%	-1.06%
	Sedgwick County, KS	306,890	327,219	328,692	330,179	332,185	333,862	335,537	337,222	338,927	72.59%	0.50%
	Sumner County, KS	17,554	15,978	15,826	15,678	15,560	15,423	15,288	15,152	15,018	3.22%	-0.88%
	Grant County, OK	3,669	3,174	3,174	3,174	3,174	3,174	3,174	3,174	3,174	0.68%	0.00%
	Kay County, OK	33,194	31,505	31,582	31,658	31,849	31,964	32,081	32,200	32,315	6.92%	0.36%
8	Total Contiguous Counties	436,894	453,520	455,119	456,737	459,171	461,089	463,014	464,959	466,931	21.65%	0.42%
26	KS excl. Contiguous Counties	290,479	281,988	281,119	280,271	280,076	279,452	278,827	278,227	277,623	12.87%	-0.22%
19	OK excl. Contiguous Counties	1,266,350	1,353,053	1,362,022	1,371,055	1,378,231	1,386,751	1,395,322	1,403,952	1,412,661	65.49%	0.62%
53	Total Adult Population	1,993,723	2,088,561	2,098,260	2,108,063	2,117,478	2,127,292	2,137,163	2,147,138	2,157,215	100.00%	0.46%

Footnote:

1. The population statistics shown above are limited to those counties located in the identified south central trade area and are not necessarily representative of the population for the entire states of Kansas or Oklahoma.

Data Sources: Center for Regional Studies, University of Nevada, Reno
& Wells Gaming Research, October 2009.

Adult Population for the Trade Area

The total adult population for 2009 has been estimated at 2.1 million. It is expected to increase to approximately 2.2 million by 2015. The average compound growth rate (2009-2015) has been projected at less than one half of a percent (0.46%).

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Median Household Income

The results of WGR's median household income analyses for the south central gaming zone of Kansas are profiled in Exhibit 3-6.

Exhibit 3-6 Median Household Income - 2000 & 2008 through 2015¹

# of CO	County	2000	2008	2009	2010	2011	2012	2013	2014	2015	CACGR
	Butler County, KS	\$46,861	\$55,025	\$57,279	\$57,279	\$58,439	\$59,624	\$62,068	\$63,326	\$64,610	2.32%
	Cowley County, KS	\$35,004	\$40,897	\$42,519	\$42,519	\$43,354	\$44,206	\$45,960	\$46,863	\$47,783	2.25%
	Harper County, KS	\$29,988	\$35,946	\$37,612	\$37,610	\$38,473	\$39,353	\$41,178	\$42,121	\$43,085	2.62%
	Kingman County, KS	\$38,783	\$46,511	\$48,674	\$48,673	\$49,790	\$50,936	\$53,302	\$54,528	\$55,782	2.63%
	Sedgwick County, KS	\$45,705	\$53,667	\$55,865	\$55,865	\$56,998	\$58,154	\$60,536	\$61,764	\$63,016	2.32%
	Sumner County, KS	\$39,314	\$47,117	\$49,298	\$49,299	\$50,427	\$51,581	\$53,970	\$55,206	\$56,469	2.62%
	Grant County, OK	\$28,957	\$35,791	\$37,738	\$37,738	\$38,751	\$39,791	\$41,956	\$43,082	\$44,239	3.07%
	Kay County, OK	\$32,434	\$39,630	\$41,665	\$41,664	\$42,722	\$43,806	\$46,055	\$47,222	\$48,421	2.90%
8	Total Contiguous Counties	\$43,529	\$51,555	\$53,593	\$53,740	\$54,864	\$56,014	\$58,370	\$59,592	\$60,839	2.39%
26	KS excl. Contiguous Counties	\$35,872	\$42,996	\$44,973	\$44,986	\$46,016	\$47,069	\$49,229	\$50,355	\$51,507	2.61%
19	OK excl. Contiguous Counties	\$39,106	\$47,885	\$50,245	\$50,349	\$51,628	\$52,940	\$55,663	\$57,077	\$58,528	2.91%
53	Average Median Household Income	\$39,604	\$48,022	\$50,257	\$50,371	\$51,587	\$52,835	\$55,410	\$56,751	\$58,125	2.77%

Footnote:

1. The MHI statistics shown above are limited to those counties located in the identified south central trade area and are not necessarily representative of the entire states of Kansas or Oklahoma.

Data Sources: Center for Regional Studies, University of Nevada, Reno
& Wells Gaming Research, October 2009.

MHI Contiguous Counties

The average MHI was \$53,593 in 2009 for the counties contiguous with the Sedgwick County casino site. Projections for 2015 show an increase to \$60,839. County-by-county, Butler ranked the highest with a MHI projection of \$64,610 for 2015, followed by Sedgwick with \$63,016. The average compound growth rate for the contiguous counties has been estimated at 2.39% (2008 through 2015).

MHI for the Total South Central Trade Area

Exhibit 3-6 shows that in 2009 the total average MHI for the trade area was \$50,257. Projections for 2015 reflect an increase to \$58,125. Overall, an average compound growth rate of 2.77% has been projected (2008 - 2015) for the south central trade area.

By way of comparison, the MHI for the US has been projected at \$53,823 for 2009, \$58,606 for 2013, and at \$61,464 for 2015.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Casino Visits

WGR used a proprietary gravity model to forecast the number of casino visits. A comparison of Chisholm Creek's forecast versus WGR's is illustrated in Exhibit 3-7.

Exhibit 3-7 Casino Visit Projections

Chisholm Creek Visits	Phase I		Full Build Out
	2013	2015	2015
Chisholm Creek Casino Application - Residential	1,686,192	1,703,107	N/A
Chisholm Creek Casino Application - Tourist	180,552	182,363	N/A
Chisholm Creek Casino Application - Total	1,866,744	1,885,470	3,020,000
WGR's Casino Visit Projections	2013	2015	2015
Chisholm Creek Casino	2,052,682	2,070,664	2,711,986
Difference - Applicant vs WGR	-185,938	-185,194	308,014
% Difference	-9.96%	-9.82%	10.20%

Data Source: Wells Gaming Research, October 2009.

Chisholm Creek forecasted 1.87 million casino visits for 2013 versus 2.1 million estimated by WGR. Chisholm Creek's forecast was 186 thousand visits (10%) lower than WGR's.

Casino visit projections for 2015 showed a similar spread. Chisholm Creek projected 1.9 million casino visits, while WGR estimated 2.1 million. Chisholm Creek's were lower by 185 thousand visits (10%).

In the full build out case, the Hollywood projected 3.0 million visits relative to WGR's 2.7 million. Chisholm Creek's estimates were 308 thousand visits (10%) higher than WGR's.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Gaming Revenue Projections

WGR used proprietary gravity modeling methods to forecast the casino gaming revenues for the Hollywood. 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 the future gaming revenues of a particular project (refer to section 1, pages 1-7 and 1-8 for additional information on WGR's gravity modeling methodology).

WGR's 2013 forecasts for Chisholm Creek include the impacts of the 2008-2009 ongoing recession, and a 3% inflation factor.

Chisholm Creek versus WGR

Chisholm Creek's gaming revenue forecast of \$121 million for 2013 compares with WGR's \$145 million, a difference of 24 million (19%).

Chisholm Creek's 2015 forecast of \$130 million was \$25 million (19%) lower than WGR's gaming revenue projection of \$155 million.

In the full build out scenario, Chisholm Creek's revenue estimate of \$230 million was \$24 million (10%) higher than WGR's \$206 million.

Exhibit 3-8 Revenue Projections

	Phase I		Full Build Out
Applicant's Casino Revenue Projections	2013	2015	2015
Chisholm Creek Casino Application - Residential	\$108,978,060	\$116,763,754	N/A
Chisholm Creek Casino Application - Tourist	\$12,161,027	\$13,031,063	N/A
Chisholm Creek Casino Application - Total	\$121,139,087	\$129,794,817	\$230,000,000
WGR's Casino Revenue Projections (Inflated)	2013 ¹	2015 ¹	2015 ²
Chisholm Creek Casino	\$144,643,292	\$154,757,092	\$206,064,825
Difference - Applicant vs WGR	-\$23,504,205	-\$24,962,275	\$23,935,175
% Difference	-19%	-19%	10%

Footnotes:

- 1. Phase 1 for WGR** --- At a 68% confidence interval (one standard deviation from the mean, assuming a normal distribution), revenues can be expected to vary +8% and -10%. In other words, predicted revenues can be expected to fall within this range 68% of the time.
- 2. Full Build Out for WGR** --- At a 68% confidence interval (one standard deviation from the mean, assuming a normal distribution), revenue can be expected to vary +6% and -7%, i.e., predicted revenues can be expected to fall within this range 68% of the time.

Data Source: Wells Gaming Research, October 2009.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Chisholm Creek versus the 2008 Applicants

WGR compared Chisholm Creek's 2009 proposal (phase 1 and the full build out) with the 2012 forecasts developed for Harrah's, Marvel (Trailhead Casino Resort), and Penn National (Hollywood Casino). The results are illustrated in Exhibit 2-9.

Exhibit 2-9 Comparison of Chisholm Creek 2009 versus 2008 Applicants

Capacities & Amenities	2009 Application Chisholm Creek		2008 Applications (Projections Made by WGR for 2012) ¹		
	Phase I (2012)	Full Build Out (2015)	Harrah's	Trailhead (Marvel)	Hollywood (Penn National)
Capital Investment	\$125,000,000	\$225,000,000	\$450,000,000	\$393,156,577	\$365,000,000
Gaming Revenues:					
Applicant	\$117,037,434	\$230,000,000	\$252,359,000	\$258,216,000	\$194,234,748
WGR	\$139,843,679	\$206,064,825	\$203,911,008	\$138,363,216	\$125,679,360
Difference	-\$22,806,245	\$23,935,175	\$48,447,992	\$119,852,784	\$68,555,388
Visitor Projections:					
Applicant	1,857,565	3,020,000	3,316,668	2,577,666	2,516,040
WGR	2,043,836	2,711,986	2,922,106	1,823,298	1,660,359
Difference	-186,271	308,014	394,562	754,368	855,681
Casino:					
Square Footage	54,475	95,000	70,000	65,000	70,000
# of Slots	1,300	2,000	2,000	2,000	1,500
# of Tables Games	30	50	50	65	40
# of Poker tables	Not Specified	Not Specified	9	18	Not Specified
Hotel Rooms	0	150	365	304	350
Restaurants/Entertainment:					
# of Restaurants	3	5	5	4	5
# of Small Entertainment Venues	0	1	2	2	1
# of Large Entertainment Venues	0	2 ²	2	1	1
Convention Square Footage	0	12,000 ³	30,338	40,000	30,000
Sports/Recreation Facilities:					
Enclosed Pool	Not Specified	Not Specified	Not Specified	Yes	Yes
Outdoor Pool	Not Specified	Not Specified	Not Specified	Yes	Not Specified
Spa/ Fitness Center	Not Specified	Not Specified	Yes	Yes	Yes
Golf	Not Specified	Not Specified	Yes	Yes	No
Tennis	Not Specified	Not Specified	Yes	Yes	No
Off-Site Guided Hunting & Lodge	Not Specified	Not Specified	No	Yes	No
Parking:					
# of Surface Spaces	1,925	3,000	2,614	3,000	2,900
# of Covered Spaces	0	0	576	0	0
# of RV Spaces	0	0	44	150	50
# of Retail Outlets	1	1	2	4	1
# of FTE's (full time equivalents)	874	Not Specified	1,187	1,520	875

Footnotes:

1. Recap of WGR's projections presented to the Kansas Gaming Facility Review Board in Sept. 2008.
2. Includes one live venue in addition to multipurpose meeting and entertainment venue.
3. Multipurpose meeting and entertainment venue.

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Capital Investment Comparisons

Phase 1 - Variances between Chisholm Creek's proposed \$125 million investment for phase 1 and the 2008 applicants illustrate that Chisholm Creek is:

- \$325 million (260%) lower than Harrah's \$450 million
- \$268 million (215%) lower than the Marvel's \$393 million
- \$240 million (192%) lower than the Penn National's \$365 million

Full Build Out - Variances show that the Chisholm Creek's proposed investment of \$225 million is:

- \$225 million (100%) lower than Harrah's \$450 million
- \$168 million (75%) lower than the Marvel's \$393 million
- \$140 million (62%) lower than the Penn National's \$365 million

Gaming Revenue Comparisons

Chisholm Creek 2009 application vs. WGR projections

Variances between Chisholm Creek's proposed gaming revenues and WGR's forecasts illustrates that the:

Phase 1

- \$117 million projection for 2012 is \$23 million (19%) lower than WGR's \$140 million (Chisholm Creek's 2012 gaming revenue projections should not be confused with the 2013 forecasts featured in Exhibit 2-4, page 2-5).

Full Build Out

- \$230 million forecast for 2015 is \$24 million (10%) higher than WGR's \$206 million

Chisholm Creek 2009 application vs. the 2008 applicants

Phase 1

Gaming Revenue Comparisons between Chisholm Creek's \$117 million gaming revenue projection and the 2008 applicants shows that the Chisholm Creek is:

- \$135 million (116%) lower than Harrah's \$252 million
- \$141 million (121%) lower than the Marvel's \$258 million
- \$77 million (66%) lower than the Penn National's \$194 million

Full Build Out

Chisholm Creek's gaming revenue projection of \$230 million for 2015 is:

- \$22 million (10%) lower than Harrah's \$252 million
- \$28 million (12%) lower than the Marvel's \$258 million
- \$36 million (16%) higher than the Penn National's \$194 million

South Central Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues

Slot Machines

Phase 1

Compared to the 2008 applicants, Chisholm Creek's proposed 1,300 slots are:

- 700 (54%) lower than Harrah's 2,000
- 700 (54%) lower than the Marvel's 2,000
- 200 (15%) lower than the Penn National's 1,500

Full Build Out

Chisholm Creek's slot capacity projections of 2,000 slots are:

- Equal to Harrah's 2,000
- Equal to Marvel's 2,000
- 500 (25%) higher than the Penn National's 1,500

Total Table Games

Phase 1

Capacity variances between the Chisholm Creek and the 2008 applicants shows that Chisholm's 30 table games are:

- 29 (97%) lower than Harrah's 59
- 53 (177%) lower than Marvel's 83
- 10 (33%) lower than the Penn National's 40

Full Build Out

Chisholm Creek's proposed 50 table games are:

- 9 (18%) lower than Harrah's 59
- 33 (66%) lower than the Marvel's 83
- 10 (20%) higher than the Penn National's 40

Hotel Rooms

Chisholm Creek's Phase 1 proposal did not include hotel rooms; however, 150 rooms were proposed for the full build out.

Full Build Out

Chisholm Creek versus the 2008 applicants shows the following variances:

- 215 (143%) lower than Harrah's 365
- 154 (103%) lower than the Marvel's 304
- 200 (133%) lower than Penn National's 350

South Central Gaming Zone - Sumner County, Kansas

Gaming Revenue and Casino Visit Projections



Prepared For:
Kansas Lottery Gaming Facility Review Board Meeting
October 26-27, 2009

Wells Gaming Research

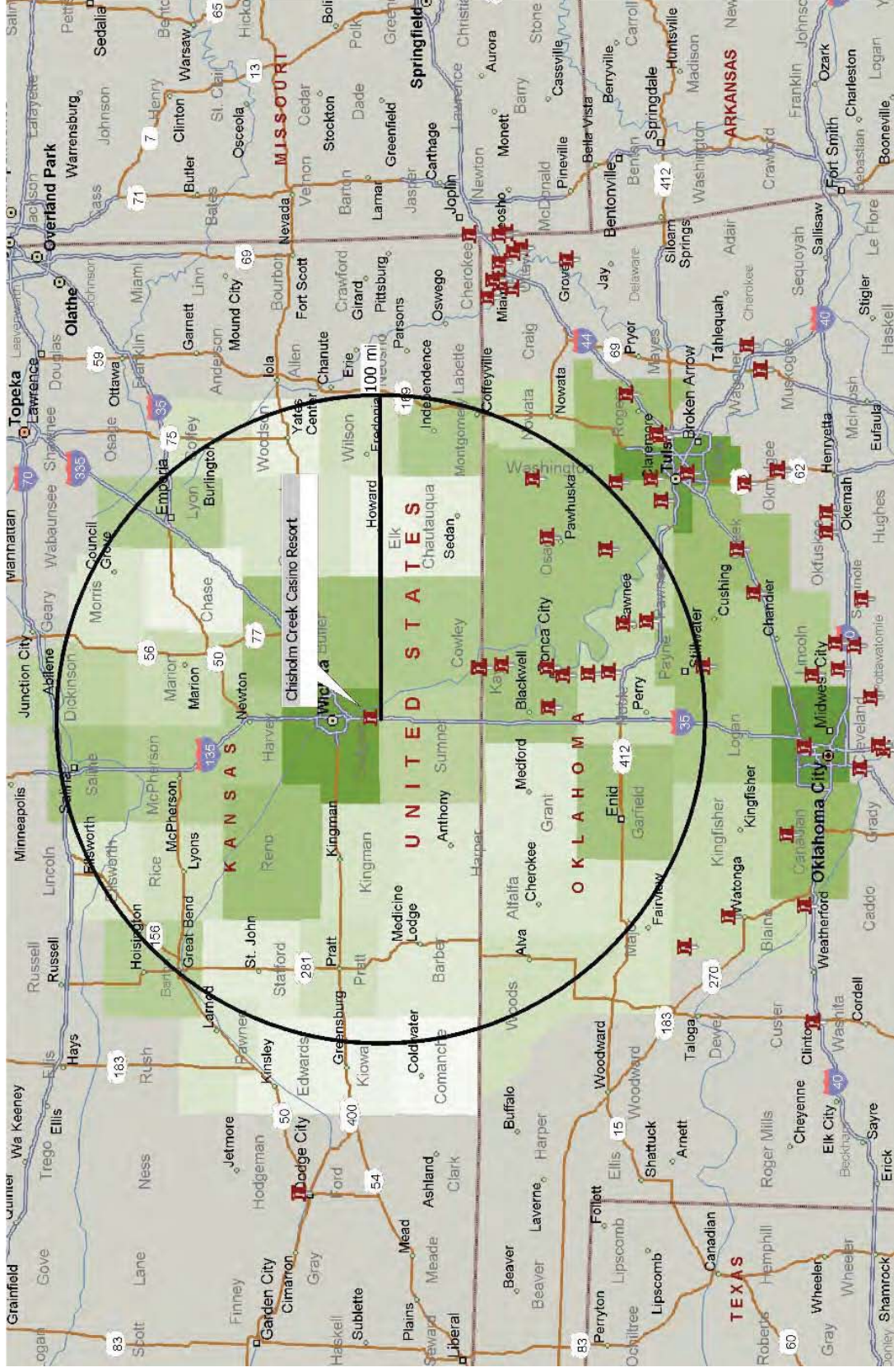
Methodology

- Used WGR's proprietary gravity model
- Used 2009 annualized data as status quo for baseline projections
- Population data at census tract level for 2000 and 2008-2015
- Defined and ran 3 primary scenarios and 7 supplemental scenarios that show a single midpoint estimate and the percent expected variance at a 68% confidence interval

SC Kansas Trade Area

- Trade area (approximate 125-mile radius) includes 32 counties in Kansas and 21 counties in Oklahoma
- The trade area population is 3,032,068; of which 2,098,260 are adults
- Of the adult population, 455,119 (22%) live in Sumner County and the seven contiguous counties

SC Kansas Trade Area Map



Existing Casinos / Under Construction

- Existing competition includes 61 casinos in Oklahoma
- Total existing capacity: 35,197 slots, 348 pit tables, and 223 poker tables
- Boot Hill Casino projected opening in 2010
- Expansions at both Cherokee Hard Rock (1 large entertainment) and River Spirit (1,700 parking spaces)



Capacity Comparison - 2009 vs. 2008

Capacities & Amenities	2009 Application Chisholm Creek		2008 Applications (Projections Made by WGR for 2012) ¹		
	Phase I (2012)	Full Build Out (2015)	Harrah's	Trailhead (Marvel)	Hollywood (Penn National)
Casino:					
# of Slots	1,300	2,000	2,000	2,000	1,500
# of Tables Games (inc Poker)	30	50	59	83	40
Hotel Rooms	0	150	365	304	350
Restaurants/Entertainment:					
# of Restaurants	3	5	5	4	5
# of Entertainment Venues	0	3 ¹	4	3	2
Convention Square Footage	0	12,000 ²	30,338	40,000	30,000
Sports/Recreation Facilities:	Not Specified	Not Specified	3	6	2
Parking:	1,925	3,000	3,234	3,150	2,950
# of Retail Outlets	1	1	2	4	1
# of FTE's (full time equivalents)	874	Not Specified	1,187	1,520	875

Footnotes:

1. Live entertainment venue in addition to multipurpose meeting and entertainment venue.
2. Multipurpose meeting and entertainment venue.



Revenue and Visits Comparison - 2009 vs. 2008

(Numbers in Millions)

Capacities & Amenities	2009 Application Chisholm Creek		2008 Applications (Projections Made by WGR for 2012) ¹		
	Phase I (2012)	Full Build Out (2015)	Harrah's	Trailhead (Marvel)	Hollywood (Penn National)
Capital Investment	\$125.0	\$225.0	\$450.0	\$393.2	\$365.0
Gaming Revenues:					
Applicant	\$117.0	\$230.0	\$252.4	\$258.2	\$194.2
WGR	\$139.8 ²	\$206.1 ²	\$203.9	\$138.4	\$125.7
Difference	-\$22.8	\$23.9	\$48.5	\$119.9	\$68.6
% Difference	-19.5%	10.4%	19.2%	46.4%	35.3%
Visitor Projections:					
Applicant	1.86	3.02	3.32	2.58	2.52
WGR	2.04	2.71	2.92	1.82	1.66
Difference	-0.19	0.31	0.39	0.75	0.86
% Difference	-10.2%	10.3%	11.7%	29.1%	34.1%

Footnotes:

1. Recap of WGR's projections as presented to the Board in September 2008.
2. At a 68% confidence interval, revenues can be expected to vary by +8% and -10% for Phase I, and +6% and -7% for Full Build Out.

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 clients for 335 casinos in Nevada, Mississippi, Louisiana, New Mexico, California, and Macau.



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.



**CONSTRUCTION
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1815 S. Meyers Rd.
Suite 200
Oakbrook Terrace, IL
60181

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630.678.0858 fax

WWW.CCSOS.COM

CHISHOLM CREEK CASINO RESORT, LLC

8/19/2009

- Project Summary -

Estimate	Direct Cost	Design			Total	Area (SF)	\$/SF
		GCs, OH & P 8%	Contingency 10%	Escalation 1.13%			
Main Building	\$18,336,085	\$1,466,887	\$1,980,297	\$246,151	\$22,029,420	114,687	\$192.08
Out Building	\$3,602,871	\$288,230	\$389,110	\$48,366	\$4,328,577	27,529	\$157.24
Sitework	\$6,094,907	\$487,593	\$658,250	\$81,820	\$7,322,570	n/a	
TOTAL	\$28,033,863	\$2,242,709	\$3,027,657	\$376,338	\$33,680,567	142,216	\$236.83

PROJECT NAME: Chisholm Creek Casino Resort, LLC

Main Building

ESTIMATE DATE: 10/16/2009

Page 1

NOTES REGARDING THIS ESTIMATE:

- This Program estimate is based on program data, the construction questionnaire, and the Performance Matrix provided by applicant.
- This estimate assumes a normal market condition.
- This estimate assumes a design-build process managed by a construction management firm.
- This estimate assumes one contract awarded to one General Contractor.

Escalation is included assuming 8/31/2010 as the start of construction and 12 months of construction duration until 8/29/2011, the substantial completion of construction.

THIS ESTIMATE EXCLUDES:

- 1) Professional fees, testing, moving expense, etc. for Owner's account,
- 2) Premium costs for work done in phases, out of sequence, out of hours,
- 3) Hazardous material removal and abatement,
- 4) Construction Contingencies,
- 5) FF&E (including couches, tables, chairs, desks, rolling carts, movable items, bedding, towels, toiletries, ironing boards, kitchen/dining utensils, cookware, etc.),
- 6) Floor and wall treatments (including area rugs, window blinds/shades/draperies, etc.),
- 7) Artwork, sculptures, commissioned artwork,
- 8) Monumental signs,
- 9) Gaming equipment,
- 10) Soft costs, (including architect/engineer/construction manager design/management fees),
- 11) Financing costs,
- 12) Land acquisition costs,
- 13) Rolling stock costs,
- 14) Storage/racking systems,

This estimate is based on preliminary information available at this time. The scope of this estimate should be reviewed to insure our interpretation of the drawings and other information is correct. This estimate should be updated as the design evolves and is completed.

This cost estimate represents our opinion of probable construction cost for this project. We have exercised due professional diligence in the preparation of this estimate. Since we have no control over final material selection, bidding strategies and market conditions, no guarantee is given or implied with this estimate.

PROJECT NAME: Chisholm Creek Casino Resort, LLC

Main Building

10/16/2009

ESTIMATE DATE:

COMMENTS AND OBSERVATIONS FOR ARCHITECTURAL / STRUCTURAL:

- 1) Wall finishes at public spaces are figured using the following ratios: 40% paint, 20% wall covering, 15% wood panel, 5% stone, 20% mirror.
- 2) Wall finishes at back of house areas are figured as paint only, with hardboard wall protection at storage and corridor areas.
- 3) Flooring at Gaming Floor, Check-In / Front Desk, Bars, Restaurants, and Retail Shopping areas figured as: 85% carpet & 15% stone accent.
- 4) Ceiling at Gaming Floor, Check-In / Front Desk, Bars, Restaurants, and Retail Shopping areas figured as: 25% detailed gypsum board & 75% special lay-in acoustic tile
- 5) Estimate includes allowances for way-finding signage only. Monumental/specialty/custom/commissioned signs are excluded.

COMMENTS AND OBSERVATIONS FOR PLUMBING / MECHANICAL:

- 1) HVAC costs based on rooftop air handling units with economizers and smoke removal filtration system per applicants information.
- 2) Plumbing systems included as required for restrooms and food service areas as per applicants information.

COMMENTS AND OBSERVATIONS FOR ELECTRICAL:

- 1) Electrical costs based on capacity as required, in-floor or raised floor under casino gaming area, 100% generator backup for casino and related facilities as per applicants information.

PROJECT NAME: Chisholm Creek Casino Resort, LLC Main Building

PAGE 3

SHELL TYPE : Steel Frame

SHELL COST : \$117.87

GROSS AREA:

114687 SF

Date: 10/16/2009

COST SUMMARY

DESCRIPTION	TOTAL COST	RATE/SF
01 - FOUNDATIONS		
011 - Standard Foundations	\$324,459	\$2.83
012 - Special Foundations	\$0	\$0.00
02 - SUBSTRUCTURE		
021 - Slab on Grade	\$573,435	\$5.00
022 - Basement Excavation	\$0	\$0.00
023 - Basement Walls	\$0	\$0.00
03 - SUPERSTRUCTURE		
031 - Floor Construction	\$220,000	\$1.92
032 - Roof Construction	\$2,064,366	\$18.00
033 - Stair Construction	\$40,000	\$0.35
04 - EXTERIOR CLOSURE		
041 - Exterior Walls	\$782,460	\$6.82
042 - Exterior Doors & Windows	\$267,350	\$2.33
05 - ROOFING		
	\$1,418,576	\$12.37
06 - INTERIOR CONSTRUCTION		
061 - Partitions	\$1,021,114	\$8.90
062 - Interior Finishes	\$2,756,875	\$24.04
063 - Specialties	\$1,040,050	\$9.07
07 - CONVEYING SYSTEMS		
	\$0	\$0.00
08 - MECHANICAL		
081 - Plumbing	\$917,496	\$8.00
082 - HVAC	\$3,669,984	\$32.00
083 - Fire Protection	\$372,733	\$3.25
084 - Special Systems	\$0	\$0.00

PARAMETER COSTING MODEL

PROJECT NAME: Chisholm Creek Casino Resort, LLC Main Building

SHELL TYPE : Steel Frame

SHELL COST : \$117.87

GROSS AREA:

114687 SF

Date: 10/16/2009

COST SUMMARY

DESCRIPTION	TOTAL COST	RATE/SF
09 - ELECTRICAL		
091 - Service & Distribution	\$688,122	\$6.00
092 - Lighting & Power	\$974,840	\$8.50
093 - Special Systems	\$1,204,214	\$10.50
	\$2,867,175	\$25.00
10 - GENERAL CONDITIONS & PROFIT		
NET BUILDING CONSTRUCTION COST	\$20,290,553	\$17.04
11 - EQUIPMENT		
111 - Fixed & Movable Equipment	\$0	\$0.00
112 - Furnishings	\$0	\$0.00
113 - Special Construction	\$0	\$0.00
	\$0	\$0.00
12 - SITEWORK		
121 - Site Preparation	\$331,407	\$2.89
122 - Site Improvements	\$4,548,500	\$39.66
123 - Site Utilities	\$1,215,000	\$10.59
124 - Off-site Work	\$0	\$0.00
	\$6,094,907	\$53.14
NET PROJECT CONSTRUCTION COST	\$26,385,460	
13 - CONTINGENCIES		
131 - Design	\$2,638,547	\$23.01
132 - Escalation	\$327,971	\$2.86
133 - Construction	\$0	\$0.00
	\$2,966,519	\$25.87
TOTAL PROJECT CONSTRUCTION COST	\$29,351,979	\$255.93

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PARAMETER COSTING MODEL

PAGE 5

PROJECT NAME: Chisholm Creek Casino Resort, LLC

Main Building

SHELL TYPE: Steel Frame

SHELL COST: \$117.87

Date: 10/16/2009

S.O.G.	BASEMENT AREA	BSMT DEPTH	EXCAV.	FILL	SUSPENDED SLAB	BAY SIZE
114687	0	0	0.00	0.00	0	1600
PERIMETER	ROOF AREA	ROOF EDGE	EXT WALL PERIMETER	BLDG. HT.	WINDOWS	SKYLIGHT
1,693	114687	1,693	1,350	23.00	10%	0
						GROSS AREA
						114687

DESCRIPTION	ITEM	QUANTITY	UNIT	UNIT PRICES	TOTAL
n/a	GENERAL WORK				
n/a	Basement excavation	0	CY	\$0.00	\$0
n/a	Mass Excavation	0	CY	\$0.00	\$0
n/a	Mass Fill	0	CY	\$0.00	\$0
Standard foundation system	Foundation Wall & Footing	1693	LF	\$125.00	\$211,659
Standard spread footings	Column Footing	94	EA	\$1,200.00	\$112,800
5" slab on grade	Slab on Grade	114687	SF	\$5.00	\$573,435
n/a	Basement Wall w/ Footing	0	LF	\$0.00	\$0
Structural mezzanine area	Elevated Floor Structure	10000	SF	\$22.00	\$220,000
Steel roof structure - prelab system	Roof Structure	114687	SF	\$18.00	\$2,064,366
Metal stairs	Stairs	2	EA	\$20,000.00	\$40,000
EIFS/metal panels/stone/wood	Exterior Enclosure	27945	SF	\$28.00	\$782,460
Standard window systems	Window Wall	3105	SF	\$70.00	\$217,350
OH doors, HM exit doors	Exterior Doors	20	EA	\$2,500.00	\$50,000
n/a	Exterior Demolition	0	SF	\$0.00	\$0
EPDM rubberized roof	Roofing	114687	SF	\$12.00	\$1,376,244
n/a	Skylight	0	SF	\$0.00	\$0
Metal roof edge, gutter	Roof Edge	1693	LF	\$25.00	\$42,332
n/a	Conveying Systems	0	EA	\$0.00	\$0
Allowance for systems cost	MECHANICAL				
Allowance for systems cost	Plumbing	114687	SF	\$8.00	\$917,496
Allowance for systems cost	H.V.A.C	114687	SF	\$32.00	\$3,669,984
Allowance for systems cost	Fire Protection	114687	SF	\$3.25	\$372,733
Allowance for systems cost	ELECTRICAL				
Allowance for systems cost	Service & distribution	114687	SF	\$6.00	\$688,122
Allowance for systems cost	Lighting & Power	114687	SF	\$8.50	\$974,840
Allowance for systems cost	Special systems	114687	SF	\$10.50	\$1,204,214

CONSTRUCTION COST SYSTEMS, INC

FILE NAME:

TOTAL SHELL COST
\$13,518,034
625
RATE/SF
\$117.87

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PARAMETER COSTING MODEL

PROJECT NAME Chisholm Creek Casino Resort, LLC

Main Building

SHELL TYPE Steel Frame

SHELL COST \$117.87

Date: 10/16/2009

SPACE	TOTAL S.F.	AVE S.F.	NO. OF SPACES	PTN. LENGTH	PTN. \$/LF	DEMO \$/SF	DOOR \$/SPACE	FLOOR \$/SF	CLG \$/SF	MECH \$/SF	ELECT \$/SF	EQUIP SPECIAL	TOTAL COST	COST S.F.
MAIN CASINO BLDG														
Casino														
- Gaming Floor	63222.5	15806	4	251	\$251.40	\$0.00	\$1,400	\$21.70	\$9.88	\$0.00	\$0.00	\$130,000	\$9,836,224	\$155.58
- Check-In / Front Desk	2970	743	4	54	\$251.40	\$0.00	\$1,400	\$6.70	\$9.88	\$0.00	\$0.00	\$46,500	\$505,701	\$170.27
- Bars	1650	275	6	33	\$251.40	\$0.00	\$2,500	\$6.70	\$9.88	\$0.00	\$0.00	\$73,000	\$359,610	\$217.95
- Restaurants	11660	3887	3	125	\$251.40	\$0.00	\$2,500	\$6.70	\$9.88	\$0.00	\$0.00	\$86,500	\$1,755,891	\$150.59
- Kitchen	12243	2041	6	90	\$115.20	\$0.00	\$1,400	\$10.00	\$9.00	\$0.00	\$0.00	\$433,000	\$2,179,294	\$178.00
- Restrooms	3960	792	5	56	\$209.70	\$0.00	\$1,400	\$10.00	\$8.00	\$0.00	\$0.00	\$143,500	\$747,257	\$188.70
- Surveillance/ Security	2145	358	6	38	\$251.70	\$0.00	\$1,100	\$3.20	\$8.00	\$0.00	\$0.00	\$8,900	\$349,740	\$163.05
- Corridors	2310	578	4	48	\$115.20	\$0.00	\$1,100	\$4.00	\$8.00	\$0.00	\$0.00	\$2,000	\$328,516	\$142.21
- Storage	3460.6	865	4	59	\$115.20	\$0.00	\$1,100	\$3.20	\$8.00	\$0.00	\$0.00	\$17,200	\$495,443	\$143.17
Ancillary Space														
- Retail Shopping	1320	330	4	36	\$443.40	\$0.00	\$3,900	\$6.70	\$9.88	\$0.00	\$0.00	\$54,000	\$310,916	\$235.54
- Employee Areas	4070	339	12	37	\$115.20	\$0.00	\$1,400	\$3.20	\$4.00	\$0.00	\$0.00	\$12,600	\$589,579	\$144.86
- Storage	176	176	1	27	\$115.20	\$0.00	\$13,100	\$3.20	\$8.00	\$0.00	\$0.00	\$950	\$39,877	\$226.57
Back of House														
- Regulatory Office Space	4180	348	12	37	\$115.20	\$0.00	\$1,400	\$4.00	\$4.00	\$0.00	\$0.00	\$11,400	\$605,481	\$144.85
- Corridors	165	83	2	18	\$115.20	\$0.00	\$1,100	\$4.00	\$8.00	\$0.00	\$0.00	\$1,000	\$28,776	\$174.40
Parking														
- Valet/Parking Offices	605	151	4	25	\$115.20	\$0.00	\$2,500	\$4.00	\$8.00	\$0.00	\$0.00	\$18,600	\$118,691	\$196.18
- Mechanical/Electrical	550	275	2	33	\$251.70	\$0.00	\$1,100	\$1.00	\$0.00	\$0.00	\$0.00	\$900	\$85,090	\$154.71
GROSS SF	114687													

CONSTRUCTION COST SYSTEMS, INC

FILE NAME:

SUB TOTAL BUILDING COST	\$18,336,085	\$159.88
SITE PREPARATION	\$331,407	
SITE IMPROVEMENTS	\$4,548,500	
SITE UTILITIES	\$1,215,000	
NET PROJECT COST	\$24,430,993	
G.C.O.H & P	\$1,954,479	8.00%
CONTINGENCY	\$2,638,547	10.00%
ESCALATION	\$327,971	1.13%
TOTAL PROJECT CONSTRUCTION COST	\$29,351,990	\$255.93

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Chisholm Creek Casino Resort, LLC
Main Building
Estimate Level - Concept

Date: 10/16/2009

121

SITE PREPARATION

LINE	DESCRIPTION	QUANTITY	UM	UNIT COST	ESTIMATED COST
121.010	<i>Assumed site area: 950,000 sf surface park'g + 20% landscaped area = 1,140,000 sf</i>				
121.020					
121.030	Demo existing structures, hardscape, softscape, tree removal, etc.	1	LS	\$150,000.00	\$150,000
121.040	Strip site	1,140,000	SF	\$0.10	\$114,000
121.050	Mass excavation, cut/fill, strip & recompact unsuitable soil (assume 6" across site)	2,593	CY	\$26.00	\$67,407
121.060					
121.070					
121.080					
121.090					
121.100					
121.110					
121.120					
121.130					
121.140					
121.150					
121.160					
121.170					

TOTAL

\$331,407

Chisholm Creek Casino Resort, LLC
Main Building
Estimate Level - Concept

Date: 10/16/2009

122

LINE

SITE IMPROVEMENTS

DESCRIPTION	QUANTITY	UM	UNIT COST	ESTIMATED COST
<i>Assumed site area: 950,000 sf surface park'g + 20% landscaped area = 1,140,000 sf</i>				
Paved surface parking area	950,000	SF	\$3.75	\$3,562,500
Hardscape areas (20% of the remaining area)	38,000	SF	\$6.50	\$247,000
Softscape areas (sod, ground covers, shrubs, etc.) (80% of the remaining area)	152,000	SF	\$3.25	\$494,000
Tree allowance	1	LS	\$120,000.00	\$120,000
Site structures	1	LS	\$75,000.00	\$75,000
Site appurtenances	1	LS	\$50,000.00	\$50,000

TOTAL

\$4,548,500

Chisholm Creek Casino Resort, LLC
Main Building
Estimate Level - Concept

Date: 10/16/2009

123

LINE

SITE UTILITIES

	DESCRIPTION	QUANTITY	UM	UNIT COST	ESTIMATED COST
123.010	Water/fire water service and site distribution	1	LS	\$250,000.00	\$250,000
123.020	Sewer	1	LS	\$200,000.00	\$200,000
123.030	Storm drainage	1	LS	\$350,000.00	\$350,000
123.040	Gas service	1	LS	\$120,000.00	\$120,000
123.050	Electrical service	1	LS	\$225,000.00	\$225,000
123.060	Low voltage electrical services (cable, phone, etc.)	1	LS	\$70,000.00	\$70,000

123.070
123.080
123.090
123.100
123.110
123.120
123.130
123.140
123.150
123.160
123.170

TOTAL

\$1,215,000

PROJECT NAME: Chisholm Creek Casino Resort, LLC

Out Building

ESTIMATE DATE: 10/16/2009

Page 1

NOTES REGARDING THIS ESTIMATE:

- This Program estimate is based on program data, the construction questionnaire, and the Performance Matrix provided by applicant.
- This estimate assumes a normal market condition.
- This estimate assumes a design-build process managed by a construction management firm.
- This estimate assumes one contract awarded to one General Contractor.

Escalation is included assuming 8/31/2010 as the start of construction and 12 months of construction duration until 8/29/2011, the substantial completion of construction.

THIS ESTIMATE EXCLUDES:

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- 3) Hazardous material removal and abatement,
- 4) Construction Contingencies,
- 5) FF&E (including couches, tables, chairs, desks, rolling carts, movable items, bedding, towels, toiletries, ironing boards, kitchen/dining utensils, cookware, etc.),
- 6) Floor and wall treatments (including area rugs, window blinds/shades/drapes, etc.),
- 7) Artwork, sculptures, commissioned artwork,
- 8) Monumental signs,
- 9) Gaming equipment,
- 10) Soft costs, (including architect/engineer/construction manager design/management fees),
- 11) Financing costs,
- 12) Land acquisition costs,
- 13) Rolling stock costs,
- 14) Storage/racking systems,

This estimate is based on preliminary information available at this time. The scope of this estimate should be reviewed to insure our interpretation of the drawings and other information is correct. This estimate should be updated as the design evolves and is completed.

This cost estimate represents our opinion of probable construction cost for this project. We have exercised due professional diligence in the preparation of this estimate. Since we have no control over final material selection, bidding strategies and market conditions, no guarantee is given or implied with this estimate.

PROJECT NAME: Chisholm Creek Casino Resort, LLC

Out Building

ESTIMATE DATE: 10/16/2009

Page 2

COMMENTS AND OBSERVATIONS FOR ARCHITECTURAL / STRUCTURAL:

- 1) Wall finishes at admin. offices and employee spaces are figured using the following ratios: 60% paint, 40% wall covering
- 2) Estimate includes allowances for way-finding signage only. Monumental/specialty/custom/commissioned signs are excluded.
- 3) Finishes based on information provided by applicant and include acoustical ceiling, painted drywall partitions, wall coverings, carpet and VCT floors.
- 4) Exterior façade is metal siding and roofing is EPDM as indicated by applicants information.

COMMENTS AND OBSERVATIONS FOR PLUMBING / MECHANICAL:

- 1) HVAC costs based on ground mounted package units as per applicants information
- 2) Plumbing systems included as required for restrooms and food service areas as per applicants information.

COMMENTS AND OBSERVATIONS FOR ELECTRICAL:

- 1) Electrical costs based on standard commercial office and warehouse as per applicants information.

PARAMETER COSTING MODEL

PAGE 3

PROJECT NAME: Chisholm Creek Casino Resort, LLC Out Building

SHELL TYPE : Steel Frame

SHELL COST : \$106.23

GROSS AREA:

27529 SF

Date: 10/16/2009

COST SUMMARY

DESCRIPTION	TOTAL COST	RATE/SF
01 - FOUNDATIONS		
011 - Standard Foundations	\$212,899	\$7.73
012 - Special Foundations	\$0	\$0.00
02 - SUBSTRUCTURE		
021 - Slab on Grade	\$137,645	\$5.00
022 - Basement Excavation	\$0	\$0.00
023 - Basement Walls	\$0	\$0.00
03 - SUPERSTRUCTURE		
031 - Floor Construction	\$0	\$0.00
032 - Roof Construction	\$495,522	\$18.00
033 - Stair Construction	\$0	\$0.00
04 - EXTERIOR CLOSURE		
041 - Exterior Walls	\$180,096	\$6.54
042 - Exterior Doors & Windows	\$122,560	\$4.45
05 - ROOFING		
	\$351,088	\$12.75
06 - INTERIOR CONSTRUCTION		
061 - Partitions	\$363,778	\$13.21
062 - Interior Finishes	\$198,308	\$7.20
063 - Specialties	\$116,350	\$4.23
07 - CONVEYING SYSTEMS		
	\$0	\$0.00
08 - MECHANICAL		
081 - Plumbing	\$123,881	\$4.50
082 - HVAC	\$715,754	\$26.00
083 - Fire Protection	\$89,469	\$3.25
084 - Special Systems	\$0	\$0.00

PARAMETER COSTING MODEL

PAGE 4

PROJECT NAME: Chisholm Creek Casino Resort, LLC Out Building

SHELL TYPE : Steel Frame

SHELL COST : \$106.23

GROSS AREA:

27529 SF

Date: 10/16/2009

COST SUMMARY

DESCRIPTION	TOTAL COST	RATE/SF
09 - ELECTRICAL 091 - Service & Distribution 092 - Lighting & Power 093 - Special Systems	\$123,881 \$178,939 \$192,703	\$18.00 \$4.50 \$6.50 \$7.00
10 - GENERAL CONDITIONS & PROFIT NET BUILDING CONSTRUCTION COST	\$288,230 \$3,891,101	\$10.47 \$0.00
11 - EQUIPMENT 111 - Fixed & Movable Equipment 112 - Furnishings 113 - Special Construction	\$0 \$0 \$0	\$0.00 \$0.00 \$0.00
12 - SITEWORK 121 - Site Preparation 122 - Site Improvements 123 - Site Utilities 124 - Off-site Work	\$0 \$0 \$0 \$0	\$0.00 \$0.00 \$0.00 \$0.00
13 - CONTINGENCIES 131 - Design 132 - Escalation 133 - Construction	\$389,110 \$48,366 \$0	\$15.89 \$14.13 \$1.76 \$0.00
TOTAL PROJECT CONSTRUCTION COST	\$4,328,577	\$157.24

PARAMETER COSTING MODEL

PAGE 5

PROJECT NAME: Chisholm Creek Casino Resort, LLC Out Building

SHELL TYPE : Steel Frame

SHELL COST : \$106.23

Date: 10/16/2009

S.O.G.	BASEMENT AREA	BSMT DEPTH	EXCAV.	FILL	SUSPENDED SLAB	BAY SIZE
27529	0	0	0.00	0.00	0	400
PERIMETER	ROOF AREA	ROOF EDGE	EXT WALL PERIMETER	BLDG. HT.	WINDOWS	SKYLIGHT
830	27529	830	670	12.00	20%	0
						GROSS AREA
						27529

DESCRIPTION	ITEM	QUANTITY	UNIT	UNIT PRICES	TOTAL
n/a	GENERAL WORK				
n/a	Basement excavation	0	CY	\$0.00	\$0
n/a	Mass Excavation	0	CY	\$0.00	\$0
n/a	Mass Fill	0	CY	\$0.00	\$0
Standard foundation system	Foundation Wall & Footing	830	LF	\$125.00	\$103,699
Standard spread footings	Column Footing	91	EA	\$1,200.00	\$109,200
5" slab on grade	Slab on Grade	27529	SF	\$5.00	\$137,645
n/a	Basement Wall w/ Footing	0	LF	\$0.00	\$0
n/a	Elevated Floor Structure	0	SF	\$0.00	\$0
Steel roof structure - prelab system	Roof Structure	27529	SF	\$18.00	\$495,522
n/a	Stairs	0	EA	\$0.00	\$0
EIFS/metal panels/stone/wood	Exterior Enclosure	6432	SF	\$28.00	\$180,096
Standard window systems	Window Wall	1608	SF	\$70.00	\$112,560
OH doors, HM exit doors	Exterior Doors	4	EA	\$2,500.00	\$10,000
n/a	Exterior Demolition	0	SF	\$0.00	\$0
EPDM rubberized roof	Roofing	27529	SF	\$12.00	\$330,348
n/a	Skylight	0	SF	\$0.00	\$0
Metal roof edge, gutter	Roof Edge	830	LF	\$25.00	\$20,740
n/a	Conveying Systems	0	EA	\$0.00	\$0
Allowance for systems cost	MECHANICAL				
Allowance for systems cost	Plumbing	27529	SF	\$4.50	\$123,881
Allowance for systems cost	H.V.A.C	27529	SF	\$26.00	\$715,754
	Fire Protection	27529	SF	\$3.25	\$89,469
Allowance for systems cost	ELECTRICAL				
Allowance for systems cost	Service & distribution	27529	SF	\$4.50	\$123,881
Allowance for systems cost	Lighting & Power	27529	SF	\$6.50	\$178,939
Allowance for systems cost	Special systems	27529	SF	\$7.00	\$192,703

CONSTRUCTION COST SYSTEMS, INC

FILE NAME:

TOTAL SHELL COST \$2,924,436

RATE/SF \$106.23

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PARAMETER COSTING MODEL

PROJECT NAME Chisholm Creek Casino Resort, LLC

Out Building

SHELL TYPE Steel Frame

SHELL COST \$106.23

Date: 10/16/2009

SPACE	TOTAL S.F.	AVE S.F.	NO. OF SPACES	PTN. LENGTH	PTN. \$/LF	DEMO \$/SF	DOOR \$/SPACE	FLOOR \$/SF	CLG \$/SF	MECH \$/SF	ELECT \$/SF	EQUIP SPECIAL	TOTAL COST	COST S.F.
OUT BLDG														
Casino														
- Restrooms	550	138	4	23	\$187.00	\$0.00	\$1,400	\$10.00	\$8.00	\$0.00	\$0.00	\$16,400	\$107,531	\$195.51
Ancillary Space														
- Administrative Offices	6600	550	12	47	\$102.50	\$0.00	\$1,400	\$3.40	\$4.00	\$0.00	\$0.00	\$22,200	\$846,775	\$128.30
- Storage	2750	1375	2	74	\$92.50	\$0.00	\$1,100	\$3.20	\$4.00	\$0.00	\$0.00	\$10,200	\$338,026	\$122.92
Back of House														
- Administrative Offices	9108	364	25	38	\$102.50	\$0.00	\$1,400	\$4.00	\$4.00	\$0.00	\$0.00	\$46,250	\$1,219,042	\$133.84
- Loading Dock	3146	1573	2	79	\$134.50	\$0.00	\$16,100	\$1.00	\$1.00	\$0.00	\$0.00	\$20,200	\$414,146	\$131.64
Parking														
- Mechanical/Electrical	440	110	4	21	\$92.50	\$0.00	\$2,500	\$1.00	\$1.00	\$0.00	\$0.00	\$400	\$65,792	\$149.53
Other Areas														
- UPS Room	1050	1050	1	65	\$92.50	\$0.00	\$1,100	\$3.20	\$8.00	\$0.00	\$0.00	\$100	\$130,515	\$124.30
- Employee Spaces	3885	648	6	51	\$102.50	\$0.00	\$1,400	\$3.20	\$4.00	\$0.00	\$0.00	\$600	\$481,045	\$123.82
GROSS SF	27529													

CONSTRUCTION COST SYSTEMS, INC

FILE NAME:

SUB TOTAL BUILDING COST	\$3,602,871	\$130.88
SITE PREPARATION	\$0	
SITE IMPROVEMENTS	\$0	
SITE UTILITIES	\$0	
NET PROJECT COST	\$3,602,871	
G.C.O.H & P	\$288,230	8.00%
CONTINGENCY	\$389,110	10.00%
ESCALATION	\$48,366	1.13%
TOTAL PROJECT CONSTRUCTION COST	\$4,328,576	\$157.24

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Chisholm Creek Casino Resort, LLC
Out Building
Estimate Level - Concept

Date: 10/16/2009

121	LINE	DESCRIPTION	QUANTITY	UM	UNIT COST	ESTIMATED COST
		SITE PREPARATION				
		<i>These costs included in Main Building estimate</i>				
	121.010					
	121.020					
	121.030					
	121.040					
	121.050					
	121.060					
	121.070					
	121.080					
	121.090					
	121.100					
	121.110					
	121.120					
	121.130					
	121.140					
	121.150					
	121.160					
	121.170					

TOTAL

Chisholm Creek Casino Resort, LLC
Out Building
Estimate Level - Concept

Date: 10/16/2009

122	LINE	SITE IMPROVEMENTS	DESCRIPTION	QUANTITY	UM	UNIT COST	ESTIMATED COST
	122.010						
	122.020						
	122.030						
	122.040						
	122.050						
	122.060						
	122.070						
	122.080						
	122.090						
	122.100						
	122.110						
	122.120						
	122.130						
	122.140						
	122.150						
	122.160						
	122.170						
			<i>These costs included in Main Building estimate</i>				

TOTAL

Chisholm Creek Casino Resort, LLC
Out Building
Estimate Level - Concept

Date: 10/16/2009

123

SITE UTILITIES

LINE

DESCRIPTION

QUANTITY UM UNIT COST ESTIMATED COST

These costs included in Main Building estimate

123.010
123.020
123.030
123.040
123.050
123.060
123.070
123.080
123.090
123.100
123.110
123.120
123.130
123.140
123.150
123.160
123.170

TOTAL

Financial Suitability Analysis

Sumner County – Kansas Gaming Partners, LLC

Union Gaming Analytics

October 26, 2009



Executive summary

Kansas Gaming Partners, LLC is owned by Lakes Entertainment, CVG Kansas Gaming LP and Kansas Gaming Holdings LLC. The ownership shares are distributed as follows: Lakes Entertainment 17%, CVG Kansas Gaming 33% and Kansas Gaming Holdings 50%. We note that Lakes Entertainment is a publicly traded company (ticker LACO). CVG Kansas Gaming and Kansas Gaming Holdings are both controlled by investment funds that have complete discretion over their respective capital available for investing. CVG Kansas Gaming is comprised of two separate funds of Clairvest Group and Kansas Gaming Holdings is comprised of four separate funds of Och-Ziff Real Estate (both Clairvest Group and Och-Ziff are publicly traded).

Kansas Gaming Partners, LLC intends to fully fund the proposed \$150m development of Chisholm Creek Casino Resort with cash. The two funds are well capitalized and have enough cash on hand to fully fund their shares of the project. However, Lakes Entertainment intends to raise funds in the capital markets in order to fulfill its share of the development cost. This is a concern for us given the current state of the capital markets, especially related to gaming, which suggests a transaction is not guaranteed.

Should Lakes Entertainment be unable to fulfill its share of the development cost, it is our understanding that both funds (per the Kansas Gaming Partners, LLC operating agreement) have the right to make contributions to Kansas Gaming Partners to backstop any potential Lakes Entertainment deficiencies. Further, we also believe that both funds have enough liquidity to not only backstop any Lakes Entertainment shortfall, but also to absorb cost overruns (we analyzed a scenario with a 10% budget overrun) and potentially any operating deficiencies.



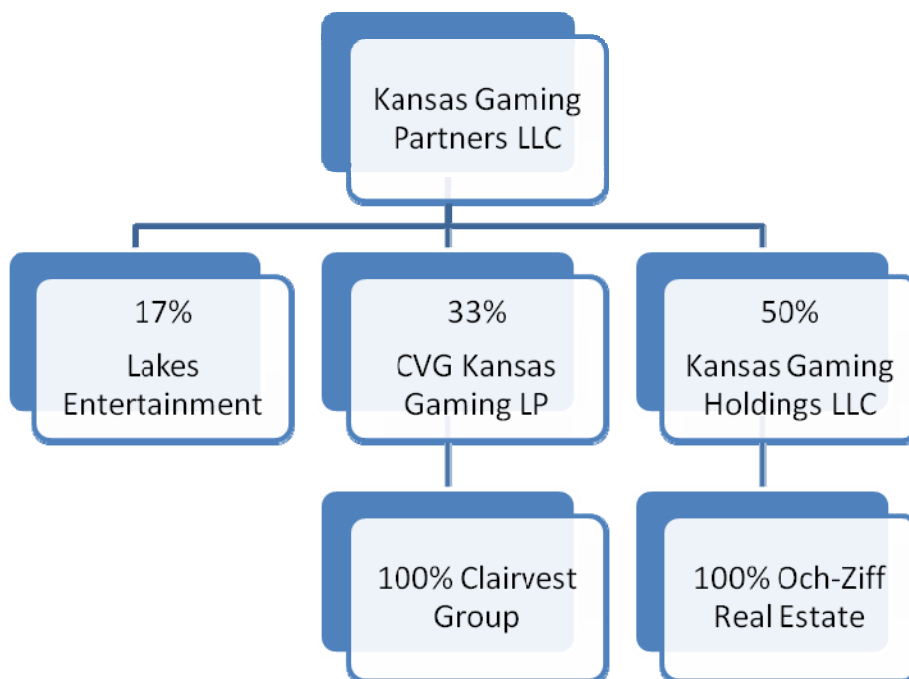
Introduction

We were retained by the State of Kansas to provide a financial suitability analysis of the applicants for licenses in Sumner and Wyandotte counties. Herein, we analyze the parties involved in the proposed “Chisholm Creek Casino Resort” (“CCCR”) to be owned by Kansas Gaming Partners, LLC (“Kansas Gaming Partners”).

Ownership structure

Kansas Gaming Partners is owned by Lakes Entertainment (“Lakes”), CVG Kansas Gaming LP (“CVG”) and Kansas Gaming Holdings LLC (“KGH”). The ownership shares are distributed as follows: Lakes 17%, CVG 33% and KGH 50%. We note that Lakes is a publicly traded company (ticker LACO). CVG and KGH are both investment funds that have complete discretion over their respective capital available for investing. CVG is comprised of two separate funds of Clairvest Group and KGH is comprised of four separate funds of Och-Ziff Real Estate (both Clairvest Group and Och-Ziff are publicly traded).

Figure 1: Ownership structure





Project budget

The total project budget for CCCR, inclusive of land and license fee is \$150.0m. The total budget is detailed as follows:

Figure 2: Project budget

Land	\$5.755m
Design, development and construction costs	\$55.132m
Furniture, fixtures and equipment	\$47.987m
Pre-opening, project overhead and contingency	\$16.126m
Privilege (license) fee	\$25.0m
Total project budget	\$150.0m

Financing preference

Kansas Gaming Partners intends to finance the project's budget entirely with cash proportionate to each partners' share. CVG and KGH intend to contribute their shares via existing funds available for investment, while Lakes has indicated it intends to pursue a capital markets solution (e.g. equity offering, issuance of debt, bank financing) to raise the capital for its contribution.

Figure 3: Funding allocation

Lakes (via capital markets transaction)	\$25m
CVG (via existing funds available)	\$50m
KGH (via existing funds available)	\$75m
Total funding	\$150m

In the absence of other capital commitments, the ability for CVG and KGH to meet their requirements to Kansas Gaming Partners is a straight forward analysis. As such, the question then becomes Lakes ability to successfully complete a capital markets transaction and / or the capacity of CVG and KGH to cover any shortfall should Lakes not be successful (in whole or in part) in its capital raise.

Capital markets and the gaming industry: a current snapshot

Over the first nine months of 2009, we estimate that nearly US\$9bn in capital markets transactions have occurred in the gaming sector worldwide. This includes roughly \$5.4bn in equity transactions (including MGM MIRAGE, Las



Vegas Sands, Melco-Crown, Wynn Macau IPO) and \$3.5bn in debt transactions (including Ameristar Casinos, International Game Technology, MGM MIRAGE, Penn National Gaming, Pinnacle Entertainment).

While these transactions seem to indicate that the capital markets are beginning to open up for the gaming industry, we think many or even most of these equity transactions were unique in that they were rescue financing (MGM, Las Vegas Sands) or were related to exposure to Asian /Macau gaming markets (Melco-Crown, Wynn Macau). We haven't seen any notable and recent equity transactions by casino operators that participate in regional (non-Las Vegas) US markets.

There is no guarantee that Lakes will be able to successfully complete a capital markets transaction to cover its share of the project budget. As such, we have conducted our analysis under two assumptions: 1) Lakes is able to successfully complete a capital markets transaction and 2) Lakes is unable to successfully complete a capital markets transaction. In the case of an unsuccessful Lakes capital raise we have allocated Lakes' \$25m share to CVG and KGH based on their original investment proportions relative to each other (40% CVG, 60% KGH).

Figure 4: Capital requirements based on success of a Lakes capital raise

Entity	Successful Lakes capital raise	Unsuccessful Lakes capital raise
Lakes	\$25m	\$0m
CVG	\$50m	\$60m
KGH	\$75m	\$90m
Total	\$150m	\$150m

Additional thoughts on capital markets: expansions in a better environment

While we have not been privy to any internal discussions by the partners involved in Kansas Gaming Partners, we find it likely that the current scope of the project has been impacted by the current state of the credit markets, not to mention broader macro economic conditions. This is evidenced by the dramatically smaller proposals this year versus the proposals from 2008.

We believe that with improved credit markets and a more stable economy it is possible that Kansas Gaming Partners would revisit the scope of the project with an eye towards upsizing it or adding certain components (e.g. hotel tower) that may have been excluded from current plans.

Financial projections

While we are providing consensus expectations by analysts covering Lakes, it is important to note that the stock is covered by a limited number of analysts and as a result few estimates are available. However, Lakes has noted its free cash flow expectations for 2009 and 2010 of \$13.5m and \$10.3m, respectively. We have assumed 2011 free



cash flow expectations of \$10.3m as well. Finally, we note that the term EBITDA as used in Figure 5 is Earnings Before Interest, Taxes and Depreciation / Amortization.

Figure 5: Lakes Entertainment (LACO) key financial expectations

<u>Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenue (\$m)	27	29	na
EBITDA	na	na	na
Adjusted net income	4	na	na
Free cash flow*	13.5	10.3	10.3

Source: Bloomberg

Note: * company and Union Gaming estimate

Liquidity analysis

In this section, we examine current and anticipated liquidity for each parent company over the next few years, which should cover the entire Phase I build-out.

Lakes Entertainment

Lakes currently has \$10.8m in cash on hand, as well as \$6.0m in excess capacity on its revolving line of credit and another \$26.7m in auction rate securities that it can sell at par value to UBS at any point between June 30, 2010 and July 2, 2012. Combined, Lakes' liquidity currently (timing of auction rate securities potential sale notwithstanding) stands at \$43.5m.

The company does have financial commitments outside of Kansas. Over the next 24 months, its \$8.0m non-revolving line of credit matures (October 2010). If the company were to extend the maturity or refinancing this line of credit, it would result in a notably improved liquidity profile. Also, while we have given the company credit for \$26.7m in auction rate securities, the sale of these securities to UBS would automatically trigger the repayment of its \$18.0m credit facility. For the purposes of this analysis, we have assumed the sale of the auction rate securities as it results in a net cash positive transaction (\$26.7m in proceeds less \$18.0m to repay the credit facility).

We believe this represent the significant financial commitments of Lakes, although we also note that the company continues to evaluate a wholly-owned casino development in Vicksburg, MS, which would require substantial amounts of capital should the company move forward. It may also pursue additional Native American casino management agreements, for which we would expect the company to expend some capital as it seeks to bring any transactions to fruition.

In a scenario where Lakes is not able to extend or refinance its non-revolving line of credit, we estimate the company's net liquidity over the next two years to be \$17.5m. When combined with the company's estimate for \$10.3m in free cash flow in 2010 and our assumption of a similar amount in 2011, the revised net liquidity amount



for the company is \$38.1m over the development period. This compares to Lakes' share of Kansas Gaming Partners of \$25m.

While our analysis would suggest that Lakes' liquidity is enough to cover its share of Kansas Gaming Partners, we suspect that the company's plans for a capital markets transaction to cover this share could result from 1) a need to keep a certain amount of cash on the balance sheet, 2) uncertainty towards an extension or refinance of its non-revolving line of credit, 3) a need for capital to fund other initiatives (e.g. Vicksburg, MS project, other Native American management agreements) and perhaps most importantly 4) **the uncertainty as to free cash flow generated over the next several years, which could materially impact the company's liquidity.**

Figure 6: Lakes Entertainment liquidity (assumes line of credit matures)

Item	As of 6/28/09
Cash (\$m)	10.8
Non-revolving line of credit (excess capacity) *	6.0
Auction Rate Securities	26.7
Total liquidity	43.5
Commitments	
Non-revolving line of credit (matures Oct 2010) *	8.0
Credit line (matures July 2010)	18.0
Total commitments	26.0
Net liquidity	17.5
Plus free cash flow (2010, 2011)	20.6
Net liquidity plus free cash flow (2010, 2011)	38.1
LACO's share of Kansas Gaming Partners	25.0
* Assumes non-revolving line of credit fully drawn	
Cushion (net liquidity less max cash needed)	13.1

As noted in an above paragraph, we think Lakes' liquidity position is improved under a scenario where its non-revolving line of credit is either extended or refinanced beyond its current October 2010 maturity. In this scenario, we estimate the company's net liquidity position to be \$46.1m relative to its share of Kansas Gaming Partners of \$25m. Again, we note that while this amount suggests that Lakes' liquidity is enough to cover its share of Kansas Gaming Partners, we suspect that the company's plans for a capital markets transaction to cover this share could result from 1) a need to keep a certain amount of cash on the balance sheet, 2) uncertainty towards an extension or refinance of its non-revolving line of credit, 3) a need for capital to fund other initiatives (e.g. Vicksburg, MS project, other Native American management agreements) and perhaps most importantly 4) **the uncertainty as to free cash flow generated over the next several years, which could materially impact the company's liquidity.**

**Figure 7: Lakes Entertainment liquidity (assumes line of credit is extended or refinanced)**

Item	As of 6/28/09
Cash (\$m)	10.8
Non-revolving line of credit (excess capacity) *	6.0
Auction Rate Securities	26.7
Total liquidity	43.5
Commitments	
Non-revolving line of credit (maturity extended) *	0.0
Credit line (matures July 2010)	18.0
Total commitments	18.0
Net liquidity	25.5
Plus free cash flow (2010, 2011)	20.6
Net liquidity plus free cash flow (2010, 2011)	46.1
LACO's share of Kansas Gaming Partners	25.0
* Assumes non-revolving line of credit fully drawn	
Cushion (net liquidity less max cash needed)	21.1

CVG Kansas Gaming LP

Clairvest Group Inc, the “parent” of CVG Kansas Gaming LP has numerous casino investments in North and South America. CVG Kansas Gaming LP will be funded by two Clairvest funds, CEP IV LP and CEP IV Co-Invest LP, which were established in July 2009. It is our understanding that these funds have made no investments to date and could potentially grow in size as new investors enter the fund.

CVG’s commitment to Kansas Gaming Partners (\$50m) would represent a small portion of total fund liquidity as of today, even when accounting for potential future commitments outside of Kansas relating to existing or proposed casino investments for which Clairvest is already committed. In fact, the two funds for CVG have C\$210m in current capacity, or roughly US\$203m based on current exchange rates. Adjusting for the potential commitments for other casinos, net liquidity for CVG is approximately \$167m, which compares favorably to its share of Kansas Gaming Partners of \$50m. This also compares favorably to what CVG’s share of Kansas Gaming Partners might be (\$60m) should Lakes not be able to raise its share.

Investors in these funds are not allowed to make redemptions per the limited partnership agreement that controls the funds. Further, the funds’ general partner has discretion over distributions.

[illegible]

Och-Ziff Real Estate, the “parent” of Kansas Gaming Holdings LLC is comprised of four separate limited partnership funds. [REDACTED]

_____ In either case, the net liquidity compares favorably to KGH's share of Kansas Gaming Partners of \$75m. This also compares favorably to what KGH's share of Kansas Gaming Partners might be (\$90m) should Lakes not be able to raise its share.

Investors in these funds are not allowed to make redemptions per the limited partnership agreement that controls the funds. Further, the funds' general partner has discretion over distributions.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



Contingency – the impact of cost overruns

We have also considered the possibility of cost overruns for the development. In a scenario with a 10% cost overrun, the new development cost would be \$165m.

In a scenario where Lakes is able to successfully complete a capital raise, Lakes' share of the revised budget would be \$27.5m, CVG at \$55m and KGH at \$82.5m. However, in a scenario where Lakes is unable to complete a capital raise, we estimate the revised share of CVG and KGH to be \$66m and \$99m, respectively.

Figure 11: Potential cash required by each partner with a 10% cost overrun

Entity	Successful Lakes capital raise	Unsuccessful Lakes capital raise
Lakes	\$27.5m	\$0m
CVG	\$55m	\$66m
KGH	\$82.5m	\$99m
Total	\$165m	\$165m

**Figure 12: Lakes Entertainment historical financial data**

Income Statement	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
Sales/Revenue/Turnover	35	2	4	18	18	30	7	24
Operating Income (Losses)	-1	-9	-6	-10	-16	-16	-14	-27
Net Non-Oper Losses(Gains)	4	7	-3	-10	-2	-57	-10	40
Pretax Income	-5	-16	-3	0	-15	31	-5	-69
Income Tax Expenses (Credits)	-2	-4	-1	4	-1	8	2	9
Inc(Loss) bef Extraord Items	-3	-12	-2	-4	-14	23	-8	-78
XO (G)L Net Of Tax	0	0	0	0	0	0	6	8
Net Income/Net Profit (Losses)	-2.866	-11.541	-1.769	-4.041	-11.87	19.84	-13.604	-86.323
Total Cash Preferred Dividends	0	0	0	0	0	0	0	0
Total Cash Common Dividends	0	0	0	0	0	0	0	0
Reinvested Earnings	-3	-12	-2	-4	-12	20	-14	-86
Diluted EPS Cont Ops	0.71	-0.24	-0.04	-0.33	-0.66	1.01	-0.27	-1.17
# Shrs Diluted EPS	21	21	43	22	22	25	24	25
Balance Sheet (Assets)	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
Cash&Near Cash Items	43	14	25	29	10	10	5	6
Mrktable Sec & Other ST Invt	2	0	0	29	27	53	31	0
Accounts & Notes Receivable	4	0	1	2	3	3	1	12
LT Investments	109	129	57	67	98	174	79	81
Net Fixed Assets	6	7	21	22	13	17	15	11
Other Assets/Def Chgs&Oth	20	19	63	58	77	88	93	54
Total Assets	193	177	174	209	231	361	256	165
Balance Sheet (Liabilities)	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
Tot Deposits/Sec Deposits	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A
ST Borrowings	1	0	0	0	0	0	0	18
Other ST Liabilities	14	16	11	13	19	24	27	21
LT Borrowings	6	0	0	0	10	104	0	2
Other LT Liabilities	0	0	0	0	0	6	7	5
Total Liabilities	21	16	13	14	38	140	35	47
Preferred Equity	0	0	0	0	0	0	0	0
Minority Interest	0	0	0	11	14	17	14	0
Total Common Equity	172	161	162	184	178	205	207	118
Total Shareholders' Equity	172	161	162	195	193	222	221	118
Total Liabilities and Equity	193	177	174	209	231	361	256	165
Cashflow Summary	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
Cash Flow Net Income	-3	-12	-2	-4	-12	20	-14	-86
Depreciation & Amortization	1	0	1	1	0	1	3	7
Other Non-Cash Adjustments	38	7	-2	9	-7	-42	-7	33
Changes in Non-Cash Work Cap	-6	5	-6	2	5	4	1	-2
Cash From Operations	31	1	-9	7	-13	-17	-16	-48
Free Cash Flow/Basic Shr	1.44	0.00	-0.21	0.29	-0.88	-0.97	-0.74	-1.93
Cash Flow per Share	1.44	0.05	-0.21	0.34	-0.58	-0.74	-0.68	-1.92
Dividends Paid	0	0	0	0	0	0	0	0
Inc(Dec) in ST Borrowings	0	0	0	0	0	0	0	0
Increase in LT Borrowings	0	0	0	0	0	129	0	21
Reimbursement of LT Borrowings	-1	-7	0	0	0	-35	-105	0
Increase in Capital Stocks	0	0	1	36	0	8	10	10
Decrease in Capital Stocks	0	0	0	0	0	0	0	0
Other Financing Activities	0	0	0	0	10	-15	115	0
Cash from Financing Activities	-1	-7	1	36	10	86	20	30
Net Changes in Cash	32	-29	11	3	-19	0	-1	1
Disposal of Fixed Assets	0	0	0	0	0	0	9	0
Capital Expenditures/Prop Add	0	-1	0	-1	-7	-5	-1	0
Decrease in Investments	18	0	0	0	0	3	0	0
Increase in Investments	-44	-24	0	0	-1	-42	0	0
Other Investing Activities	29	2	19	-39	-8	-26	-12	19
Cash from Investing Activities	2	-23	19	-40	-16	-70	-4	19
Ratios	FY1 2001	FY1 2002	FY1 2003	FY1 2004	FY1 2005	FY1 2006	FY1 2007	FY1 2008
PE Ratio	4.17	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A	10.20	#N/A N/A	#N/A N/A
Price/Book	0.37	0.35	1.93	1.88	0.79	1.16	0.82	0.88
Price/Sales	1.81	37.20	73.35	19.59	7.77	7.86	24.53	4.10
Price/Cashflow	2.05	48.21	#N/A N/A	46.44	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A
Dividend Yield	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Margin	-3.22	-590.61	-137.86	-55.43	-90.30	-54.57	-210.74	-110.44
Profit Margin	-8.22	-768.38	-41.45	-23.02	-65.14	66.42	-201.84	-354.80
ROA	-1.42	-6.24	-1.01	-2.11	-5.40	6.71	-4.41	-40.96
ROE	-1.65	-6.94	-1.10	-2.34	-6.55	10.36	-6.60	-53.07
ROC	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A	11.26	#N/A N/A	#N/A N/A

Source: Bloomberg

***Evaluation of the Ancillary Non-Gaming
Amenities Proposed by Lakes
Entertainment for the Gaming Facility
Located in the South Central Zone,
Sumner County, KS***

***Prepared for the Kansas Lottery Gaming Facility
Review Board***

October 2009



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Introduction

In '08, The Kansas Lottery Commission through the independent Lottery Gaming Facility Review Board, reviewed gaming application proposals for four Gaming Zones. The result of this process was that only the Dodge City proposal in the Southwest Zone was awarded a license. In '09, the Review Board is now considering applicant proposals for the Gaming Zones in Sumner and Wyandotte counties. Originally in 2009, when Raving Consulting Company was engaged for this project, there were three applicants for Wyandotte County and two for Sumner County.

Raving was retained by the Kansas Lottery Gaming Facility Review Board to assess the Non-Gaming Ancillary Amenity Development portion of each current applicant's proposal to determine to what extent the proposals comply with the stated goals of Senate Bill 66, that is: 1) Maximize revenues for the State of Kansas, 2) Promote tourism, and 3) Serve the best interests of the State of Kansas. There is also the inherent, subsequent goal(s) of creating jobs, promoting the infusion of capital infrastructure improvements, and allowing the State of Kansas to keep consumer spending at home.

Raving faced a number of challenges in executing this consulting project for the Review Board:

1. Becoming familiar with the 2008 history of the Kansas casino license bid process and the kinds of proposals (especially the non-gaming amenity components to the proposals) that were put forward in 2008.
2. Not duplicating any of the voluminous information already compiled or the extensive consulting work already performed in 2008.
3. With the number of bidders quickly reduced from five bidders (when Raving was first engaged) to two (one each in the Northeast and South Central Zones), it became necessary to create an alternative method of assessing non-gaming amenity value for the State of Kansas, with comparisons BETWEEN bidder packages no longer possible.
4. The previous PROBE consulting report, while full of some instructive data, did not appear to offer the Board enough position-taking consulting opinions that would strongly suggest which gaming amenity packages might be best for the State of Kansas (answering the question as so well put by one Board member, "What decision would you make if you were us?").

To meet these and other challenges of this non-gaming amenity review project for the State of Kansas, Dennis Conrad and Scott Cooper of Raving executed the following:

- Review of extensive information created over the last two years for the Lottery Gaming Facility Review Board by the various consultants it employed and from the various bidders and other entities that submitted information to the board.

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- Participation in an all day, all consultants' preliminary meeting in Reno, Nevada.
 - Several discussions with Dr. Bill Eadington regarding the non-gaming amenities portion of the consulting work for the Board.
 - Hearing in person the Lakes Entertainment bid proposal in Sumner County and the Kansas Entertainment bid proposal in Wyandotte County.
 - Visiting the major casino competitors' sites in Kansas City, MO, plus the tribal casino (7th Street Casino) in Kansas City, KS.
 - Numerous discussions among the Raving consultants to decide what information was most meaningful, what our conclusions regarding the non-gaming amenity proposals would be and how to present that information to the Board in a way that would help them make a decision, not just review charts, graphs and projections.

It is important to note that Raving did consider carefully the following:

1. The breadth and scope of market
2. How the non-gaming amenities proposed create and promote tourism
3. Jobs creation
4. How the non-gaming amenities proposed translate into maximizing gaming revenue

But it is also important to stress to the Board that the two Raving Consultants executing this project for the State of Kansas are very experienced casino operators, one with extensive experience at casino properties with various and instructive non-gaming amenities, and the other with extensive experience in marketing a wide range of amenity packages for a wide range of casino clients. We would be remiss to not bring this wide-ranging experience, plus our knowledge of Lakes Entertainment and Penn National Gaming, to bear on behalf of the Review Board and the State of Kansas.

Raving Consulting Team

Dennis Conrad – Founder, President, and Chief Strategist of Raving Consulting

Dennis has 34 years of gaming industry experience and has held a number of senior level positions for major gaming companies. He is considered one of the gaming industry's marketing experts and preaches common sense, meaningful marketing principles and customer focus.

Dennis' company, Raving Consulting, has worked with scores of casinos around the world over the past 11 ½ years. Raving specializes in casino marketing, casino customer service program development, strategy development, casino conferences, and access marketing for gaming vendors. Raving has executed numerous marketing assessments for casino companies and helped many of them develop strategic marketing plans, which often have included how to leverage existing casino/hotel amenities.

Scott Cooper – Consultant

Scott has almost 30 years of experience in the gaming industry with extensive expertise in opening nine start-up projects in six new jurisdictions, as COO of several gaming companies, and he has worked at many properties as General Manager, responsible for the overall operation of these land based, riverboat, racino, and Native American casinos.

All of the start-up experience has been in a "locals" type environment. In addition, Scott has led the operational development of four major expansions of existing casinos, ranging in infrastructure investment from \$110m to \$400m.

Inherent with each start-up and existing casino expansion project was the need to provide hands-on leadership, the creation/execution of the business plan, hiring and training of the management staff, development of the internal controls, the establishment of a working relationship with local governments and state regulatory agencies, and the responsibility to create and execute each property's marketing programs.

Methodology

Raving Consulting Company used the following methodology in executing the review of the non-gaming ancillary amenities for the Kansas Lottery Gaming Facility Review Board:

1. Gather information – as new consultants to a review process that was (regrettably) into its second year, it was important for Raving to build a knowledge base. This was accomplished through a review of all past available information (reports, proposals, shared communications, etc.), discussions with other project consultants, site visits (including visits to competitor’s facilities in Kansas City, MO and Kansas City, KS).
2. Decide what information was most pertinent – this was done through extensive discussions between the Raving Consultants, with assistance provided from other consultants on the project.
3. Draw consulting insights – regarding non-gaming ancillary amenity development that would be helpful to the Review Board in making its decisions.
4. Share the consulting insights in a simple, clear, logical way – it was here that the Raving Minimum Amenity concept, the Raving Marketing Matrix and the Operational Amenity Review were established, to create evaluative mechanisms for processes that had been reduced to single bidders, with non-gaming amenity proposals that had been pared back dramatically from the amenity-rich proposals of less than a year earlier.

From Raving’s perspective, the question for the State of Kansas has changed from “Which bidder has the BEST non-gaming ancillary amenity package (the most and best “deal sweeteners”)?” to “Does either bidder have ENOUGH of a non-gaming ancillary amenity package to merit selection?” And in the current economic environment, this seemingly simple question has complexities and challenges that make it difficult to answer. Hopefully Raving’s methodology, work and developed consulting insights will shed light on this question for the State of Kansas.

Key Information Reviewed

The following information reviewed by Raving Consulting Company was considered most important to the consultants in its analysis of the Lakes Entertainment Project:

Item: The Proposed Chisholm Creek Facility Will Operate Without Significant Competition Within 100 Miles, But There Is Significant Competition (With Established Amenities) In Oklahoma.

Source: Wells, South Central Report (2008)

Importance: Suggests Range of Amenity Mix For Project.

Item: The Number Of Adults (Over The Age Of 21) Within 100 Miles Of The Chisholm Creek Location Is Nearly 900,000.

Source: Probe, South Central Report (2008)

Importance: Suggests Optimal Number of Amenities Necessary For Project.

Item: While The Disposable Income of The Wichita Area's Workforce Is Modest, The Economy And Population Show Some Growth In A Tough Economy.

Source: Wichita Metro Chamber of Commerce, U.S. Census Data, Federal Bureau of Labor Statistics

Importance: Indicates Potential Spend For Gaming and Non-Gaming Amenities.

Item: The Greater Wichita Area Business Base Has a Strong Manufacturing Sector With Some Companies Having 24 Hour Scheduling.

Source: Wichita Metro Chamber of Commerce

Importance: Suggests Some Market For 24 Hour Amenities.

Item: Sedgwick County (Wichita) Has The 3rd Highest Population Density Of Any County In Kansas.

Source: U. S. Census Bureau

Importance: Establishes (Again) Possible Demand For Non-Gaming Amenities.

Item: Sedgwick, Sumner, And Butler/Cowley Counties To The Immediate East Are Among The Youngest Counties By Age In Kansas.

Source: U. S. Census Bureau

Importance: Suggests Having High Energy Activity On The Casino Floor.

Item: According To A 2004 Study, Approximately 3.4 Million People Visit The Greater Wichita Metro Area Per Year, Of Which 77% Come For Leisure Purposes.

Source: Wichita State University As Reported By The Innovation Group

Importance: Suggests The Opportunity That Amenities Have To Capture Tourists.

Item: The Budgeted Seating Capacity (330) For Chisholm Creek Is Only 55% Of The Total Seats That Were Offered At The Opening For Grand Casinos' (Lakes' Predecessor) Mille Lacs And Couchatta Properties, The Fewest Number Of Seats Of Any Of The Lakes Start-Up Projects.

Source: Lakes Entertainment

Importance: Suggests That Otherwise Unconstrained, Lakes Entertainment Might Choose To Have More Restaurant Capacity At The Opening Of Chisholm Creek.

Raving's Non-Gaming Ancillary Amenity Development Scorecard

Raving believes it is most relevant to consider the non-gaming ancillary amenity development from the perspective of answering two critical questions; 1) To what extent do the amenities contribute to the ability of the facility to increase business over an extended period of time so as to realize the goals as stated in Senate Bill 66?, 2) Will the amenities drive business above a basic core level so as to drive tourism or just promote local business?

The Raving Minimum

Since there is only one bid for the South Central Zone, Raving will address these critical questions by first determining what, in our opinion, the basic core level of amenity development (the Raving Minimum) should consist of, as follows:

- Hotel – A hotel of at least 100 rooms with a level of finish consistent with the mid-range hotel product in the area. The hotel should include at least a small sized fitness center.
- Food – A mix of food product that provides a sufficient variety of outlets to offer customers food options. Also, the quality of food product should be such that customers will stay on site through a meal period to maximize their time at the facility. At a minimum, this food product should include a buffet (250 seats), a higher end product such as a Steakhouse or Italian restaurant (80), a casual outlet that provides breakfast, lunch, and dinner (100), and a deli type outlet (30). Food should be available 24 hours per day.
- Beverage – The casino should have a minimum of 2 bars. One should be large enough to be able to offer live entertainment. One of the bars should have bar top slot machines.
- Convention/Group/Meeting Space – The facility should have convention/meeting space of sufficient square footage to accommodate a minimum of 400 to 600 customers theater style and approximately 350 customers for a sit down dinner event. This roughly equates to building convention/meeting space totaling approximately 7,000 sq. ft. This space should also be flexible to provide smaller break out rooms, either in the main ballroom area or in dedicated smaller rooms adjacent to the main ballroom. If this space is to be used as a multi-purpose venue, then the size of the ballroom should be increased to accommodate a minimum of 1,000 customers or 13,000 sq. ft.
- Pool Area – The facility should have a pool area.
- Parking – The facility should have a minimum of 1,800 parking spaces for customer self -service parking, 250 spaces for valet, 350 for employee parking, and a portion of the customer parking should be able to accommodate RV parking.

- Retail /Gift Shop – The facility should have dedicated retail space of a minimum of 600 sq. ft.

With the basic core level of amenity development defined above and as a way to measure the proposed amenity development against this basic core level, Raving has used a "scorecard grade" method as outlined in the following chart to assess the likelihood that the proposed amenity development (by amenity) will enhance the ability to grow revenue above a baseline level.

Specific departmental amenities that meet, in our opinion, a minimum basic core level will be assigned a zero (0) "grade." Amenities that, in our opinion, contribute to increasing gaming revenue and visitation will receive a rating of + 1 to + 3 (+ 3 the highest). Amenity development that, in our opinion, will not drive gaming revenue or visitation above a baseline level (in fact may inhibit it) will receive a rating of - 1 to - 3 (- 3 the lowest).

Since the proposed non-gaming amenities in Phase I are minimal, Raving has considered the potential scope of future amenity development and has assigned each possible future amenity a "grade" based on our opinion of how these additional amenities would contribute to maximizing revenues and promoting tourism. There is no accurate way to predict the timing of possible future amenity development, so the "grade" given is based on the addition of the amenity without regard to the timing. It is assumed that the opportunity to maximize revenues for the State of Kansas is to add amenities sooner rather than later.

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	0	
Food/Restaurants (4)	0	
Casino Bars (2)	0	
Convention/Mtg. Space (7,000 sq. ft.)	0	
Other Amenities – Parking	0	
Other Amenities – Retail (600 sq. ft.)	0	
Total	0	

The Raving Scorecard Applied to Lakes Entertainment Non-Gaming Ancillary Amenity Development Proposal

Hotel

Lakes Entertainment has indicated that a hotel will not be included in Phase I unless their attempt to secure a 3rd party to build a hotel is successful. It is not known if this effort will yield a hotel in Phase I. If no hotel is built in Phase I then the facility will have to send customers wanting to stay close to the casino to the six lower to mid priced hotels, with a total capacity of approximately 300 rooms, that are located within 10 miles of the facility. Most of these hotels are located near the junction of I-35 and Highway 135.

The prospect of not having a hotel from Day 1 likely limits the ability of the facility to comply with one goal of Senate Bill 66 – to promote tourism. The effect of having no hotel will also impact the ability to maximize gaming revenue. A casino hotel customer traditionally spends more on gaming activities than non stay-over customers. The amount of extra gaming revenue potential with a hotel can be debated, but from experience a well appointed hotel product that is sized appropriately to the market typically adds between 10% to 20% more in gaming revenue than if there is no hotel.

Further, if no hotel is built in Phase I then the project will obviously not maximize the employment potential in the hotel department.

Hotel Amenity Score = - 3 (If no hotel is built in Phase I)

RESTAURANTS

Lakes Entertainment has consistently offered an outstanding food product at their casinos. Lakes Entertainment has proposed to build 3 food outlets for the facility – a buffet with seating capacity of 250, a casual Steakhouse that seats 50 and a deli outlet open 24/7 that seats 30.

Lakes Entertainment has projected that an average of 5674 customers per day will visit the facility. Lakes is estimating that approximately 1/3 of the visitors will have something to eat during their visit. Of those, 62% will eat in the buffet. The number of customers eating during their stay is often used as a measure of how long customers will stay at the facility and the resultant ability to maximize gaming revenue. Since the facility has little non-gaming ancillary amenity development other than food, it is felt that the development, if possible, of additional food outlets would enhance the ability to maximize gaming revenue. Also, there is a concern regarding restaurant seating capacity during peak periods.

Restaurant Amenity Score = - 1

Beverage

Lakes Entertainment is proposing to have no (public) customer bars on the casino floor. There are, however, plans to build 2 service bars to provide beverage customers service on the casino floor.

It is hard to imagine a casino with the proposed number of gaming devices, not having a casino bar.

In our opinion, a casino of this size should have at least 2 customer casino bars. One should have enough square footage to allow for some form of live entertainment.

Beverage Amenity Score = - 2

Convention/Meeting Space

Lakes Entertainment is not planning to build any Convention / Meeting space in Phase I. It is assumed that if the efforts to secure a 3rd party to build a hotel in Phase I are successful, then there will be at least a minimum amount of space allocated for groups. The absence of any convention/meeting space, besides limiting the ability to attract local Wichita-area group business, also makes it difficult to hold player events, promotions, dinners, etc., which is an important ingredient in building an effective player development program by attracting higher worth gamblers.

Convention/Meeting Space Amenity Score = - 3

Other Proposed Amenities

Parking – The proposed parking capacity of 1,925 surface, 25 RV, 250 valet, and 400 spaces for employees should be adequate for peak periods, and exceeds the Raving Minimum.

Parking Amenity Score = + 1

Retail / Gift Shop – There is a 1,200 sq. ft. Gift Shop planned for Phase I, which exceeds the Raving Minimum.

Retail/Gift Shop Amenity Score = + 1

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	0	
Food/Restaurants	0	
Casino Bars	0	
Convention/Mtg. Space	0	
Other Amenities - Parking	0	
Other Amenities - Retail	0	
Total	0	

Amenity	Phase I - Built as proposed Chisholm Creek Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	- 3	Not planned in Phase I
Food/Restaurants	- 1	# seats low, need 1 more outlet
Casino Bars	- 2	+ 1 for service bars
Convention/Mtg. Space	- 3	Not planned in Phase I
Other Amenities - Parking	+ 1	More than Raving Minimum
Other Amenities - Retail	+ 1	Larger than Raving Minimum
Total	- 7	

Amenity	Potential Amenity Score For Chisholm Creek Project	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	+ 0	Assume well appointed
Hotel > 200 Rooms	+ 3	Assume well appointed
Food/Restaurants	+ 3	w/add'l outlets, seating
Casino Bars	+ 3	w/ at least 2, live entertain
Convention/Mtg. Space	+ 2	w/ at least 15k sq. ft.
Other Amenities - Parking	+ 3	With parking structure
Other Amenities - Retail	+ 2	Assume add'l stores
Entertainment Venue	+ 2	1.8k seats, multi-purpose
RV Park	+ 2	50 space, full hookups
Truck Parking	+ 2	Room for 30-50 trucks
Spa - Fitness	+ 2	w/ 8 rooms, 600sf fitness
Pool	+ 1	Indoor preferred
Total	+25	

The Raving Amenity Scorecard Comparison would indicate that Lakes Entertainment's non-gaming amenity package proposed for Chisholm Creek is less than a reasonably posited "Raving Minimum" and significantly less than a robust non-gaming amenity package with numerous features.

Potential Marketing Impacts

As important as the scope and quality of casino non-gaming amenities are to a successful casino development project, so too is effective marketing of those amenities. Great amenities with lousy marketing will not optimize visitation or gaming revenue. Likewise, a paucity of amenities, or a casino with sub-standard amenities, can be somewhat overcome by excellent marketing, especially if it includes outstanding casino customer service.

Thus, Raving felt it was instructive to examine the stated marketing intentions of Lakes Entertainment as expressed in its responses in the section "Additional Information" of its submitted Performance Matrix, as well in Lakes' comments in its bid presentation to the Board on September 16, 2009. The goal here was to attempt to determine, as a positive or negative potential, marketing impact on Lakes' proposed non-gaming amenities. Knowledge of Lakes' current amenities and marketing strategies at its other casino properties, both current and past, also contributed to the discussion that follows.

THE RAVING MARKETING MATRIX

The Raving Marketing Matrix was created to assess applicants' stated marketing goals and philosophies to reasonably gauge whether marketing might create some potential visitation and revenue upside for the applicants' stated non-gaming amenity packages, whatever they may be.

The following marketing elements were assessed:

- **Pre-opening Marketing Spend** – is the marketing spend adequate and targeted to create awareness of the new casino facility, including its amenities?
 - 1 **Inadequate** – marketing spend too little (or too much and wasteful) or not focused on appropriate opening goals
 - 0 **Adequate** – marketing spend reasonable and mostly focused on appropriate goals for opening
 - +1 **Superior** – marketing spend reasonable, measurable and highly focused on pre-opening goals
- **Brand** – does the applicant already have a strong brand in place, or focused plans to create such a brand and are the non-gaming amenities integral parts or potential beneficiaries of this brand?
 - 1 **Inadequate** – lacks a reasonable brand building strategy and an appreciation of the value of a positive casino brand image

0 Adequate – has a reasonably well articulated brand building strategy that is mostly appropriate to support the marketing goals of the casino and generally resonates with the casino customers it is attempting to attract and retain

+1 Superior – has a sharp, well defined brand strategy that creates compelling reasons for trial and strongly resonates with casino customers because it is clearly based on what is important to them

- **Marketing Reputation** – does the applicant have a gaming industry reputation for being an effective marketer?

-1 Inadequate – not known for experienced or effective marketing, behind the curve in understanding and utilizing current and accepted casino marketing practices

0 Adequate – known for reasonable understanding and utilization of accepted industry standard casino marketing practices that achieve mostly positive results

+1 Superior – known for industry leading casino marketing practices that are proactive, multi-faceted, measurable and based on solid casino marketing principles

- **Database Marketing/VIP Player Focus** – does the stated marketing plan of the applicant adequately utilize casino industry standard practices of database building and segmentation with a special emphasis on the VIP player base, and are the amenities utilized to maximize the benefit of these techniques?

-1 Inadequate – little focus on database building, database management and VIP Player services as a cornerstone of effective casino marketing

0 Adequate – reasonable understanding and utilization of accepted casino marketing database management strategies and services, with mostly positive marketing results

+1 Superior – industry leading understanding and usage of database management as a cornerstone of effective casino marketing, with a highly evolved and measurable program for finding and growing the premium customer base

- **Integrated Marketing** – does the applicant have an appreciation of marketing as a “way of doing business,” with a keen appreciation of community and employee relationships, the importance of excellent customer service, customer friendly operational business practices, and other elements that might enhance the amenity experience for casino guests?

-1 Inadequate – views and operates the marketing function as wholly separate from casino operations and ignores casino employees and casino communities in the execution of casino marketing strategies and tactics

0 Adequate – has reasonable appreciation of the importance of casino employees and casino communities in the execution of marketing strategies and generally involves those constituencies with mostly successful results

+1 Superior – practices industry leading concepts for involving casino employees and casino communities in integrated marketing efforts, recognizing the role that motivated and informed casino employees and appreciative nearby communities play in promoting casino entertainment and building loyal customers

- **Food as a Marketing Tool** – does the applicant’s marketing plans and stated intentions indicate an appreciation of the value of a quality food offering as an important tool in driving visitation and increasing retention?

-1 Inadequate – views food service as a distraction from the core gaming product and something that should be minimally offered, with minimal marketing and minimal expense

0 Adequate – generally understands the role of food and restaurants in their ability to produce casino visitation and will typically utilize them successfully in the marketing plans as an attraction and retention tool for the operations

+1 Superior – appreciates strongly the power of great food as a draw for the casino and aggressively promotes it in intelligent and aggressive ways to add value to the customer experience and revenue to the casino’s bottom line

- **Tourism and Hotel Partnerships** – does the applicant adequately address plans to partner with local tourism bureaus and existing local hotels and motels to create opportunities for tourist visitation of the casino facility?

-1 Inadequate – generally ignores local and regional tourism organizations and non-gaming hotels as possible sources of collaboration and mutual business development

0 Adequate – makes reasonable efforts to cultivate tourism organizations and local /regional hotels as business partnerships, with general success in achieving positive results in leveraging these partnerships to generate casino visitation and help to meet tourism goals

+1 Outstanding – aggressively pursues industry leading practices to secure strong relationships with local and regional tourism organizations and hotels, leading to positive, measurable impact for the casino operation

- **Bus Marketing** – has the applicant adequately addressed plans creating or utilizing bus charter programs to promote tourism and casino visitation, with reasonable use of non-gaming amenities as “hooks” to make those programs attractive to potential tourist visitors?

-1 Inadequate – generally ignores bus charter programs as a casino marketing tool and vehicle for generating casino visitation from a tourist population

0 Adequate – some utilization of regional bus charter programs with generally positive impacts on casino visitation and tourism generation

+1 Outstanding – aggressive and industry leading utilization of regional bus marketing charter programs, with clear and measurable goals that successfully expands the casino’s marketing reach to attract significant tourists to the casino

- **Advertising Efficiency** – is the applicant’s advertising adequate, cost effective, highly measurable and able to utilize amenities appropriately to drive trial to the casino?

-1 Inadequate – does very little advertising that is targeted to produce measurable response from an appropriate audience, or does expensive, extravagant advertising that consumes marketing dollars at the expense of more important marketing tactics

0 Adequate – conducts mostly meaningful advertising in appropriate media and is usually measurable as it reasonably drives trial or creates brand awareness

+1 Superior – executes industry leading advertising in highly targeted media, is very measurable and leverages significant cooperative partnerships and an effective public relations capacity to maximize impact

- **Listening to Guests** – has the applicant appropriately addressed how it intends to gather guest feedback regarding the casino (and amenity) experience, in the form of customer satisfaction surveys, comment gathering programs and the like?

-1 Inadequate – has no or very little information gathering (formal or informal) as to casino guests’ likes and dislikes with their casino entertainment experience

0 Adequate – conducts a reasonable amount of guest research (formal or informal) and generally utilizes the information to improve the guest experience

+1 Superior – executes highly focused guest research at multiple listening posts and significantly utilizes the gathered information to improve the guest experience and improve financial performance

- **Other Factors** – are there any other significant factors in the applicant’s marketing plans that might significantly impact how the casino’s amenities might positively or negatively impact the financial performance of the casino operation?

-1 Inadequate – generally has no additional marketing features or potential property leverage points that could create additional marketing impact

0 Adequate – generally has some additional marketing features or property leverage points that can create additional marketing impact

+1 Superior – has a significant number of additional marketing features and property leverage points that create a high likelihood of achieving additional marketing impact

RAVING MARKETING MATRIX SCORING SCALE

-4 to -11 Inadequate – unlikely to achieve additional marketing impact on financial performance

-3 to +3 Adequate – likely to achieve an average, mostly adequate marketing impact on financial performance

+4 to +11 Superior – likely to achieve a superior marketing impact on financial performance

RAVING MARKETING MATRIX AS APPLIED TO LAKES ENTERTAINMENT AND ITS CHISHOLM CREEK PROPOSAL

Categories	Lakes Entertainment Score
Pre-Opening Marketing Spend	+1
Brand	0
Marketing Reputation	+1
Database/Player Development Focus	+1
Integrated Marketing	+1
Food	0
Tourism and Hotel Partnerships	0
Bus Marketing	-1
Advertising Efficiency	+1
Listening to Guests	+1
Other	+1
TOTAL	+6

Discussion of Lakes Entertainment Marketing Plans for Chisholm Creek Casino Resort

Pre-Opening Marketing Spend

Lakes' expressed pre-opening marketing budget is adequate at \$1.05 million. The focus on potential employees, potential customers and tourism industry insiders is particularly appropriate. The building of a pre-opening website is positive as are Lakes' plans to use a pre-opening mix of online, direct and new media. Most importantly, Lakes plans to focus on "known gamblers" and has an outstanding history of new casino openings including its most recent two openings at Red Hawk Casino in California and Four Winds Casino in Michigan.

Raving Marketing Matrix Grade = +1

Brand

Lakes would ostensibly be entering the Chisholm Creek project with no real recognizable brand identity in the area, either as "Lakes" or "Chisholm Creek." Lakes does, however, recognize its need to build an effective brand and addresses that adequately in its post-opening marketing discussion.

Matrix Grade = 0

Marketing Reputation

Lakes (and its predecessor, Grand Casinos) has an outstanding marketing reputation in the gaming industry. It is known for focusing on marketing that matters, a management "team" approach to marketing, and a willingness to make appropriate marketing changes when necessary to achieve desired marketing results.

Matrix Grade = +1

Database Marketing/VIP Player Focus

Lakes shows an uncommon appreciation of database marketing and VIP player segmentation through its stated pre-opening database building, loyalty club emphasis, use of its high end restaurant for VIP gatherings, database analysis focus and other elements that highlight understanding of the 20/80 rule (20% of customers account for 80% of revenues).

Matrix Grade = +1

Integrated Marketing

Lakes keenly understands marketing as a “way of doing business” and its stated goal of “continually training, and enforcing process improvement” pointedly speaks to effective integrated marketing. Lakes’ casino properties have been known for having excellent customer service and it should be assumed that Chisholm Creek would be the same.

Matrix Grade = +1

Food as a Marketing Tool

Although Lakes has proposed to open with restaurant amenities less than the Raving Minimum, it can be assumed that the Lakes’ food product will be high quality, based on Lakes history of having excellent food and the stated central role of food in Lakes’ marketing discussion for Chisholm Creek.

Matrix Grade = 0

Tourism and Hotel Partnerships

In its pre-opening marketing discussion Lakes speaks to communicating with “tourism industry insiders” and in its bid proposal presentation to the Review Board it mentioned providing shuttle bus service to Chisholm Creek from Wichita-area hotels. However, this falls short of a strong commitment to this marketing tool.

Matrix Grade = 0

Bus Marketing

There was no overt mention by Lakes to creating charter bus programs for potential out of market visitors to Chisholm Creek (perhaps because of the lack of a hotel in the Phase I proposal), but Lakes successfully utilized charter bus programs at other properties in the past.

Matrix Grade = -1

Advertising Efficiency

Lakes displays a keen understanding of the need for impactful advertising prior to a casino opening, the importance of using advertising to create a brand image and the need to utilize both new and traditional media in successful advertising campaigns. It has the reputation of using advertising intelligently to drive trial.

Matrix Grade = +1

Listening to Guests

This is perhaps one of Lakes greatest strengths and is stated well in its marketing discussion. Lakes is known for using multiple methods of guest research (both formal and informal) to discover what its core customers are saying, and then using that information to improve performance and guest satisfaction.

Matrix Grade = +1

Other Factors

In its proposal discussion and stated marketing plans, Lakes touched on a number of “other factors” that would indicate it understands “marketing opportunities.” One was a mention of the traveler on I-35 near Chisholm Creek (indicating an appreciation of directional and billboard signage). Another was the clear understanding its table game product and the marketing advantage it creates with the Oklahoma table game customer, where there are inferior “player banked table games.” It seems Lakes is very aware of “other factors” that might create marketing leverage for Chisholm Creek.

Matrix Grade = +1

OVERALL RAVING MARKETING MATRIX GRADE FOR LAKES ENTERTAINMENT = +6

This +6 Raving Marketing Matrix grade would suggest that Lakes has a savvy understanding of effective marketing and therefore a reasonable chance of utilizing whatever non-gaming amenities it may have at Phase I Opening to exceed revenue projections to some degree.

Revenue and Jobs Comparisons as Related to Various Amenity Scenarios*

\$ in millions

all #'s are projections

Category	Total \$ Gaming Revenue	Hotel Revenue	Restaurant Revenue	Beverage Revenue	Retail Revenue	Entertainment Revenue	Number of Amenity Related Jobs			Total Jobs of Project
							Hotel	F/B	Retail	
Applicant-Phase 1 - 1st year, '13	\$ 121		\$ 10.4	\$ 2.0	\$ 1.3			240	5	876 (FTE)
Wells/Cummings avg. Phase 1 - 1st year, '13	\$ 154									
Wells/Cummings avg. w/Raving Minimums Phase 1 - 1st year, '13	\$ 161									
If Raving Minimums Were Built Phase 1		\$ 3.3 (100 rooms)	\$ 11.0	\$ 3.0	\$ 1.2	\$ 1.2	60	350	5	1,026 (FTE) (+150)
Applicant - 2015	\$ 130		\$ 11.2	\$ 2.2	\$ 1.4			241	5	880 (FTE)
Wells/Cummings avg. - 2015	\$ 174									
Raving Projections 2015		\$ 5.0 (150 rooms)	\$ 12.0	\$ 4.0	\$1.6	\$2.0	75	350	5	1,076 (+196)

*This chart attempts to show the potential revenue and jobs totals in comparing various projections for various scenarios as provided by the consultants and Lakes Entertainment. It is not meant to suggest that the level of amenities is the only contributing factor into the revenue projections.

Chisholm Creek Operational Amenity Overview

Hotel

- Not planned for Phase I.

Convention/Meeting Space

- Not planned for Phase I.

Restaurants

- Three planned for Phase I.
- Buffet – 250 seats, action stations, wood-fire grill, salads, home cooking, dessert bar. Budgeted to do 1,257 covers/day with an average cover of \$15.
- Steakhouse (Casual) – 50 seats. Budgeted to do 100 covers/day with an avg. cover of \$42.44.
- Deli – 30 seats. Budgeted to do 686 covers/day with an average cover of \$8.22.
- The total seating capacity might negatively impact the customer's experience during weekends or other peak periods.
- Combined – 2,043 covers/day, or 40 % of the daily visitors will eat something.
- The number of full time equivalent (FTE's) budgeted by Lakes for the food/beverage department (240) should be adequate to provide good customer service based on the food outlets proposed.
- Food revenue is budgeted to be \$10,493m in 2013.
- Food comps are budgeted at 40% of total revenue
- Food Cost of Goods Sold (COGS) is budgeted for a combined for all outlets at 40%

The relationship of these numbers comparing revenue, cost, and jobs appear reasonable. The main concern is with the ability of 330 restaurant seats to handle a holiday, busy weekend or the final day of a major promotion.

Casino Bars

- Not planned for Phase I.
- 2 service bars are planned to provide beverage service to casino customers.
- Beverage revenue is budgeted to be \$ 2,063m in 2013.
- Beverage comps are budgeted at 17% of total revenue.
- Beverage COGS is budgeted at 24%.

- It should be noted that the budgeted beverage department pro forma as submitted by Lakes is projected to operate at a bottom line loss.

These numbers seem reasonable, but there is a concern with Chisholm Creek proposing to open without even a single casino bar, much less the Raving Minimum of two casino bars.

Retail

- Retail Gift Shop with 1,200 sq. ft.
- Budgeted comp sales are 35% of total revenue.
- Budgeted COGS is 45%.
- Number of jobs is budgeted for 5.

These figures seem reasonable and 1,200 sq. ft. is a decently sized shop, above the Raving Minimum.

Parking

- 1,925 total surface parking spaces.
- 250 valet parking spaces.
- 400 employee parking spaces.
- 25 RV spaces.

These plans seem reasonable and exceed the Raving Minimum. Room for large truck parking might be advisable.

Other Amenity Related Comments

- 1) The ratio of tourist visitors to total visits is 10%. This appears to be an unusually low %, but might be reasonable with the Chisholm Creek amenities proposed.
- 2) Total FTE's for Chisholm Creek in 2013 is 876, total number of FTE's in 2015 is 880, suggesting almost no growth in jobs.

Consultants' Conclusions

- Lakes Entertainment's proposed non-gaming ancillary amenity package for its Chisholm Creek project is weak and in its current proposed mode is likely to fall short of maximizing gaming revenue and tourism for the State of Kansas.
- The addition of a 100 room hotel, another restaurant and two casino bars (with modest entertainment) would greatly enhance the Chisholm Creek project's ability to maximize gaming revenue and tourism for the State of Kansas.
- Lakes Entertainment's marketing savvy and experience is a positive and likely enables Lakes to achieve somewhat more benefit from its non-gaming amenity package than what would otherwise be realized from a less impactful marketing program or philosophy.
- There appears to be some potential upside for Chisholm Creek from a tourism generation and revenue maximization perspective if it were able to attract and accommodate some of the many truckers passing near the facility, effectively implement a charter bus program targeting potential casino goers 100 miles away or further, or leverage its "real table games" (sort of an amenity) to steal Oklahoma table game market share.
- Without a more fully developed non-gaming amenity package than the one outlined by Lakes, the Chisholm Creek facility would likely be more at risk of losing market share should additional gaming be approved in the Wichita area or should significant non-gaming amenity development occur in existing Oklahoma casinos.
- In other gaming markets, the 21-35 year old customer base, while not having the disposable income of older casino customers, nonetheless have indicated a desire for more of an "experience" (concerts, lively table games, things to do, ability to "party," etc.) in their casino visits – there appears to be a risk here that these young customers will be "disappointed" in the Chisholm Creek experience and its apparent lack of things to do other than to gamble.
- Lakes' past track record of quick non-gaming amenity build out (after opening its other casinos) is impressive and likely should merit some consideration as a future indicator of Lakes' possible future amenity addition intentions and speed of implementation for Chisholm Creek.

Appendix

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Projected Casino Visitation

Scenario A - Estimates are for year 2013.
Estimates are shown in avg. # of visitors per day.

	# visitors/ day	Variance
Lakes Entertainment Application	5,674	
Wells Gaming Research (Phase I)	5,625	+ 49
Cummings Associates (Phase I)	5,028	- 646

Scenario B - Estimates are for year 2015
Estimates are shown in avg. # of visitors per day.

	# visitors / day	Variance
Lakes Entertainment Application	5,732	
Wells Gaming Research (mid range estimate)	5,674	- 58
Cummings Associates	6,104	+ 372

Source: Wells Gaming Research, Cummings Associates

Oklahoma Competition

There are approximately 10 existing casinos located within 100 miles of the proposed casino site. All of the 10 existing casinos are located in Oklahoma.

Casino	# of slots	#of tables	# poker	# bingo	Casino sq ft	# rooms	# food	Parking spaces		
7 Clans Paradise	700	8	6	0	30,000	0	2	500		
Blue Star	228	0	0	300	20,000	0	1	500		
Kaw Southwind	800	3	4	700	35,000	0	2	1,000		
Lil' Bit of Paradise	50	0	0	0	small	0	0	60		
Lil' Bit of Paradise 2	100	0	0	0	small	0	0	30		
Native Lights	612	6	0	0	22,500	0	2	405		
Million\$ Elm-Pawhuska	135	0	0	0	small	0	1	50		
Million \$ Elm - Ponca City	222	0	0	0	7,700	0	1	150		
Tonkawa	374	4	0	0	14,437	0	1	400		
1st Council	700	8	10	0	40,000e	0	1	800e		
Total	3,921	29	20	1,000	169,637	0	11	3,895		

Source: Raving

Market Demographic Characteristics – Population

Population by Age	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 33	Exit 33	Exit 33		Exit 33	Exit 33
Total Population	561,342	780,854	1,255,419		219,512	474,565
Average Age	35.2	36.4	36.9		39.9	38
Adult Population Over 21	388,112	548,628	892,854		159,190	345,768
Population 45 Years +	204,328	299,848	495,891		95,049	195,470
Population 45 Years + %	53%	55%	56%		60%	57%

Source: Wichita Metro Chamber of Commerce, Probe 2008

Market Demographic Characteristics - Disposable Income

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 33	Exit 33	Exit 33	Exit 33	Exit 33
Median Disposable Income	\$ 17,187	\$ 16,286	\$ 15,471	\$ 14,684	\$ 14,299
Indexed to US	1.03	0.97	0.92	0.88	0.85
Mean Disposable Income	\$ 20,8771	\$ 20,096	\$ 19,360	\$ 18,081	\$ 18,036
Indexed to US	0.93	0,89	0.86	0.80	0.80
Median Net Worth	\$ 41,626	\$ 38,952	\$34,984	\$ 33,319	\$ 29,185
Indexed to US	1.02	0.95	0.86	0.82	0.71
Mean Net Worth	\$160,734	\$155,933	\$150,418	\$143,604	\$140,474
Indexed to US	0.82	0.79	0.77	0.73	0.72

Source: Wichita Metro Chamber of Commerce, Probe 2008

Local Hotels

The greater Wichita CVB estimates that over 3 million visitors are attracted to the Wichita area each year. There are 57 hotels in the immediate Wichita area with an additional (approx.) 50 hotels in small communities surrounding Wichita.

Current online room rate range of the 57 hotels located in the Wichita metro area.

Online Rate	# of hotels	% to total
\$120 +	3	5%
\$100-\$119	4	7%
\$80 - \$99	24	42%
\$60 - \$79	16	28%
< \$59	10	18%
Total	57	100%

There are no luxury hotels in the Wichita MSA, and there are only 4 current hotels with more than 250 rooms.

Current "Star" quality rating of the hotels in the Wichita market.

"Star" quality rating	#
3 1/2	1
3	7
2 1/2	2
2	25
< 2 or no rating	22
Total	57

Source: Raving

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Evaluation of the Ancillary Non-Gaming Amenities Proposed by Lakes Entertainment for the Gaming Facility Located in the South Central Zone, Sumner County, KS

Prepared By:

Dennis Conrad, President and Chief Strategist

Scott Cooper, Lead Project Consultant

Raving Consulting Company

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Challenges

1. Becoming familiar with the 2008 history of the Kansas casino license bid process and the kinds of proposals (especially the non-gaming amenity components to the proposals) that were put forward in 2008.
2. Not duplicating any of the voluminous information already compiled or the extensive consulting work already performed in 2008.

Challenges

3. With the number of bidders quickly reduced from five bidders (when Raving was first engaged) to two (one each in the Northeast and South Central Zones), it became necessary to create an alternative method of assessing non-gaming amenity value for the State of Kansas, with comparisons BETWEEN bidder packages no longer possible.

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Challenges

4. The previous PROBE consulting report, while full of some instructive data, did not appear to offer the Board enough position-taking consulting opinions that would strongly suggest which gaming amenity packages might be best for the State of Kansas (answering the question as so well put by one Board member, “What decision would you make if you were us?”).

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Focus

1. The breadth and scope of market
2. How the non-gaming amenities proposed create and promote tourism
3. Jobs creation
4. How the non-gaming amenities proposed translate into maximizing gaming revenue

The Raving Consulting Team

Dennis Conrad – Founder, President, and Chief Strategist of Raving Consulting

Dennis has 34 years of gaming industry experience and has held a number of senior level positions for major gaming companies. He is considered one of the gaming industry's marketing experts and preaches common sense, meaningful marketing principles and customer focus.

Dennis' company, Raving Consulting, has worked with scores of casinos around the world over the past 11 ½ years. Raving specializes in casino marketing, casino customer service program development, strategy development, casino conferences, and access marketing for gaming vendors. Raving has executed numerous marketing assessments for casino companies and helped many of them develop strategic marketing plans, which often have included how to leverage existing casino/hotel amenities.

The Raving Consulting Team

Scott Cooper – Consultant

Scott has almost 30 years of experience in the gaming industry with extensive expertise in opening nine start-up projects in six new jurisdictions, as COO of several gaming companies, and he has worked at many properties as General Manager, responsible for the overall operation of these land based, riverboat, racino, and Native American casinos.

All of the start-up experience has been in a "locals" type environment. In addition, Scott has led the operational development of four major expansions of existing casinos, ranging in infrastructure investment from \$110m to \$400m.

The Raving Consulting Team

Scott Cooper – Consultant (continued...)

Inherent with each start-up and existing casino expansion project was the need to provide hands-on leadership, the creation/execution of the business plan, hiring and training of the management staff, development of the internal controls, the establishment of a working relationship with local governments and state regulatory agencies, and the responsibility to create and execute each property's marketing programs.

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Methodology

1. Gather Information
2. Decide what information was most pertinent
3. Draw consulting insights
4. Share the consulting insights in a simple, clear, logical way

Raving Minimum

Since there is only one bid for the South Central Zone, Raving will address the critical questions of this project by first determining what, in our opinion, the basic core level of amenity development (the Raving Minimum) should consist of, as follows:

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Raving Minimum

- Hotel – A hotel of at least 100 rooms with a level of finish consistent with the mid-range hotel product in the area. The hotel should include at least a small sized fitness center.

Raving Minimum

- Food – A mix of food product that provides a sufficient variety of outlets to offer customers food options. Also, the quality of food product should be such that customers will stay on site through a meal period to maximize their time at the facility. At a minimum, this food product should include a buffet (250 seats), a higher end product such as a Steakhouse or Italian restaurant (80), a casual outlet that provides breakfast, lunch, and dinner (100), and a deli type outlet (30). Food should be available 24 hours per day.

Raving Minimum

- Beverage – The casino should have a minimum of 2 bars. One should be large enough to be able to offer live entertainment. One of the bars should have bar top slot machines.

Raving Minimum

- Convention/Group Meeting Space – The facility should have convention/meeting space of sufficient square footage to accommodate a minimum of 400 to 600 customers theater style and approximately 350 customers for a sit down dinner event. This roughly equates to building convention/meeting space totaling approximately 7,000 sq. ft. This space should also be flexible to provide smaller break out rooms, either in the main ballroom area or in dedicated smaller rooms adjacent to the main ballroom. If this space is to be used as a multi-purpose venue, then the size of the ballroom should be increased to accommodate a minimum of 1,000 customers or 13,000 ~~sq~~^{sq}. ft.

Raving Minimum

- Pool Area – The facility should have a pool area.
- Parking – The facility should have a minimum of 1,800 parking spaces for customer self -service parking, 250 spaces for valet, 350 for employee parking, and a portion of the customer parking should be able to accommodate RV parking.
- Retail /Gift Shop – The facility should have dedicated retail space of a minimum of 600 sq. ft.

Raving Minimum Chart

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	0	
Food/Restaurants (4)	0	
Casino Bars (2)	0	
Convention/Mtg. Space (7,000 sq. ft.)	0	
Other Amenities – Parking	0	
Other Amenities – Retail (600 sq. ft.)	0	
Total	0	698

Chisholm Creek Amenity Chart

Amenity	Phase I - Built as proposed Chisholm Creek Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	- 3	Not planned in Phase I
Food/Restaurants	- 1	# seats low, need 1 more outlet
Casino Bars	- 2	+ 1 for service bars
Convention/Mtg. Space	- 3	Not planned in Phase I
Other Amenities - Parking	+ 1	More than Raving Minimum
Other Amenities - Retail	+ 1	Larger than Raving Minimum
Total	- 7	

Potential Amenity Chart

Potential Amenity Score For Chisholm Creek Project	
Amenity	"Score" -3 to +3 Comments
Hotel = 100 Rooms	+ 0 Assume well appointed
Hotel > 200 Rooms	+ 3 Assume well appointed
Food /Restaurants	+ 3 w/add'l outlets, seating
Casino Bars	+ 3 w/at least 2, live entertain
Convention/Mtg. Space	+ 2 w/at least 15k sq. ft.
Other Amenities - Parking	+ 3 With parking structure
Other Amenities - Retail	+ 2 Assume add'l stores
Entertainment Venue	+ 2 1.8k seats, multi-purpose
RV Park	+ 2 50 space, full hookups
Truck Parking	+ 2 Room for 30-50 trucks
Spa - Fitness	+ 2 w/8 rooms, 600sf fitness
Pool	+ 1 Indoor preferred
Total	+25

Potential Marketing Impacts

As important as the scope and quality of casino non-gaming amenities are to a successful casino development project, so too is effective marketing of those amenities. Great amenities with lousy marketing will not optimize visitation or gaming revenue. Likewise, a paucity of amenities, or a casino with sub-standard amenities, can be somewhat overcome by excellent marketing, especially if it includes outstanding casino customer service.

Potential Marketing Impacts (Continued...)

Thus, Raving felt it was instructive to examine the stated marketing intentions of Lakes Entertainment as expressed in its responses in the section “Additional Information” of its submitted Performance Matrix, as well in Lakes’ comments in its bid presentation to the Board on September 16, 2009. The goal here was to attempt to determine, as a positive or negative potential, marketing impact on Lakes’ proposed non-gaming amenities. Knowledge of Lakes’ current amenities and marketing strategies at its other casino properties, both current and past, also contributed to the discussion that follows.



The Raving Marketing Matrix

Marketing Elements Evaluated

- Pre-opening Marketing Spend
- Brand
- Marketing Reputation
- Database Marketing/VIP Player Focus
- Integrated Marketing
- Food as a Marketing Tool
- Tourism and Hotel Partnerships
- Bus Marketing
- Advertising Efficiency
- Listening to Guests
- Other Factors

Marketing Elements Evaluated

Pre-opening Marketing Spend – is the marketing spend adequate and targeted to create awareness of the new casino facility, including its amenities?

-1 Inadequate – marketing spend too little (or too much and wasteful) or not focused on appropriate opening goals

0 Adequate – marketing spend reasonable and mostly focused on appropriate goals for opening

+1 Superior – marketing spend reasonable, measurable and highly focused on pre-opening goals



Discussion of Lakes Entertainment Marketing Plans for Chisholm Creek Casino Resort

Pre-Opening Marketing Spend

Lakes' expressed pre-opening marketing budget is adequate at \$1.05 million. The focus on potential employees, potential customers and tourism industry insiders is particularly appropriate. The building of a pre-opening website is positive as are Lakes' plans to use a pre-opening mix of online, direct and new media. Most importantly, Lakes plans to focus on "known gamblers" and has an outstanding history of new casino openings including its most recent two openings at Red Hawk Casino in California and Four Winds Casino in Michigan.

Raving Marketing Matrix Grade = +1

Brand

Lakes would ostensibly be entering the Chisholm Creek project with no real recognizable brand identity in the area, either as “Lakes” or “Chisholm Creek.” Lakes does, however, recognize its need to build an effective brand and addresses that adequately in its post-opening marketing discussion.

Matrix Grade = 0

Marketing Reputation

Lakes (and its predecessor, Grand Casinos) has an outstanding marketing reputation in the gaming industry. It is known for focusing on marketing that matters, a management “team” approach to marketing, and a willingness to make appropriate marketing changes when necessary to achieve desired marketing results.

Matrix Grade = +1

Database Marketing/VIP Player Focus

Lakes shows an uncommon appreciation of database marketing and VIP player segmentation through its stated pre-opening database building, loyalty club emphasis, use of its high end restaurant for VIP gatherings, database analysis focus and other elements that highlight understanding of the 20/80 rule (20% of customers account for 80% of revenues).

Matrix Grade = +1

Integrated Marketing

Lakes keenly understands marketing as a “way of doing business” and its stated goal of “continually training, and enforcing process improvement” pointedly speaks to effective integrated marketing. Lakes’ casino properties have been known for having excellent customer service and it should be assumed that Chisholm Creek would be the same.

Matrix Grade = +1

Food as a Marketing Tool

Although Lakes has proposed to open with restaurant amenities less than the Raving Minimum, it can be assumed that the Lakes' food product will be high quality, based on Lakes history of having excellent food and the stated central role of food in Lakes' marketing discussion for Chisholm Creek.

Matrix Grade = 0

Tourism and Hotel Partnerships

In its pre-opening marketing discussion Lakes speaks to communicating with “tourism industry insiders” and in its bid proposal presentation to the Review Board it mentioned providing shuttle bus service to Chisholm Creek from Wichita-area hotels. However, this falls short of a strong commitment to this marketing tool.

Matrix Grade = 0

Bus Marketing

There was no overt mention by Lakes to creating charter bus programs for potential out of market visitors to Chisholm Creek (perhaps because of the lack of a hotel in the Phase I proposal), but Lakes successfully utilized charter bus programs at other properties in the past.

Matrix Grade = -1

Advertising Efficiency

Lakes displays a keen understanding of the need for impactful advertising prior to a casino opening, the importance of using advertising to create a brand image and the need to utilize both new and traditional media in successful advertising campaigns. It has the reputation of using advertising intelligently to drive trial.

Matrix Grade = +1

Listening to Guests

This is perhaps one of Lakes greatest strengths and is stated well in its marketing discussion. Lakes is known for using multiple methods of guest research (both formal and informal) to discover what its core customers are saying, and then using that information to improve performance and guest satisfaction.

Matrix Grade = +1

Other Factors

In its proposal discussion and stated marketing plans, Lakes touched on a number of “other factors” that would indicate it understands “marketing opportunities.” One was a mention of the traveler on I-35 near Chisholm Creek (indicating an appreciation of directional and billboard signage). Another was the clear understanding its table game product and the marketing advantage it creates with the Oklahoma table game customer, where there are inferior “player banked table games.” It seems Lakes is very aware of “other factors” that might create marketing leverage for Chisholm Creek.

Matrix Grade = +1

RAVING MARKETING MATRIX AS APPLIED TO LAKES ENTERTAINMENT AND ITS CHISHOLM CREEK PROPOSAL

Categories	Lakes Entertainment Score
Pre-Opening Marketing Spend	+1
Brand	0
Marketing Reputation	+1
Database/Player Development Focus	+1
Integrated Marketing	+1
Food	0
Tourism	0
Bus Marketing	-1
Advertising Efficiency	+1
Listening to Guests	+1
Other	+1
TOTAL	+6

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Raving Matrix Scoring Scale

- 4 to -11 Inadequate** – unlikely to achieve additional marketing impact on financial performance
- 3 to +3 Adequate** – likely to achieve an average, mostly adequate marketing impact on financial performance
- +4 to +11 Superior** – likely to achieve a superior marketing impact on financial performance

Revenue and Jobs Comparisons as Related to Various Amenity Scenarios

Category	Total \$ Gaming Revenue	Hotel Revenue	Restaurant Revenue	Beverage Revenue	Retail Revenue	Entertainment Revenue	Number of Amenity Related Jobs			Total Jobs of Project
							Hotel	F/B	Retail	
Applicant-Phase 1 - 1st year, '13	\$ 121		\$ 10.4	\$ 2.0	\$ 1.3			240	5	876 (FTE)
Wells/Cummings avg. Phase 1 - 1st year, '13	\$ 154									
Wells/Cummings avg. w/Raving Minimums Phase 1 - 1st year, '13	\$ 161									
If Raving Minimums Were Built Phase 1		\$ 3.3 (100 rooms)	\$ 11.0	\$ 3.0	\$ 1.2	\$ 1.2	60	350	5	1,026 (FTE) (+150)
Applicant - 2015	\$ 130		\$ 11.2	\$ 2.2	\$ 1.4			241	5	880 (FTE)
Wells/Cummings avg. - 2015	\$ 174									
Raving Projections 2015		\$ 5.0 (150 rooms)	\$ 12.0	\$ 4.0	\$ 1.6	\$ 2.0	75	350	5	1,076 720+196)



Consultants' Conclusions

- Lakes Entertainment's proposed non-gaming ancillary amenity package for its Chisholm Creek project is weak and in its current proposed mode is likely to fall short of maximizing gaming revenue and tourism for the State of Kansas.

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Consultants' Conclusions

- The addition of a 100 room hotel, another restaurant and two casino bars (with modest entertainment) would greatly enhance the Chisholm Creek project's ability to maximize gaming revenue and tourism for the State of Kansas.



Consultants' Conclusions

- Lakes Entertainment's marketing savvy and experience is a positive and likely enables Lakes to achieve somewhat more benefit from its non-gaming amenity package than what would otherwise be realized from a less impactful marketing program or philosophy.

Consultants' Conclusions

- There appears to be some potential upside for Chisholm Creek from a tourism generation and revenue maximization perspective if it were able to attract and accommodate some of the many truckers passing near the facility, effectively implement a charter bus program targeting potential casino goers 100 miles away or further, or leverage its “real table games” (sort of an amenity) to steal Oklahoma table game market share.

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Consultants' Conclusions

- Without a more fully developed non-gaming amenity package than the one outlined by Lakes, the Chisholm Creek facility would likely be more at risk of losing market share should additional gaming be approved in the Wichita area or should significant non-gaming amenity development occur in existing Oklahoma casinos.

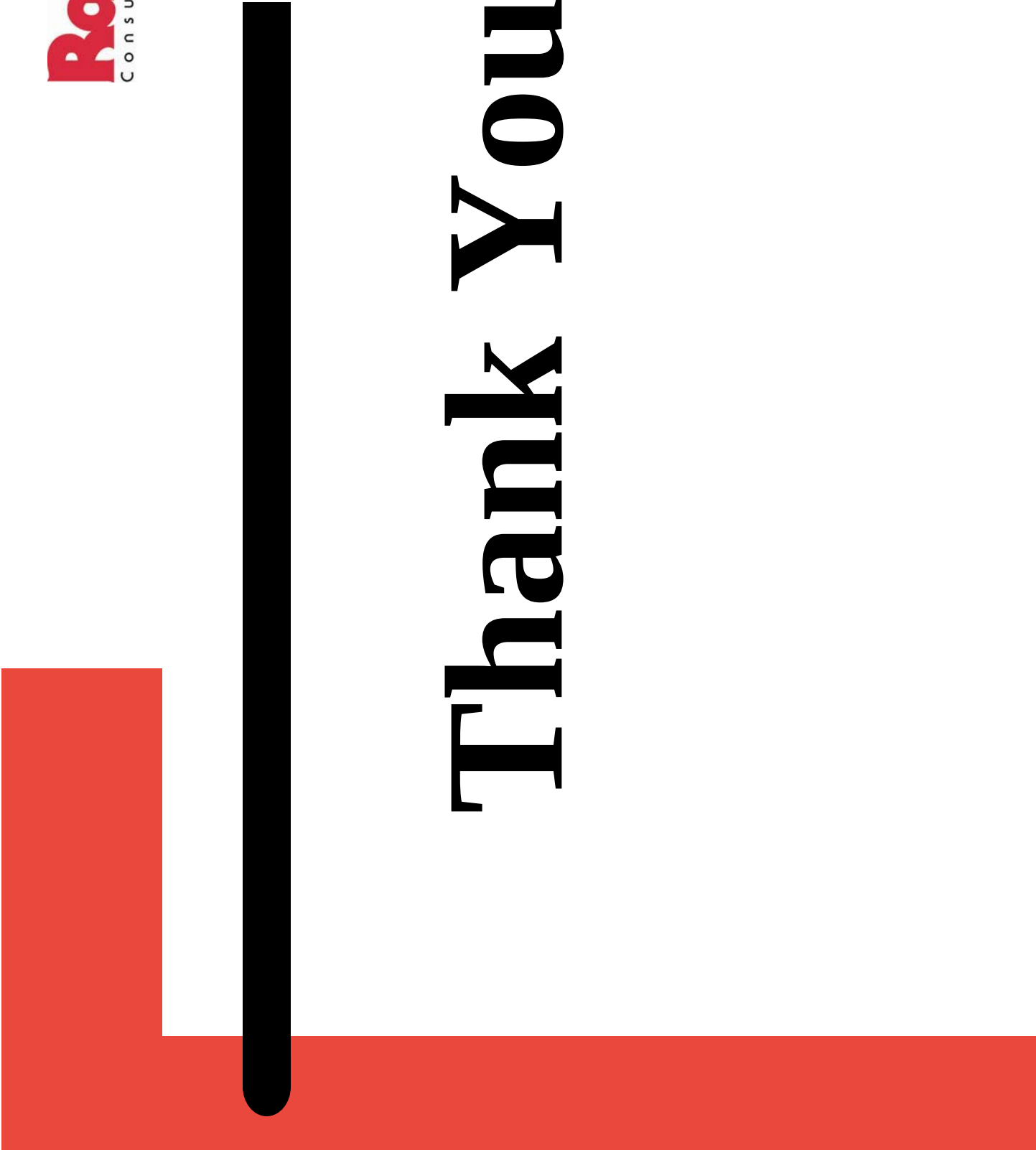
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- In other gaming markets, the 21-35 year old customer base, while not having the disposable income of older casino customers, nonetheless have indicated a desire for more of an “experience” (concerts, lively table games, things to do, ability to “party,” etc.) in their casino visits – there appears to be a risk here that these young customers will be “disappointed” in the Chisholm Creek experience and its apparent lack of things to do other than to gamble.

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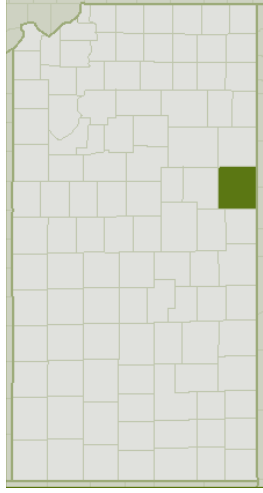
Consultants' Conclusions

- Lakes' past track record of quick non-gaming amenity build out (after opening its other casinos) is impressive and likely should merit some consideration as a future indicator of Lakes' possible future amenity addition intentions and speed of implementation for Chisholm Creek.



Thank You

ECONOMIC IMPACT OF PROPOSED GAMING FACILITY

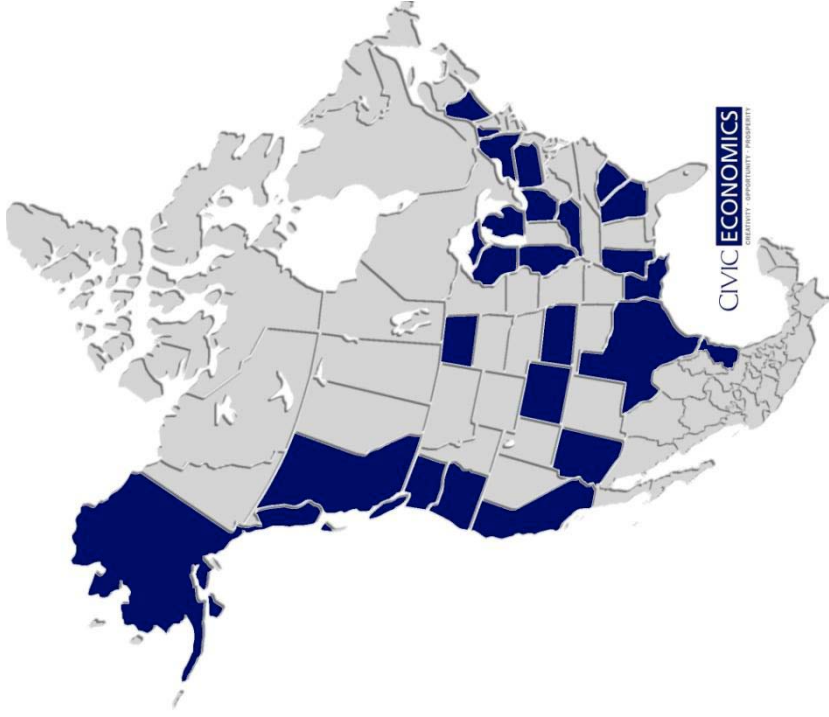


SUMNER COUNTY GAMING ZONE 2009

BRIEF AGENDA

- About Civic Economics
- Overview of Scope
- Economic Impact Approach
- Economic Impact of Construction
- Economic Impact of Operations
- Non-Gaming Competitive Impacts

About Civic Economics



***Economic Analysis & Strategic
Planning for Sustainable Prosperity***

- Established in 2002
- Matt Cunningham in Chicago, Dan Houston in Austin
- Diverse practice in scope and geography
- Not a gaming/tourism practice

Scope of Work

Scope of Work

- Economic impact of construction and operations of proposed facilities
- Review of competition for non-gaming activities

Economic Impact Approach

Economic Impact Approach

- IMPLAN, an industry-standard tool built on input-output modeling
- Impacts calculated on a statewide basis
- Focus is on equitable treatment of applicants
 - Developed a single model for both applicants
 - Built from the model developed in 2008

Economic Impact Approach

- Used data supplied by applicants where possible
 - Any adjustments made for both applicants

NET Economic Impacts

- The most important thing to learn today:
 - Economic impact analysis must focus on activity that is new to the study area
 - Activity that simply moves from one location or firm to another is not new to the area

NET Economic Impacts

- *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.
- *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.

Economic Impact Reporting

- Economic impacts are comprised of three separate categories.
 - *Economic Output* is the total production or sales derived from the project.
 - *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.

Economic Impact Reporting

- 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.
 - *Indirect* effects are additional impacts derived from businesses providing products or services to the selected industries.
 - *Induced* effects are the result of increased household spending due to the direct and indirect effects.

Construction Impacts

Construction Impacts

- Temporary economic activity associated with designing and building facilities and associated infrastructure
- Used only Phase I
- Cost inputs provided by applicants
- Assumed all activity in 2011
- Simply put, relative cost of proposed facilities drives relative outcomes

Construction Impacts

CONSTRUCTION IMPACTS SUMMARY				
2009 GAMING FACILITY PROPOSALS				
Based on contractually obligated Phase I development				
	Direct	Indirect	Induced	Total
ECONOMIC OUTPUT	Total revenues associated with construction (\$ Millions)			
Chisholm Creek	\$ 53,077,176	\$ 19,241,766	\$ 19,796,218	\$ 92,115,165
EMPLOYMENT	Total workers, including full-time and part-time			
Chisholm Creek	475	127	187	788
WAGES	Total wages paid to workers identified above (\$ Millions)			
Chisholm Creek	\$ 19,457,062	\$ 6,341,115	\$ 6,012,012	\$ 31,810,190

Source: Applicant Submissions, IMPLAN, Civic Economics

Operating Impacts

Operating Impacts

- Used 2013 for first full year of operations
 - One year further out than used in 2008
- Steps to determine inputs:
 - Gaming revenue and operational scale
 - Calculation of net impacts from Cummings and Wells analyses
 - Final input modifications for labor costs

Operating Impacts

- Biggest change in 2009 approach:
 - Three Scenarios for each proposal
 - Phase I – Contractually obligated development
 - Raving Alternative Minimum
 - Full Build-Out – Goes beyond that which is technically required in the contracts

Operational Scale

- Applicants projected both non-gaming and gaming revenues
 - Gaming revenue applied here is average of Cummings and Wells mid-case
- Non-gaming revenues were adjusted proportionately
 - Up in Sumner, down in Wyandotte

Revenue Forecasts

KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)		CHISOLM CREEK, SUMNER, (In 2009 Dollars)	
GAMING REVENUE PROJECTIONS		GAMING REVENUE PROJECTIONS	
Estimated gaming revenue: Applicant *	\$ 220,185,000	Estimated gaming revenue: Applicant *	\$ 121,139,087
Estimated gaming revenue: Wells	\$ 146,625,000	Estimated gaming revenue: Wells	\$ 134,518,000
Estimated gaming revenue: Cummings	\$ 186,000,000	Estimated gaming revenue: Cummings	\$ 149,200,000
Average of Wells & Cummings	\$ 166,312,500	Average of Wells & Cummings	\$ 141,859,000
Ratio of Wells/Cummings to Applicant	0.76	Ratio of Wells/Cummings to Applicant	1.17
ADJUSTED NON-GAMING REVENUE PROJECTIONS		ADJUSTED NON-GAMING REVENUE PROJECTIONS	
Hotel Revenue	\$ -	Hotel Revenue	\$ -
Food & Beverage Revenue	\$ 12,067,164	Food & Beverage Revenue	\$ 14,703,209.71
Retail Revenue	\$ 1,544,785	Retail Revenue	\$ 1,543,977.05
Other Revenue	\$ 364,825	Other Revenue	\$ 292,404.59

SOURCE: Applicant submissions, Uninflated projections from Wells Gaming and Cummings & Assoc., Civic Economics

* Inflated by applicant at unknown rate

Revenue Forecasts

ADJUSTED REVENUE FORECASTS, 2013			
KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)		CHISOLM CREEK, SUMNER, (In 2009 Dollars)	
Based on Raving Alternative Minimum destination casino design			
GAMING REVENUE PROJECTIONS		GAMING REVENUE PROJECTIONS	
Estimated gaming revenue: Wells	\$ 178,101,000	Estimated gaming revenue: Wells	\$ 156,449,000
Estimated gaming revenue: Cummings	\$ 191,400,000	Estimated gaming revenue: Cummings	\$ 154,000,000
Average of Wells & Cummings	\$ 184,750,500	Average of Wells & Cummings	\$ 155,224,500
Ratio of Wells/Cummings Alternative Minimum Wells/Cummings Phase I	1.11	Ratio of Wells/Cummings Alternative Minimum Wells/Cummings Phase I	1.09
ADJUSTED NON-GAMING REVENUE PROJECTIONS		ADJUSTED NON-GAMING REVENUE PROJECTIONS	
Hotel Revenue	^ \$ 8,000,000	Hotel Revenue	^ \$ 3,300,000
Food & Beverage Revenue	^ \$ 14,000,000	Food & Beverage Revenue	^ \$ 14,000,000
Retail Revenue	^ \$ 1,200,000	Retail Revenue	^ \$ 1,200,000
Other Revenue	^ \$ -	Other Revenue	^ \$ 1,200,000

SOURCE: Raving Consulting, Uninflated projections from Wells Gaming and Cummings & Assoc., Civic Economics

^ Estimated by Raving Consulting

Revenue Forecasts

ADJUSTED REVENUE FORECASTS, 2015			
Based on applicant's proposed full build-out			
KANSAS ENTERTAINMENT, WYANDOTTE (In 2009 Dollars)		CHISOLM CREEK, SUMNER, (In 2009 Dollars)	
GAMING REVENUE PROJECTIONS		GAMING REVENUE PROJECTIONS	
Estimated gaming revenue: Applicant *	\$	326,784,894	NA
Estimated gaming revenue: Wells	\$	222,699,000	\$ 180,639,000
Estimated gaming revenue: Cummings	\$	225,700,000	\$ 166,400,000
Average of Wells & Cummings	\$	224,199,500	\$ 173,519,500
Ratio of Wells/Cummings to Applicant		0.69	NA
ADJUSTED NON-GAMING REVENUE PROJECTIONS		ADJUSTED NON-GAMING REVENUE PROJECTIONS	
Hotel Revenue	^	\$ 10,000,000	\$ 3,688,943
Food & Beverage Revenue	^	\$ 16,800,000	\$ 15,650,062
Retail Revenue		\$ 1,456,231	\$ 1,341,434
Other Revenue		\$ -	\$ 1,341,434

SOURCE: Applicant Submissions, Raving Consulting, Uninflated Projections from Wells Gaming and Cummings & Assoc., Civic Economics

* Inflated by applicant at unknown rate

^ Estimated by Raving Consulting

Net Gaming Revenue Adjustment

- Cummings and Wells analysis allows an estimate of gaming revenue flows among states
- This analysis uses the sum of:
 - Import Substitution
 - Export

Money Flows from State to State

NET GAMING REVENUES IN KANSAS CASINOS, 2013			
Based on contractually obligated Phase I development			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
Wells		Wells	
Estimated Gaming Revenue	\$ 146,625,000	Estimated Gaming Revenue	\$ 134,518,000
Estimated Gaming Export	\$ 34,139,039	Estimated Gaming Export	\$ 2,990,255
Estimated Gaming Import Substitution	\$ 69,780,064	Estimated Gaming Import Substitution	\$ 68,231,289
Net or New Revenue	\$ 103,919,103	Net or New Revenue	\$ 71,221,544
Cummings		Cummings	
Estimated Gaming Revenue	\$ 186,000,000	Estimated Gaming Revenue	\$ 149,200,000
Estimated Gaming Export	\$ 49,800,000	Estimated Gaming Export	\$ 4,800,000
Estimated Gaming Import Substitution	\$ 76,100,000	Estimated Gaming Import Substitution	\$ 39,900,000
Net or New Revenue	\$ 125,900,000	Net or New Revenue	\$ 44,700,000
Average Net Revenue		Average Net Revenue	
\$ 114,909,552		\$ 57,960,772	
Net as a % of Gaming Revenue		Net as a % of Gaming Revenue	
69.1%		43.1%	
New Gaming Spending by Kansans		New Gaming Spending by Kansans	
\$ 51,402,949		\$ 83,898,228	

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics

Money Flows from State to State

NET GAMING REVENUES IN KANSAS CASINOS, 2013			
Based on Raving Alternative Minimum destination casino design			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
Wells		Wells	
Estimated Gaming Revenue	\$ 178,101,000	Estimated Gaming Revenue	\$ 156,449,000
Estimated Gaming Export	\$ 43,478,721	Estimated Gaming Export	\$ 4,466,073
Estimated Gaming Import Substitution	\$ 87,788,024	Estimated Gaming Import Substitution	\$ 87,883,992
Net or New Revenue	\$ 131,266,745	Net or New Revenue	\$ 92,350,065
Cummings		Cummings	
Estimated Gaming Revenue	\$ 191,400,000	Estimated Gaming Revenue	\$ 154,000,000
Estimated Gaming Export	\$ 53,400,000	Estimated Gaming Export	\$ 6,400,000
Estimated Gaming Import Substitution	\$ 76,700,000	Estimated Gaming Import Substitution	\$ 41,000,000
Net or New Revenue	\$ 130,100,000	Net or New Revenue	\$ 47,400,000
Average Net Revenue	\$ 130,683,373	Average Net Revenue	\$ 69,875,033
Net as a % of Gaming Revenue	70.7%	Net as a % of Gaming Revenue	44.7%
New Gaming Spending by Kansans	\$ 54,067,128	New Gaming Spending by Kansans	\$ 85,349,468

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics

Money Flows from State to State

NET GAMING REVENUES IN KANSAS CASINOS, 2015			
Based on applicant's proposed full build-out			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
Wells		Wells	
Estimated Gaming Revenue	\$ 222,699,000	Estimated Gaming Revenue	\$ 180,639,000
Estimated Gaming Export	\$ 56,803,392	Estimated Gaming Export	\$ 6,844,521
Estimated Gaming Import Substitution	\$ 112,526,489	Estimated Gaming Import Substitution	\$ 108,410,942
Net or New Revenue	\$ 169,329,881	Net or New Revenue	\$ 115,255,463
Cummings		Cummings	
Estimated Gaming Revenue	\$ 225,700,000	Estimated Gaming Revenue	\$ 166,400,000
Estimated Gaming Export	\$ 67,100,000	Estimated Gaming Export	\$ 8,000,000
Estimated Gaming Import Substitution	\$ 91,100,000	Estimated Gaming Import Substitution	\$ 49,800,000
Net or New Revenue	\$ 158,200,000	Net or New Revenue	\$ 57,800,000
Average Net Revenue	\$ 163,764,941	Average Net Revenue	\$ 86,527,732
Net as a % of Gaming Revenue	73.0%	Net as a % of Gaming Revenue	47.9%
New Gaming Spending by Kansans	\$ 60,434,560	New Gaming Spending by Kansans	\$ 86,991,769

SOURCE: Uninflated projections from Wells, Cummings, Applicant Submissions Civic Economics

Adjustment for Labor Cost

- Sought to use applicant submissions for labor intensity of operations
 - IMPLAN models lower than likely new reality
 - Applicants made case for varying labor cost
- Unable to use submissions due to inconsistent productivity values

LABOR COSTS ADJUSTMENTS				
Based upon applicants' projections of revenue, employment, and wages				
	Kansas		Chisholm Creek	
	Entertainment	Average		
Projected Revenue per Employee (FTE)	\$ 253,377	\$ 201,876	\$ 227,627	
Applicant Submitted Wages per Employee (FTE)	\$ 34,663	\$ 46,022	\$ 40,343	

Source: Applicant Submissions, Civic Economics

Finally, on to the numbers ...

Operating Impact, Sumner

OPERATING IMPACTS SUMMARY						
CHISHOLM CREEK, SUMNER COUNTY						
	Direct	Indirect	Induced	Total	Relative Impacts	
ECONOMIC OUTPUT						
Total revenues associated with construction (\$ Real Dollars)						
Phase I	\$ 81,406,546	\$ 35,738,372	\$ 22,817,413	\$ 139,962,328		
Raving Minimum	\$ 97,878,637	\$ 42,770,767	\$ 27,481,926	\$ 168,131,330		
Full Build-Out	\$ 128,444,845	\$ 56,272,159	\$ 35,970,867	\$ 220,687,876		
EMPLOYMENT						
Total workers, including full-time and part-time						
Phase I	650	258	196	1,105		
Raving Minimum	760	311	237	1,308		
Full Build-Out	932	385	292	1,609		
WAGES						
Total wages paid to workers identified above (\$ Millions, Real Dollars)						
Phase I	\$ 17,980,731	\$ 11,890,804	\$ 6,932,848	\$ 36,804,383		
Raving Minimum	\$ 21,677,326	\$ 14,297,537	\$ 8,350,034	\$ 44,324,898		
Full Build-Out	\$ 28,293,773	\$ 18,797,968	\$ 10,929,402	\$ 58,021,146		

Source: Applicant Submissions, IMPLAN, Civic Economics

Non-Gaming Competitive Impacts

Competitive Impacts

- Civic Economics was asked to evaluate likely competitive pressures on existing businesses due to arrival of new non-gaming amenities
- Far simpler in 2009 as proposals are far less wide-ranging
 - Buffet, snack bar, steakhouse
 - Modest entertainment facilities
 - Bars in casino

Gaming Spend Issue

- Remaining projected revenue after NET is new gaming spending by Kansans
- This is money that previously went to other discretionary activity
- Beyond scope here to evaluate sources of that money, but totals are as follows

NEW GAMING SPENDING BY KANSANS, 2013			
Based on contractually obligated Phase I development			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
New Gaming Spend as a % of Gaming Revenue	30.9%	New Gaming Spend as a % of Gaming Revenue	56.9%
New Gaming Spend by Kansans (In Millions)	\$ 56.2	New Gaming Spend by Kansans (In Millions)	\$ 91.7
NEW GAMING SPENDING BY KANSANS, 2013			
Based on Raving Alternative Minimum destination casino design			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
New Gaming Spend as a % of Gaming Revenue	29.3%	New Gaming Spend as a % of Gaming Revenue	55.3%
New Gaming Spend by Kansans (In Millions)	\$ 59.1	New Gaming Spend by Kansans (In Millions)	\$ 93.3
NEW GAMING SPENDING BY KANSANS, 2015			
Based on applicant's proposed full build-out			
KANSAS ENTERTAINMENT, WYANDOTTE		CHISHOLM CREEK, SUMNER	
New Gaming Spend as a % of Gaming Revenue	27.0%	New Gaming Spend as a % of Gaming Revenue	52.1%
New Gaming Spend by Kansans (In Millions)	\$ 70.1	New Gaming Spend by Kansans (In Millions)	\$ 100.8

SOURCE: Wells, Cummings, Civic Economics

Comparison to 2008 Proposals

- 2009 Chisholm Creek • 2008 Sumner County
proposal generates proposals generated
estimated NET estimated NET
gaming revenues gaming revenues of
between **43.1%** and between **42.3%** and
47.9%. **52.0%**.

Food and Beverage Competition

- Reviewed Claritas data for 2009 sales in dining and drinking establishments
 - Kansas side of KC Metro
 - Wichita Metro
- Compared Raving forecast of F&B sales
- Very small impacts in both counties
 - 1 - 1.5% in KC
 - 2 - 2.2% in Wichita

Thank you.

CivicEconomics.com
dhouston@ or mattc@

October 16, 2009

Mr. Jay Hall
Review Board Liaison
Kansas Racing and Gaming Commission
700 SW Harrison, Suite 420
Topeka, KS 66603

Dear Jay:

Attached please find our fiscal impact analysis report for the proposed Chisholm Creek casino. Our report includes three parts:

- Part 1 summarizes relevant casino information and our findings of fiscal impact.
- Part 2 shows a comparison of MBA's findings and those provided by the Proposer.
- Part 3 is the full fiscal impact analysis providing detailed calculations of findings shown in Parts 1 and 2. Assumptions and data used in the estimate of the fiscal impact are also outlined in detail in Part 3.

Please do not hesitate to call if you have any questions.

Sincerely,



Eugenia Larmore
Director

Economic Impact Analysis

Fiscal Impact Analysis

Forensic Accounting

Business Valuation

Gaming Feasibility

Litigation Support

660 Sierra Rose Dr., Ste. 2
Reno, Nevada 89511
P: 775-827-5300
F: 775-827-5301

Las Vegas
P: 702-433-6835

765
www.mbareno.com

TAB 1

**SUMMARY OF FISCAL IMPACT
FINDINGS**

SUMMARY SHEET-SUMNER COUNTY CHISHOLM CREEK

Phase 1 Opening	August-11	
Phase 2 Opening	January-15	
Casino sq. ft. @ Buildout		95,000
Total sq. ft. @ Buildout		241,280
# Hotel rooms @ Buildout		150
Total Construction Costs	\$	116,140,069
Total FF&E	\$	71,976,655
# Construction Employees Phase 1		402
# Construction Employees Phase 2		873
# Permanent Employees @ Buildout		1,152
Est. Oper. Payroll - 1st full year	\$	37,809,982
Annual visitors-1st full year (Wells/Cummings)		2,470,000
Daily visitors		6,767
GGR-1st full year	\$	193,932,500

FISCAL IMPACT SUMMARY-6 YEAR TOTAL

REVENUE

Gaming Contribution (tax)	\$	192,357,925
Income Tax Revenue		9,618,505
Property Tax Revenue		10,175,044
Sales Tax Revenue		12,185,917
Room Tax Revenue		-
Building Permit Revenue		-
Total Revenue (w/o school state aid)	\$	224,337,391
State Revenue		190,985,381
Sumner County		21,227,756
Mulvane School District		4,478,946
Fire District #9		520,941
Sedgwick County		7,124,368

COSTS

Sumner Costs	\$	9,292,832
Fire District		4,943,998
School District Costs		-

SURPLUS/(DEFICIT)

Sumner Costs	\$	11,934,924
Fire District		(4,423,056)
School District Costs		4,478,946

DEVELOPER CONTRIBUTIONS

Following additional gaming contribution amounts are provided:

1% of GGR to Sumner County on GGR between \$300 million and \$350 million

2% of GGR to Sumner County on GGR over \$350 million

Source-Memorandum of Understanding with Sumner County

TAB 2

COMPARISON OF ESTIMATES

FISCAL IMPACT--6 YEAR SUMMARY*
CHISHOLM CREEK

Proposer's Estimates						
	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick Co.</u>	<u>Fire District</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 119,444,099	\$ 9,953,675	\$ 4,976,837	\$ -	\$ -	
Property Tax	-	10,780,846	-	-	-	
Sales/Use Tax	3,637,396	545,086	-	-	-	
Income Tax	100,000	-	-	-	-	
Lodging Tax	-	175,000	-	-	-	
Total	\$ 123,181,495	\$ 21,454,606	\$ 4,976,837	\$ -	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 1,658,020	\$ -	\$ -	\$ -	
Public Works	-	-	-	-	-	
Education	-	-	-	-	-	
Fire Protection/EMS	-	-	-	4,312,420	-	
Total	\$ -	\$ 1,658,020	\$ -	\$ 4,312,420	\$ -	
Surplus/(Deficit)	\$ 123,181,495	\$ 19,796,586	\$ 4,976,837	\$ (4,312,420)	\$ -	

Consultant's Estimates						
	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick Co.</u>	<u>Fire District</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 170,984,822	\$ 14,248,735	\$ 7,124,368	\$ -	\$ -	
Property Tax	130,409	5,044,748	-	520,941	4,478,946	
Sales/Use Tax	10,251,645	1,934,273	-	-	-	
Income Tax	9,618,505	-	-	-	-	
School State Aid ¹	-	-	-	-	-	
Total	\$ 190,985,381	\$ 21,227,756	\$ 7,124,368	\$ 520,941	\$ 4,478,946	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 7,070,321	\$ -	\$ -	\$ -	
Public Works	-	-	-	-	-	
Education	-	-	-	-	-	
Fire Protection/EMS	-	-	-	4,943,998	-	
Admin. Overhead	-	2,222,511	-	-	-	
Total	\$ -	\$ 9,292,832	\$ -	\$ 4,943,998	\$ -	
Surplus/(Deficit)	\$ 190,985,381	\$ 11,934,924	\$ 7,124,368	\$ (4,423,056)	\$ 4,478,946	

1. No school state aid is estimated as local (property tax) revenue exceeds the required general state aid amount.

*Analysis encompasses a total of 6 years:

Phase 1 which consists of 2 years of construction (2010-11) and 1 year of operations (2012).

Phase 2 which consists of 2 years of construction (2013-14) and 1 year of operations (2015).

Voluntary Contributions: Source-Memorandum of Understanding with Sumner County

Following additional gaming contribution amounts are provided:

1% of GGR to Sumner County on GGR between \$300 million and \$350 million

2% of GGR to Sumner County on GGR over \$350 million

**FISCAL IMPACT--CONSTRUCTION
PHASE 1
CHISHOLM CREEK**

Proposer's Estimates: 2010-11						
	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick Co.</u>	<u>Fire District</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 8,615,661	\$ 717,972	\$ 358,986	\$ -	\$ -	
Property Tax	-	1,375,650	-	-	-	
Sales/Use Tax	261,919	39,417	-	-	-	
Income Tax	20,000	-	-	-	-	
Building Fees	-	175,000	-	-	-	
Total	\$ 8,897,580	\$ 2,308,039	\$ 358,986	\$ -	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 398,280	\$ -	\$ -	\$ -	
Public Works ¹	-	-	-	-	-	
Education	-	-	-	-	-	
Fire Protection/EMS	-	-	-	895,520	-	
Total	\$ -	\$ 398,280	\$ -	\$ 895,520	\$ -	
Surplus/(Deficit)	\$ 8,897,580	\$ 1,909,759	\$ 358,986	\$ (895,520)	\$ -	
Footnotes:						
1. Developer responsible for paying for off-site infrastructure improvements relating to facility and to purchase necessary public work and public safety equipment. (Source: Memorandum of Understanding with County).						

Consultant's Estimates: 2010-11						
	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick Co.</u>	<u>Fire District</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 12,113,760	\$ 1,009,480	\$ 504,740	\$ -	\$ -	
Property Tax	8,312	321,546	-	33,204	285,483	
Sales/Use Tax	4,233,232	798,723	-	-	-	
Income Tax	1,401,914	-	-	-	-	
School State Aid ¹	-	-	-	-	-	
Total	\$ 17,757,217	\$ 2,129,749	\$ 504,740	\$ 33,204	\$ 285,483	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ -	\$ -	\$ -	\$ -	
Public Works ²	-	-	-	-	-	
Education	-	-	-	-	-	
Fire Protection/EMS	-	-	-	-	-	
Admin. Overhead	-	-	-	-	-	
Total	\$ -	\$ -	\$ -	\$ -	\$ -	
Surplus/(Deficit)	\$ 17,757,217	\$ 2,129,749	\$ 504,740	\$ 33,204	\$ 285,483	
Footnotes:						
1. No school state aid is estimated as local (property tax) revenue exceeds the required general state aid amount.						
2. Developer responsible for paying for off-site infrastructure improvements relating to facility and to purchase necessary public work and public safety equipment. (Source: Memorandum of Understanding with County).						

**FISCAL IMPACT--OPERATING
PHASE 1
CHISHOLM CREEK**

Proposer's Estimates: 2012						
	State	Sumner County	Sedgwick Co.	Fire District	K-12 Schools	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 26,291,289	\$ 2,190,941	\$ 1,095,470	\$ -	\$ -	
Property Tax	-	2,351,299	-	-	-	
Sales/Use Tax	800,766	119,963	-	-	-	
Income Tax	20,000	-	-	-	-	
Building Fees	-	-	-	-	-	
Total	\$ 27,112,055	\$ 4,662,202	\$ 1,095,470	\$ -	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 301,680	\$ -	\$ -	\$ -	
Public Works ¹	-	-	-	-	-	
Education	-	-	-	-	-	
Fire Protection/EMS	-	-	-	821,063	-	
Total	\$ -	\$ 301,680	\$ -	\$ 821,063	\$ -	
Surplus/(Deficit)	\$ 27,112,055	\$ 4,360,522	\$ 1,095,470	\$ (821,063)	\$ -	
Footnotes:						
1. Developer responsible for paying for off-site infrastructure improvements relating to facility and to purchase necessary public work and public safety equipment. (Source: Memorandum of Understanding with County).						

Consultant's Estimates: 2012						
	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick Co.</u>	<u>Fire District</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 36,341,280	\$ 3,028,440	\$ 1,514,220	\$ -	\$ -	
Property Tax	20,620	797,669	-	82,371		708,205
Sales/Use Tax	710,258	134,011	-	-		-
Income Tax	1,290,213	-	-	-		-
School State Aid ¹	-	-	-	-		-
Total	\$ 38,362,372	\$ 3,960,120	\$ 1,514,220	\$ 82,371	\$	708,205
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 1,552,504	\$ -	\$ -	\$ -	-
Public Works ²	-	-	-	-	-	-
Education	-	-	-	-	-	-
Fire Protection/EMS	-	-	-	1,107,761		
Admin. Overhead	-	488,020	-	-		-
Total	\$ -	\$ 2,040,523	\$ -	\$ 1,107,761	\$	-
Surplus/(Deficit)	\$ 38,362,372	\$ 1,919,597	\$ 1,514,220	\$ (1,025,390)	\$	708,205
	<u>Proposer</u>	<u>Consultant</u>	Source: GGR and visitor estimates average of			
Estimated GGR	\$ 117,037,434	\$ 151,422,000	Cummings Associates and Wells Gaming Research			
Estimated Visitors	2,061,288	1,939,500	estimates, September/October 2009.			
Footnotes:						
1. No school state aid is estimated as local (property tax) revenue exceeds the required general state aid amount.						
2. Developer responsible for paying for off-site infrastructure improvements relating to facility and to purchase necessary public work and public safety equipment. (Source: Memorandum of Understanding with County).						

**FISCAL IMPACT--CONSTRUCTION
PHASE 2
CHISHOLM CREEK**

Proposer's Estimates: 2013-14						
	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick Co.</u>	<u>Fire District</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 55,380,041	\$ 4,615,003	\$ 2,307,502	\$ -	\$ -	
Property Tax	-	4,702,598	-	-	-	
Sales/Use Tax	1,686,696	252,678	-	-	-	
Income Tax	40,000	-	-	-	-	
Building Fees	-	-	-	-	-	
Total	\$ 57,106,737	\$ 9,570,280	\$ 2,307,502	\$ -	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 629,600	\$ -	\$ -	\$ -	
Public Works ¹	-	-	-	-	-	
Education	-	-	-	-	-	
Fire Protection/EMS	-	-	-	1,707,717	-	
Total	\$ -	\$ 629,600	\$ -	\$ 1,707,717	\$ -	
Surplus/(Deficit)	\$ 57,106,737	\$ 8,940,680	\$ 2,307,502	\$ (1,707,717)	\$ -	
Footnotes:						
1. Developer responsible for paying for off-site infrastructure improvements relating to facility and to purchase necessary public work and public safety equipment. (Source: Memorandum of Understanding with County).						

Consultant's Estimates: 2013-14						
	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick Co.</u>	<u>Fire District</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 75,985,982	\$ 6,332,165	\$ 3,166,083	\$ -	\$ -	
Property Tax	55,637	2,152,249	-	222,250	1,910,860	
Sales/Use Tax	4,388,645	828,046	-	-	-	
Income Tax	5,031,790	-	-	-	-	
School State Aid ¹	-	-	-	-	-	
Total	\$ 85,462,054	\$ 9,312,461	\$ 3,166,083	\$ 222,250	\$ 1,910,860	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 3,293,792	\$ -	\$ -	\$ -	
Public Works ²	-	-	-	-	-	
Education	-	-	-	-	-	
Fire Protection/EMS	-	-	-	2,338,704	-	
Admin. Overhead	-	1,035,383	-	-	-	
Total	\$ -	\$ 4,329,174	\$ -	\$ 2,338,704	\$ -	
Surplus/(Deficit)	\$ 85,462,054	\$ 4,983,286	\$ 3,166,083	\$ (2,116,454)	\$ 1,910,860	
Footnotes:						
1. No school state aid is estimated as local (property tax) revenue exceeds the required general state aid amount.						
2. Developer responsible for paying for off-site infrastructure improvements relating to facility and to purchase necessary public work and public safety equipment. (Source: Memorandum of Understanding with County).						

**FISCAL IMPACT--OPERATING
PHASE 2
CHISHOLM CREEK**

Proposer's Estimates: 2015						
	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick Co.</u>	<u>Fire District</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 29,157,108	\$ 2,429,759	\$ 1,214,879	\$ -	\$ -	
Property Tax	-	2,351,299	-	-	-	
Sales/Use Tax	888,016	133,028	-	-	-	
Income Tax	20,000	-	-	-	-	
Building Fees	-	-	-	-	-	
Total	\$ 30,065,123	\$ 4,914,086	\$ 1,214,879	\$ -	\$ -	
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 328,460	\$ -	\$ -	\$ -	
Public Works ¹	-	-	-	-	-	
Education	-	-	-	-	-	
Fire Protection/EMS	-	-	-	888,120	-	
Total	\$ -	\$ 328,460	\$ -	\$ 888,120	\$ -	
Surplus/(Deficit)	\$ 30,065,123	\$ 4,585,625	\$ 1,214,879	\$ (888,120)	\$ -	
Footnotes:						
1. Developer responsible for paying for off-site infrastructure improvements relating to facility and to purchase necessary public work and public safety equipment. (Source: Memorandum of Understanding with County).						

Consultant's Estimates: 2015						
	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick Co.</u>	<u>Fire District</u>	<u>K-12 Schools</u>	
<u>REVENUE:</u>						
Gaming Rev. Sharing	\$ 46,543,800	\$ 3,878,650	\$ 1,939,325	\$ -	\$ -	
Property Tax	45,840	1,773,283	-	183,116		1,574,398
Sales/Use Tax	919,510	173,492	-	-		-
Income Tax	1,894,588	-	-	-		-
School State Aid ¹	-	-	-	-		-
Total	\$ 49,403,738	\$ 5,825,426	\$ 1,939,325	\$ 183,116	\$	1,574,398
<u>COSTS:</u>						
Law Enforcement	\$ -	\$ 2,224,026	\$ -	\$ -	\$ -	-
Public Works ²	-	-	-	-	-	-
Education	-	-	-	-	-	-
Fire Protection/EMS	-	-	-	1,497,533		-
Admin. Overhead	-	699,108	-	-		-
Total	\$ -	\$ 2,923,134	\$ -	\$ 1,497,533	\$	-
Surplus/(Deficit)	\$ 49,403,738	\$ 2,902,292	\$ 1,939,325	\$ (1,314,417)	\$	1,574,398
	<u>Proposer</u>	<u>Consultant</u>	Source: GGR and visitor estimates average of			
Estimated GGR	\$ 129,794,817	\$ 193,932,500	Cummings Associates and Wells Gaming Research			
Estimated Visitors	2,092,254	2,470,000	estimates, September/October 2009.			
Footnotes:						
1. No school state aid is estimated as local (property tax) revenue exceeds the required general state aid amount.						
2. Developer responsible for paying for off-site infrastructure improvements relating to facility and to purchase necessary public work and public safety equipment. (Source: Memorandum of Understanding with County).						

TAB 3

FISCAL IMPACT ANALYSIS

APPENDIX 1
BUILDOUT ASSUMPTIONS AND ESTIMATED CONSTRUCTION COST
AT FULL DEVELOPMENT

<u>YEAR</u>	<u>USE TYPE</u>	<u>SQUARE FEET CONSTRUCTED</u>	<u>EST. TAXABLE CONSTR. COST</u>	<u>ESTIM. CONSTR. MATERIALS COST</u>	<u>FF&E PURCHASES</u>
Year 1	Casino	-	\$ 16,084,486	\$ 8,042,243	\$ -
	Restaurants	-	-	-	-
	Hotel	-	-	-	-
	Convention	-	6,081,181	3,040,590	-
Subtotal		-	22,165,667	11,082,833	
Year 2	Casino	57,475	23,816,756	11,908,378	34,821,701
	Restaurants	-	-	-	-
	Hotel	-	-	-	-
	Convention	21,730	9,004,578	4,502,289	13,165,299
Subtotal		79,205	32,821,333	16,410,667	47,987,000
Year 3	Casino	-	-	-	-
	Restaurants	-	-	-	-
	Hotel	-	-	-	-
	Convention	-	-	-	-
Subtotal		-	-	-	-
Year 4	Casino	-	7,731,238	3,865,619	-
	Restaurants	-	824,116	412,058	-
	Hotel	-	22,364,447	11,182,224	-
	Convention	-	2,472,348	1,236,174	-
Subtotal		-	33,392,149	16,696,075	-
Year 5	Casino	37,525	6,427,447	3,213,724	5,554,292
	Restaurants	4,000	685,138	342,569	592,063
	Hotel	108,550	18,592,922	9,296,461	16,067,111
	Convention	12,000	2,055,413	1,027,706	1,776,189
Subtotal		162,075	27,760,920	13,880,460	23,989,655
TOTAL		241,280	\$ 116,140,069	\$ 58,070,034	\$ 71,976,655

APPENDIX 1, ASSUMPTIONS:

1. Construction of the development is estimated to take place in 2 Phases.

Phase 1: 20-month construction period (January 2010 thru August 2011):

	Sq. Footage	Other Information
Casino	57,475	1,300 slot machines, 30 table games
Restaurants	21,730	3 restaurants
Total	79,205	

Source: Developer's application template.

Phase 2: Analysis assumes 18-month construction period (July 2013 to January 2015):

	Sq. Footage	Other Information
Casino	37,525	200 slot machines, 20 table games
Restaurants	4,000	multi-venue restaurant and bar
Hotel*	108,550	150 rooms
Convention	12,000	meeting and entertainment venue
Total	162,075	

*Hotel square footage average of Harrah's, Marvel, and Penn National 2008 gaming applications of 724 sq. ft. per room, including open space.

**Restaurant square footage from Harrah's, Marvel, and Penn National 2008 gaming applications data for multi-venue restaurant and bar.

Source: Unless otherwise noted, Phase 2 construction data from Chisholm Matrix, September 2009.

2. **Phase 1:** Construction costs estimated using above square footages and cost breakdown provided by the developer in its template document (land is added in year 1, 33% of building costs are added in year 1, and remainder in year 2, FF&E added in year 2):

Land	Building	FF&E*	Total**
\$ 5,755,000	\$ 49,232,000	\$ 47,987,000	\$ 102,974,000

*FF&E-furniture, fixtures and equipment, includes gaming equipment which is allocated to casino.

**Total amount does not equal investment amount as the analysis excludes soft costs such as pre-opening, A & E, project overhead and public sector infrastructure costs for property tax calculation purposes.

Source: Developer's application template.

APPENDIX 1
BUILDOUT ASSUMPTIONS AND ESTIMATED CONSTRUCTION COST
AT FULL DEVELOPMENT

Phase 2: Total construction cost of \$100 million is provided in Chisholm Matrix dated September 2009, cost breakdown percentages from developer's application template (land is added in year 4, 33% of building costs are added in year 4, and remainder in year 5, FF&E added in year 5):

Land	Building	FF&E	Total*
\$ 19,511,690	\$ 41,641,379	\$ 23,989,655	\$ 85,142,724

*Total amount does not equal investment amount as the analysis excludes soft costs such as financing costs and professional fees.

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

APPENDIX 2
ESTIMATED PROPERTY TAX REVENUE AT
2008 PROPERTY TAX RATE

<u>YEAR</u>	<u>USE TYPE</u>	<u>EST. REAL PROPERTY VALUE</u>	<u>CUMULATIVE PROPERTY VALUE</u>	<u>ESTIMATED ASSESSED VALUE</u>	<u>USD263 SCHOOL DIST. REVENUE</u>	<u>FIRE DISTRICT #9 REVENUE</u>	<u>RECREATION COMMISSION REVENUE</u>	<u>SUMNER COUNTY REVENUE</u>	<u>STATE OF KANSAS REVENUE</u>
Year 1	Casino	\$ 16,084,486	\$ 16,084,486	\$ 4,021,121					
	Restaurants	-	-	-					
	Hotel	-	-	-					
	Convention	6,081,181	6,081,181	1,520,295					
Subtotal		22,165,667	22,165,667	5,541,417	\$ -	\$ -	\$ -	\$ -	\$ -
Year 2	Casino	23,816,756	39,901,241	9,975,310					
	Restaurants	-	-	-					
	Hotel	-	-	-					
	Convention	9,004,578	15,085,759	3,771,440					
Subtotal		32,821,333	54,987,000	13,746,750	\$ 285,483	\$ 33,204	\$ 29,092	\$ 321,546	\$ 8,312
Year 3	Casino	-	41,098,279	10,274,570					
	Restaurants	-	-	-					
	Hotel	-	-	-					
	Convention	-	15,538,331	3,884,583					
Subtotal		-	56,636,610	14,159,153	\$ 708,205	\$ 82,371	\$ 72,170	\$ 797,669	\$ 20,620
Year 4	Casino	7,731,238	50,062,465	12,515,616					
	Restaurants	824,116	824,116	206,029					
	Hotel	22,364,447	22,364,447	5,591,112					
	Convention	2,472,348	18,476,829	4,619,207					
Subtotal		33,392,149	91,727,858	22,931,964	\$ 729,451	\$ 84,842	\$ 74,336	\$ 821,599	\$ 21,239
Year 5	Casino	6,427,447	57,991,786	14,497,947					
	Restaurants	685,138	1,533,977	383,494					
	Hotel	18,592,922	41,628,303	10,407,076					
	Convention	2,055,413	21,086,547	5,271,637					
Subtotal		27,760,920	122,240,613	30,560,153	\$ 1,181,409	\$ 137,408	\$ 120,393	\$ 1,330,650	\$ 34,398
Year 6	Casino	-	59,731,540	14,932,885					
	Restaurants	-	1,579,996	394,999					
	Hotel	-	42,877,152	10,719,288					
	Convention	-	21,719,143	5,429,786					
Subtotal		-	125,907,831	31,476,958	\$ 1,574,398	\$ 183,116	\$ 160,441	\$ 1,773,283	\$ 45,840
TOTAL		\$ 116,140,069			\$ 4,478,946	\$ 520,941	\$ 456,432	\$ 5,044,748	\$ 130,409

APPENDIX 2
ESTIMATED PROPERTY TAX REVENUE AT
2008 PROPERTY TAX RATE

APPENDIX 2, ASSUMPTIONS:

1. Tax rate will remain constant at 2008 amount:

Entity-Fund	Tax Rate*	*rate per \$1,000 of assessed value.
School District USD263	\$ 51.518	
Fire District #9	5.992	
Recreation	5.250	
County	58.026	
State	1.500	
Total	\$ 122.286	
2. Source: "Sumner County 2008 Levies," Sumner County Clerk website. Rates include all funds for which property tax revenues are collected. 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 real property. Source: "A Homeowner's Guide to Property Tax in Kansas." Kansas Department of Revenue.
4. Property value not inflated until Year 3 (FY 2012) to account for the recessionary period; inflation at 3%.
5. Property tax revenue is estimated in the year following construction and improvements to account for lien dates and work-in-progress.

APPENDIX 3

SALES TAX REVENUE

YEAR	SQUARE FT. BUILT	CONSTRUCTION MATERIALS COST (\$)	FF&E PURCHASES	RETAIL SALES	TOTAL TAXABLE SALES	SUMNER COUNTY REVENUE	STATE OF KANSAS REVENUE
Year 1	Casino	-	\$ 8,042,243	\$ -	\$ 8,042,243		
	Restaurants	-	-	-	-		
	Hotel	-	-	-	-		
	Convention	-	3,040,590	-	3,040,590		
Subtotal	-	11,082,833	-	-	11,082,833	\$ 110,828	\$ 587,390
Year 2	Casino	57,475	11,908,378	416,840	47,146,919		
	Restaurants	-	-	3,974,955	3,974,955		
	Hotel	-	-	-	-		
	Convention	21,730	4,502,289	-	17,667,588		
Subtotal	79,205	16,410,667	47,987,000	4,391,795	68,789,462	\$ 687,895	\$ 3,645,841
Year 3	Casino	-	-	1,271,073	1,271,073		
	Restaurants	-	-	12,130,026	12,130,026		
	Hotel	-	-	-	-		
	Convention	-	-	-	-		
Subtotal	-	-	-	13,401,099	13,401,099	\$ 134,011	\$ 710,258
Year 4	Casino	-	3,865,619	1,318,464	5,184,083		
	Restaurants	-	412,058	12,555,660	12,967,718		
	Hotel	-	11,182,224	-	11,182,224		
	Convention	-	1,236,174	-	1,236,174		
Subtotal	-	16,696,075	-	13,874,124	30,570,199	\$ 305,702	\$ 1,620,221
Year 5	Casino	37,525	3,213,724	1,367,627	10,135,642		
	Restaurants	4,000	342,569	12,996,683	13,931,315		
	Hotel	108,550	9,296,461	-	25,363,572		
	Convention	12,000	1,027,706	-	2,803,896		
Subtotal	162,075	13,880,460	23,989,655	14,364,309	52,234,424	\$ 522,344	\$ 2,768,424
Year 6	Casino	-	-	1,418,749	1,418,749		
	Restaurants	-	-	15,930,493	15,930,493		
	Hotel	-	-	-	-		
	Convention	-	-	-	-		
Subtotal	-	-	-	17,349,242	17,349,242	\$ 173,492	\$ 919,510
TOTAL	241,280	\$ 58,070,034	\$ 71,976,655	\$ 63,380,570	\$ 193,427,260	\$ 1,934,273	\$ 10,251,645

APPENDIX 3, ASSUMPTIONS:

1. Sales tax rate is as follows:

	Designation
1.000%	County
5.300%	State
6.300%	TOTAL

APPENDIX 3

SALES TAX REVENUE

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. **Phase 1:** Taxable sales based on the following data from the developer, retail sales shown under Casino above:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Retail*	\$ -	\$ 416,840	\$ 1,271,073	\$ 1,318,464	\$ 1,367,627	\$ 1,418,749
F&B	-	3,974,955	12,130,026	12,555,660	12,996,683	13,453,930
Total	\$ -	\$ 4,391,795	\$ 13,401,099	\$ 13,874,124	\$ 14,364,309	\$ 14,872,679

* Retail sales shown under casino above.

Source: Developer's application template.

Phase 2: Retail sales estimated based on the average sales data provided by developer for Phase 1 of \$ 619 per square foot. This is added to F&B revenue shown for Phase 1 above. Source: Taxable revenue and square footage from developer's application template.

**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	50,474,000	-	1,009,480	504,740	11,104,280
Year 3	Casino	151,422,000	-	3,028,440	1,514,220	33,312,840
Year 4	Casino	155,964,660	-	3,119,293	1,559,647	34,312,225
Year 5	Casino	160,643,600	-	3,212,872	1,606,436	35,341,592
Year 6	Casino	193,932,500	-	3,878,650	1,939,325	42,665,150
TOTAL		\$ 712,436,760	\$ -	\$ 14,248,735	\$ 7,124,368	\$ 156,736,087
						\$ 14,248,735

APPENDIX 4, ASSUMPTIONS:

- Estimated Gross Gaming Revenue (GGR) is the average GGR estimated in Wells and Cummings reports:

	<u>Year 3 (2012)</u>	<u>Year 6 (2015)</u>	
WGR GGR	\$ 139,844,000	\$ 206,065,000	
Cummings GGR	163,000,000	181,800,000	
Average	\$ 151,422,000	\$ 193,932,500	Revenue inflated 3% annually in Years 4 & 5.

Year 6 is considered full buildout, 12 months of operations; includes inflation at 3% per year from Year 2 forward.
Source: Wells Gaming Research and Cummings Associates GGR estimates, September/October 2009. Year 2 estimates in 2009 dollars.
- 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	2%	of all lottery gaming revenues.
Sedgwick County	1%	of all lottery gaming revenues.
City of Mulvane	0%	of all lottery gaming revenues.

Source: SB 66.
- Year 3 assumes first full year of operation. One third of revenue shown in Footnote 1 is assumed to be incurred in the four months of operation in Year 2.

**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	\$ 9,274,978	\$ 23,088	\$ 413,975
	Operating	-	-	-
Subtotal		9,274,978	23,088	413,975
Year 2	Construction	13,561,402	34,632	689,686
	Operating	8,521,487	9,751	298,252
Subtotal		22,082,889		987,938
Year 3	Construction	-	-	-
	Operating	26,403,936	30,220	1,290,213
Subtotal		26,403,936		1,290,213
Year 4	Construction	15,576,484	23,781	703,340
	Operating	27,186,679	31,034	1,339,617
Subtotal		42,763,163		2,042,957
Year 5	Construction	31,152,968	35,671	1,596,712
	Operating	28,013,546	31,914	1,392,121
Subtotal		59,166,514		2,988,833
Year 6	Construction	-	-	-
	Operating	37,809,982	32,831	1,894,588
Subtotal		37,809,982		1,894,588
TOTAL		\$ 197,501,462		\$ 9,618,505

APPENDIX 5, ASSUMPTIONS:

1. **Phase 1:** Estimated construction payroll is provided by the Developer at \$ **22,836,380** during the construction phase of the project. This includes salaries only, no benefits are included. The following payroll per employee data is estimated

	Year 1	Year 2
Payroll	\$ 9,274,978	\$ 13,561,402
Average Employees	402	392
Payroll/Employee	\$ 23,088	\$ 34,632

Source: Developer's application template.

Phase 2: Construction employees and salary estimated using construction data provided by developer in Phase 1.

Phase 1 Sq.Ft. Construction Payroll	\$ 22,836,380
Phase 1 Square Feet	79,205
Payroll/Sq.Ft.	\$ 288.32
Phase 2 Sq.Ft. Constructed	162,075

	Year 4	Year 5
Payroll	\$ 15,576,484	\$ 31,152,968
Average Employees	655	873
Payroll/Employee	\$ 23,781	\$ 35,671

Salaries inflated 3% from the salary amount provide in Phase 1.

2. **Phase 1:** Estimated on-going operating payroll is estimated at \$ **26,403,936** per year at full year of operation for **874** FTE employees. This includes salaries only, no benefit costs are included. Benefits are estimated at **33.60%** of salaries. Source: Developer's template.

The following payroll per employee data is estimated

	Year 2	Year 3	Year 4	Year 5	Year 6
Payroll	\$ 8,521,487	\$ 26,403,936	\$ 27,186,679	\$ 28,013,546	\$ 28,877,207
Ave. Employees	874	874	876	878	880
Payroll/Empl.	\$ 9,751	\$ 30,220	\$ 31,034	\$ 31,914	\$ 32,831

Source: Developer's application template.

APPENDIX 5
STATE INCOME TAX REVENUE

Phase 2: Operating employees and salary data estimated using employment data provided by developer in Phase 1.

	Phase 1 Sq.Ft.	Phase 1 Employees	Sq.Ft./Employee	Phase 2 Sq.Ft.	Phase 2 Employees
Restaurants	21,730	239	91	4,000	44
	Employees/Slot	Source		Phase 2 Slots	Phase 2 Employees
Casino	0.7	Source: Average all Kansas applicants, 2008		200	140
	Sq.Ft./Employee	Source		Phase 2 Sq.Ft.	Phase 2 Employees
Hotel	1,515	Average Harrah's, Marvel, Penn employees/hotel		108,550	72
Convention	<u>730</u>	Average Harrah's, Marvel, Penn employees/entert.		<u>12,000</u>	<u>16</u>
Total	23,976			124,750	272
		Additional Phase 2	Total Year 6		
	Payroll	\$ 8,932,775	\$ 37,809,982		
	Average Employees	272	1,152		
	Payroll/Employee	\$ 32,831	\$ 32,831		

3. Personal income tax revenue for the State is estimated as follows, using a 2008 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. 2008 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>FIRE DISTRICT #9</u>	<u>OTHER DISTRICTS</u>	<u>MULVANE SCHOOL DIST.</u>
Year 1	Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Sales Tax	587,390	110,828	-	-	-	-
	Gaming Revenue	-	-	-	-	-	-
	Income Tax Revenue	413,975	-	-	-	-	-
Subtotal		1,001,366	110,828	-	-	-	-
Year 2	Property Tax	8,312	321,546	-	33,204	29,092	285,483
	Sales Tax	3,645,841	687,895	-	-	-	-
	Gaming Revenue	12,113,760	1,009,480	504,740	-	-	-
	Income Tax Revenue	987,938	-	-	-	-	-
Subtotal		16,755,852	2,018,921	504,740	33,204	29,092	285,483
Year 3	Property Tax	20,620	797,669	-	82,371	72,170	708,205
	Sales Tax	710,258	134,011	-	-	-	-
	Gaming Revenue	36,341,280	3,028,440	1,514,220	-	-	-
	Income Tax Revenue	1,290,213	-	-	-	-	-
Subtotal		38,362,372	3,960,120	1,514,220	82,371	72,170	708,205
Year 4	Property Tax	21,239	821,599	-	84,842	74,336	729,451
	Sales Tax	1,620,221	305,702	-	-	-	-
	Gaming Revenue	37,431,518	3,119,293	1,559,647	-	-	-
	Income Tax Revenue	2,042,957	-	-	-	-	-
Subtotal		41,115,935	4,246,594	1,559,647	84,842	74,336	729,451
Year 5	Property Tax	34,398	1,330,650	-	137,408	120,393	1,181,409
	Sales Tax	2,768,424	522,344	-	-	-	-
	Gaming Revenue	38,554,464	3,212,872	1,606,436	-	-	-
	Income Tax Revenue	2,988,833	-	-	-	-	-
Subtotal		44,346,119	5,065,866	1,606,436	137,408	120,393	1,181,409
Year 6	Property Tax	45,840	1,773,283	-	183,116	160,441	1,574,398
	Sales Tax	919,510	173,492	-	-	-	-
	Gaming Revenue	46,543,800	3,878,650	1,939,325	-	-	-
	Income Tax Revenue	1,894,588	-	-	-	-	-
Subtotal		49,403,738	5,825,426	1,939,325	183,116	160,441	1,574,398
TOTAL		\$ 190,985,381	\$ 21,227,756	\$ 7,124,368	\$ 520,941	\$ 456,432	\$ 4,478,946

APPENDIX 6, ASSUMPTIONS:

1. State of Kansas revenue includes 2% gaming contribution revenue for problem gambling fund.
2. Other Districts includes Recreation Commission and Udall Community Building districts.

**APPENDIX 7
SUMNER COUNTY
SHERIFF DEPARTMENT COST PROJECTIONS**

<u>YEAR</u>	<u># OF NEW POSITIONS</u>	<u>SALARIES & BENEFITS</u>	<u>CONTRACTUAL/ COMMODITIES</u>	<u>CAPITAL OUTLAY</u>	<u>TOTAL COST</u>
Year 1	0	\$ -	\$ -	\$ -	-
Year 2	0	-	-	-	-
Year 3	12	797,523	613,104	141,876	1,552,504
Year 4	12	829,424	637,628	147,551	1,614,604
Year 5	12	862,601	663,134	153,453	1,679,188
Year 6	15	1,142,485	878,297	203,244	2,224,026
TOTAL		\$ 3,632,032	\$ 2,792,164	\$ 646,125	\$ 7,070,321

APPENDIX 7, ASSUMPTIONS:

- Analysis utilizes service level and cost data provided by Sumner County for the Harrah's casino proposal in 2008.
Chisholm Creek casino is projected to generate the following visitors

	<u>Year 3 (2012)</u>	<u>Year 6 (2015)</u>
WGR GGR	2,044,000	2,712,000
Cummings GGR	1,835,000	2,228,000
Average	1,939,500	2,470,000

Source: Wells Gaming Research and Cummings Associates, visitor estimates, September/October 2009.
- New positions required to service the development are estimated as follows:

	<u>Year 3 Positions</u>	<u>Year 6 Positions</u>	<u>Year 3 Salaries/Benefits</u>	<u>Year 6 Salaries/Benefits</u>
Patrol Officers	5	7	\$ 390,594	\$ 497,431
Detective	1	1	78,658	100,172
Detention Officers	5	7	239,744	305,319
Total	12	15	\$ 708,995	\$ 902,922

*Salaries/Benefits costs are in 2008 dollars. Salary and benefits costs are increased 4% annually. Source: Gerald Gilkey, Sumner County Sheriff, 2008.
- Contractual/commodities and capital outlay are estimated as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Average</u>
Personnel Services	\$ 692,475	\$ 821,000	\$ 933,912	\$ 815,796
Contractual (CC)	54,301	69,900	51,700	58,634
Commodities (CC)*	508,954	575,300	621,300	568,518
Capital Outlay (CO)	126,381	156,000	153,000	145,127
Total	\$ 1,382,111	\$ 1,622,200	\$ 1,759,912	\$ 1,588,074
CC % of PS	81%	79%	72%	77%
CO % of PS	18%	19%	16%	18%

*Includes other jail expenses, juvenile detention, reimbursements and prisoner board costs.
Source: "Sumner, Kansas Budget" 2009. Three-year average (2007-2009) for the Sheriff's Department.
- Analysis estimates only operating costs associated with the development. According to the Memorandum of Understanding between Chisholm Creek and Sumner County, the developer will cover all capital purchase and construction costs.

APPENDIX 8
COMPARISON OF ESTIMATED REVENUE TO
ESTIMATED COSTS

<u>YEAR</u>	<u>ESTIMATED REVENUE</u>	<u>SHERIFF DEPARTMENT</u>	<u>ADMINISTRATIVE OVERHEAD</u>	<u>TOTAL COST</u>	<u>REVENUE SURPLUS</u>
Year 1	\$ 110,828	\$ -	\$ -	\$ -	\$ 110,828
Year 2	2,018,921	-	-	-	2,018,921
Year 3	3,960,120	1,552,504	488,020	2,040,523	1,919,597
Year 4	4,246,594	1,614,604	507,540	2,122,144	2,124,450
Year 5	5,065,866	1,679,188	527,842	2,207,030	2,858,836
Year 6	5,825,426	2,224,026	699,108	2,923,134	2,902,292
TOTAL	\$ 21,227,756	\$ 7,070,321	\$ 2,222,511	\$ 9,292,832	\$ 11,934,924

APPENDIX 8, ASSUMPTIONS:

1. See Appendices 2-6 for detailed calculations of County revenues.
2. See Appendix 7 for detailed calculations of Sheriff costs.
3. Administrative overhead costs estimated at **31%** of Sheriff costs.
Source: Summer County Budget. Three-year average indirect costs as percent of direct costs (2007-2009) for the General Fund.

	Direct	2007	2008	2009	Average
Clerk		114,526	128,860	136,310	126,565
Sheriff		1,382,111	1,622,200	1,759,912	1,588,074
Registrar		84,494	97,425	107,191	96,370
Courthouse General		732,727	720,050	787,000	746,592
Unified Court		350,739	355,262	363,506	356,502
Counselor		56,690	62,372	69,360	62,807
Planning		140,119	152,271	165,223	152,538
CASA		101,475	126,923	120,107	116,168
Juvenile Court		9,043	9,643	9,643	9,443
Total		2,971,924	3,275,006	3,518,252	3,255,061
Indirect		2007	2008	2009	Average
County Commission		69,487	75,141	79,020	74,549
Treasurer		141,827	185,201	196,449	174,492
Attorney		214,675	258,940	269,354	247,656
Maintenance		158,046	208,352	235,434	200,611
Geographical Info		108,915	56,738	56,627	74,093
Data Processing		229,131	255,373	270,913	251,806
Total		922,081	1,039,745	1,107,797	1,023,208
% Indirect of Direct		31%	32%	31%	31%

APPENDIX 9
SUMNER COUNTY FIRE DISTRICT #9
FIRE DEPARTMENT COST PROJECTIONS

<u>YEAR</u>	<u>ESTIMATED REVENUES</u>	<u># OF NEW EMPLOYEES</u>	<u>SALARIES & BENEFITS</u>	<u>CONTRACTUAL/ COMMODITIES</u>	<u>CAPITAL OUTLAY</u>	<u>TOTAL COST</u>	<u>REVENUE SURPLUS/ (DEFICIT)</u>
Year 1	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -
Year 2	33,204	0	-	-	-	-	33,204
Year 3	82,371	18	977,968	128,196	1,597	1,107,761	(1,025,390)
Year 4	84,842	18	1,017,087	133,324	1,660	1,152,071	(1,067,229)
Year 5	137,408	18	1,047,599	137,324	1,710	1,186,633	(1,049,225)
Year 6	183,116	23	1,322,072	173,303	2,158	1,497,533	(1,314,417)
TOTAL	\$ 520,941		\$ 4,364,726	\$ 572,146	\$ 7,126	\$ 4,943,998	\$ (4,423,056)

APPENDIX 9, ASSUMPTIONS:

1. See Appendix 6 for detailed revenue calculations.
2. Analysis utilizes service level and cost data provided by Sumner County for the Harrah's casino proposal in 2008. See Appendix 7 for visitor estimates.
3. The development is expected to be served by the Sumner County Rural Fire District #9; operating cost requirements for this district were unavailable due to the time constraint of this analysis. The analysis uses data provided by the Mulvane Fire District in 2008 as it is assumed operating cost requirements to be similar.
4. New positions required to service the development are estimated as follows:

	Year 3 Positions	Year 6 Positions	Year 3 Salaries/Benefits	Year 6 Salaries/Benefits
MICT	9	11	\$ 387,516	\$ 493,511
Firefighter	6	8	304,977	388,396
Fire Lieutenants	3	4	176,917	225,308
Total	18	23	\$ 869,410	\$ 1,107,214

Salary and benefits costs are increased 4% annually. Source: "Fire/EMS" questionnaire provided by Kent Hixson, City Manager, Mulvane, Kansas, 2008.
5. Contractual/commodities and capital outlay are estimated as follows:

	2007	2008	2009	Average
Personnel Services	\$ 1,269,668	\$ 1,366,563	\$ 1,443,821	\$ 1,360,017
Contractual (CC)	81,355	92,439	101,870	91,888
Commodities (CC)	67,809	86,907	104,450	86,389
Capital Outlay (CO)	6,661	-	-	2,220
Total	\$ 1,425,493	\$ 1,545,909	\$ 1,650,141	\$ 1,540,514
CC % of PS	12%	13%	14%	13%
CO % of PS	1%	0.0%	0.0%	0.2%

Source: "City of Wellington 2009 Budget" 2009. Three-year average (2007-2009) for the Fire & Ambulance Department.
6. Analysis estimates only operating costs associated with the development. According to the Memorandum of Understanding between Chisholm Creek and Sumner County, the developer will cover all capital purchase and construction costs.

APPENDIX 10
MULVANE SCHOOL DISTRICT, 263
ESTIMATED NUMBER OF NEW STUDENTS

<u>YEAR</u>	<u>ESTIMATED TOTAL NO. OF EMPLOYEES</u>	<u>NUMBER OF NEW EMPLOYEES</u>	<u># OF NEW HOUSEHOLDS</u>	<u># OF NEW STUDENTS</u>
Year 2	874	130	130	130
Year 3	874	130	130	130
Year 4	876	130	130	130
Year 5	878	130	130	130
Year 6	1,152	130	130	130

APPENDIX 10, ASSUMPTIONS:

1. Number of employees is provided by the Developer (application template).
 Analysis assumes only Professional, Manager, Executive and Technician positions will be new to the area. Other jobs will be filled by existing Sumner County residents. Existing residents are not expected to generate additional students for the School District.
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: Richard Flores, Mulvane School District, 2008.
3. The analysis assumes **no fiscal impact** on K-12 school districts due to the following reasons:
 - a. The Wichita MSA had 29,700 unemployed people as of August 2009 (Kansas Dept of Labor) indicating that the labor force availability is more than sufficient to fill new jobs, eliminating the need to import new workers who may impact the school districts.
 - b. It is estimated that 130 jobs will be filled by out-of-area employees.
 - c. Sumner County: Between 2003-04 and 2008-09, the County school districts experienced a decrease in enrollment of 262 students. KU's Institute for Policy and Social Research estimates a decreasing population in the County through 2030, thus freeing up more K-12 capacity to absorb casino employees' children.
 - d. Sedgwick County: Between 2005-06 and 2008-09, County school districts experienced a decrease in enrollment of 1,310 students. KU's Institute for Policy and Social Research estimates an increasing population in the County, 12,000 new residents over the next five years.
 - e. In 2008, the Mulvane School District alone had an existing capacity of 155 students, 25 in grade school, 100 in middle school and 30 in High School.
 Source: Richard Flores, Mulvane School District.

APPENDIX 11
MULVANE SCHOOL DISTRICT, 263
ESTIMATED SURPLUS/DEFICIT TO STATE

<u>YEAR</u>	<u>STATE FINANCIAL AID</u>	<u>LOCAL EFFORT</u>	<u>GENERAL STATE AID</u>	<u>TOTAL COSTS</u>
Year 1	\$ -	\$ -	\$ -	-
Year 2	137,071	285,483	-	-
Year 3	548,299	708,205	-	-
Year 4	548,340	729,451	-	-
Year 5	548,382	1,181,409	-	-
Year 6	548,425	1,574,398	-	-
TOTAL	\$ 2,330,516	\$ 4,478,946	\$ -	-

APPENDIX 11, ASSUMPTIONS:

1. FY 09-10 State Financial Aid amount is estimated at \$ **4,218** per pupil.
Source: Dale Dennis, Deputy Commissioner, Kansas Department of Education. See Appendix 10 for student estimates.
State Financial Aid is estimated starting in the last quarter of Year 2.
2. Local Effort includes school districts' property tax revenue only; other revenue sources are a small percentage of the total and are not estimated. Property tax revenue estimated for Kansas City School Districts in Appendix 2.
3. General State Aid is estimated by subtracting Local Effort revenue from State Financial Aid revenue. As the Local Effort revenue exceeds State Financial Aid revenue, no General State Aid revenue is estimated.



**FISCAL IMPACT ANALYSIS
OF THE PROPOSED
CHISHOLM CREEK FACILITY
IN
SOUTH CENTRAL ZONE**

OCTOBER 2009



Study Purpose

- Estimate the Financial Impact on State and Local Governments' Budgets of the Proposed Lottery Gaming Facility
- To Determine if the Lottery Gaming Facility Will Cause a Financial Surplus or Deficit To Governments' Budgets

Methodology

- Compare Proposer's Estimated Public Sector Revenue and Costs to Consultant's Estimate
- Over the Construction Period and 1st Full Year of Operations
- 6-Year Fiscal Impact Summary Captures Findings
- Used Fiscal Data Collected for 2008 Analyses; 2009 Analysis Sent to Representatives for Review and Comment

Methodology (continued)

Revenue Estimated:

- Gaming Revenue Sharing
- Property Tax
- Sales Tax
- Income Tax

Costs Estimated:

- Law Enforcement
- Fire Protection/Emergency Medical Services
- Education
- Administrative Overhead

Assumptions

- MOU provides that
 - Developer will negotiate with County for construction or funding of roadways, utilities, public safety and emergency service facilities
 - Developer shall purchase and supply designated police, emergency and fire equipment and technology
- No significant incremental public works/utilities costs
 - Unknown what projects/improvements will be required to service facility
 - Assume utility fees will be increased/decreased to cover operating expenditures

Assumptions (continued)

- No significant incremental resident-driven costs:
 - Clerk, Registrar, Courthouse, Unified Court, Counselor, CASA, Juvenile Court, and Planning
 - Assume only Professional, Manager, Executive and Technician positions new to area-130 positions at buildout
 - Remaining positions covered by existing unemployment pool of approximately 29,703 people (Wichita MSA rate of 8.9%)

Assumptions (continued)

- No significant incremental school costs-existing capacity within area school districts
 - Between 2003-04 and 2008-09, Sumner Co. had a decrease in enrollment of 262 students
 - Between 2005-06 and 2008-09, Sedgwick Co. had a decrease in enrollment of 1,310 students
 - KU's Institute for Policy and Social Research estimates a decreasing population in Sumner County through 2030
 - In 2008, the Mulvane School District had an existing capacity of 155 students

Governments Analyzed

- State--Revenue Only
- Sumner County
- Sumner County Rural Fire District #9
- Mulvane School District

CHISHOLM CREEK						
6-YEAR SUMMARY						
REVENUE	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Fire District No. 9</u>	<u>Mulvane School Distr.</u>	
Property Tax	\$ 130,409	\$ 5,044,748	\$ -	\$ 520,941	\$ 4,478,946	
Sales Tax	10,251,645	1,934,273	-	-	-	
Gaming Revenue	170,984,822	14,248,735	7,124,368	-	-	
Income Tax Revenue	9,618,505	-	-	-	-	
Total	\$190,985,381	\$ 21,227,756	\$ 7,124,368	\$ 520,941	\$ 4,478,946	
COSTS	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Fire District No. 9</u>	<u>Mulvane School Distr.</u>	
Law Enforcement	\$ -	\$ 7,070,321	\$ -	\$ -	\$ -	
Fire/EMS	-	-	-	4,943,998	-	
Education	-	-	-	-	-	
Admin./Overhead	-	2,222,511	-	-	-	
Total	\$ -	\$ 9,292,832	\$ -	\$ 4,943,998	\$ -	

CHISHOLM CREEK					
6-YEAR SUMMARY					
	<u>State</u>	<u>Sumner County</u>	<u>Sedgwick County</u>	<u>Fire District No. 9</u>	<u>Mulvane School Distr.</u>
Revenue	\$190,985,381	\$ 21,227,756	\$ 7,124,368	\$ 520,941	\$ 4,478,946
Cost	-	9,292,832	-	4,943,998	-
Surplus/ (Deficit)	\$190,985,381	\$11,934,924	\$7,124,368	(\$4,423,056)	\$4,478,946

Chisholm Creek Responses
To Requests From the
Lottery Gaming Facility Review Board



Chisholm Creek Casino Resort Response to the
KANSAS LOTTERY GAMING FACILITY REVIEW BOARD
Response to September 17, 2009 Inquiry

September 21, 2009

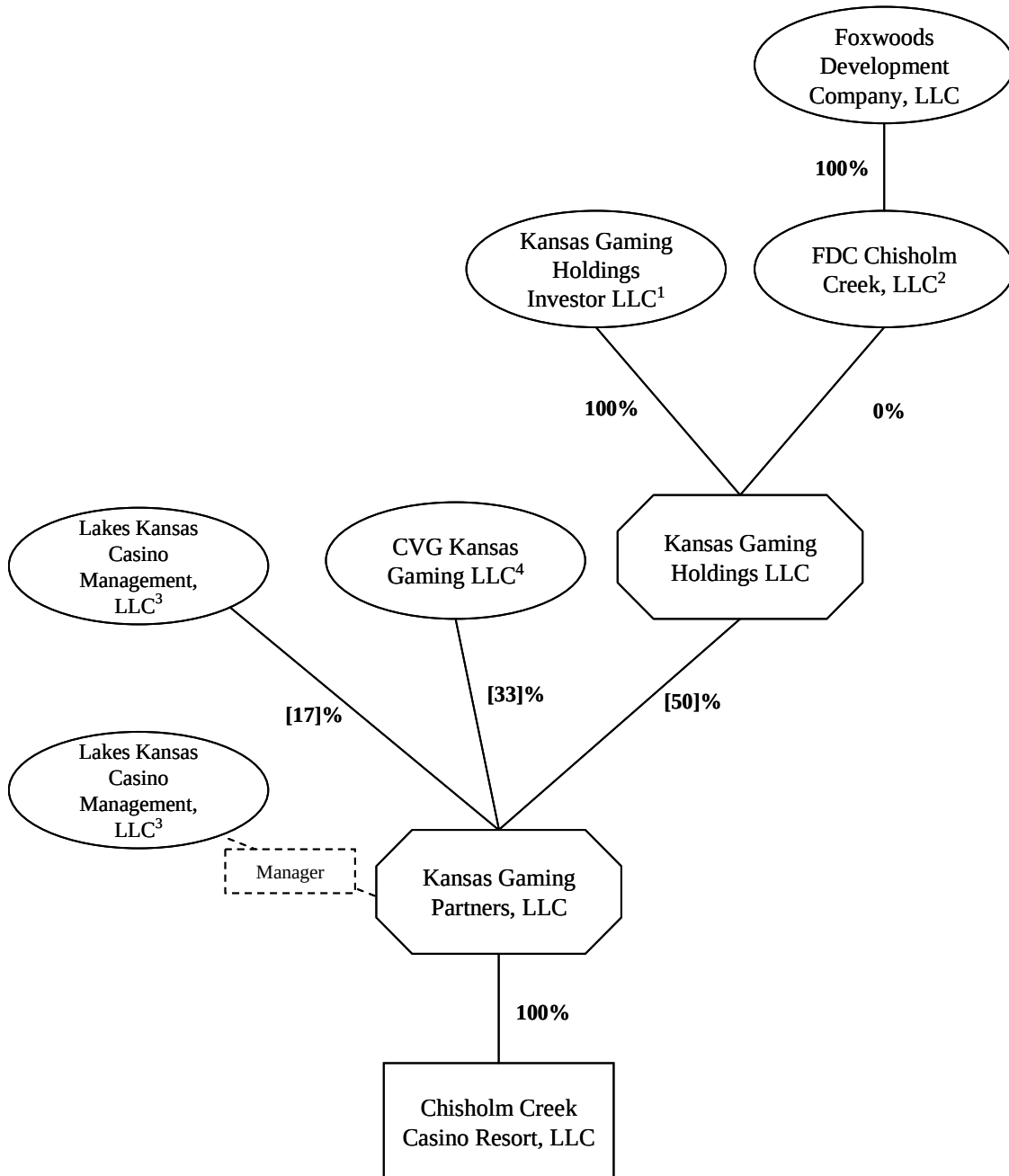
Prepared by
Lakes Entertainment, Inc.

Contents

The following inquiries were provided to the Applicant by Mr. Stephen Martino on behalf of the Kansas Lottery Review Board on September 17, 2009. This document contains the responses to those inquiries.

Question	Page
1. Explain the equity ownership positions of all parties.	3
2. Outline nongaming amenities found in the first phase of all the casinos developed, constructed or opened by the Lakes.	4
3. Explain how the applicant intends to spend the remaining \$100 million of its initial capital investment requirement.	16
4. Explain if Och-Ziff and Clairvest are investing from cash reserves or if they are seeking debt financing from another source to make their equity contributions to the proposal.	17
5. Explain contingency plans in place should Lakes not raise enough money in its stock offering to cover its capital commitment to the proposal.	18
6. Explain the involvement in this project by individuals and entities that were participating in the Prairie Sky proposal under the name Double Down. Individuals or companies included in this could include McPherson Contractors, MRV, Equity Ventures, Nancy Seitz, Bruce Christiansen, Bruce McPherson, Michael McPherson, James Walker and Jeffrey Ungerer. Indicate if any of these groups or individuals has an equity interest now. Explain if these groups have they been approached to have an equity interest in phase II? Explain if there are any relationships -- contractual, written or otherwise -- between the applicant, Chisholm Creek, and any of these individuals or entities.	19
7. Submit the entire consultant study that was commissioned by the applicant to assess potential income of the proposal including gross gaming revenue. Include the methodology for these studies.	20
8. Outline Phase II financing plans.	27
9. Submit electronic copies of all drawings and renderings shown yesterday.	28

1. Explain the equity ownership positions of all parties.



(1) Subsidiary of Och-Ziff Real Estate.

(2) FDC Chisholm Creek, LLC is entitled to a promoted interest after Kansas Gaming Holdings Investor LLC receives a preferred return.

(3) Subsidiary of Lakes Entertainment, Inc.

(4) Clairvest investment entity.

2. Outline nongaming amenities found in the first phase of all the casinos developed, constructed or opened by the Lakes.

The charts below illustrate the size and scope of past Lakes Entertainment projects. The top chart illustrates the amenities included at the opening of each project. The second chart illustrates amenities added in following phases. Pages in this section following the chart include photos and a description of the projects. Note: prior to 1998 Lakes Entertainment operated as Grand Casinos.

Phase One Totals	Grand Casino Mille Lacs	Grand Casino Hinckley	Grand Casino Gulfport	Grand Casino Biloxi	Grand Casino Avoyelles	Grand Casino Coushatta	Grand Casino Tunica	Stratosphere	Cimarron Casino	Four Winds Casino Resort	Red Hawk Casino
Hotel Rooms	0	0	0	0	0	0	756	1,500	0	165	0
RV Spaces	0	272	0	0	0	0	0	0	0	0	0
Restaurants	3	4	5	6	3	3	6	6	0	6	6
Restaurant Seats	690	1,180	980	1,200	750	530	1,650	1,600	0	910	1,010
Valet	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Parking Spaces	1,700	1,800	2,800	3,100	1,350	1,500	5,000	4,000	75	4,400	3,600
Golf Course	No	No	No	No	No	No	Yes	No	No	No	No
Meeting Sq. Ft.	0	0	0	0	0	0	0	0	0	1,200	0
Entertainment Sq. Ft.	1,200	2,000	0	0	1,500	2,000	5,000	40,000	0	1,600	2,000
Retail Outlets	1	1	1	1	1	1	1	35	0	4	1
Retail Sq. Ft.	1,000	1,000	2,000	1,500	1,200	1,200	2,000	120,000	0	7,000	1,500
Spa/Pool Sq. Ft.	0	0	0	0	0	0	0	5,000	0	0	0
Child Care	6,000	0	5,000	5,000	0	6,000	0	0	0	8,000	8,000
Arcade	3,000	0	2,500	2,500	0	3,000	0	0	0	4,000	4,000

Totals After Additional Phases	Grand Casino Mille Lacs	Grand Casino Hinckley	Grand Casino Gulfport	Grand Casino Biloxi	Grand Casino Avoyelles	Grand Casino Coushatta	Grand Casino Tunica	Stratosphere	Cimarron Casino	Four Winds Casino Resort	Red Hawk Casino
Hotel Rooms	284	454	1,000	1,492	220	380	1,356	1,500	0	165	0
RV Spaces	0	272	0	0	227	256	200	0	0	0	0
Restaurants	4	5	7	8	5	6	6	6	1	6	6
Restaurant Seats	810	1,230	1,280	1,450	950	1,200	1,650	1,600	35	910	1,100
Valet	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Parking Spaces	1,900	2,300	3,500	3,811	2,250	3,000	7,213	4,000	300	4,400	3,600
Golf Course	No	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No
Meeting Sq. Ft.	18,000	11,000	9,000	17,000	5,000	10,000	62,000	0	0	1,200	0
Entertainment Sq. Ft.	1,200	20,000	12,000	62,000	31,000	12,000	45,000	40,000	0	1,600	2,000
Retail Outlets	1	1	3	6	1	1	3	35	0	3	1
Retail Sq. Ft.	1,000	2,000	6,500	8,500	1,200	1,200	5,000	120,000	0	6,000	1,500
Spa/Pool Sq. Ft.	2,500	2,500	12,000	10,000	5,000	5,000	20,000	5,000	0	0	0
Child Care Sq. Ft.	6,000	8,000	8,000	8,000	6,000	6,000	10,000	0	0	8,000	8,000
Arcade Sq. Ft.	3,000	4,000	4,000	4,000	3,000	3,000	4,000	0	0	4,000	4,000



Grand Casinos opened Grand Casino Mille Lacs in Onamia, Minnesota in 1991. Grand Casinos designed, constructed and managed Grand Casino Mille Lacs for the Mille Lacs Band of Ojibwe Indians.

At opening the casino included a 400-seat bingo area, three restaurants, a Kids Quest and a Grand Arcade. Shortly after opening a 175-room luxury hotel was added. While Grand Casinos managed the property, the size grew from approximately 13,000 square feet to 40,000 square feet of casino gaming space.



Grand Casino Hinckley opened in Hinckley, Minnesota in 1992. Grand Casino Hinckley was designed, constructed and managed for the Mille Lacs Band of Ojibwe Indians.

At opening the casino included four restaurants, two full-service bars, a lounge and an RV Resort with fully furnished rental units. An expansion in 1994 included a 5,000 seat amphitheater; 154 room hotel; a Kids Quest expansion and non-smoking slot gaming space. In 1995, an 18-hole golf course was opened and an indoor lodge and swimming pool were added to the RV Resort.



Grand Casino Gulfport opened in January, 1993. Grand Casino Gulfport was Grand Casino's first company-owned property. Amenities offered at Grand Casino Gulfport included a Kids Quest, a Grand Arcade, seven restaurants and a poker room.

In May 1995, America Live, a tri-level entertainment complex, opened adjacent to the casino. America Live offered a variety of entertainment options including two dining venues, dancing to live music, a comedy club and a dueling piano club with sing-along entertainment.

A 400-room, full-service hotel opened at October 1995. Every guest room in the 17-story hotel featured a view of the Gulf of Mexico. The hotel also included the Grand Spa, an indoor pool and jacuzzi, the Crab House restaurant, specialty shops and 9000 square feet of flexible banquet space. In 1999, a 1,800 acre recreation area was developed as a shared resource for Grand Casino Gulfport and Grand Casino Biloxi. This area included a Jack Nicklaus championship golf course, a clubhouse, sporting clays shooting facility and golf academy.



Grand Casino Biloxi opened in January 1994, just 15 miles up the coast from its sister facility in Gulfport. Grand Casino Biloxi was a three-story facility with a Kids Quest, a Grand Arcade, six restaurants and a poker room.

In March 1995, an 1800-seat theater complex was opened adjacent to the casino. The Biloxi Grand Theater was home to Las Vegas style production shows and also used for special events such as headline acts, local civic activities, conventions and festivals.

In April 1995, the 500-room, 12-story Grand Casino Biloxi Hotel opened. The hotel offered amenities found in finer hotels including an outdoor pool, full-service Grand Spa, a variety of specialty shops and the Crab House restaurant overlooking the Gulf of Mexico. Nearly 17,000 sq. ft. of meeting and banquet space was also available for groups and conventions.



Grand Casino Avoyelles opened in June 1994 and was owned by the Tunica-Biloxi Tribe of Louisiana. It was located in Marksville, in east central Louisiana. Grand Casino Avoyelles opened with three restaurants, an entertainment lounge and a poker room.

In 1995, a new wing was added to the casino which housed a Kids Quest and Grand Arcade. Then in 1996, a 220 room hotel with an outdoor swimming pool, fitness center and meeting facilities was added by an independent company.



Grand Casinos Inc. designed and constructed Grand Casino Coushatta for the Coushatta Tribe of Louisiana. At opening in 1995 the casino offered three restaurants, an entertainment lounge, Kids Quest and a Grand Arcade.

Just six months after opening, a 27,000 square-foot expansion was added to the casino to house additional games and dining option in order to keep pace with the demand.



Grand Casinos opened Grand Casino Tunica in June 1996 as the closest gaming facility to the Memphis market. At the time, it was the largest casino between Atlantic City and Las Vegas. Also, it was the largest floating casino in the world.

The facility consisted of three connected casinos with different themes. The resort included 756 hotel rooms; an entertainment barge; restaurants; entertainment lounges; a Kids Quest; a Grand Arcade; a golf course; and swimming and recreational facilities.



A majority Owned affiliate of Grand Casinos, Stratosphere Corporation, constructed an integrated casino/hotel and entertainment complex located at the north end of the Las Vegas Strip.

The Stratosphere included the 1,149-foot Stratosphere Tower, the tallest free-standing observation tower in the United States. The complex included a 1,500-room hotel, a 118,000-square-foot casino and a 160,000-square-foot retail and entertainment center. It also featured indoor and outdoor observation decks, a revolving restaurant, cocktail lounge, three wedding chapels and two thrill rides.



In May 2006 Lakes Entertainment began managing Cimarron Casino for the Iowa Tribe of Oklahoma. As part of the managerial responsibilities, Lakes oversaw the remodel of the existing facility. Regulatory constraints prohibited the expansion of the existing building's size or changes to the exterior. However, using the existing building, Lakes was able to increase the game count from 150 to over 300, add a snack bar and provide a training space for employees. Revenues have increased dramatically. Lakes is currently working with the Iowa Tribe to develop a larger facility between Tulsa and Oklahoma City, Oklahoma.



In August of 2007, Lakes Entertainment opened and began managing Four Winds Casino Resort in New Buffalo, Michigan for the Pokagon Band of Potawatomi Indians. The resort is located just over one hour east of Chicago on I-94 at Michigan Exit 1. The property consists of 3000 slots machines, 100 table games, a poker room, six restaurants, retail space and a 165-room hotel.

Four Winds continues to be one of the leading properties in the entire region today. This has been due in part to a rapidly growing and loyal customer base. After a year and a half of operation, the property boasted over half a million members in its loyalty club. In internal surveys, gamblers in the region consistently ranked Four Winds the most desirable casino resort in the region and many local tourism publications have named it the best casino in the area. More than a third of the casino's customers are from the Chicago area and drive past multiple other casino to reach Four Winds.



Lakes oversaw the development, design, construction and now manages Red Hawk Casino just outside of Sacramento, California for the Shingle Springs Band of Miwok Indians. The property opened in December of 2008. The facility consists of 2,100 slot machines, 75 table games and six restaurants.

Construction of this project took approximately 18 months. The site's unique location required the construction of a multi-million dollar interchange to connect to Highway 50. The location also dictated the construction of a multiple tiered parking ramp and a two-level casino design. As part of the opening, Lakes screened over 20,000 applicants to fill nearly 2,000 jobs; conducted free table games dealer schools; and hosted vendor fairs for local businesses.

Currently over 300,000 people visit the property each month including nearly 20,000 bus passengers traveling over 100 miles from San Francisco.

3. Explain how the applicant intends to spend the remaining \$100 million of its initial capital investment requirement.

Build out of Phase II would include additional gaming floor space, food & beverage outlets, the hotel, and related infrastructure improvements. The sequencing of such build-out would be based on the Applicant's experience with Phase I – for example, if Applicant receives guest feedback to indicate that there is demand for more F&B venues, Applicant's priority would be to add such amenities. Applicant believes that phasing in this manner will allow it to best provide the optimal package of amenities for the market.

4. Explain if Och-Ziff and Clairvest are investing from cash reserves or if they are seeking debt financing from another source to make their equity contributions to the proposal.

Cash. Och-Ziff and Clairvest are private equity funds and have committed capital from their institutional limited partners that they have complete discretion to invest.

5. Explain contingency plans in place should Lakes not raise enough money in its stock offering to cover its capital commitment to the proposal.

Och-Ziff and Clairvest have sufficient resources to make the capital contribution, and have the right to make such contribution under the limited liability company agreement.

6. Explain the involvement in this project by individuals and entities that were participating in the Prairie Sky proposal under the name Double Down. Individuals or companies included in this could include McPherson Contractors, MRV, Equity Ventures, Nancy Seitz, Bruce Christiansen, Bruce McPherson, Michael McPherson, James Walker and Jeffrey Ungerer. Indicate if any of these groups or individuals have an equity interest now. Explain if these groups have they been approached to have an equity interest in phase II? Explain if there are any relationships -- contractual, written or otherwise -- between the applicant, Chisholm Creek, and any of these individuals or entities.

These individuals have no equity ownership in Applicant, nor any agreement with Applicant to provide equity for the project. Applicant believes that their development and local experience can be valuable in constructing the project, and has engaged these individuals to perform certain pre-development consulting services for Applicant. As was indicated in the Amendment, they may also be given the opportunity to invest a small amount of equity (e.g., 4.9%), but there is currently no agreement (written or otherwise) regarding any such investment, and any such investment would also be subject to the approval of the Kansas Lottery Commission and the Kansas Racing and Gaming Commission.

7. Submit the entire consultant study that was commissioned by the applicant to assess potential income of the proposal including gross gaming revenue. Include the methodology for these studies.

We believe we have taken a realistic and conservative approach in preparing our Phase I projections based largely on an Innovation Group study. The scope and timing of some components has changed from when Innovation Group did their study to what is now 1,300 slot machines, 30 table games, no poker, a buffet, a steakhouse and a snack bar for Phase I and Phase II being developed as market demands over the 144 months after opening. Our projections have been updated to reflect the new scope.

The Innovation Group was commissioned and completed a market analysis for gamer visitation and gross gaming revenue in April 2009 based on two phases:

1. Phase I – 1,300 slot machines, no table games and food court
2. Phase II – Starting in year 2, and depending on market demands, we anticipate the facility would have 2,000 slot machines, 50 table games, 10 poker tables, a buffet, a steakhouse and food court

Although the timing and components have changed from Phase I in the Innovation study to now contain table games & additional food venues, many of the components of the original study are still valid.

We have taken a conservative approach by using the original Phase I as the baseline for slot revenue for year 1, adding table game revenue for 30 tables based on the win per unit per day of the 50 table phase II. In preparing gaming revenue projections for this project, the market areas, participation rates (propensity & frequency) and win per visit were largely kept intact with the original Phase I Gravity Model with a few adjustments for Year 1.

The adjustments include:

1. Adding 30 tables with a win per unit per day (WPUPD) of \$983.56. This is the same table game WPUPD that was in Phase II Innovation study
2. Adjusting the gravity model in year 1 to reflect additional table game revenue:
 - a. Added Oklahoma City at 50% of what was in Phase II of the Innovation study. Oklahoma City was added due to the addition of table games that aren't currently available in the state of Oklahoma such as no ante table games and craps with dice
 - b. Primary market – propensity-frequency and win per guest were adjusted to reflect the addition of table games and additional food outlets which will increase the attractiveness and visitation to the casino
3. The new participation rate for the primary market and participation rates from Phase I was used against each year's population estimate to calculate the visitation from each area.

4. Win per guest for each market area was increased 3% per year, per the inflation template assumption from the Kansas Racing and Gaming Commission.
5. From the Innovation population estimates, 2011 is assumed to be the first full year of operation
6. Please note the matrix reflects calendar years with a September 2011 opening. As a result, 2011 reflects 4 months of the first full year of operations and 2012 contains 8 months of the first full year and 4 months of the second full year. (Full year data in Exhibit 2)
7. In addition to the gamer visits calculated by the gravity model, non-gaming visitors are assumed to be 10% of non-gaming and 20% of tourist visitors
8. Non gaming revenue, payroll, FTE's and operating expense were derived from manager's internal models

The following Exhibits are attached to support the revenue and visitation estimates

- Exhibit 1 Chisholm Creek – First Full Year – gravity model for the first full year of operation. The population from 2011 was used to calculate the number of visits
- Exhibit 2 – Chisholm Creek Full Year Visitation and Gaming Revenue – contains full year data for each of the first 5 years of operation. In the matrix this information is prorated over the calendar year
- Exhibit 3 – Full Year 1 Innovation Study 1,300 Machines and Food Court – This is the Phase I 2011 gravity model and revenue build from the Innovation Group study
- Exhibit 4 – Full Year 2012 Innovation Study – 2,000 Machines, 50 Table Games, 10 Poker, Buffet, Steakhouse & Food Court – This is the Phase II 2012 gravity model and revenue build from the Innovation Group Study
- Exhibit 5 - Market Area Map – Market area approximates 100 miles as defined by Innovation Group.

Exhibit 1 – Chisholm Creek – First Full Year

Chisholm Creek Model (1300 machine with Adjustments)

	Range	Propensity	Frequency	WPG	Population							
					2008	2009	2010	2011	2012	2013	2014	2015
Primary	50	36.38%	13.24	\$	59.48	386,389	388,990	391,608	394,165	396,791	399,435	402,123
Secondary North	100	21.44%	8.12	\$	92.26	80,777	80,597	80,416	80,235	80,055	79,876	79,698
Salina	100	18.79%	7.43	\$	92.20	83,988	83,734	83,480	83,223	82,970	82,717	82,466
Secondary North East	100	22.52%	8.66	\$	78.38	50,618	50,629	50,639	50,649	50,660	50,670	50,681
Secondary South East	50	22.35%	8.15	\$	87.96	14,426	14,355	14,284	14,212	14,141	14,071	14,002
Tertiary East	100	13.69%	6.60	\$	97.38	52,018	51,739	51,461	51,178	50,901	50,625	50,353
Secondary South	50	33.58%	11.98	\$	56.83	42,184	42,021	41,859	41,694	41,532	41,370	41,210
Secondary West	50	23.91%	8.78	\$	84.68	18,442	18,335	18,228	18,119	18,013	17,907	17,803
Tertiary West	100	19.82%	7.60	\$	96.20	32,156	32,055	31,953	31,851	31,750	31,649	31,549
Oklahoma Northern	100	43.41%	14.72	\$	53.34	59,634	59,178	58,725	58,260	57,809	57,362	56,923
Oklahoma Tertiary	100	25.21%	9.32	\$	76.88	168,133	169,218	170,309	171,376	172,471	173,573	174,693
						988,765	990,847	992,962	994,962	997,093	999,255	1,001,500

	Market							
		Gamers	Visits	Revenue	Capture	Visits	WPG	Revenue
Primary	50	143,378	1,898,477	\$ 112,927,526	71%	1,349,281	\$ 61.16	82,525,495
Secondary North	100	17,199	139,626	\$ 12,881,849	41%	57,610	\$ 72.26	4,162,767
Salina	100	15,640	116,282	\$ 10,720,955	19%	21,930	\$ 78.94	1,731,149
Secondary North East	100	11,405	98,754	\$ 7,740,504	10%	10,087	\$ 75.42	760,750
Secondary South East	50	3,177	25,900	\$ 2,278,106	27%	6,958	\$ 72.15	501,990
Tertiary East	100	7,004	46,253	\$ 4,504,344	11%	5,073	\$ 90.52	459,218
Secondary South	50	14,001	167,750	\$ 9,533,345	81%	136,540	\$ 53.94	7,365,150
Secondary West	50	4,332	38,046	\$ 3,221,913	52%	19,848	\$ 67.61	1,341,844
Tertiary West	100	6,312	47,989	\$ 4,616,567	32%	15,466	\$ 78.35	1,211,736
Oklahoma Northern	100	25,292	372,234	\$ 19,855,069	2%	7,309	\$ 66.83	488,431
Oklahoma Tertiary	100	43,207	402,562	\$ 30,948,363	11%	45,058	\$ 78.37	3,531,292
		290,947	3,353,873	\$ 219,228,541	50%	1,675,160	\$ 62.13	104,079,822

Hotel

	Inventory	Occupancy	Demand	Capture	Gamer Room n	Win per night	Visits (1.5 adult per room)
Overnight	8,245	70.00%	2,106,522	2.93%	61,616	\$	95.02

	AADT	Pass through	Adults/vehicle	Capture	Gamer Visit	Win per Visit	
Traffic Intercept Interstate 35	19,059	60.00%	1.41	0.90%	53,176	\$	46.80

	Population	Propensity	Gamers	Frequency	Visits		
Oklahoma City	877,150	2.2%	19,297	1.75	33,771	\$	96.83

1,854,531 115,693,518 62.38 115,693,518

	Slots	91%	104,923,547	1,300.00	\$	221.12
Tables	9%	10,769,971	30.00	\$	983.56	
			115,693,518			

Exhibit 2 – Chisholm Creek Full Year Visitation and Gaming Revenue Visitation Summary

	WPG	Full Year 1	Full Year 2	Full Year 3	Full Year 4	Full Year 5	
	2011		1	2	3	4	
Primary	\$ 61.16	1,349,281	1,358,270	1,367,321	1,376,523	1,385,788	
Secondary North	\$ 72.26	57,610	57,481	57,352	57,224	57,096	
Salina	\$ 78.94	21,930	21,863	21,797	21,731	21,665	
Secondary North East	\$ 75.42	10,087	10,089	10,091	10,093	10,095	
Secondary South East	\$ 72.15	6,958	6,923	6,889	6,855	6,821	
Tertiary East	\$ 90.52	5,073	5,046	5,018	4,991	4,964	
Secondary South	\$ 53.94	136,540	136,009	135,479	134,955	134,434	
Secondary West	\$ 67.61	19,848	19,732	19,616	19,502	19,388	
Tertiary West	\$ 78.35	15,466	15,417	15,368	15,319	15,271	
Oklahoma Northern	\$ 66.83	7,309	7,252	7,196	7,141	7,087	
Oklahoma Tertiary	\$ 78.37	45,058	45,346	45,636	45,930	46,226	
Within 100 Miles		1,675,160	1,683,429	1,691,763	1,700,265	1,708,836	
Hotel	\$ 63.35	92,424	92,880	93,340	93,809	94,282	Visitation change consistent with overall growth.
Traffic Intercept	\$ 46.80	53,176	53,438	53,703	53,973	54,245	
Oklahoma City	\$ 96.83	33,771	33,937	34,105	34,277	34,449	
		179,371	180,256	181,148	182,059	182,976	
Total Gamer Visits		1,854,531	1,863,685	1,872,911	1,882,324	1,891,812	
Non-Gaming Resident	10%	167,516	168,343	169,176	170,027	170,884	
Non-Gaming Tourist	20%	35,874	36,051	36,230	36,412	36,595	
Total Including Non-Gaming		2,057,921	2,068,079	2,078,317	2,088,763	2,099,291	

Gaming Revenue Summary

Gaming Revenue (assume 3% inflation)

Primary		82,525,495	85,567,554	88,721,862	91,998,553	95,396,259
Secondary North		4,162,767	4,278,031	4,396,520	4,518,296	4,643,446
Salina		1,731,149	1,777,663	1,825,410	1,874,474	1,924,858
Secondary North East		760,750	783,743	807,414	831,809	856,941
Secondary South East		501,990	514,467	527,278	540,414	553,877
Tertiary East		459,218	470,434	481,920	493,713	505,794
Secondary South		7,365,150	7,556,629	7,752,968	7,954,701	8,161,683
Secondary West		1,341,844	1,374,014	1,406,906	1,440,686	1,475,277
Tertiary West		1,211,736	1,244,130	1,277,378	1,311,546	1,346,629
Oklahoma Northern		488,431	499,189	510,189	521,475	533,009
Oklahoma Tertiary		3,531,292	3,660,471	3,794,375	3,933,415	4,077,550
		104,079,822	107,726,325	111,502,219	115,419,082	119,475,323
Hotel		5,855,039	6,060,459	6,273,175	6,493,844	6,722,375
Traffic Intercept		2,488,657	2,575,970	2,666,384	2,760,178	2,857,314
Oklahoma City		3,270,000	3,384,725	3,503,526	3,626,769	3,754,401
		11,613,696	12,021,154	12,443,085	12,880,791	13,334,091
Total Revenue		115,693,518	119,747,479	123,945,304	128,299,873	132,809,414
91% Slots		104,923,547	108,600,123	112,407,171	116,356,370	120,446,115
9% Tables		10,769,971	11,147,356	11,538,134	11,943,503	12,363,298
0% Poker		-	-	-	-	-
		115,693,518	119,747,479	123,945,304	128,299,873	132,809,414
# of Units	WPG	\$ 62.38	\$ 64.25	\$ 66.18	\$ 68.16	\$ 70.20
	WPG All Guest	56.22	57.90	59.64	61.42	63.26
	Slots	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00
	Tables	30.00	30.00	30.00	30.00	30.00
	Poker	-	-	-	-	-
WPUPD	Slots	\$ 221	\$ 229	\$ 237	\$ 245	\$ 254
	Tables	\$ 984	\$ 1,018	\$ 1,054	\$ 1,091	\$ 1,129
	Poker	\$ -	\$ -	\$ -	\$ -	\$ -

Exhibit 3 – Full Year 1 Innovation Study 1,300 Machines and Food Court

Innovation April 2009

(1,300 Machine)

	Range	Propensity	Frequency	WPG	Population							
					2008	2009	2010	2011	2012	2013	2014	2015
Primary	50	33.34%	11.82	\$	59.48	386,389	388,990	391,608	394,165	396,791	399,435	402,123
Secondary North	100	21.44%	8.12	\$	92.26	80,777	80,597	80,416	80,235	80,055	79,876	79,698
Salina	100	18.79%	7.43	\$	92.20	83,988	83,734	83,480	83,223	82,970	82,717	82,466
Secondary North East	100	22.52%	8.66	\$	78.38	50,618	50,629	50,639	50,649	50,660	50,670	50,681
Secondary South East	50	22.35%	8.15	\$	87.96	14,426	14,355	14,284	14,212	14,141	14,071	14,002
Tertiary East	100	13.69%	6.60	\$	97.38	52,018	51,739	51,461	51,178	50,901	50,625	50,353
Secondary South	50	33.58%	11.98	\$	56.83	42,184	42,021	41,859	41,694	41,532	41,370	41,210
Secondary West	50	23.91%	8.78	\$	84.68	18,442	18,335	18,228	18,119	18,013	17,907	17,803
Tertiary West	100	19.82%	7.60	\$	96.20	32,156	32,055	31,953	31,851	31,750	31,649	31,549
Oklahoma Northern	100	43.41%	14.72	\$	53.34	59,634	59,178	58,725	58,260	57,809	57,362	56,923
Oklahoma Tertiary	100	25.21%	9.32	\$	76.88	168,133	169,218	170,309	171,376	172,471	173,573	174,693
						988,765	990,847	992,962	994,962	997,093	999,255	1,001,500
												1,003,779

	Market							
		Gamers	Visits	Revenue	Capture	Visits	WPG	Revenue
Primary	50	131,407	1,553,468	\$ 92,405,297	87%	1,349,281	\$ 55.60	75,025,524
Secondary North	100	17,199	139,626	\$ 12,881,849	41%	57,610	\$ 72.26	4,162,767
Salina	100	15,640	116,282	\$ 10,720,955	19%	21,930	\$ 78.94	1,731,149
Secondary North East	100	11,405	98,754	\$ 7,740,504	10%	10,087	\$ 75.42	760,750
Secondary South East	50	3,177	25,900	\$ 2,278,106	27%	6,958	\$ 72.15	501,990
Tertiary East	100	7,004	46,253	\$ 4,504,344	11%	5,073	\$ 90.52	459,218
Secondary South	50	14,001	167,750	\$ 9,533,345	81%	136,540	\$ 53.94	7,365,150
Secondary West	50	4,332	38,046	\$ 3,221,913	52%	19,848	\$ 67.61	1,341,844
Tertiary West	100	6,312	47,989	\$ 4,616,567	32%	15,466	\$ 78.35	1,211,736
Oklahoma Northern	100	25,292	372,234	\$ 19,855,069	2%	7,309	\$ 66.83	488,431
Oklahoma Tertiary	100	43,207	402,562	\$ 30,948,363	11%	45,058	\$ 78.37	3,531,292
		278,976	3,008,864	198,706,312	56%	1,675,160	\$ 57.65	96,579,851

Hotel

	Inventory	Occupancy	Demand	Capture	Gamer Room n	Win per night	Visits (1.5 adult per room)
Overnight	8245	70.00%	2,106,522	2.93%	61,616	\$ 95.02	92,424
							\$ 5,855,039

Traffic Intercept

	AADT	Pass through	Adults/vehicle	Capture	Gamer Visit	Win per Visit
Interstate 35	19059	60.00%	1.41	0.90%	53,176	\$ 46.80

Total Revenue 2011
104,923,547

Slots 100% 104,923,547 # Devices 1,300 WPUPD \$ 221.12

Exhibit 4 – Full Year 2012 – 2,000 Machines, 50 Table Games, 10 Poker, Buffet, Steakhouse & Food Court

Innovation April 2009 (2,000 Machine)

					Population								
	Range	Propensity	Frequency	WPG	2008	2009	2010	2011	2012	2013	2014	2015	
Primary	50	37.50%	13.94	\$	64.58	386,389	388,990	391,608	394,165	396,791	399,435	402,123	404,830
Secondary North	100	23.00%	8.99	\$	97.45	80,777	80,597	80,416	80,235	80,055	79,876	79,698	79,519
Salina	100	19.50%	7.88	\$	101.34	83,988	83,734	83,480	83,223	82,970	82,717	82,466	82,216
Secondary North East	100	23.00%	8.99	\$	87.69	50,618	50,629	50,639	50,649	50,660	50,670	50,681	50,691
Secondary South East	50	23.50%	8.79	\$	95.36	14,426	14,355	14,284	14,212	14,141	14,071	14,002	13,932
Tertiary East	100	14.00%	6.87	\$	108.73	52,018	51,739	51,461	51,178	50,901	50,625	50,353	50,083
Secondary South	50	37.60%	14.04	\$	62.37	42,184	42,021	41,859	41,694	41,532	41,370	41,210	41,051
Secondary West	50	26.00%	9.90	\$	88.98	18,442	18,335	18,228	18,119	18,013	17,907	17,803	17,699
Tertiary West	100	21.00%	8.28	\$	103.67	32,156	32,055	31,953	31,851	31,750	31,649	31,549	31,450
Oklahoma Northern	100	43.60%	14.95	\$	60.22	59,634	59,178	58,725	58,260	57,809	57,362	56,923	56,488
Oklahoma Tertiary	100	25.80%	9.70	\$	86.63	168,133	169,218	170,309	171,376	172,471	173,573	174,693	175,819
						988,765	990,847	992,962	994,962	997,093	999,255	1,001,500	1,003,779

	Market							
	Gamers	Visits	Revenue	Capture	Visits	WPG	Revenue	
Primary	148,797	2,073,928	\$ 133,940,908	93%	1,921,517	\$ 62.16	119,438,951	
Secondary North	18,413	165,512	\$ 16,128,713	57%	94,785	\$ 81.11	7,688,291	
Salina	16,179	127,459	\$ 12,917,200	31%	39,156	\$ 88.64	3,470,656	
Secondary North East	11,652	104,737	\$ 9,184,614	18%	18,679	\$ 84.65	1,581,135	
Secondary South East	3,323	29,201	\$ 2,784,646	41%	12,033	\$ 81.07	975,536	
Tertiary East	7,126	48,942	\$ 5,321,246	19%	9,314	\$ 101.71	947,349	
Secondary South	15,616	219,231	\$ 13,674,200	89%	195,776	\$ 60.51	11,846,326	
Secondary West	4,683	46,355	\$ 4,124,604	68%	31,309	\$ 75.96	2,378,151	
Tertiary West	6,667	55,220	\$ 5,724,829	48%	26,268	\$ 88.14	2,315,153	
Oklahoma Northern	25,205	376,763	\$ 22,690,522	4%	13,867	\$ 75.12	1,041,688	
Oklahoma Tertiary	44,498	431,448	\$ 37,375,359	19%	83,636	\$ 88.15	7,372,702	
	302,159	3,678,796	263,866,841	66%	2,446,340	\$ 65.02	159,055,938	

Hotel

	Inventory	Occupancy	Demand	Capture	Gamer Room n	Win per night	visits	
Overnight	8,245	70.00%	2,106,522	4.50%	94,794	\$ 105.00	142,190	\$ 9,953,318

	AADT	Pass through	Adults/vehicle	Capture	Gamer Visit	Win per Visit	
Traffic Intercept Interstate 35	19,059	60.00%	1.41	1.29%	75,966	\$ 52.00	\$ 3,950,250

	Population	Propensity	Gamers	Frequency	Visits	
Oklahoma City	877,150	2.2%	19,297	3.50	67,541	\$ 96.83

	2011	
	2,732,037	179,499,506
# Devices		
Slots	89%	159,216,061
Tables	10%	17,949,951
Poker	1%	2,333,494
		179,499,506

Market area approximates 100 miles as defined by Innovation Group.



8. Outline Phase II financing plans.

Depending on capital market conditions, Phase II would be financed either by cash from the property, additional equity contributions, or third-party financing.

9. Submit electronic copies of all drawings and renderings shown yesterday.

The following pages contain copies of drawing and renderings referenced in the review board meeting held on September 15. Note that all drawings and renderings are artists' concepts and are submitted for illustrative purposes only and may change.





slot floor concept



slot sign concept





room concept





Gaming Market Assessment

Sumner County, Kansas

Prepared for:
Foxwoods Development Company

April 2009



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INTRODUCTION

The Innovation Group was commissioned to conduct a Gaming Market Assessment for a proposed gaming development in Sumner County, Kansas. We understand that Foxwoods Development Company (“Company”) has submitted an application to be the Lottery Gaming Facility Manager in South Central Kansas per the recently established Kansas gaming law. We understand that the development site is located on the northern edge of Sumner County, near the intersection of Interstate 35 (“I-35”) and Highway 53 (Exit 33).

The Company is proposing a phased approach with regard to the development. The Phase I plan, which is intended to be open within 9 months of the issuance of the management contract, exhibits a permanent casino with about 1,300 slot machines. The casino would be supported by a food court, service bars and lounge with live performance venue. The Phase II plan expands the casino to 2,000 slot machines and 50 table games including a 10-table poker room. The food and beverage offering would also be expanded to add a buffet, steakhouse and sports bar to the existing Phase I offering. The Phase II facility would also include a retail venue, another live performance venue and a multi-purpose entertainment and meeting venue. Project costs were estimated by the Company at about \$250 million, inclusive of the \$25 million privilege fee.

The Innovation Group utilized a market carve model to forecast local market gamer visits and gaming revenue. In addition to the local market, The Innovation Group identified the overnight tourist and traffic intercept segments as potential sources of gaming revenue. The assessment forecasts gamer visits and gaming revenue for the first five years of operation. The assessment also includes a pro-forma operating statement, which forecasts ancillary revenues and ultimately Earnings before Interest Taxes Depreciation and Amortization (“EBITDA”).

Assumptions

The following underlying assumptions were made with regard to the assessment:

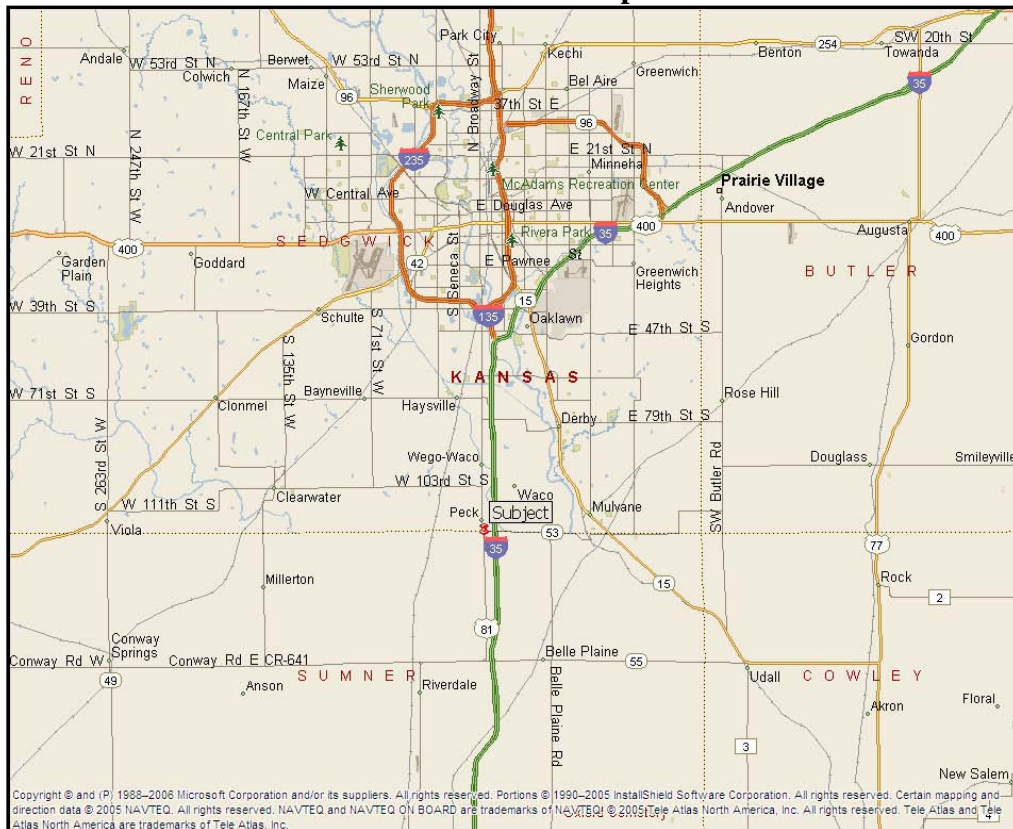
- The quality and scope of the development will be significantly superior to the Native American casinos in northern Oklahoma and competitive with the existing destination casinos in the Kansas City area;
- An experienced casino management team and/or a management company will operate the facility;
- The casino will implement an aggressive marketing program that targets high-worth gamers in the local market;
- The Phase I facility will be open in late 2010 and the Phase II facility will be open a year later, in late 2011;
- The subject facility will meet all guidelines set by the Kansas regulatory authorities;
- The proposed racetrack casinos in Kansas will not be open during the timeframe of the report;
- The proposed Crawford / Cherokee County facility will not be open during the timeframe of the report.

Development Site Location

The proposed development site is situated about 15 miles south of Wichita, just off Interstate 35 (“I-35”); a major thoroughfare that connects Kansas City with Oklahoma City, while skirting the southeast sector of Wichita. The site is located on the northern edge of Sumner County, near the intersection of I-35 and Highway 53 (Exit 33). Further, the site is about 5 miles west of Mulvane and roughly 15 miles north of Wellington. The site exhibits excellent visibility and ingress/egress characteristics from I-35 with on and off access in both directions. The site would also be accessible from Wichita via Highway 81 (Broadway Street), which runs along the western border of the proposed site.

The Company is contemplating constructing a dedicated off-ramp from I-35 into the site. This off-ramp would further enhance ingress/egress and allow the casino to pay the toll charge on behalf of the patron. The Innovation Group finds this site to be excellent with regard to access, visibility and size. The development site map is displayed below.

Close-In Site Map



Site Map

Chisholm Creek Casino Resort

Image: USDA Farm Service Agency

© 2009 Tele Atlas
elev. 381 m

Jan 15, 2008

Scale: 1:24 km

Kansas Legislative Summary

In April 2007, Senate Bill 66 (“SB66”) was signed into law allowing for the development of various destination casinos and racetrack casinos in Kansas.

Destination Casinos

The bill contemplates four destinations casinos, owned and operated by the Kansas Lottery and managed by third-party casino companies under a management agreement. The designated locations include the following counties in Kansas: Wyandotte County, Ford County, one casino in either Cherokee or Crawford County, and one casino in either Sumner or Sedgwick County. However, each jurisdiction must approve gaming via a countywide vote. **The vote passed in every county but Sedgwick.** In addition, the capital investment associated with these developments must exceed \$225 million (\$50 million for the Ford County facility). The management company must also pay a \$25 million privilege fee (\$5.5 million for the Ford County facility).

The tax rate on gaming revenue was set at 27%; with 22%, 3% and 2% going to the state, local government and a problem gambling fund, respectively. State revenues would be deposited into the Expanded Lottery Act Revenues Fund, designated for the reduction of state debt, state infrastructure improvements (i.e. deferred maintenance at public universities) and local government property tax relief. The legislation dictates that 15-year contracts would be signed with the casino management companies.

Racetrack Casinos

Under the gaming law, the three existing racetracks, including The Woodlands in Kansas City, Wichita Greyhound Park in Valley Center (near Wichita) and Camptown Racetrack in Frontenac, would divide 2,200 slot machines, although the exact distribution is uncertain. **Again, the vote failed for Wichita Greyhound’s host county (Sedgwick), which means the other two racetracks could get more slots.** An additional 600 slot machines would be available through an auction process selling licensing rights at a starting bid of \$2,500 per machine. The racino gaming revenue would be divided as follows:

Racino Gaming Revenue Distribution Summary		
Beneficiary	Percentage	Comment
State	40%	
Facility Owner	25%	
Kansas Lottery	15%	For expenses
Greyhound Purses	7%	Max of \$3750 per machine, per year
Thoroughbred Purses	7%	Max of \$3750 per machine, per year
Local Government	3%	
Problem Gaming Fund	2%	
Fair Fund	1%	Support fair pari-mutuel racing

Source: Legislative Summary

Due to the onerous tax structure, The Innovation Group believes there is significant uncertainty as to whether any racetrack casinos will be developed.

Other

SB 66 also renews the Kansas Lottery for 15 years and prohibits any further expansion of gaming in Kansas beyond that allowed under the bill for a period of 25 years. The Act creates a Lottery Gaming Facility Review Board to evaluate management company proposals. The Board will be composed of 7 members, with 3 appointed by the Governor, 2 appointed by the President of the Kansas Senate and 2 appointed by the Speaker of the Kansas House. The Act contains extensive criteria for membership on the Board, including strong conflict of interest provisions. SB 66 contains strong ethics provisions, prohibiting state office holders and legislators from working with a gaming company until they have been out of office for at least 5 years. SB 66 contains strong regulatory oversight and auditing procedures as well.

REGIONAL OVERVIEW

An area's economic health and growth potential is indicative of its ability to support a gaming development. In this section, some of the specific economic and demographic characteristics of the market area were analyzed. The demographic data included total population, gamer population and household income. The economic analysis focused on employment.

Regional Demographic Data

Total Population

Total population was estimated at 1.24 million in 2008 for the 100-mile market area. The population base is expected to remain relatively flat over the next five years, a sharp contrast to the expected national growth rate of 1.0% and the growth rate for the State of Kansas of 0.4%.

The innermost ring, generally comprising the Wichita metro area, accounted for about 43% of the market population or 531,500 people (2008). This ring segment is expected increase at an average rate of 0.5% per year, generally in line with the Kansas state average. The 25-50 mile ring captures numerous towns in Kansas and cuts into northern Oklahoma and was estimated to contain about 135,600 people. The 50-75 mile ring also captures numerous towns in rural Kansas and Oklahoma. The outer most ring captures some decent sized cities including Salina and Emporia, Kansas and Enid and Bartlesville, Oklahoma. This ring segment contains just over 400,000 people or 33% of the total market. Note that the latter three ring segments are expected to contract somewhat over the next five years. The following table illustrates the total population statistics for the greater Sumner County market area as well as for Kansas and the U.S. as a whole:

Sumner County Market Total Population					
Ring	2000	2008	2013	A.A.G. 2000-2008	A.A.G. 2008-2013
0-25 Miles	507,809	531,519	545,901	0.6%	0.5%
25-50 Miles	137,446	135,564	134,408	-0.2%	-0.2%
50-75 Miles	172,736	165,701	160,551	-0.5%	-0.6%
75-100 Miles	407,303	406,744	405,407	0.0%	-0.1%
Total	1,225,294	1,239,528	1,246,267	0.1%	0.1%
Kansas	2,688,418	2,781,655	2,835,833	0.4%	0.4%
United States	281,421,906	304,141,549	319,161,431	1.0%	1.0%

Source: Ixpress/Claritas, The Innovation Group

Gamer Population

The gamer population (21+ years) was estimated at 70.6% of the total population in 2008 for the 100-mile market, yielding about 875,500 gamer adults. The proportion of gamer adults is slightly lower than the national average of 71.1%, but in line with the state average. Over the next five years, the proportion of gamers is expected to increase to 71.1%. This ageing of the population is consistent with the national average.

The inner ring (0-25 miles) showed the lowest percentage of adults. The 25-50 mile ring exhibits a slightly older population with an adult proportion of 71.3%. The two outer rings showed the highest percentage of gamer adults, with proportions modestly higher than the state and national average.

Sumner County Market Gamer Population

Ring	2008	% of Total Population	2013	% of Total Population	A.A.G. 2008-2013
0-25 Miles	365,676	68.8%	377,005	69.1%	0.6%
25-50 Miles	96,720	71.3%	97,333	72.4%	0.1%
50-75 Miles	120,316	72.6%	117,401	73.1%	-0.5%
75-100 Miles	292,815	72.0%	293,755	72.5%	0.1%
Total	875,527	70.6%	885,494	71.1%	0.2%
Kansas	1,955,582	70.3%	2,010,090	70.9%	0.6%
United States	216,692,415	71.2%	229,422,326	71.9%	1.1%

Source: Ixpress/Claritas, The Innovation Group

Average Annual Household Income

The Average Annual Household Income (“AAHI”) for the market area was estimated at about \$55,100 in 2008, roughly 19% below the national average (\$67,900). That AAHI is expected to grow at an annual rate of 1.9% over the next five years, reaching \$60,600 by 2013. This growth rate is also somewhat below the state and national average.

The innermost ring showed the highest expected AAHI of \$59,800, again reflecting the Wichita metro area. The outer ring segments showed income levels in the \$50,700 to \$54,000 range, reflecting rural Kansas and Oklahoma. However, the innermost ring showed the lowest expected growth rate of 1.5% per year, while the outer rings are expected to grow in line with the national average of 2.2% per year.

Sumner County Market Average Household Income

Ring	2000	2008	2013	A.A.G. 2000-2008	A.A.G. 2008-2013
0-25 Miles	\$52,955	\$59,842	\$64,508	1.5%	1.5%
25-50 Miles	\$45,433	\$53,996	\$59,826	2.2%	2.1%
50-75 Miles	\$43,297	\$51,615	\$57,573	2.2%	2.2%
75-100 Miles	\$42,265	\$50,731	\$56,736	2.3%	2.3%
Total	\$47,137	\$55,070	\$60,554	2.0%	1.9%
Kansas	\$52,080	\$62,238	\$69,297	2.3%	2.2%
United States	\$56,644	\$67,918	\$75,843	2.3%	2.2%

Source: Ixpress/Claritas, The Innovation Group

Regional Economic Analysis

The Innovation Group analyzed the economic outlook for both Sumner County and the Wichita metro area. While Sumner County is the host municipality, the Wichita area represents a major feeder market. The economic analysis focuses on employment statistics.

Sumner County

The Sumner County seat is the City of Wellington, while other incorporated communities include Argonia, Belle Plaine, Caldwell, Conway Springs, Gueda Springs, Hunnewell, Mayfield, Milan, Oxford, and South Haven. The labor force count in Sumner County has been steady over the last several years, ranging from a high of 12,500 in 2003 to a low of 12,000 in 2006. The current count stands at about 12,300 workers.

The unemployment rate declined significantly from its near term high of 7.8% in 2003 to its near term low of 4.1% in 2007. The rate increased somewhat in 2008 reaching 4.4%. However, the rate is poised to increase further in 2009, as the year-to-date rate (through February 2009) came in at 6.5%. The weak employment picture reflects the economic recession brought on by the sluggish housing market. Nonetheless, the county is faring better than the Kansas City metro area, which showed a 5.8% unemployment rate in 2008.

Sumner County - Employment Summary

	Unemployment	Employment	Labor Force	Unemployment Rate
2003	974	11,536	12,510	7.8%
2004	783	11,567	12,350	6.3%
2005	731	11,545	12,276	6.0%
2006	560	11,417	11,977	4.7%
2007	504	11,672	12,176	4.1%
2008	540	11,757	12,297	4.4%
1-yr AAG	7.1%	0.7%	1.0%	
3-yr AAG	-9.6%	0.6%	0.1%	
5-yr AAG	-11.1%	0.4%	-0.3%	

Source: Bureau of Labor Statistics

A large portion of the county's labor force is employed in the manufacturing sector. The county's top employers include Kiser Manufacturing, Kansas Casting, Clark Manufacturing and Metal Fabrication Inc., among others. Major non-manufacturing employers include the Sumner Hospital District, the Caldwell School System and KanOkla Telephone.

Wichita

Wichita is largely dominated by manufacturing, particularly in the aerospace industry. Wichita saw an influx of new workers in recent years due to a strong aircraft industry nationally. The influx of workers sparked the need for housing which created a housing boom in both sales and construction.

The Wichita area promotes a business-friendly environment that boasts an affordable workforce and offers financial assistance and workforce training programs for small and new businesses. Both the highway network, with an average commute of approximately 16 minutes, and the airport, which is centrally located in the U.S., contribute to the business friendly environment.

As discussed, the labor force in Wichita has increased steadily in recent years, from approximately 303,000 in 2003 to 316,600 in 2008; an average annual increase near 1%. The unemployment rate, which hit a near term low of 4.0% in 2007, is well below the state average. The rate increased modestly to 4.4% in 2008, again, due to the nationwide recession. Like Sumner County, the rate is poised to increase further in 2009, as the rate for January and February of this year exceeded 6%.

Wichita Metro Area - Employment Summary

	Unemployment	Employment	Labor Force	Unemployment Rate
2003	20,416	282,578	302,994	6.7%
2004	18,776	286,119	304,895	6.2%
2005	16,866	290,493	307,359	5.5%
2006	13,951	294,009	307,960	4.5%
2007	12,502	300,572	313,074	4.0%
2008	13,814	302,767	316,581	4.4%
1-yr AAG	10.5%	0.7%	1.1%	
3-yr AAG	-6.4%	1.4%	1.0%	
5-yr AAG	-7.5%	1.4%	0.9%	

Source: Bureau of Labor Statistics

We analyzed the employment environment for the Wichita MSA, which includes Butler, Harvey, Sedgwick and Sumner County. Total nonfarm employment in the Wichita metro area reached 308,600 in 2008, a strong increase of 1.9% over the prior year. Over the last 5 years the growth rate averaged 1.7%.

As the proclaimed “Aerospace Capitol of the World”, it’s not surprising that the manufacturing sector accounted for about 22% of the workforce. The next most significant sector was Trade, Transportation and Utilities industry employing about 17% of the workforce in 2008. Other major sectors included Education and Health and Government at 14% and 13%, respectively.

Regarding growth, the Professional & Business Services sector exhibited the highest average annual growth rate of 4.0% over the last five years. The Manufacturing, Educational and Health and Leisure and Hospitality also posted relatively strong growth above 2.0%. The Information, Financing and Other Services sectors were the only

segments to show a materially decline. The next table depicts the industry composition of Wichita MSA over the last several years.

Wichita MSA Employment by Industry (000's)

Industry	2003	2004	2005	2006	2007	2008	5-yr AAG	% of Total (2008)
Mining, Lodging, Construction	15.9	16.1	15.7	16.1	16.6	16.8	1.1%	5.4%
Manufacturing	58.6	58.4	60.7	63.0	65.5	67.6	2.9%	21.9%
Trade, Transportation, Utilities	49.3	49.8	49.6	50.2	51.7	52.0	1.1%	16.9%
Information	6.6	6.3	5.9	5.9	6.4	6.1	-1.6%	2.0%
Financing	12.6	12.1	11.4	11.3	11.5	11.6	-1.6%	3.8%
Professional, Business	25.7	26.6	26.9	28.3	30.0	31.2	4.0%	10.1%
Educational, Health	37.7	38.5	39.7	41.1	42.1	43.3	2.8%	14.0%
Leisure, Hospitality	24.7	25.3	26.1	27.2	27.8	28.0	2.5%	9.1%
Other Services	11.7	12.0	11.7	11.0	11.0	10.9	-1.4%	3.5%
Government	41.1	38.0	39.2	40.0	40.2	41.1	0.0%	13.3%
Total Nonfarm	283.9	283.1	286.9	294.1	302.8	308.6	1.7%	100.0%

Source: Bureau of Labor Statistics

Note in the table below that the top employers in the region are aircraft or aircraft parts manufacturing companies, including Spirit Aero Systems, Cessna and Raytheon. Spirit Aero Systems Inc. leads the way with about 21,000 employees. Note that the list contains numerous government related organizations.

Top Wichita Employers

Company	Employment	Field	Industry
Spirit Aero Systems Inc.	21,000	Aircraft	Manufacturing
Cessna Aircraft Co.	13,000	Aircraft Components	Manufacturing
Raytheon Aircraft Co.	9,500	Aircraft	Manufacturing
VIA Christian Joseph Hospital	8,500	Hospitals	Medical
U.S. Government	5,186	Federal Government	Government
USD 259 Wichita Public School System	4,955	Public School	Education
State of Kansas	4,800	State Government	Government
City of Wichita	3,200	Municipal Government	Government
Koch Industries Inc.	3,000	Chemicals	Manufacturing
Wesley Medical Center	3,000	Hospitals	Medical
Bombardier Aerospace Security	2,500	Aerospace Industries	Manufacturing
Wichita State University	2,059	Universities & Colleges Academics	Education
Premier Innovation Inc	1,500	Automobile Body-Repairing & Painting	Service
Coleman Co Inc	1,300	Camping Equipment	Headquarters
York Unitary Products Group	1,300	Air Conditioning Equipment	Manufacturing

Source: Kansas Department of Labor

Tourism

There are numerous tourist attractions that draw visitors to Sumner County. One attraction is the old mill in the City of Oxford; a former water-powered flour mill that was refurbished into a restaurant. Also, the Sumner County Courthouse exhibits a skull, jawbone and other bones from the woolly mammoths. The City of Caldwell offers a collection of historic buildings and streets with specialty boutique stores and souvenir shops. The City of Caldwell is also the site of the annual Sumner County Fair; an event that includes music, dancing, food, contests and other family-oriented activities. The Kansas Wheat festival is held every July in Wellington, while the Old Settler's Days is also an annual event that is held in Mulvane.

Nonetheless, the area's tourism is primarily centered on Wichita. As the largest city in the state, Wichita attracts over 3.4 million visitors a year, contributing about \$350 million to the local economy. According to a 2004 study conducted by the Center for Economic Development and Business Research ("CEDBR") at Wichita State University, the majority of visitors to Wichita originate from the regional market (0-200 miles). Of these visitors, approximately 77% come for leisure purposes compared to only 23% for business. In addition, approximately 55% of visitors travel with a companion or family compared to 45% traveling alone.

Among the top activities while in Wichita, 62% dined at one of Wichita's more than 1,000 restaurants, while 40% shopped at one of the many shopping centers. Approximately 13% took in a minor league hockey or baseball game, or a college sport event. Visitors often patronize the numerous performing arts centers, museums and galleries available in Wichita. With an average of 225 sunny days per year, Wichita provides ample opportunity to experience the extensive park system and golf courses. Finally, the newly opened Sedgwick County Zoo is available.

Lodging Environment

Based on data obtained from Smith Travel Research, we determined that the Wichita area contains 97 hotels, yielding about 7,900 hotel rooms. The inventory includes about 2,700 mid-range rooms, accounting for about 35% of the total. The upscale class is also extensive with about 12 hotels and 1,700 rooms. Notable hotels in this segment include the 303-room Hyatt Regency and the 302-room Hilton Wichita Airport.

Wichita Hotel Market Summary

	Hotel Count	Average Size	Room Count	% of Total
Independent	41	54	2,220	28.0%
Economy	17	73	1,248	15.8%
Mid-Range	27	101	2,733	34.5%
Upscale	12	144	1,722	21.7%
Total	97	82	7,923	100.0%

Source: Smith Travel Research; The Innovation Group

Air Service

Wichita Mid-Continent Airport is the largest airport in Kansas and home to almost every major airline including Frontier, US Airways, Air Tran Airways, Allegiant Airlines, American Airlines, Delta Airlines, Continental Airlines, Northwest Airlines and United Airlines. The terminal building, which encompasses approximately 194,900 square feet, underwent a \$6.0 million renovation in 1989. The airport has additional expansion plans costing about \$300 million, including but not limited to extending taxiways, extending the main runway to 8,700 feet and a new terminal.

The passenger count in 2008 reached 1.62 million, which includes both inbound and outbound traffic; up about 1.4% over the prior year despite the nationwide recession. In contrast, according to the Bureau of Transportation Statistics, the nationwide passenger count decreased 2.7% in 2008. From a longer term perspective, Mid-Continent passenger count increased at an average rate of 2.5% per year, due to strong growth in 2004 and 2007, offset in part by slow traffic in 2005 and 2006, as displayed below:

Wichita Mid-Continent Airport Statistics		
Year	Passenger Count	% Change
2003	1,429,761	
2004	1,498,749	4.8%
2005	1,486,590	-0.8%
2006	1,460,331	-1.8%
2007	1,596,249	9.3%
2008	1,619,075	1.4%
AAG (5-yr)	2.5%	

Source: Mid-Continent Airport

Weather

The region sustains a relatively moderate climate with the exception of a stormy period in the spring and fall. The area enjoys an average of approximately 225 sunny days a year with warm summers exhibiting average high temperatures in the low 90s. The hottest month of the year is generally July, which averages 93 degrees. The winter low temperatures drop average in the 20s. The area receives approximately 30 inches of precipitation a year, yielding a monthly average of 2.53 inches. The months of May and June experience the greatest amount of rainfall, averaging over 4 inches per month.

Regional Weather Summary

Month	Avg High	Avg Low	Mean	Avg Precipitation
January	40°F	20°F	30°F	0.84 in.
February	47°F	25°F	36°F	1.02 in.
March	57°F	34°F	46°F	2.71 in.
April	67°F	44°F	55°F	2.57 in.
May	76°F	54°F	65°F	4.16 in.
June	87°F	64°F	76°F	4.25 in.
July	93°F	69°F	81°F	3.31 in.
August	92°F	68°F	80°F	2.94 in.
September	82°F	59°F	71°F	2.96 in.
October	70°F	47°F	59°F	2.45 in.
November	55°F	34°F	44°F	1.82 in.
December	43°F	24°F	34°F	1.35 in.

Source: Weather.com

COMPETITIVE ENVIRONMENT

The Innovation Group analyzed the competitive landscape with regard to gaming in the greater Sumner County region. The gaming competition primarily relates to various Native American casinos located in the northern Oklahoma and northeastern Kansas and riverboat gaming in Kansas City, Missouri. However, the only existing competition within 100 miles of the development site relates to the Oklahoma casinos.

Several new racino and gaming developments are anticipated for the region due to the recently passed gaming legislation in Kansas, which includes the subject. The following section discusses the existing competition in the area as well as the proposed new casino locations in Kansas and elsewhere.

Oklahoma Casinos

Oklahoma is saturated with nearly 100 existing casinos with a number of new casinos coming online. There are several just south of the Kansas border in close proximity to I-35. The most relevant of which are the four casinos located near Ponca, Oklahoma, including South Wind Kaw Nation, First Council Casino, 7 Clans Paradise and Native Lights, detailed in the following table:

Northern Oklahoma Competitive Summary

Casino	Slots	Tables	Restaurants	Hotel Rooms
South Wind Kaw Nation	800	16	1	0
First Council Casino	700	18	1	0
7 Clans Paradise	700	14	1	0
Native Lights	652	6	1	0
Total	2,432	25	3	0

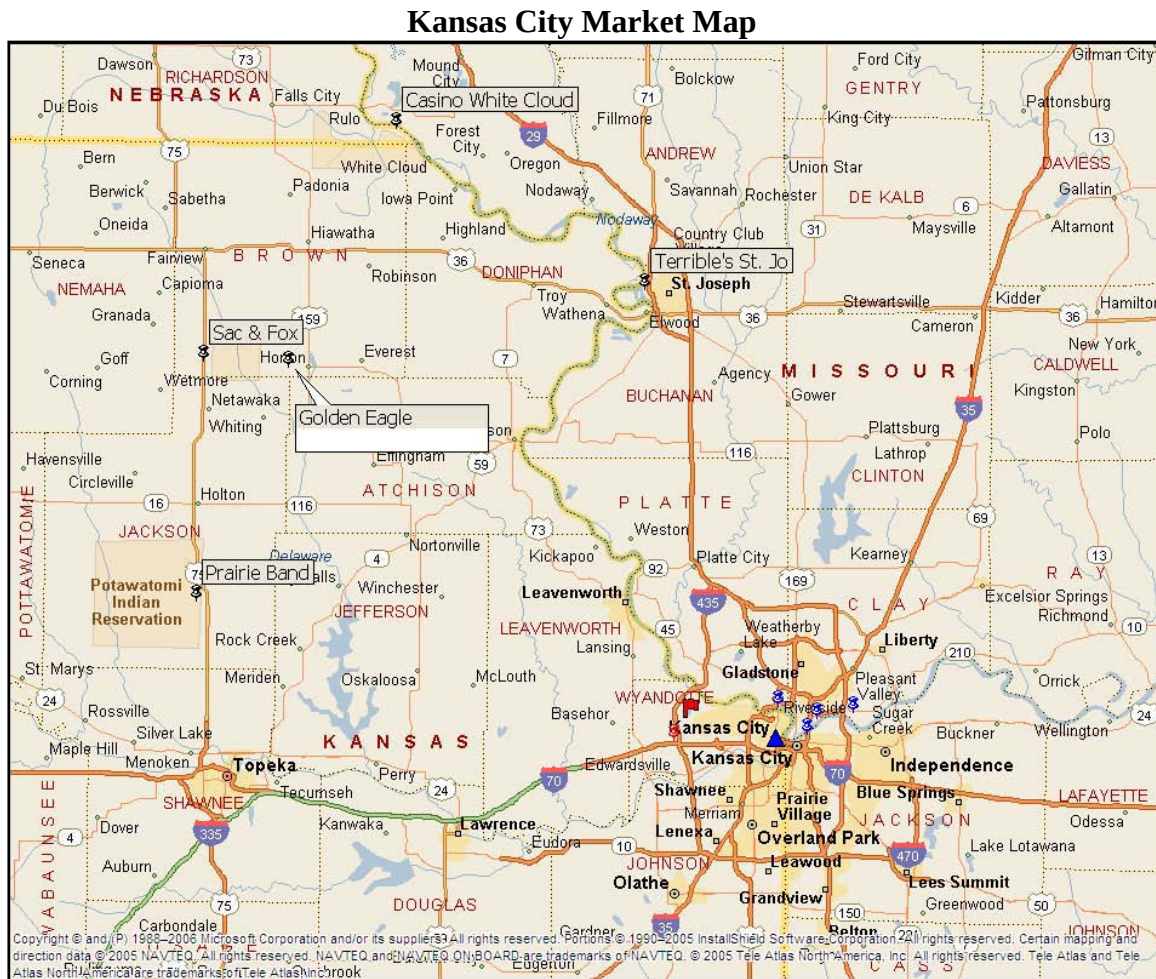
Source: OGC; The Innovation Group

The most significant of the four is the South Wind Kaw Nation, located near Newkirk, about 15 miles east of I-35. This casino offers 800 slot machines, 16 tables and a 700-seat bingo hall. The table sector presents only Blackjack and poker. The high-stakes bingo program features progressive bingo jackpots and weekend payouts. Despite recent renovations, the only food and beverage venue is the South Wind Café, offering various buffets. Finally, the facility offers an extensive smoke shop.

The newest casino in the market is the First Council Casino, which opened in February 2008. This facility, owned and operated by the Otoe-Missouria Tribe, is located just a mile south of the Kansas border on Highway 77. This casino offers 700 slots and 18 tables, including a 10-table poker room. The facility offers a buffet and a stage for live acts.

Kansas City Market

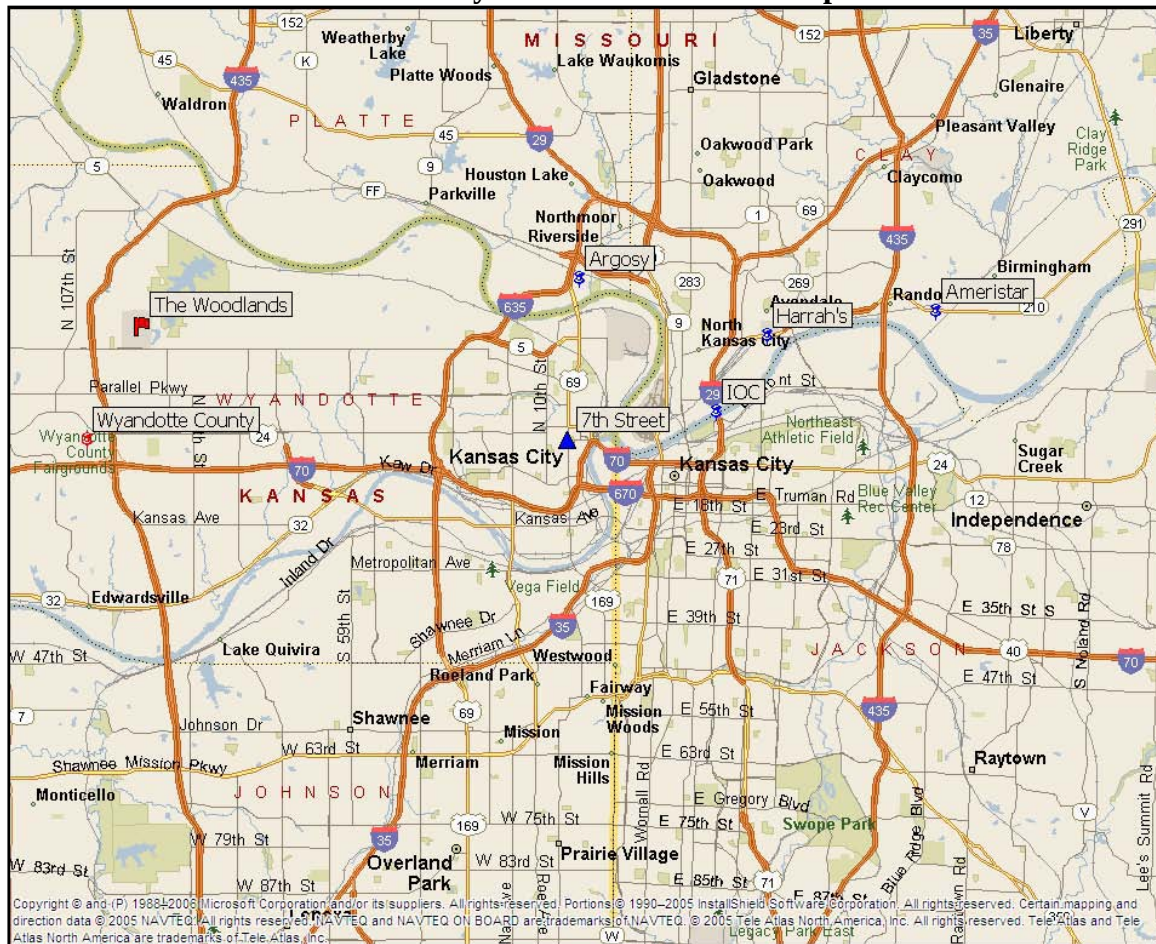
The Kansas City market includes 5 commercial casinos in the Kansas City metropolitan area (including St. Joseph) under the jurisdiction of the MGC, 4 Native American casinos in northeast Kansas and one small Class II Native American casino in Downtown Kansas City, Kansas. The racetrack, called the Woodlands, is located in Kansas City, Kansas near the intersection of Interstate 70 and Interstate 435. The market is truncated to the north by commercial casinos in Iowa and to the east by the casino in Boonville and the major casinos in St. Louis. However, there is little competition to the west and south. The following map displays the location of each of these gaming facilities:



Kansas City Commercial Casinos

The major commercial gaming facilities in the Kansas City market include Harrah's and Isle of Capri in North Kansas City, Argosy in Riverside and Ameristar. The casinos are situated within about a 10-mile stretch along the Missouri River, generally in the northern portion of the metro area. The following map displays the commercial gaming facilities in the Kansas City metropolitan area.

Kansas City Metro Area Market Map



A profile of these properties is outlined below.

Kansas City Market Property Summary

	Gaming Sqft	Slots	Tables	Restaurants	Hotel Rooms
Argosy	62,000	1,975	47	4	258
Isle of Capri	45,300	1,315	23	3	0
Ameristar	140,000	3,002	95	11	184
Harrah's	63,300	1,755	62	5	390
Total	310,600	8,047	227	23	832

Source: MGC; The Innovation Group

The Kansas City market posted gaming revenue of \$719.3 million in 2008, reflecting flat results compared to the prior year. The results reflect higher win per patron offset by lower patron volume. Over the last three and five years, gaming revenue has grown at an average annual rate of 1.5% and 3.2%, respectively. Overall, the growth reflects gaming facilities that continually upgrade and expand their product offering, most recently evidenced by the Harrah's and Argosy hotel expansions, which included convention facilities and an improved food & beverage offering.

While patron volume has been declining over the last several years, win per patron has increased from about \$57 in 2003 to the current \$69 rate, an average increase of 3.9% per year. In general, the growth likely reflects higher AAHI levels and a marketing approach that targets the more avid gamers. The following chart displays the Kansas City market gaming statistics over the last several years:

Kansas City Market Summary

	Patrons	Gaming Revenue	Win per Patron	Gaming Positions	Win / Position
Dec-03	10,801,638	\$614,300,663	\$56.87	8,604	\$196
Dec-04	11,770,894	\$677,020,969	\$57.52	9,888	\$188
Dec-05	11,634,367	\$688,594,535	\$59.19	9,525	\$198
Dec-06	11,488,564	\$714,609,047	\$62.20	9,652	\$203
Dec-07	10,729,925	\$720,748,645	\$67.17	9,590	\$206
Dec-08	10,459,407	\$719,298,577	\$68.77	9,465	\$208
AAG (1-yr)	-2.5%	-0.2%	2.4%	-1.3%	1.1%
AAG (3-yr)	-3.5%	1.5%	5.1%	-0.2%	1.7%
AAG (5-yr)	-0.6%	3.2%	3.9%	1.9%	1.3%

Source: MGC; The Innovation Group

Native American in Kansas

The five Native American casinos in the Kansas City market include the Prairie Band Casino, Golden Eagle Casino in Horton, the Sac & Fox Casino in Powhattan, and Casino White Cloud in White Cloud, as detailed in the following table:

Kansas Native American Property Summary					
	Location	Slots	Tables	Restaurants	Hotel Rooms
Prairie Band	Mayetta	1,050	33	3	297
Golden Eagle	Horton	800	20	1	0
Sac & Fox	Powhattan	475	15	1	0
Casino White Cloud	White Cloud	360	7	1	0
Wyandotte 7th Street	Kansas City	560	7	1	0
Total		3,245	82	7	297

Source: Property Websites; Casino City; The Innovation Group

The most relevant to this assessment is the Prairie Band Casino & Resort, approximately 170 miles northeast of the subject development site and 20 miles north of Topeka. This facility, owned by the Prairie Band of Potawatomi Nation of Kansas and formerly operated by Harrah's, generates significant revenues. The casino offers about 1,050 slots and 33 table games. The amenity package features a recently expanded 297-room hotel and convention center. The food and beverage offering includes three restaurants: the Buffalo Grill, the Three Fires Steak House, and the Fresh Market Buffet. The 12,000 square foot convention center accommodates concerts, conventions, receptions, and business meetings, while an entertainment lounge is available for live entertainment.

Proposed Developments

As discussed, Kansas gaming law allows the state to facilitate destination casinos in the following counties: Ford County, Wyandotte County, one casino in either Cherokee or Crawford County, and one casino in either Sumner or Sedgwick County. As the gaming referendum failed in Sedgwick County, Sumner County is the target for the gaming license, while the other destination casinos would be outside of the subject's 100-mile market, and thus only moderately relevant. The Innovation Group noted that there is currently no interest in developing the Cherokee / Crawford County casino. This may change as the credit market loosens up, but for the sake of this study, we assumed a Cherokee / Crawford County casino will not open during the timeframe of this report.

The legislation also approved racetrack casinos at the state's three existing racetracks (The Woodlands, Wichita Greyhound Park and Camptown Racetrack). Again, the vote failed for Wichita Greyhound's host county (Sedgwick). However, due to the onerous tax structure associated with the racetrack casino segment, we do not believe any racetrack casinos will be developed during the timeframe of the report. The most promising prospective racetrack casino is The Woodlands. Nonetheless, The Woodlands opted to close as opposed to developing the racetrack due to the high tax rate structure.

GAMING MARKET ASSESSMENT

Market Assessment Methodology

The Innovation Group conducted a Gaming Market Assessment for the greater Sumner County market using a market carve-out model. The assessment estimated gamer visits and gaming revenue, as well as “win per patron” and “win per position per day” for the proposed casino development. The Innovation Group identified three primary sources of gaming revenue for the subject development including the **local market**, **overnight tourist**, and **traffic intercept** segment.

Local Market

The Innovation Group defined the local market using a 100-mile concentric ring emanating from the subject development site. Within this concentric ring, unique submarkets were defined to account for variations in highway access, gaming competition and demographics. For each market area, the adult population and average household income statistics were obtained and analyzed. Gaming factors were applied to the market segments in order to estimate gamer visits and gaming revenue by segment. Gaming factors were determined based on research in the region and in similar jurisdictions by The Innovation Group and others. The definitions for the market factors are as follows:

Propensity - Propensity measures the proportion of the adult population within a market that is likely to participate in gaming. Generally, propensity decreases as the distance from the market center increases.

Frequency - Frequency reflects the average number of times per year that individuals with a propensity to participate in gaming within a market will actually do so. Like propensity, frequency tends to decline as the distance from the market center increases.

Win Per Visit (“WPV”) - WPV reflects the casino’s average gaming win per customer visit for a given market segment. Win per visit tends to increase in proportion to distance traveled as gamers that travel longer distances tend to make fewer trips per year with a higher budget. Win per visit also varies based on income and the specific facility characteristics such as the degree of overcrowding and the slot portfolio mix.

Capture Rate – The capture rate reflects the subject’s share of a particular market segment. Capture rates are applied to gamer visits by market segment. Capture rates are determined based on the existing or expected competition in each market segment. The rates take into consideration the scope, quality and size of a gaming facility in relation to the competition, as well as the location of the facility in relation to the population centers.

The formula for calculating gaming revenue from the local market segment for the subject facility is as follows:

Adult Population x Propensity x Frequency = Gamer Visits
Gamer Visits x Subject Capture Rate = Subject Gamer Visits
Subject Gamer Visits x Win per Visit = Subject Gaming Revenue

Overnight Tourist Segment

This segment reflects traditional tourists to the area that patronize the casino as a secondary attraction. This segment generally includes leisure tourists, business travelers and pass-through travelers. The Innovation Group assessed tourist volume based on the room count and occupancy rate associated with the non-casino hotels in the area.

The Innovation Group analyzed the current hotel room inventory in the market to determine the current room night demand. The room night demand is a function of the total available rooms multiplied by the prevailing occupancy rate. The Innovation Group also estimated the gaming factors associated with the overnight segment, including the capture rate and win per room. The basic formula for forecasting overnight gaming revenue is as follows:

Available Room Nights x Occupancy Rate = Room Night (“RN”) Demand
Room Night Demand x Capture Rate x Win per RN = Overnight Gaming Revenue

Traffic Intercept Segment

The traffic intercept segment reflects potential customers that are passing through the area on I-35 that decide to stop and patronize the casino. The Innovation Group believes that the subject casino would realize material traffic intercept gaming revenue due to its location relative this highway. The subject development would be highly visible from I-35 and signage could be used to direct travelers to the facility. The key variable in assessing this customer segment is the vehicle count traversing this highway in the area of the casino. The vehicle count estimates were based on information obtained from the Kansas Department of Transportation and adjusted to reflect only pass-through vehicles.

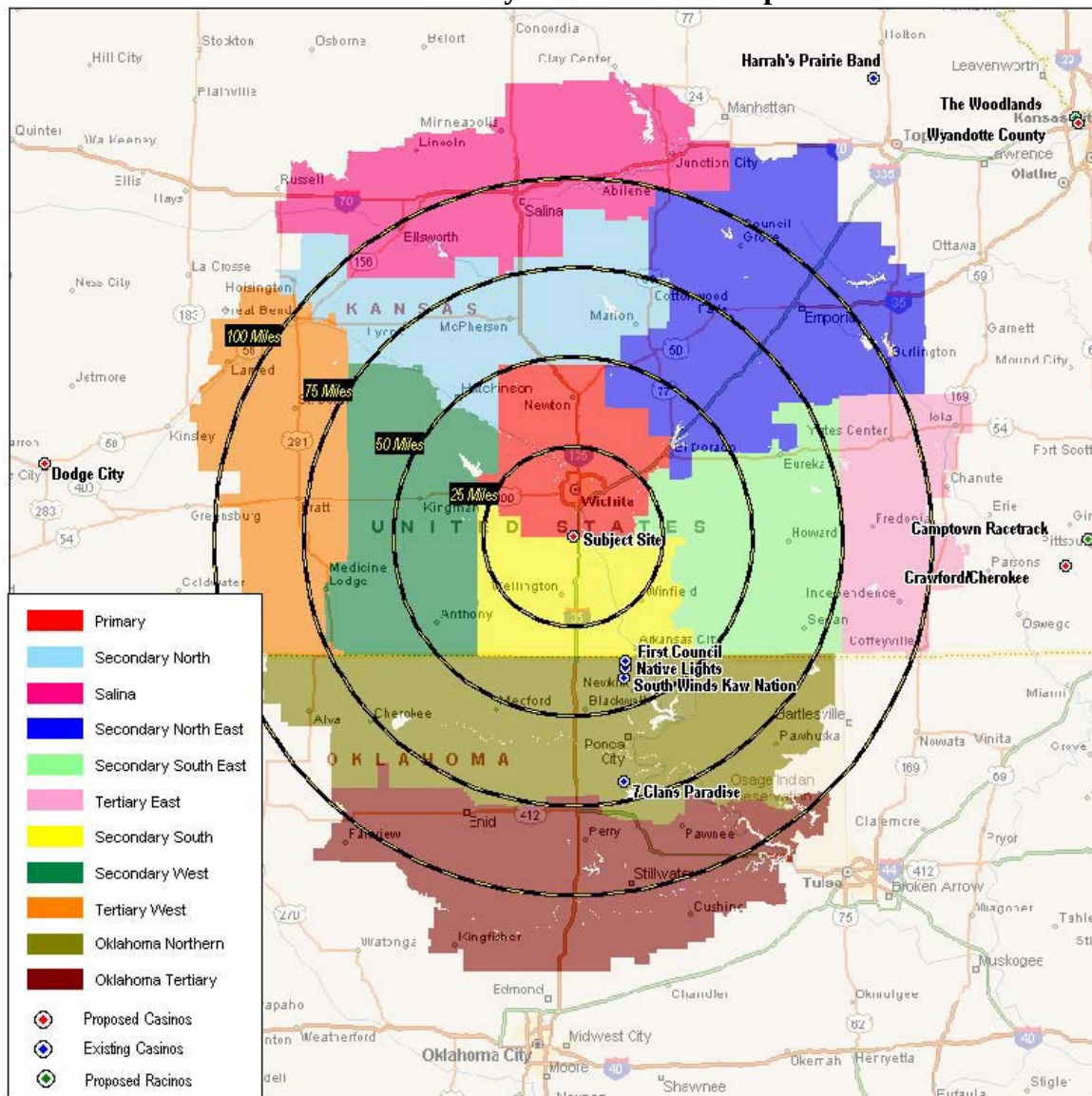
Next, we estimated the gamer capture rate for this segment. Capture rates for adults passing through gaming markets are typically very low, likely between 1% and 3%. The average win per gamer visit for this segment is also generally lower than the local market, as the visit was likely spontaneous as oppose to planned and budgeted. The traffic intercept formula is as follows:

Pass-Through Vehicles x Gamer Capture Rate x Adults per Vehicle = Gamer Visits
Gamer Visits x Win per Visit = Traffic Intercept Gaming Revenue

Local Market Segmentation

Again, for the local market customer segment, the 100-mile market was segregated into various submarkets, which exhibit similar drive time patterns, unique demographic characteristics and established population centers. The model utilizes estimated gamer population figures and average household income (AHHI) levels segregated by market. Next, propensity, frequency and WPV factors were applied to the different market segments. The Innovation Group utilized the following market carve-out to project the local market gaming revenue:

Sumner County Market Carve Map



Market Segment Demographic Summary

In total, The Innovation Group estimated the gamer population base for the greater market at about 988,800 gamer adults (21+) in 2008. The count is expected to reach nearly 1.0 million by 2013, reflecting a low average growth rate of 0.2% per year, relative to the national average (1.0%). The primary market is the largest submarket by far with 386,400 gamer adults, accounting for 39% of the market. The Oklahoma Tertiary market is the second largest market with 168,100 gamer adults. Note that only the two largest market segments are expected to grow significantly over the next five years.

Market Carve-out Gamer Population Summary

Market Segments	2008	2013	% Change	2012
Primary	386,389	399,435	0.7%	396,791
Secondary North	80,777	79,876	-0.2%	80,055
Salina	83,988	82,717	-0.3%	82,970
Secondary Northeast	50,618	50,670	0.0%	50,660
Secondary Southeast	14,426	14,071	-0.5%	14,141
Tertiary East	52,018	50,625	-0.5%	50,901
Secondary South	42,184	41,370	-0.4%	41,532
Secondary West	18,442	17,907	-0.6%	18,013
Tertiary West	32,156	31,649	-0.3%	31,750
Oklahoma Northern	59,634	57,362	-0.8%	57,809
Oklahoma Tertiary	168,133	173,573	0.6%	172,471
Total Market	988,765	999,255	0.2%	997,092

Source: Claritas, The Innovation Group

The Average Annual Household Income (“AAHI”) for the greater Wichita market was estimated at \$51,800 in 2008. This figure is expected to grow at an average annual rate of 1.8% over the next five years, reaching nearly \$56,800 by 2013. The region’s income level is significantly lower than the state and national average of \$62,200 and \$69,700, respectively. The Primary market exhibits an AAHI of \$55,000; about 6% above the market average. The expected annual growth rates for the individual segments ranged from of a low of 1.2% (Primary) to a high of 2.5% (Tertiary West and Oklahoma Tertiary). The following chart details the AAHI statistics for the market area:

Market Carve-out AAHI

Market Segments	2008	2013	% Change	2012
Primary	\$54,961	\$58,331	1.2%	\$57,641
Secondary North	\$50,786	\$56,285	2.1%	\$55,139
Salina	\$51,714	\$57,388	2.1%	\$56,206
Secondary Northeast	\$49,333	\$54,674	2.1%	\$53,562
Secondary Southeast	\$48,658	\$54,635	2.3%	\$53,384
Tertiary East	\$46,845	\$52,634	2.4%	\$51,422
Secondary South	\$51,158	\$56,296	1.9%	\$55,229
Secondary West	\$50,774	\$56,743	2.2%	\$55,495
Tertiary West	\$51,497	\$58,200	2.5%	\$56,793
Oklahoma Northern	\$48,108	\$54,195	2.4%	\$52,919
Oklahoma Tertiary	\$49,278	\$55,776	2.5%	\$54,411
Total Market	\$51,804	\$56,765	1.8%	\$55,736

Source: Claritas, The Innovation Group

PHASE I FORECAST

This section of the report forecasts the gaming revenue associated with the Phase I development plan, expected to be open in late 2010. The Phase I plan exhibits a permanent casino facility with about 1,300 slot machines. The casino would be supported by a food court, service bars and a lounge with a live performance venue.

Local Market

As discussed, The Innovation Group developed a comprehensive gravity model which forecast local market gaming revenue. The model gauges the competitive set using an attraction factor. Note that the attraction factor for this phase of the assessment reflects the Phase I facility. The gravity model also utilizes the estimated gaming factors defined earlier.

Local Market Gaming Factors

The Innovation Group estimated the gaming factors for the different market segments based on primary research applicable to the region. Numerous gaming studies conducted by us and independent third parties have provided valuable insight into the expected propensity, frequency, and win per visit for the region. For this assessment, the Kansas City market provided the primary basis for establishing the gaming factor estimates, however discounted to reflect the phased approach to the development. In addition, propensity and frequency were adjusted based on drive time to the subject while considering the quality and scope of the subject facility relative to the competition. The win per visit estimates were generally based on AAHI and again adjusted for drive time. The further the drive to the destination, the more gamers tend to spend per trip. The next table displays the estimated factors for each of the 11 market segments.

Local Market Gaming Factors - Phase I (2011)			
	Propensity	Frequency	WPV
Primary	33.3%	11.8	\$59
Secondary North	21.4%	8.1	\$92
Salina	18.8%	7.4	\$92
Secondary Northeast	22.5%	8.7	\$78
Secondary Southeast	22.4%	8.2	\$88
Tertiary East	13.7%	6.6	\$97
Secondary South	33.6%	12.0	\$57
Secondary West	23.9%	8.8	\$85
Tertiary West	19.8%	7.6	\$96
Oklahoma Northern	43.4%	14.7	\$53
Oklahoma Tertiary	25.2%	9.3	\$77

Source: The Innovation Group

Local Market Summary

The estimated market factors outlined above were then applied to the gamer population counts discussed earlier. The weighted average propensity and frequency calculated to 28.0% and 10.8 times, respectively. The Primary and Secondary South market segments showed some of the highest propensity and frequency factors, due to their proximity to the subject development. Based on an average win per visit of \$66, local market gaming revenue summed to \$198.7 million, as displayed below.

Local Market Summary - Phase I (2011)

Market	Gamer Adults	Propensity	Gamers	Frequency	Gamer Visits	Win per Visit	Gaming Revenue
Primary	394,165	33.3%	131,407	11.8	1,553,468	\$59	\$92,405,297
Secondary North	80,235	21.4%	17,199	8.1	139,626	\$92	\$12,881,849
Salina	83,223	18.8%	15,640	7.4	116,282	\$92	\$10,720,955
Secondary Northeast	50,649	22.5%	11,405	8.7	98,754	\$78	\$7,740,504
Secondary Southeast	14,212	22.4%	3,177	8.2	25,900	\$88	\$2,278,106
Tertiary East	51,178	13.7%	7,004	6.6	46,253	\$97	\$4,504,344
Secondary South	41,694	33.6%	14,001	12.0	167,750	\$57	\$9,533,345
Secondary West	18,119	23.9%	4,332	8.8	38,046	\$85	\$3,221,913
Tertiary West	31,851	19.8%	6,312	7.6	47,989	\$96	\$4,616,567
Oklahoma Northern	58,260	43.4%	25,292	14.7	372,234	\$53	\$19,855,069
Oklahoma Tertiary	171,376	25.2%	43,207	9.3	402,562	\$77	\$30,948,363
Total	994,962	28.0%	278,977	10.8	3,008,863	\$66	\$198,706,312

Source: The Innovation Group

Subject Capture

The Innovation Group primarily used a drive-time matrix to calculate the subject capture rates. However, the analysis also considered the quality and size (gaming positions) of the subject relative to the competition. Based on the Phase I development, we assumed an attraction factor that is slightly below the existing casinos in northern Oklahoma. Nonetheless, the analysis yielded a very high capture rate for the Primary market of 87%, as the next closest casino market (northern Oklahoma) would be nearly 80 minutes away. We also estimated that the subject would compete effectively in the secondary markets and the tertiary markets. Note that in markets where competition is an issue, the capture rate declines severely. After compiling the factors, we estimated that the subject would capture about 56% of the market or 1.68 million gamer visits.

After applying estimated win per visit factors by market segment, subject local market gaming revenue summed to \$96.6 million. The weighted average “win per visit” for the subject calculated to \$58, reflecting a discounted rate due to the scaled back Phase I facility. Note that the Primary market accounts for about 78% of the local market gaming revenue. Note that the 4 highest market segments, including the Primary, Secondary North, Secondary South and Oklahoma Tertiary, account for roughly 93% of gaming revenue. The following table details the subject’s local market gaming revenue by market segment:

Subject Local Market Gaming Revenue - Phase I (2011)

Market Segments	Market Gamer Visits	Subject Capture	Subject Gamer Visits	Win per Visit	Gaming Revenue
Primary	1,553,468	86.9%	1,349,281	\$56	\$75,025,524
Secondary North	139,626	41.3%	57,610	\$72	\$4,162,767
Salina	116,282	18.9%	21,930	\$79	\$1,731,149
Secondary Northeast	98,754	10.2%	10,087	\$75	\$760,750
Secondary Southeast	25,900	26.9%	6,958	\$72	\$501,990
Tertiary East	46,253	11.0%	5,073	\$91	\$459,218
Secondary South	167,750	81.4%	136,540	\$54	\$7,365,150
Secondary West	38,046	52.2%	19,848	\$68	\$1,341,844
Tertiary West	47,989	32.2%	15,466	\$78	\$1,211,736
Oklahoma Northern	372,234	2.0%	7,309	\$67	\$488,431
Oklahoma Tertiary	402,562	11.2%	45,058	\$78	\$3,531,292
Total	3,008,863	55.7%	1,675,160	\$58	\$96,579,850

Source: The Innovation Group

Overnight Tourist

Again, the overnight tourist segment reflects tourists that utilize the area's non-casino hotels that patronize the casino as a secondary attraction. This segment primarily includes leisure tourists, business travelers and pass-through travelers. The Innovation Group analyzed the existing hotel room inventory in the immediate market, generally defined using a 20-mile radius around the development site. As discussed in the tourism section, we identified a total of 97 hotels, yielding about 7,900 rooms. We assumed that the room inventory would grow to 8,245 by 2011.

We assumed an occupancy rate of 70% for these rooms, consistent with the current market average. Also, we projected the subject gamer capture rate at 2.9% and a win per room night of \$95. After compiling these factors, we estimated gaming revenue associated with the overnight tourist segment at \$5.9 million in 2011.

Overnight Tourist Gaming Revenue - Phase I (2011)

Tourist Component	Room Inventory	Occupancy	Room Night Demand	Gamer Capture Rate	Gamer Room Nights	Win per Room Night	Gaming Revenue
Transient Tourist	8,245	70.0%	2,106,522	2.9%	61,616	\$95	\$5,855,039

Source: The Innovation Group

Traffic Intercept

The vehicle count estimates were based on information obtained from the Kansas Department of Transportation and adjusted to reflect only pass-through vehicles. The Average Annual Daily Traffic (“AADT”) was estimated at 19,100 for I-35 in the area of the development in 2011. We assumed that traffic volume would grow at a conservative average annual rate of 1.0%.

The pass-through percentage was estimated at 60%, typical for highway stretches between metropolitan areas. These pass-through travelers would generally be coming from or going to the large cities to south, such as Tulsa and Oklahoma City.

The Innovation Group estimated the gamer capture rate at about 0.9%. The capture rate reflects the Phase I development plan, but also the visibility and excellent access associated with the development. After compiling these factors, The Innovation Group estimated gamer visits at 53,200, and gaming revenue of \$2.5 million based on a conservative win per visit of \$47. The calculation is outlined below.

Traffic Intercept Gaming Revenue - Phase I (2011)

Highway	AADT	Pass-through %	Adults / Vehicle	Capture %	Gamer Visits	Win per Visit	Gaming Revenue
Interstate 35	19,059	60%	1.4	0.9%	53,176	\$46.80	\$2,488,657

Source: Kansas Department of Transportation, The Innovation Group

Total Gaming Revenue Forecast – Phase I (2011)

Combining revenues from all sources, The Innovation Group forecasted gaming revenue for the subject property at \$104.9 million in 2011. The local market component accounts for about 92% of the total, with the tourism components reflecting the balance. The following table summarizes our gaming revenue forecast segregated by market component for the subject project:

Subject Total Gaming Revenue - Phase I (2011)

	Gamer Visits	Win per Visit	Gaming Revenue	% of Total
Local Market	1,675,160	\$58	\$96,579,850	92.0%
Transient Tourist	92,424	\$63	\$5,855,039	5.6%
Traffic Intercept	53,176	\$47	\$2,488,657	2.4%
Total	1,820,760	\$58	\$104,923,547	100%

Source: The Innovation Group

PHASE II FORECAST

This section of the report forecasts the gaming revenue associated with the Phase II development plan, expected to be open in late 2011. The Phase II plan expands the casino to 2,000 slot machines and 50 table games, including a 10-table poker room. The food and beverage offering would also be expanded to include a buffet, steakhouse and sports bar. In addition, the facility would offer a retail venue, another live performance venue and a multi-purpose entertainment and meeting venue.

Local Market

We updated the gravity model to consider the upgraded facility. In addition to the size of the casino in terms of gaming position, we assumed that the overall attractiveness of the facility would increase. The attractiveness would be mainly be enhanced by the expanded food and beverage offering and the live performance venue. These enhancements would increase the gaming factors for the various market segments as well as the subject's capture.

Local Market Gaming Factors

The gaming factors were adjusted higher to reflect the Phase II development plan. The higher propensity rates primarily reflect the inclusion of table games, as the casino would now tap a new customer segment. The higher frequency and win per visit factors reflect the increase in size generally as well as the overall attractiveness of the facility. Note that the adjusted factors are still influenced by drive time and income levels.

**Local Market Gaming Factors –
Phase II (2012)**

Market Segments	Propensity	Frequency	WPV
Primary	37.5%	13.9	\$65
Secondary North	23.0%	9.0	\$97
Salina	19.5%	7.9	\$101
Secondary Northeast	23.0%	9.0	\$88
Secondary Southeast	23.5%	8.8	\$95
Tertiary East	14.0%	6.9	\$109
Secondary South	37.6%	14.0	\$62
Secondary West	26.0%	9.9	\$89
Tertiary West	21.0%	8.3	\$104
Oklahoma Northern	43.6%	14.9	\$60
Oklahoma Tertiary	25.8%	9.7	\$87

Source: The Innovation Group

Local Market Summary

The estimated gaming factors outlined above were then applied to the gamer population counts discussed earlier. The weighted average propensity and frequency increased to 30.3% and 12.2, respectively, resulting in local market gamer visits of 3.68 million in 2012. Local market gaming revenue was estimated at \$263.9 million; an increase of about 33% relative to the Phase I forecast. The gain reflects a 22% increase in gamer visits combined with a 9% increase in win per visit, as displayed below.

Local Market Summary - Phase II (2012)

Market Segments	Gamer Adults	Propensity	Gamers	Frequency	Gamer Visits	Win per Visit	Gaming Revenue
Primary	396,791	37.5%	148,797	13.9	2,073,928	\$65	\$133,940,908
Secondary North	80,055	23.0%	18,413	9.0	165,512	\$97	\$16,128,713
Salina	82,970	19.5%	16,179	7.9	127,459	\$101	\$12,917,200
Secondary Northeast	50,660	23.0%	11,652	9.0	104,737	\$88	\$9,184,614
Secondary Southeast	14,141	23.5%	3,323	8.8	29,201	\$95	\$2,784,646
Tertiary East	50,901	14.0%	7,126	6.9	48,942	\$109	\$5,321,246
Secondary South	41,532	37.6%	15,616	14.0	219,231	\$62	\$13,674,200
Secondary West	18,013	26.0%	4,683	9.9	46,355	\$89	\$4,124,604
Tertiary West	31,750	21.0%	6,667	8.3	55,220	\$104	\$5,724,829
Oklahoma Northern	57,809	43.6%	25,205	14.9	376,763	\$60	\$22,690,522
Oklahoma Tertiary	172,471	25.8%	44,498	9.7	431,448	\$87	\$37,375,359
Total	997,092	30.3%	302,158	12.2	3,678,796	\$72	\$263,866,840
% Change (2011)	0.2%	8.1%	8.3%	12.9%	22.3%	8.6%	32.8%

Source: The Innovation Group

Subject Capture

Based primarily on the inclusion of table games and increased quality and scope of the project, we estimated that the subject's capture rate would adjust to 66.5%. Note that the subject's capture of the Primary and Secondary South markets increased to 93% and 89%, respectively. The resulting gamer visit count of 2.45 million reflects a 46% gain over the Phase I forecast. Assuming a win per visit of \$65, subject local market gaming revenue calculated to \$159.0 million.

Subject Local Market Gaming Revenue - Phase II (2012)

Market Segments	Market Gamer Visits	Subject Capture	Subject Gamer Visits	Win per Visit	Gaming Revenue
Primary	2,073,928	92.7%	1,921,517	\$62	\$119,438,951
Secondary North	165,512	57.3%	94,785	\$81	\$7,688,291
Salina	127,459	30.7%	39,156	\$89	\$3,470,656
Secondary Northeast	104,737	17.8%	18,679	\$85	\$1,581,135
Secondary Southeast	29,201	41.2%	12,033	\$81	\$975,536
Tertiary East	48,942	19.0%	9,314	\$102	\$947,349
Secondary South	219,231	89.3%	195,776	\$61	\$11,846,326
Secondary West	46,355	67.5%	31,309	\$76	\$2,378,151
Tertiary West	55,220	47.6%	26,268	\$88	\$2,315,153
Oklahoma Northern	376,763	3.7%	13,867	\$75	\$1,041,688
Oklahoma Tertiary	431,448	19.4%	83,636	\$88	\$7,372,702
Total	3,678,796	66.5%	2,446,340	\$65	\$159,055,937
% Change (2011)	22.3%	19.4%	46.0%	12.8%	64.7%

Source: The Innovation Group

Overnight Tourist

Again, the overnight tourist segment reflects tourists that utilize the area's non-casino hotels that patronize the casino as a secondary attraction. We projected that the subject gamer capture rate would increase from 2.9% to 4.5%, again reflecting the inclusion of table games and increased scope of the project. With the expanded food and beverage offering, tourist would view the facility more as an attraction. Using a higher win per room night of \$105, we estimated overnight tourist gaming revenue at \$9.95 million.

Overnight Tourist Gaming Revenue - Phase II (2012)

Tourist Component	Room Inventory	Occupancy	Room Night Demand	Gamer Capture Rate	Gamer Room Nights	Win per Room Night	Gaming Revenue
Transient Tourist	8,245	70.0%	2,106,522	4.5%	94,794	\$105	\$9,953,318

Source: The Innovation Group

Traffic Intercept Forecast

Similarly, we adjusted the capture rate and win per visit for the traffic intercept model. The new factors yielded an incremental gaming revenue figure of \$3.95 million for traffic intercept segment; an increase of 59% relative to the Phase I forecast.

Traffic Intercept Gaming Revenue - Phase II (2012)

Highway	AADT	Pass-through %	Adults / Vehicle	Capture %	Gamer Visits	Win per Visit	Gaming Revenue
Interstate 35	19,059	60%	1.4	1.3%	75,966	\$52.00	\$3,950,250

Source: Kansas Department of Transportation, The Innovation Group

Oklahoma City Incremental

While the Oklahoma City market is outside the local market area as defined, we believe that due to the size of this market, it would have a material incremental impact on the subject. Oklahoma City is about 135 miles from the subject, with excellent access via I-35. Currently, the casinos in Oklahoma do not offer a full selection of table games, exhibiting only player banked poker and blackjack. Also, these casinos have yet to evolve into major gaming destinations. The Innovation Group believes that a small percentage of Oklahoma City gamers would be attracted to the subject primarily due to the extensive table game offering, and the scope and quality of the facility generally.

We estimated the adult population for the Oklahoma City metro area at about 877,000 in 2011. We further estimated the propensity to visit the subject at 2.2%, reflecting a portion of the overall gamers that might be attracted to the subject's table game offering and destination concept. Assuming a frequency of 3.5 and a win per visit of \$97, incremental gaming revenue associated with Oklahoma City calculated to \$6.5 million, as displayed below.

Oklahoma City Incremental Gaming Revenue

	Adult Population	Propensity	Target Gamers	Frequency	Subject Gamer Visits	Win per Visit	Gaming Revenue
Oklahoma City	877,150	2.2%	19,297	3.5	67,541	\$96.83	\$6,540,000

Source: The Innovation Group

Total Gaming Revenue Forecast – Phase II (2012)

Combining revenues from all sources, The Innovation Group forecasted gaming revenue for the subject property at \$179.5 million in 2012. Note that the local market component now accounts for about 89% of the total revenue down from 92% for the Phase I forecast. The decline reflects a facility that has more of a tourist draw. The following table summarizes our gaming revenue forecast segregated by market component for the subject project.

Subject Total Gaming Revenue - Phase II (2012)

Market Component	Gamer Visits	Win per Visit	Gaming Revenue	% of Total
Local Market	2,446,340	\$65	\$159,055,937	88.6%
Transient Tourist	142,190	\$70	\$9,953,318	5.5%
Traffic Intercept	75,966	\$52	\$3,950,250	2.2%
Oklahoma City	67,541	\$97	\$6,540,000	3.6%
Total	2,732,037	\$66	\$179,499,505	100%

Source: The Innovation Group

Gaming Revenue Forecast (FY 2011 – FY 2015)

The Innovation Group forecasted gaming revenue for the five-year timeframe of the report (2011–2015). We assumed a conservative rate of growth of 2.5% in 2013 through 2015, resulting in gaming revenue of \$193.3 million by 2015.

The win per position figure associated with the Phase II facility calculated to \$214 (2012). At this level the casino would realize a high degree of operational efficiency, while offering sufficient capacity during peak times. Note that the win per position figure is higher during 2011, as the Phase I facility offers limit capacity.

Subject Gaming Revenue (2011 - 2015)

	2011	2012	2013	2014	2015
Gaming Revenue	\$104,923,547	\$179,499,505	\$183,986,993	\$188,586,668	\$193,301,334
Visitation	1,820,760	2,732,037	2,759,358	2,786,951	2,814,821
Win per Visit	\$57.63	\$65.70	\$66.68	\$67.67	\$68.67
Number of Positions	1,300	2,300	2,300	2,300	2,300
Win/Position/Day	\$221	\$214	\$219	\$225	\$230

Source: The Innovation Group

PRO-FORMA OPERATING STATEMENT

The pro-forma operating statement projects the potential Earnings before Interest, Taxes, Depreciation & Amortization (“EBITDA”) for the subject casino project. The estimates outlined in the operating statement were based on a detailed analysis of the income and costs elements associated with the project and take into consideration the operating characteristics of casinos in comparable jurisdictions. Existing and assumed future market dynamics were also taken into consideration during the analysis.

Pro-Forma Operating Statement - Sumner County - Foxwoods

	2011	2012	2013	2014	2015
Revenues:					
Table	\$0	\$17,949,951	\$18,398,699	\$18,858,667	\$19,330,133
Slots	\$104,923,547	159,216,061	163,196,463	167,276,374	171,458,284
Poker	\$0	2,333,494	2,391,831	2,451,627	2,512,917
Gross Gaming	\$104,923,547	\$179,499,505	\$183,986,993	\$188,586,668	\$193,301,334
Food and Beverage	5,052,610	16,228,302	16,636,444	17,054,851	17,569,907
Retail & Other	409,671	2,390,533	2,450,655	2,512,289	2,588,160
Total Gross Revenue	\$110,385,828	\$198,118,340	\$203,074,092	\$208,153,807	\$213,459,401
Less: Promotional Allowances	6,295,413	14,359,960	14,718,959	15,086,933	15,464,107
Net Revenues	\$104,090,416	\$183,758,380	\$188,355,132	\$193,066,874	\$197,995,295
Departmental Expenses:					
Tables	\$0	\$5,542,638	\$5,625,777	\$5,710,164	\$5,824,367
Slots	6,023,213	8,626,019	8,755,409	8,886,740	9,064,475
Poker	0	1,059,245	1,075,134	1,091,261	1,113,086
Cage/ Count	1,690,085	2,511,698	2,549,373	2,587,614	2,639,366
State Gaming Tax	28,329,358	48,464,866	49,676,488	50,918,400	52,191,360
Commission Expense	2,098,471	3,589,990	3,679,740	3,771,733	3,866,027
Food & Beverage	4,042,088	13,794,057	13,928,863	14,064,986	14,344,851
Retail & Other	245,803	1,434,320	1,448,337	1,462,491	1,491,592
General and Administration	9,966,276	14,996,363	15,221,308	15,449,628	15,758,620
Property Taxes	1,350,000	4,350,000	4,350,000	4,350,000	4,350,000
Facilities and Maintenance	4,271,455	6,803,595	6,905,649	7,009,233	7,149,418
Marketing	7,611,821	12,191,754	12,374,630	12,560,250	12,811,455
Security and Surveillance	2,589,593	3,512,017	3,564,697	3,618,167	3,690,531
Total Expenses	\$68,218,161	\$126,876,560	\$129,155,405	\$131,480,668	\$134,295,148
EBITDA	\$35,872,255	\$56,881,819	\$59,199,727	\$61,586,206	\$63,700,147
EBITDA %	34.5%	31.0%	31.4%	31.9%	32.2%
EBITDA % (excluding taxes)	61.7%	57.3%	57.8%	58.3%	58.5%

Source: The Innovation Group

Pro Forma Assumptions

Revenues

Gaming Revenue

The assumptions with regard to the gaming revenue forecast are detailed in the Gaming Market Assessment section of the report.

Food & Beverage

The food & beverage revenue estimate assumes a sufficient offering to meet demand. The forecast was based on the expected admissions times a participation rate. We estimated the average check at about \$10 (2012) per food and beverage patron.

Retail & Other

The retail & other revenue generally reflect revenue associated with the gift shop, entertainment and check cash/ATM charges. The estimate was based on results in comparable markets.

Promotional Allowance

The promotional allowance expense item, or the retail value of goods provided to gaming customers, was forecasted at 8% of gross gaming revenues reflecting the competitive environment anticipated for the region.

Departmental Expenses

Table/Slots/Poker/Cage & Count

The gaming component includes the costs of operating the casino floor, including the cage and count room. The expenses are generally associated with labor, supplies, equipment and outside services. The estimates assume an efficient slot operation featuring ticketing technology with staffing levels that would foster a service oriented casino operation. Labor burden associated with taxes and benefits was estimated at 32% of salaries and wages.

State Gaming Taxes

The Innovation Group assumed a statutory state gaming tax rate of 27.0% per our understanding of the Kansas gaming legislation.

Commission Expense

This expense item reflects an allocation of 2% of gaming revenue to cover Kansas Lottery Commission and Kansas Racing and Gaming Commission expenses.

Food & Beverage

Food & beverage expenses were estimated at 85% of food and beverage revenues in the first year of operation, improving to 81% by Year 5 as efficiencies take hold. The low margins reflect the nature of food & beverage operations in gaming market.

General & Administrative

General & administrative expenses include all administrative salaries and wages for the casino, and were based on an analysis of necessary labor positions and wage rates. Included in this figure are the general manager and support staff, purchasing, human resources, information systems, and finance and accounting. The department also includes expenses such as supplies, travel and entertainment, outside professional fees, insurance costs, and energy.

Property Taxes

The property tax forecast was provided by the Company and judged to be reasonable by The Innovation Group.

Facilities & Maintenance

Maintenance expenses are based on estimates for maintaining and repairing the facility and related grounds. This figure includes the costs of cleaning the facility on a daily basis and assumes that maintenance workers are on staff thereby eliminating the need for any significant outside services. Figures assume that management will have an ongoing capital expenditure policy to reserve for significant capital expenditure items.

Marketing

Marketing expenses include all of the costs to staff the marketing department for the casino, as well as all advertising and promotional costs (exclusive of promotional allowance). The figures are consistent with a marketing program for this type of casino in an effort to provide a year round flow of customers. Aggressive marketing programs for both slot patrons and table patrons as well as on floor promotions and giveaways were assumed in order to create an atmosphere of excitement and to position the property to capture the market share assumed in the Gaming Market Assessment.

Security & Surveillance

Security and surveillance costs reflect the payroll and other expenses associated with the recommended operation. The cost figure assumes one director for both functions.

DESTINATION IMPACT

The Innovation Group analyzed the tourism impact of the proposed facility. Considering the Phase II development plan, this facility would exhibit characteristics that make it a destination casino. These characteristics are generally related to the amenity offering, which includes the extensive food and beverage offering, various bars and lounges and live performance and multi-purpose entertainment and meeting venue.

Due to the competitive characteristics of the south Kansas market area, The Innovation Group believes that these destination elements are necessary. We believe, and the market assessment considers, that the subject would need to compete effectively for business in the outer markets. In rural Kansas there are many small to medium sized towns scattered throughout. Many of these population centers such Salinas (north), Emporia (northeast), Bartlesville (southeast) and Ponca City and Enid, OK (south) would have alternative gaming options, generally related to Kansas City and Oklahoma Native American casinos.

The casinos on the Missouri side of Kansas City have evolved into entertainment destinations in their own right, featuring high-end hotels, numerous eating venues and some night clubs. Ameristar Kansas City has a theater and presents headliner entertainment on a fairly frequent basis. The Harrah's casino features the popular VooDoo Lounge, a themed nightclub, while Argosy presents a very nice hotel. The only casino in the existing Kansas City market that does not have destination characteristics is the Isle of Capri. In addition, the proposed casino for Wyandotte County is expected to be a destination facility with a decent non-gaming amenity package. Regarding northern Oklahoma, the casino offering continues to evolve. The most significant of which is the Kaw Nation South Wind Casino, located near Newkirk, about 15 miles from I-35.

Again, the gaming revenue and therefore tax revenue forecast contained in the market assessment assumes that the Sumner County destination casino would compete effectively for the tourist market. We estimated that more than 33% or \$60 million of gaming revenue would come from outside of the Wichita area, reflecting day trips from patrons in the outer markets and the tourism segment. The tourism segment relates to the overnight non-casino hotel segment and traffic intercept segment. We believe the tourism segment would realize significant patronage from Oklahoma City and other cities in northern Oklahoma, attracted by the non-gaming amenities not generally offered by Native American casino in Oklahoma. Further, the assessment assumed that facility would make Sumner County a destination for groups and meetings seeking meeting space. The table below segregates gaming revenue by the local market and destination impact.

Gaming Revenue Segmentation – Phase II (2012)

	Gamer Visits	Win per Visit	Gaming Revenue	% of Total
Day Trips from Outside Wichita	524,823	\$75	\$39,616,987	
Tourism	285,697	\$72	\$20,443,568	
Destination Subtotal	810,521	\$74	\$60,060,555	33%
Local (Wichita)	1,921,517	\$62	\$119,438,951	67%
Total	2,732,037	\$66	\$179,499,505	100%

Source: The Innovation Group

In addition, the proposed destination resort casino is expected to generate significant revenues from components other than gaming. These revenues are primarily related to the amenities of the project, including the extensive restaurant offering, retail store, live performance and meeting venue. In total, we estimated revenue associated with these components at about \$19 million or 9.4% of the total. As Las Vegas evolved into an international destination, the proportion of revenue associated with gaming decreased substantially. The hotels added larger pools and different attractions, while the restaurant offering features most of the well known brands. This destination contains some of the largest retail malls in existence. We expect the Sumner County destination casino to follow the same pattern in terms of other non-gaming revenue sources as it expands to meet market demand.

Revenue Distribution

Component	Revenue	% of Total
Gaming	\$179,499,505	90.6%
Food & Beverage	16,228,302	8.2%
Other	2,390,533	1.2%
Total	\$198,118,340	100.0%

Source: The Innovation Group

In summary, the proposed facility exhibits the needed destination elements to attract patronage from an expanded market area. Situated with excellent access from I-35, which connects I-70 to some large cities to the south, the development site is positioned to capture a significant tourism market. We expect revenue associated with the destination elements to be significant and increase over time as submarkets, such as the convention and entertainment, become established.

DISCLAIMER

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.

Stephen Martino

From: Stephen Martino
Sent: Thursday, September 17, 2009 2:52 PM
To: 'Martha Sabol'
Cc: Jay Hall; Patrick Martin
Subject: Follow-up from Review Board meeting

Martha:

Yesterday's Review Board meeting yielded a number of requests for clarification and more information. They are:

1. The board wants an explanation, which can be in chart form, that breaks down the equity ownership positions of all parties.
2. The board wants a break down of all nongaming amenities (restaurants, retail, entertainment, hotel) and their size in the first phase of all the casinos developed, constructed or opened by the Lakes.
3. The board wants information on how the applicant intends to spend the remaining \$100 million of its initial capital investment requirement.
4. Of the contributions made by Och-Ziff and Clairvest, are those from cash reserves of these two entities or are they seeking debt financing from another source to make their equity contributions to the proposal?
5. Lakes said that they would issue additional stock to raise their portion of the equity contribution. What contingency plans does the joint venture have in place should Lakes not raise enough money in its stock offering to cover its capital commitment to the proposal?
6. What is the involvement in this project by individuals and entities that were participating in the Prairie Sky proposal under the name Double Down? Individuals or companies included in this could include McPherson Contractors, MRV, Equity Ventures, Nancy Seitz, Bruce Christiansen, Bruce McPherson, Michael McPherson, James Walker and Jeffrey Ungerer. Do any of these groups or individuals have an equity interest now? Have they been approached to have an equity interest in phase II? Is there any relationship -- contractual, written or otherwise - between the applicant, Chisholm Creek, and any of these individuals or entities?
7. Submit the entire consultant study that was commissioned by the applicant to assess potential income of the proposal including gross gaming revenue. We need the methodology, too.
8. Outline your Phase II financing plans.
9. Submit electronic copies of all drawings and renderings shown yesterday.

We would appreciate submission of these requests by close of business Monday. The information should be sent to Jay Hall and me and can be transmitted electronically.

If you have any questions, please let me know.

Please note my email address has changed to: stephen.martino@krgc.ks.gov

Stephen Martino
Executive Director
Kansas Racing and Gaming Commission
700 SW Harrison, Suite 500
Topeka, KS 66603
785 296 5800
785 296 0900/fax

Quantitative Comparison – Phase 1 only (South Central Zone)

	Chisholm Creek	Original Lakes Proposal
Investment in Infrastructure	\$125 million initially	\$292 million
Number of Slot Machines	1300-1500	2000
Number of Tables	30 (200 positions)	60 (360 positions)
Hotel Rooms	150-200 room hotel possible, but not guaranteed	250 room hotel
Full Time Employees	409	1748
Estimated Number of Tourists (players living 100 or more miles away)	Approximately 11.4% of all guests (285,397 in Phase II)	800,000 (with hotel)
Average Net Machine Income Per Day Estimated By Applicant	\$221	\$247
Average Net Table Income Per Position Per Day Estimated By Applicant	\$163	\$198

Public Comments

October 13, 2009

Jackie Helms
272 N. Sumac
Olathe, KS. 66061

PROCESSED

2009 OCT 15 A 11:01

Chief Robert Krehbiel + *Stephen Martin*
Kansas State Gaming Commission

RECEIVED
KANSAS RACING AND
GAMING COMMISSION

Dear Sir:

I have taken the liberty of enclosing two KC Star articles that appeared in today's paper for your review! As you readily see, the two subjects pertain To gambling casinos as well as the 'grim' outlook of the Kansas budget. It is disheartening to me to understand where the Kansas Legislature is Coming from? It appears that they pursue their own agendas and desires Without a care for those that pay their wage and benefits....the Kansas Taxpayer.

My husband and I go to the Argosy Casino as well as the Prairie Band Casino. The parking lots are full, each time we go, which is for our enjoyment. The Prairie Band Casino's lot was so full of Kansas people, That there wasn't any place to park, except at the hotel. KANSAS IS ON THE LOSING END OF THIS PROCRASTINATION OF LAW-MAKERS. The monies lost would go a long way to solve the budget Deficit. The 'coffers' of Missouri is benefiting from the Kansas dollars.

Please Sir, take action for us the Kansas people who want gaming in this State. The Woodlands and the Schlitterbaum business wish to build out- Standing Casinos, but are refused by a handful of politicians who seek Their own interests.

I also wish to recommend, that you inquire about the tax regulations That are paid to Missouri by the casinos, to have a fair proposal for the Interested parties wishing to build in Kansas.

Thank you for taking time to read my lengthy letter. Hopefully, we will Achieve the goals of casinos in Kansas!

Sincerely yours,

Mrs. Jackie Helms