

THOUGHTS AND QUESTIONS RELATED TO THE SOUTH CENTRAL ZONE PROPOSALS

July 25, 2008

ISSUES OF FACT

(FOR CLARIFICATION)

•**Opportunity Cost:** Even if you have cash in your account, the cost of capital is not zero. It is the return that you could generate by allocating the capital elsewhere
–If you have cash in your account, you have more latitude than the company that has to go to a financial institution for debt financing
–The financial institutions themselves may be the weak link, even with a strong company

•**A Regional Monopoly is very attractive for any winning bidder because of the capability of earning extra-normal profits (economic profits or economic rents)**

QUESTIONS THAT HAVE ARISEN IN PAST TWO DAYS

•**What does your management team bring to the table with respect to your ability to not only attract visitors, but to attract those visitors that will generate NET ECONOMIC IMPACTS (i.e. what are the dimensions that will attract “exports” and “import substitution?”)**

QUESTIONS THAT HAVE ARISEN IN PAST TWO DAYS

2. Which of your non-gaming amenities are you offering that are going to have a significant impact on incremental business in comparison to your competitors? Of those, which one is the most important in your mind?

QUESTIONS THAT HAVE ARISEN IN PAST TWO DAYS

•**If Penn National were awarded the Sumner contract at least partly because of their proposed “Southern Kansas strategy,” how can we be certain that they will indeed develop the Cherokee County project in light of the existing competition**

QUESTIONS THAT HAVE ARISEN IN PAST TWO DAYS

4. If Penn were to develop the Cherokee property with a \$250 million commitment, even with the Phase-In, and suppose it was unsuccessful. Would this not leave the Board vulnerable to shareholder suits that could claim the decision to go forward in Cherokee County would represent a violation of its fiduciary responsibilities?

QUESTIONS THAT HAVE ARISEN IN PAST TWO DAYS

5. What are the capabilities of the Sumner partners to make equity contributions to this process? How much latitude do they have with respect to their personal assets and their access to liquid assets? What happens if there are 20% (or more) cost overruns?

QUESTIONS THAT HAVE ARISEN IN PAST TWO DAYS

6. In light of the relative strengths of Harrah's and the Sumner Partners, why did Harrah's choose to have a 40% ownership rather than a larger portion?

QUESTIONS THAT HAVE ARISEN IN PAST TWO DAYS

7. How can Harrah's resolve its cash flow issues as it relates to financing and execution of this particular project and for the entire organization?

- Where would Harrah's Sumner fit in the priority list of Harrah's capital projects in next 3-5 years?
- How will Harrah's restructure its assets in the next 3-5 years to adjust these imbalances?

QUESTIONS THAT HAVE ARISEN IN PAST TWO DAYS

8. How long will it take Marvel to establish a recognizable brand in the region, and to establish a player loyalty program that can be counted upon to generate results at a level (or greater) that the other applicants would be able to achieve?

- Besides management expertise, what intellectual property do you bring to this project?

QUESTIONS THAT HAVE ARISEN IN PAST TWO DAYS

9. (To be directed at the management of Harrah's and Marvel) What is your assessment of the Southeast Zone opportunity, and why did you choose not to compete for that opportunity?

QUESTIONS THAT HAVE ARISEN IN PAST TWO DAYS

10. What is your company's commitment to broader social values, such as career development for local residents, responsible gambling, "green" facilities, carbon footprints, and enhancing the quality of life in Kansas. How does your project relate to these social values?