

*Kansas Lottery
Gaming Facility Review Board
Southeast Gaming Zone
July 24, 2008*



P R O B E
STRATEGIC SOLUTIONS

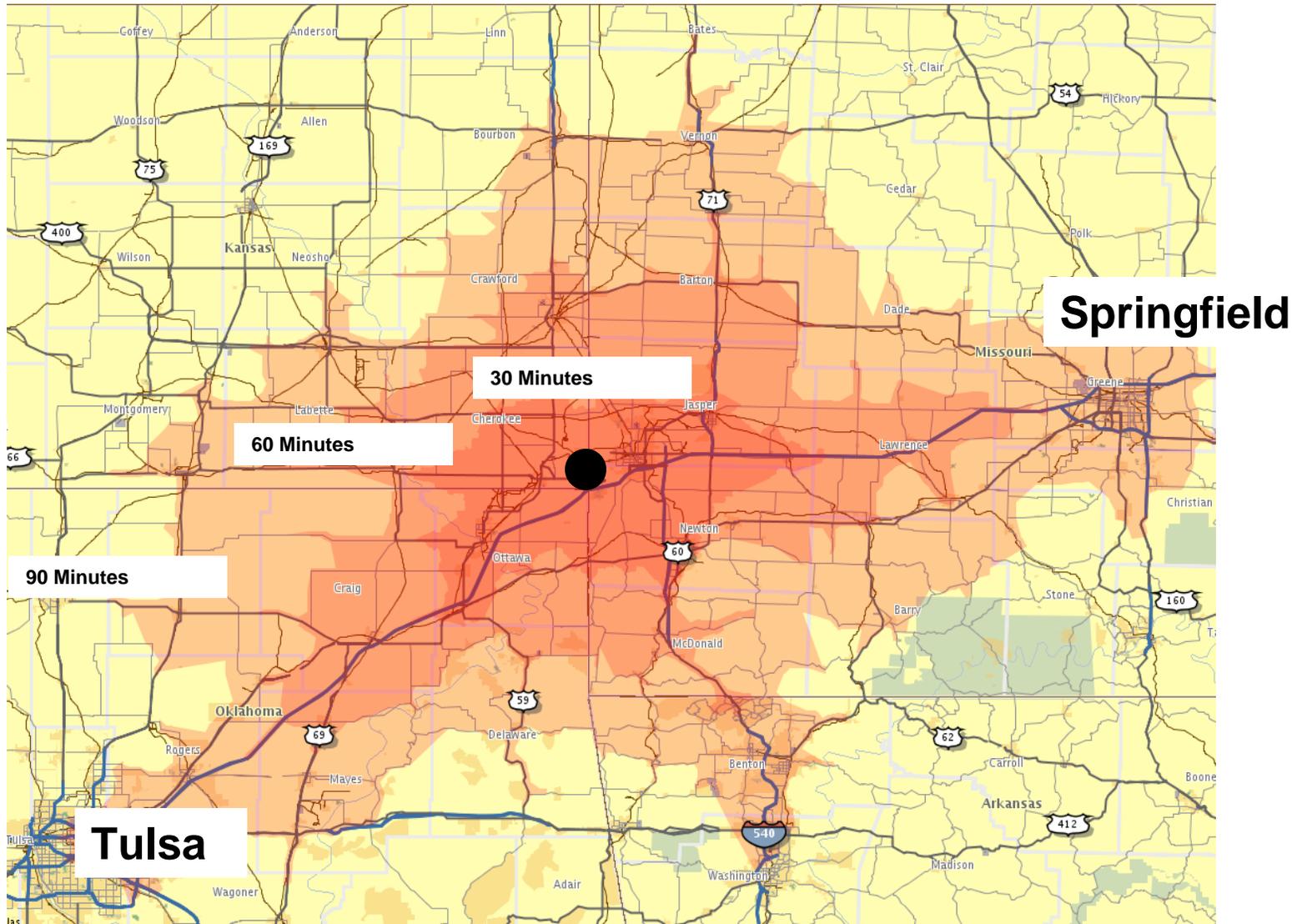
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Overview

- Assessment of the ancillary development and amenities.
- Process
 - Examine the characteristics of the market.
 - Based on Gaming Market Potential, hypothesize potential products
 - Asses proposal components to meet demand of market characteristics in the overall context of their ability to fulfill the goals set out in Senate Bill 66:
 - Maximize revenues for the state of Kansas
 - Promote tourism
 - Serve the best interests of the state of Kansas

Market Assessment

Location



Market Assessment

Demographic Composition - Population

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

➤ Majority of population in trade area is 60 – 90 minutes away

Market Assessment

Demographic Composition - Finances

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

Market Assessment

Data Note on Index Construction and Sources

The following slides detail the resident population's **Market Potential Index** (MPI).

This measures the relative likelihood of the adults in the specified trade area to exhibit certain consumer behavior or purchasing patterns compared to the U.S. average.

An MPI of 100 represents the U.S. average.

Market Assessment

Entertainment and Leisure Activities

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

Market Assessment

Entertainment and Leisure Activities

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

Market Assessment

Entertainment and Leisure Activities

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

Market Assessment

Competitive Overview

- Significant Competition
- 50 Casinos in Oklahoma within 50 miles
 - Average 493 machines, median 358
 - Limited amenities
- Downstream
 - 2000 slot machines, with 30 tables games and 15 poker tables
 - 222 hotel rooms, a spa, and 10,000 sq ft of convention space.
 - Owns the Eagle Creek Golf Club across I44
 - Variety of Five restaurants/Bars
- Cherokee Tulsa
 - Expansion including Branded Restaurants

Product Assessment

Potential Products

Casino Size: 900 slot machines with 30 table games.

The Task 4 estimates of visitation for this facility as described are as follows

Wells:	365,498	Kansas Penn:	1,022,590
Cummings:	506,284		
Average:	435,891		
Average Daily Visitors:	1,194		2,801
Average Peak Visitation:	1,911		4,482

Product Assessment

Potential Products

➤ **F&B:**

- Buffet: Value priced, with a variety of offerings in greater quantity and quality than the competitive set.
- Café: American cuisine targeted at the country lifestyle of the surrounding area. Some upscale items to appeal to travel market and to give customers at Downstream an incentive to visit.
- Food Court/Quick Serve: Appeal to the budget/convenience gambler looking for an inexpensive and fast alternative.
- Two Casino bars: One could be co-located in a restaurant, the other on the casino floor, preferably in the middle

➤ **Retail:**

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

➤ **Additional Features:**

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

Proposal Assessment Kansas Penn Gaming

Product Assessment – Hollywood Casino – F&B

➤ Epic Buffet

➤ 225 Seats, 5,625 Sq Ft, Cost per person: \$15

➤ Sport Bar/ Entertainment Lounge

➤ 75 Seats, 1,813 Sq Ft, Cost per person: \$16

➤ Coffee/Pastry Shop

➤ 30 Seats, 750 Sq Ft, Cost per person: \$9

Proposal Assessment

Kansas Penn Gaming

Product Assessment – Hollywood Casino – Other

- Retail and Hollywood Memorabilia Museum

 - 550 Sq Ft

- Truck, RV, and Bus parking

 - 40 Spaces

Proposal Assessment Kansas Penn Gaming

Product Assessment – Hollywood Casino – F&B - Financials

F&B Revenue as percent of Casino Sales:	6%
Food Percent of F&B:	80%
Beverage percent of F&B	20%
Food comps as percent of sales:	50%
Beverage comps as percent of sales:	50%
F&B Loss as percent of revenue (Mean):	(18%)

F&B Consolidated Pro-Forma						
	2010	2011	2012	2013	2014	2015
Revenue	2,152	3,444	4,376	5,425	5,696	5,981
Cost of Sales	(776)	(1,422)	(1,888)	(2,413)	(2,548)	(2,691)
Gross Margin	1,376	2,022	2,488	3,013	3,148	3,291
Expenses	(1,822)	(2,946)	(3,486)	(3,889)	(3,889)	(3,889)
Income	(446)	(924)	(998)	(876)	(741)	(598)

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

Proposal Assessment

Kansas Penn Gaming

Product Assessment – Hollywood Casino – Retail - Financials

Retail Revenue as percent of Casino Sales: 0.5%

Retail comps as percent of sales: 50%

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

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

Retail Consolidated Pro-Forma as Percent of Retail Revenue

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

Proposal Assessment Kansas Penn Gaming

- We believe that a significant percentage of people will visit both co-located properties for the entertainment variety that they would offer.
- Kansas Penn National would be number two in the market with regards to variety and quantity of amenities.
- Kansas Penn National has the opportunity to compete on quality, but given the estimated gaming revenue, the resources to do so may be limited.
- It is our opinion that this facility would not significantly grow the market through their amenities, especially with regards to out market tourism, and would share the market that currently exists.

Proposal Assessment

Kansas Penn Gaming

- Phase 1 will operate as an overflow property based upon:
 - The facilities that are recommended in first phase of the Kansas Penn Gaming proposal;
 - Cummings and Wells reports on estimates of gaming revenue and visitation;
 - the strong volume of convenience gaming supply in the area (although inferior);
 - the strong competition from the adjacent property operating under different jurisdictional regulations.