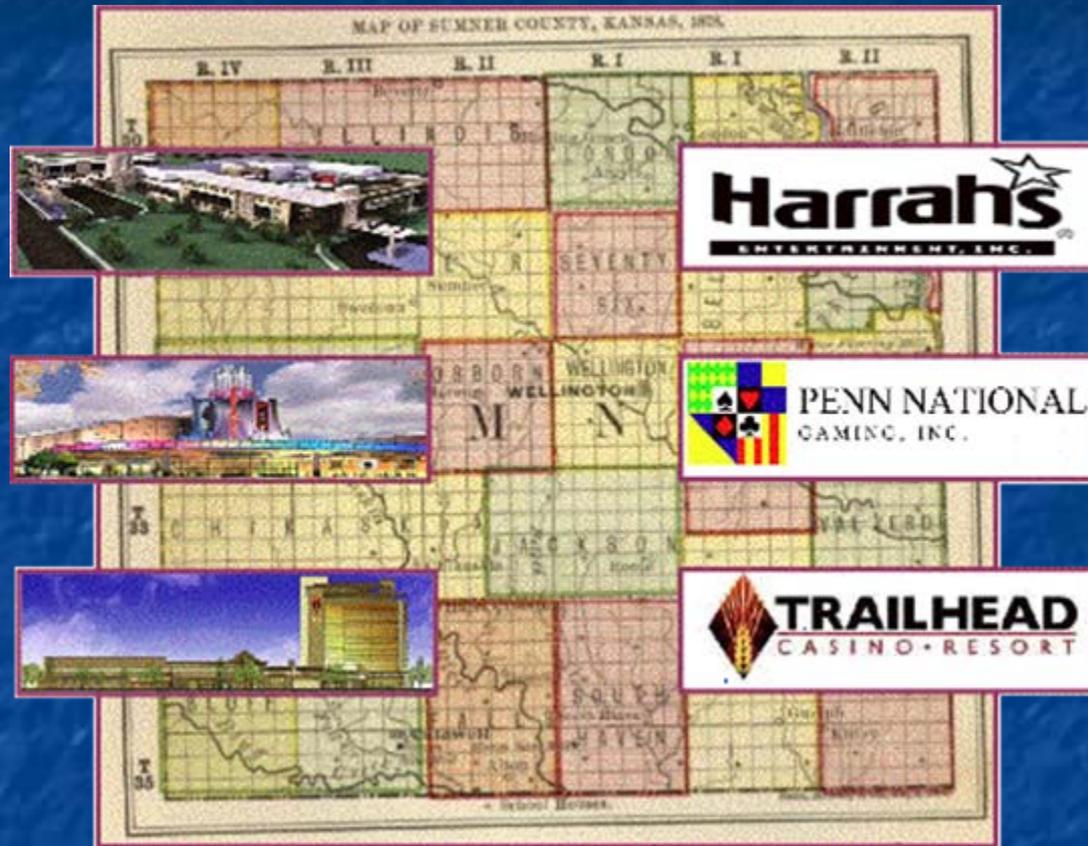


Task 4 - Project Specific Gaming Revenue Projections

South Central Gaming Zone - Sumner County, Kansas



Prepared For:
Kansas Lottery Gaming Facility Review Board
July 23, 2008

Wells Gaming Research

Methodology

- Used WGR's proprietary gravity model
- Defined trade area to include all counties that a 100-mile radius of Sumner County encompasses or touches
- Used 2007 data as status quo for baseline projections
- Population data at census tract level 2000 through 2012
- Utilized Harrah's, Penn National's, and Marvel Gaming's size, scope, and location assumptions for each of their proposed Sumner County casinos
- Developed a custom gravity model for Harrah's, Penn National's, and Marvel Gaming's proposed casino projects
- Defined and ran 2 scenarios with low, mid, and high cases for Harrah's, Penn National, and Marvel Gaming
- Ran additional cases for Sumner County casinos without a Cherokee County casino

Methodology

- Visited existing casinos within the trade area and made the following changes in assumptions:

Unlikely Proposed Casinos Removed from Competitive Set:

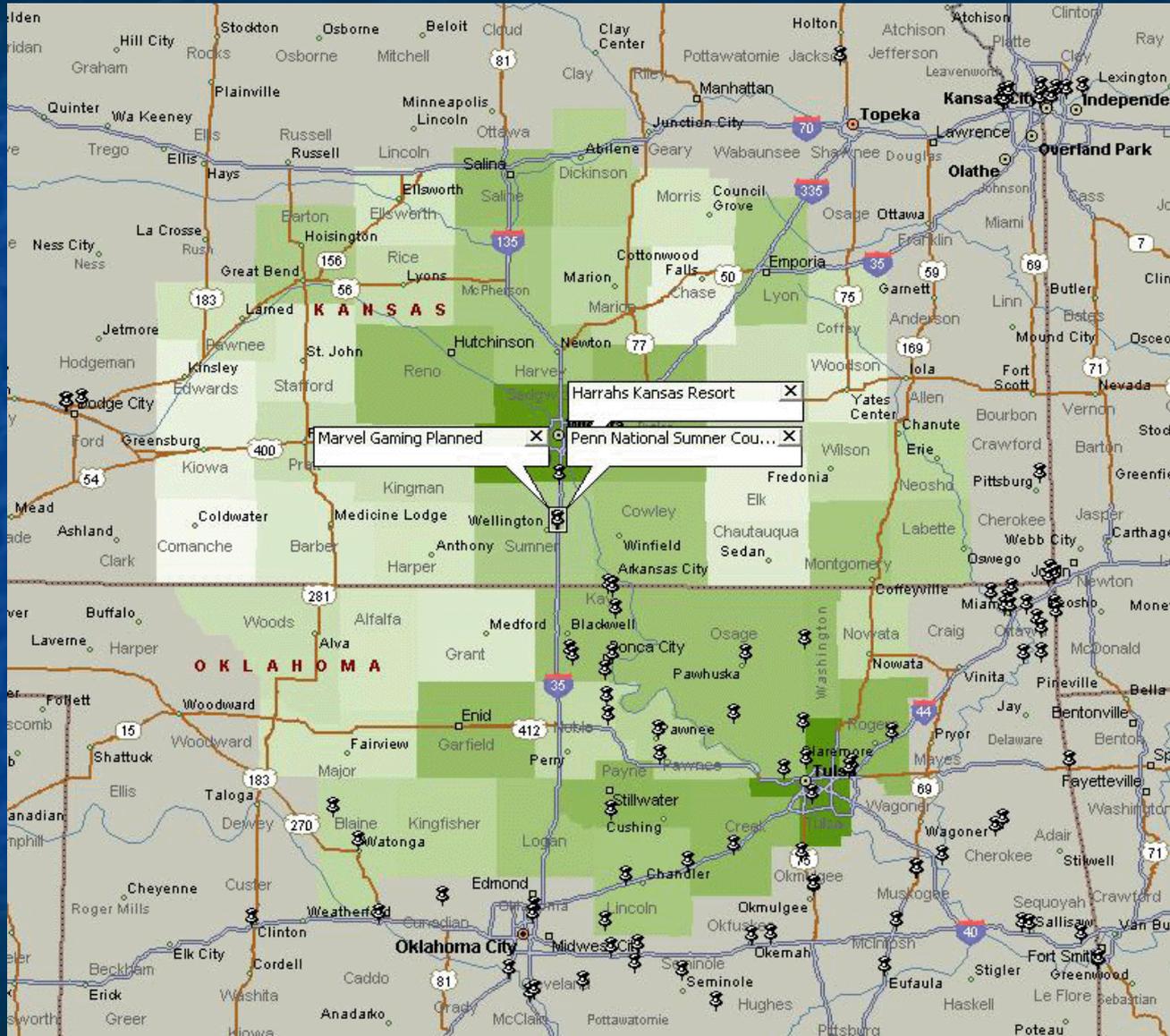
1 Pawnee Nation Pawnee Planned	OK
2 Ponca Fancy Dance Casino	OK
3 Seneca-Cayuga Tribe of Oklahoma Planned	OK
4 Shawnee Tribe Oklahoma Planned	OK
5 Wichita & Affiliated Tribes Hinton Planned	OK

Adjusted Attraction Factors after Visits by RW:

1 Buffalo Run Casino	-10%
2 Grand Lake Casino	-10%
3 Kaw Southwind Casino	-50%
4 Osage Million Dollar Elm Casino - Tulsa	-10%
5 The Stables Casino	-10%
6 Tonkawa Casino	-20%

- We estimate an additional 20M in revenue for Mulvane and 30M in revenue for Wellington with these changes in assumptions

South Central - Sumner County Trade Area Map



SC Kansas - Sumner

- Trade area (approximate 125-mile radius) includes 34 counties in Kansas and 19 counties in Oklahoma
- This trade area overlaps with the trade areas of proposed Kansas Lottery casinos in the Northeastern, Southeastern, and Southwestern Kansas gaming zones

SC Kansas - Sumner

- The trade area population is 2,242,031; of which 1,549,257 are adults
- Of the adult population, 500,054 (32%) live in Sumner County and the nine contiguous counties

Casinos Competing in the South Central Kansas Trade Area

- Existing Casinos:
 - 57 casinos in Oklahoma containing 28,821 slots, 287 pit tables, and 196 poker tables
- 6 Expansions & 8 Proposed New Casinos (eliminated 5 proposed):
 - 14 casinos with 12,307 slots, 263 pit tables, and 32 poker tables (including Harrah's Kansas Sumner)
 - 14 casinos with 12,307 slots, 278 pit tables, and 41 poker tables (including Marvel Gaming)
 - 14 casinos with 11,807 slots, 253 pit tables, and 23 poker tables (including Penn National)

Visitor Projections

Visitor Projections of Each Applicant & WGR's Projections of Each Applicant WGR's projections are based on Task 4, Scenario 3								
	2010	2011	2012	2013	2014	2015	CAGR	Periods
Harrah's	785,527	3,142,106	3,316,668	3,491,229	3,491,229		3.57%	3
Marvel	3,011,250	3,282,263	3,577,666	3,756,549	3,944,377		6.32%	3
Penn National	189,970	2,148,083	2,516,040	2,764,841	2,951,166	3,100,865	9.61%	4
WGR's Projections	2010	2011	2012				CAGR	Periods
Harrah's								
Low	2,352,059	2,364,774	2,377,614				0.54%	2
Mid	2,891,551	2,906,746	2,922,106				0.53%	2
High	3,186,619	3,202,958	3,219,482				0.51%	2
Marvel								
Low	1,234,630	1,240,235	1,245,896				0.46%	2
Mid	1,806,614	1,814,910	1,823,298				0.46%	2
High	2,169,163	2,179,072	2,189,096				0.46%	2
Penn National								
Low	1,098,467	1,103,436	1,108,455				0.45%	2
Mid	1,645,117	1,652,697	1,660,359				0.46%	2
High	2,001,787	2,010,995	2,020,308				0.46%	2

Revenue Projections

Revenue Projections of Each Applicant

& WGR's Projections of Each Applicant

WGR's projections are based on Task 4, Scenario 3 data adjusted for inflation

	2010	2011	2012	2013	2014	2015	2016	CAGR	Periods
Harrah's	\$51,581,000	\$206,323,000	\$252,359,000	\$273,610,000	\$281,818,000	\$290,273,000	\$298,981,000	7.70%	5
Marvel	\$217,335,000	\$236,895,000	\$258,216,000	\$271,126,000	\$284,683,000			6.32%	3
Penn National	\$13,661,559	\$158,044,873	\$194,234,748	\$217,644,057	\$233,632,163	\$246,530,066		11.76%	4
WGR's Projections	2010	2011	2012					CAGR	Periods
Harrah's w/ inflation									
Low	\$155,768,593	\$159,688,052	\$163,796,064					2.54%	2
Mid	\$193,997,484	\$198,835,894	\$203,911,008					2.52%	2
High	\$215,484,856	\$220,823,216	\$226,421,568					2.51%	2
Marvel w/ inflation									
Low	\$89,261,930	\$91,440,902	\$93,724,080					2.47%	2
Mid	\$131,775,139	\$134,991,402	\$138,363,216					2.47%	2
High	\$158,953,715	\$162,824,770	\$166,882,848					2.46%	2
Penn National w/ inflation									
Low	\$79,202,589	\$81,134,852	\$83,161,008					2.47%	2
Mid	\$119,688,227	\$122,612,240	\$125,679,360					2.47%	2
High	\$146,340,547	\$149,910,018	\$153,653,616					2.47%	2

Harrah's, Marvel, Penn & First Council

WGR Attraction/Mass Factor Comparisons where Harrah's Kansas Mid = 100%					
% of Harrah's Kansas Mid	2008	2011			
		Low	Mid	High	Tuned
First Council Casino	26%	26%	26%	26%	26%
Harrah's Kansas		50%	100%	150%	114%
Marvel Gaming		47%	93%	140%	408%
Penn Sumner		39%	77%	116%	130%
WGR Revenue Projections w/ Inflation					
Harrah's Kansas Scenario 3	2008	2011			
		Low	Mid	High	Tuned
First Council Casino	\$31,965,780	\$19,068,086	\$15,366,564	\$13,427,620	\$14,726,020
Harrah's Kansas		\$159,688,052	\$198,835,894	\$220,823,216	\$205,960,864
Marvel Gaming Scenario 3	2008	2011			
		Low	Mid	High	Tuned
First Council Casino	\$31,965,780	\$23,958,726	\$19,557,150	\$16,877,036	\$10,506,220
Marvel Gaming		\$91,440,902	\$134,991,402	\$162,824,770	\$236,468,936
Penn Sumner Scenario 3	2008	2011			
		Low	Mid	High	Tuned
First Council Casino	\$31,965,780	\$25,023,414	\$20,767,908	\$18,086,712	\$17,327,148
Penn Sumner		\$81,134,852	\$122,612,240	\$149,910,018	\$157,849,734

Revenue Projections

(With & Without Cherokee Planned Casino)

WGR Revenue Projections Without Cherokee County Planned			
Mid Case w/ Inflation	2010	2011	2012
Harrahs Kansas Resort	\$195,561,398	\$200,437,254	\$205,550,448
Marvel Gaming	\$133,566,107	\$136,825,392	\$140,242,224
Penn National Sumner	\$121,424,023	\$124,391,048	\$127,500,960
WGR Revenue Projections With Cherokee County Planned			
Harrahs Kansas Resort	\$193,997,484	\$198,835,894	\$203,911,008
Marvel Gaming	\$131,775,139	\$134,991,402	\$138,363,216
Penn National Sumner	\$119,688,227	\$122,612,240	\$125,679,360
Difference of Revenue Projections With Cherokee County Planned & Without Cherokee County Planned			
Harrahs Kansas Resort	\$1,563,914	\$1,601,360	\$1,639,440
Marvel Gaming	\$1,790,968	\$1,833,990	\$1,879,008
Penn National Sumner	\$1,735,796	\$1,778,808	\$1,821,600

Specific Penn National Statistics

WGR Revenue Projections Without Cherokee County Planned			
Mid Case w/ Inflation	2010	2011	2012
Harrahs Kansas Resort	\$195,561,398	\$200,437,254	\$205,550,448
Marvel Gaming	\$133,566,107	\$136,825,392	\$140,242,224
Penn National Sumner	\$121,424,023	\$124,391,048	\$127,500,960
WGR Projections of Both Penn National Sites			
Penn National Sumner w/ Cherokee	\$119,688,227	\$122,612,240	\$125,679,360
Penn National Cherokee - Phase 1	\$27,520,218	\$28,372,204	\$29,268,144
Total Both Penn National Sites	\$147,208,445	\$150,984,444	\$154,947,504

Summary Income Statement

Summary Income Statement Accounts

As a Percent of Total Revenue

Harrah's, Penn National Sumner, & Marvel Gaming 2011 v FY2007 NV Gaming Abstract

	Gaming Revenue	Department Expenses	Adv & Prom	Interest Exp	G&A Payroll	Total G&A Exp	EBITDAR
Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY 2007	64.5%	47.2%	2.7%	6.9%	6.8%	36.6%	24.0%
Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY 2007	46.9%	49.2%	1.5%	7.5%	6.4%	33.8%	25.2%
Clark County LV Strip \$72M+ w/ Hotel Rooms FY 2007	40.8%	49.9%	1.0%	7.8%	6.2%	32.9%	25.6%
Harrah's Sumner Gaming JV LC Pro Forma 2011	83.3%	56.6%	1.3%	12.0%	9.1%	52.2%	9.8%
Penn National 1st Full Year of Operation Pro Forma for 2011	83.4%	49.1%	13.3%	17.3%	0.5%	50.5%	27.3%
Marvel Gaming 1st Full Year of Operation Pro Forma for 2011	84.5%	59.7%	2.4%	10.4%	0.5%	27.3%	24.9%

Source: WGR, NV Gmg Abst, & Applicants Data

Casino Department Income Statement

Casino Department Income Statement Account

As a Percent of Total Assets

Harrah's, Penn National Sumner, & Marvel Gaming 2011 v FY2007 NV Gaming Abstract

	Table Revenue	Comp Expense	Payroll	Tax & Lic	Dept Expense	Dept Profit
Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY 2007	16.3%	13.8%	12.4%	7.8%	44.3%	55.7%
Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY 2007	34.6%	19.0%	15.2%	7.6%	53.9%	46.1%
Clark County LV Strip \$72M+ w/ Hotel Rooms FY 2007	44.6%	21.8%	16.9%	7.4%	59.2%	40.8%
Harrah's Sumner Gaming JV LC Pro Forma 2011	10.3%	12.9%	5.5%	27.0%	58.9%	41.1%
Penn National 1st Full Year of Operation Pro Forma for 2011	12.0%	10.0%	9.8%	30.0%	49.9%	50.1%
Marvel Gaming 1st Full Year of Operation Pro Forma for 2011	10.9%	12.3%	15.8%	25.6%	59.5%	40.5%

Source: WGR, NV Gmg Abst, & Applicants Data

Rooms Department Income Statement

Rooms Department Income Statement Account

As a Percent of Total Assets

Harrah's, Penn National Sumner, & Marvel Gaming
2011 v FY2007 NV Gaming Abstract

	Rooms as % of Total Rev	Comp Room Sales	Payroll	Dept Profit- Loss
Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY 2007	11.7%	23.5%	29.6%	58.0%
Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY 2007	22.2%	16.5%	20.5%	67.6%
Clark County LV Strip \$72M+ w/ Hotel Rooms FY 2007	25.8%	15.4%	19.2%	69.2%
Harrah's Sumner Gaming JV LC Pro Forma 2011	3.2%	51.1%	23.6%	65.0%
Penn National 1st Full Year of Operation Pro Forma for 2011	8.1%	50.0%	11.0%	79.0%
Marvel Gaming 1st Full Year of Operation Pro Forma for 2011	3.1%	70.0%	39.5%	48.0%
Source: WGR, NV Gmg Abst, & Applicants Data				

Food Department Income Statement

Food Department Income Statement Account

As a Percent of Total Assets

Harrah's, Penn National Sumner, & Marvel Gaming 2011 v FY2007 NV Gaming Abstract

	Food as % of Total Rev	Comp Food Sales	Cost of Goods	Payroll	Dept Profit- Loss
Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY 2007	12.9%	29.2%	38.5%	59.6%	-5.8%
Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY 2007	13.7%	20.2%	31.5%	54.1%	6.4%
Clark County LV Strip \$72M+ w/ Hotel Rooms FY 2007	13.9%	17.3%	29.2%	52.4%	10.3%
Harrah's Sumner Gaming JV LC Pro Forma 2011	12.2%	50.9%	33.0%	33.5%	22.3%
Penn National 1st Full Year of Operation Pro Forma for 2011	4.0%	50.0%	30.8%	64.0%	5.1%
Marvel Gaming 1st Full Year of Operation Pro Forma for 2011	5.5%	57.1%	54.0%	47.9%	-3.6%

Source: WGR, NV Gmg Abst, & Applicants Data

Beverage Department Income Statement

Beverage Department Income Statement Account

As a Percent of Total Assets

Harrah's, Penn National Sumner, & Marvel Gaming 2011 v FY2007 NV Gaming Abstract

	Beverage as % of Total Rev	Comp Beverage Sales	Cost of Goods	Payroll	Dept Profit- Loss
Statewide \$72M+ w/Hotel Rooms w/o LV Strip FY 2007	5.2%	56.9%	27.1%	30.5%	36.0%
Statewide \$72M+ w/Hotel Rooms w/ LV Strip FY 2007	5.3%	41.9%	21.4%	27.7%	41.0%
Clark County LV Strip \$72M+ w/ Hotel Rooms FY 2007	5.4%	36.9%	19.4%	26.7%	42.7%
Harrah's Sumner Gaming JV LC Pro Forma 2011	N/A	N/A	N/A	N/A	N/A
Penn National 1st Full Year of Operation Pro Forma for 2011	1.0%	50.0%	30.0%	64.0%	6.0%
Marvel Gaming 1st Full Year of Operation Pro Forma for 2011	4.1%	57.1%	29.4%	34.7%	30.2%

Source: WGR, NV Gmg Abst, & Applicants Data

Other Department Income Statement

Other Department Income Statement Account

As a Percent of Total Assets

Harrah's, Penn National Sumner, & Marvel Gaming 2011 v FY2007 NV Gaming Abstract

	Other as % of Total Rev	Comp Other Sales	Cost of Goods	Payroll	Dept Profit- Loss
Statewide \$72M+ w/ Hotel Rooms w/o LV Strip FY 2007	5.7%	9.5%	17.7%	26.3%	26.8%
Statewide \$72M+ w/ Hotel Rooms w/ LV Strip FY 2007	11.9%	5.1%	12.8%	22.5%	34.5%
Clark County LV Strip \$72M+ w/ Hotel Rooms FY 2007	14.1%	4.4%	12.1%	21.9%	35.5%
Harrah's Sumner Gaming JV LC Pro Forma 2011	1.3%	23.8%	N/A	36.9%	30.7%
Penn National 1st Full Year of Operation Pro Forma for 2011	3.5%	50.0%	50.0%	73.3%	-23.3%
Marvel Gaming 1st Full Year of Operation Pro Forma for 2011	2.8%	18.6%	43.8%	90.9%	-65.9%

Source: WGR, NV Gmg Abst, & Applicants Data

Richard H. Wells, Experience & Qualifications

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

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

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

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

