

AGENDA

KANSAS LOTTERY GAMING FACILITY REVIEW BOARD

9 am, Wednesday, August 13, 2008,
9 am, Thursday, August 14, 2008 and
9 am, Friday, August 15, 2008

Kansas City Kansas Community College Theatre
7250 State Ave, Kansas City, Kansas

A. CALL TO ORDER

B. APPROVAL OF THE AGENDA

C. BOARD ITEMS

1. Regarding the proposed management contract between Kansas Entertainment, LLC and the Lottery Commission for the northeast gaming zone
 - a. Presentation by Kansas Lottery Commission (30 minutes)
 - b. Presentation by Kansas Entertainment, LLC (70 minutes)
 - c. Presentation by the Unified Government, the endorsing authority for the proposal (15 minutes)

The board reserves the right to question each entity, without any time limitation.

2. Regarding the proposed management contract between PNK Kansas LLC and the Lottery Commission for the northeast gaming zone
 - a. Presentation by Kansas Lottery Commission (30 minutes)
 - b. Presentation by PNK Kansas LLC (70 minutes)
 - c. Presentation by the Unified Government, the endorsing authority for the proposal (15 minutes)

The board reserves the right to question each entity, without any time limitation.

At this time, it is anticipated that the board will recess until 9 am Thursday, August 14.

3. Regarding the proposed management contract between Golden Gaming and the Lottery Commission for the northeast gaming zone
 - a. Presentation by Kansas Lottery Commission (30 minutes)
 - b. Presentation by Golden Gaming (70 minutes)
 - c. Presentation by the City of Edwardsville, the endorsing authority for the proposal (15 minutes)

The board reserves the right to question each entity, without any time limitation.

4. Regarding the proposed management contract between Leg Sun, LLC and the Lottery Commission for the south central gaming zone
 - a. Presentation by Kansas Lottery Commission (30 minutes)
 - b. Presentation by Leg Sun, LLC (70 minutes)
 - c. Presentation by the Unified Government, the endorsing authority for the proposal (15 minutes)

The board reserves the right to question each entity, without any time limitation.

After this presentation, it is anticipated that the board will recess until 9 am Friday, August 15.

D. OTHER MOTIONS

E. PUBLIC COMMENTS

Persons interested in making comments to the board must sign-up at the meeting site on the day of public comment. There will be an official sign up sheet at the meeting location, and it will be available 60 minutes prior to the start of the meeting. Those wishing to speak must provide their name, address and, if affiliated with a specific group, identify that group. They also will be asked on behalf of which proposal or proposals they wish to speak or if they are making general comments. Each person will have two minutes to address the board and will be asked to give his or her name at the microphone so that it can be entered into the official record.

F. STAFF REPORTS

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

G. ADJOURNMENT

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

MINUTES

August 5, 2008 – Via Teleconference

(An audio recording of this meeting appears on the KRGC website <http://www.ksracing.org>)

- CALL TO ORDER: Kansas Lottery Gaming Facility Review Board Chair Matt All called the August 5, 2008, teleconference meeting to order at 9:07 am. Review Board members All, Bergfalk, Boaldin, Boston, Brier, Ferrell, and Vietti participated in the meeting via telephone. Those present in person included Executive Director Stephen Martino; Chief Gaming Officer Robert Krehbiel; Assistant Attorneys General Patrick Martin and Teri Canfield-Eye; Director of Communications/Responsible Gaming Mike Deines; Director of Administration Don Cawby; Review Board Liaison Jay Hall; and other staff.
- (A.)
- MOTION, APPROVE AGENDA: Board member Boaldin (Brier) moved to approve the agenda as presented. Motion passed unanimously.
- (B.)
- SOUTHEAST GAMING ZONE: The board discussed questions and issues pertaining to the southeast gaming zone.
- (C.1.)
- SOUTH CENTRAL GAMING ZONE: The board discussed questions and issues pertaining to the south central gaming zone.
- (C.2.)
- STAFF REPORTS: No staff reports were presented.
- (D.)
- OTHER MOTIONS: No other motions were presented.
- (E.)
- ADJOURNMENT: Board member Boaldin (Vietti) moved to adjourn at 9:54 am. Motion passed unanimously.
- (F.)

SUBMITTED BY:

Matt All
Chair

**EXECUTIVE SUMMARY OF SUBSTANTIVE
DIFFERENCES BETWEEN CONTRACTS IN THE
NORTHEAST GAMING ZONE
(as compared to the Lottery’s template)**

Contract Section	Kansas Entertainment	PNK	Golden Heartland	Leg Sun
1(e) and (f) - Definitions	Added “CPI” and “CPI Adjustment Factor” which means “as of any date the greater of (a) 1.00 or (b) the CPI for such date divided by the CPI in effect on the Commencement Date” (see paragraph 26, below)			
1(o) – Definition of “Lottery Gaming Facility”		Added optional “temporary gaming facilities” to the definitions (also see paragraph 78, below)		
4 – Commencement Date Deadline	No later than the 36th month anniversary of the Effective Date	No later than 36 months following the Effective Date <u>plus</u> the number of days the Lottery takes for approval of plans	No later than 1,100 days after the Effective Date (which is the equivalent of 3 years and 5 days)	No later than 36 months following the Effective Date
21 – Lottery Facility Game Ownership		Added method for payment of gaming machine vendors, but did not change basic ownership rights		

<p>26 – Total Compensation Paid to Manager (as a percentage of “net lottery gaming facility revenues”)</p>	<p>73% up to \$350M* 70% > \$350 to \$400M* 67% > \$400M* * All amounts are subject to the CPI adjustment (see 1(e) and (f), above)</p>	<p>73% up to \$400M 71% > \$400M</p>	<p>73% up to \$250M 72% > \$250 to \$300M 71% > \$300 to \$350M 70% > \$350 to \$400M 69% > \$400 to \$450M 68% > \$450 to \$500M 67% > \$500M</p>	<p>73% up to \$475M 70% > \$475 to \$600M 67% > \$600M</p>
<p>28(b) – Manager’s Payment for KRGC Expenses</p>			<p>Revised to cite minimal language set forth in the KE LA as opposed to language recommended by KRGC and included in the template</p>	
<p>78 – Temporary Gaming Facility</p>		<p>Subject to compliance with other provisions of the Contract, the Manager may construct and operate a temporary gaming facility</p>		

Executive Summary of: Kansas Entertainment, LLC
Gaming Zone: Northeast

1. Name of Facility: Hard Rock Hotel & Casino at Kansas Speedway
2. Name of Manager: Kansas Entertainment Investors, LLC
3. Location of Facility: 821 Speedway Boulevard
Kansas City, Kansas 66111
4. Investment in Infrastructure: \$705,583,302
5. Principals/ Owners: 50% owned by: Kansas Speedway Development Corporation, a wholly owned subsidiary of International Speedway Corporation (Nasdaq:ISCA)

50% owned by: Kansas Entertainment Investors, LLC (which is owned by principals of The Cordish Company, a Baltimore-based developer and operator of both gaming and non-gaming developments nationwide)
6. Gaming Experience: The owners of Kansas Entertainment Investors, LLC (“KEI”) have significant experience in the development of destination resort/casino facilities, as well as extensive experience in non-gaming hotel and retail development. In gaming in the past eight years, they have served as the developers on the Seminole Hard Rock Hotel & Casino Tampa (Florida), the Seminole Hard Rock Hotel & Casino Hollywood (Florida), and Indiana Live! (Shelbyville, Indiana). They have also been chosen as the developer for the Wisconsin Oneida for a proposed casino in the Catskills in New York.

The officers of KEI, who will serve as the gaming operations management for the proposed facility (and all of whom are under contract to KEI), are among the most respected and experienced gaming executives in the country. They are led by President of Gaming Operations Mr. Dennis Gomes, who has an over 35-year track record for industry-leading gaming operations management, including serving as the President of the Golden Nugget Hotel & Casino (Las Vegas), the Trump Taj Mahal (Atlantic City), and Aztar Corporation (owners of the Tropicana Casinos); and Joseph Weinberg, President Development, with over 20 years’ experience in developing and operating high-profile gaming, retail and entertainment properties

Mr. Gomes and Mr. Weinberg are joined by the following senior executives, all of whom are under contract and committed to the management of the proposed Hard Rock facility in Kansas City. It is critical to note the below-named individuals, as well as Mr. Gomes, will be the actual management team on the proposed facility. Kansas Entertainment, LLC knows of no other Applicant who has committed to and placed under contract as deep or experienced a gaming operations team to operate the Kansas casino:

Sherry Amos	Executive V.P. -- Marketing
Robert Ambrose	V.P. -- Slot Operations
David A. Gentile	V.P. -- Administration
Donald W. Kneisel, II	V.P. -- Info. Technology
Aaron Gomes	V.P. -- Operations
Shawn K. McCloud	V.P. -- Strategic Planning
Jean Price Preikszaitis	Director of Corp. Admin.
Robert Zitto	Executive V.P. -- Food & Beverage

7. Resolution of Endorsement Obtained: YES

8. Planning and Zoning Approval: YES

9. Theme: Hard Rock themed destination hotel & casino; complemented by large-scale retail/entertainment district, full convention facilities, live performance venue, spa, resort, and pool facilities.

10. Number of Slot Machines: 3,000

11. Number of Tables (positions): 140

12. Anticipated Gaming Revenue in Year 1, Year 2, Year 3:

<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>
\$349,339,598	\$358,073,088	\$367,024,915

13. Ancillary Facilities:
- 300-room, five-star quality Hard Rock Hotel (with 50 suites)
 - Extensive restaurant, lounge and club venues in casino proper (approx 40,000 s.f. of offerings)
 - 2,000 seat live entertainment venue
 - 265,000 s.f. retail / entertainment district
 - 117,000 s.f. meeting & convention facilities
 - Indoor / outdoor pool (outdoor pool deck will also be used for seasonal entertainment)
 - Destination spa and fitness facilities

14. Anticipated Ancillary Revenue Year 1, Year 2, Year 3:

<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>
\$65,391,130	\$67,662,061	\$69,882,387

15. Number of Gaming Visitors (local – within 100 miles of facility) per year:

<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
3,813,702	3,852,459	3,891,562	3,930,975	3,970,774

16. Number of Gaming Visitors (tourists – further than 100 from facility) per year:

<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
651,538	657,434	663,430	669,567	675,772

17. Number of Ancillary Visitors (local) per year:

<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
2,011,228	2,032,706	2,054,316	2,075,980	2,097,846

18. Number of Ancillary Visitors (tourists) per year:

<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
2,292,461	2,315,975	2,339,499	2,362,911	2,386,469

19. Number of Full Time Employees: 2,068 (does not include employment in retail, dining & entertainment district)

20. Projected Opening Date: Permanent Gaming Facilities approximately 24 months after approvals; Ancillary Facilities within 31 months of approvals. Assuming approval is October 1, 2008, Permanent Gaming Facility to open October 1, 2010, Ancillary Facilities to open May 1, 2011.

21. Length of Construction Period: 31 months
22. Proposed Temporary Facility: YES
23. If yes, projected date of opening temporary facility: June 1, 2009¹
- a. Number of Slot Machines at temporary: 2,000
 - b. Number of Tables (positions) at temporary: 75
 - c. Anticipated Gaming Revenue at temporary: \$209,875,000 per annum (GGR)
24. Rewards Program: YES.
25. Potential for Expansion of Gaming Floor: YES. Facility has been master-planned to accommodate a significant expansion of the gaming floor and hotel towers. The initial gaming floor will be built to accommodate up to 5,000 slot machines (2,000 additional machines from opening) without additional structural construction.

¹ Assumes license is awarded on October 1, 2008.

26. Other Gaming Operations:

NOTE: Kansas Entertainment, LLC and its gaming operations manager, Kansas Entertainment Investors, LLC are both newly-formed entities formed solely to apply for the Northeast Zone Lottery Gaming Facility Manager contract. However, the owners and officers of Kansas Entertainment Investors, LLC (“KEI”) have significant gaming operations experience. Representative experience of the management and ownership team of KEI is listed below:

Name	City, State	Operated Since
Hard Rock Hotel & Casino Hollywood	Hollywood, Florida	Opened in June 2004-- Owners of KEI served developer and financial services advisor
Hard Rock Hotel & Casino Tampa	Tampa, Florida	Opened in March 2004— Owners of KEI served as developer and financial services advisor
Indiana Live!	Shelbyville, Indiana	June, 2008 (currently managed by officers and management of KEI)
Tropicana Casino, Atlantic City & Tropicana Casino, Las Vegas	Atlantic City, NJ & Las Vegas, NV	1995-2005: President of KEI served as President & CEO of both casinos from 1995 to 2005; 5 members of KEI senior management served as senior management of these casinos during this period
Trump Taj Mahal	Atlantic City, NJ	1991 to 1995: President of KEI served as President & COO of casinos from 1991 to 1995
Golden Nugget Hotel & Casino	Las Vegas, NV	1988 to 1991: President of KEI served as President & COO of this casinos from 1988 to 1991

Kansas Entertainment, LLC

TIMELINE OF PROJECT	DATE	COMMENTS OR DESCRIPTIONS
Estimated date of awarding of License	June 1, 2008	Per original submission was March 1st; all deadlines/timelines extended by 3 months.
Estimated date for approval of all building plans and variances	August 30, 2008	(We are aware that actual award date will be later than June 1, 2008. In order to allow for consistency with the financial projections previously prepared, we have maintained the June 1 date in this submission. Actual timetable will slide depending upon date of award.
Estimated date for Ground-breaking	August 30, 2008	
If project is to be phased, please describe the phases		
Completion date for Phase 1	January 1, 2011	
Completion date for Phase 2	N/A	
If project is going to involve a temporary gaming facility, please note estimated date of opening of the temporary and the permanent facility		
Estimated Opening Date for temporary facility	April 30, 2009	
Estimated Opening Date for permanent facility	January 1, 2011	

Kansas Entertainment, LLC

DESCRIPTION OF CASINO AND OTHER PHYSICAL FACILITIES

CASINO

	Square Footage	Units of Measure	COMMENTS
Square footage	125,100	Sq.Ft.	
Number of slot machines	3,000	Units	
Number of table games	140	Units	90 Traditional & 50 Poker
Types of table games offered:			
Blackjack	45	Units	
Craps	10	Units	
Roulette	5	Units	
Pai Gow Poker	N/A	Units	
Other games	30	Units	
Other gaming offerings (specify): Poker	50	Units	Note: Facility will include VIP Poker & Gaming Area

HOTEL

Total square footage	212,500	Sq. Ft.
Total square footage of public areas	32,580	Sq. Ft.
Number of standard rooms	250	#
Number of premium rooms	50	#
Square footage of standard room	450	Sq. Ft.
Square footage of premium room (average)	800	Sq. Ft.

DESCRIPTION

5-Star Quality Hotel Amenity Package; Hard Rock branded [comparable or superior to Hard Rock Hotel & Casino Las Vegas]

5-Star Quality Hotel Suite Amenity Package; Hard Rock branded [comparable or superior to Hard Rock Hotel & Casino Las Vegas]; includes bedroom and living room; extensive first-class amenities and finish. Will include VIP suites with living room/dining room. Will also include corner 3-bay ultra-luxury suite .

All-Day Café, Coffee Shop, Sundries Store, Bell Desk, Promo/Valet, Rest Rooms, Significant Lounge Space, Wireless Internet Access
Hard Rock theming and memorabilia

Amenities in standard rooms (specify):

Additional amenities in premium rooms (specify):

Additional amenities in public areas (specify):

RESTAURANTS [CASINO ONLY; DOES NOT INCLUDE ENTERTAINMENT / RETAIL DISTRICT]

Number of restaurants and eating outlets

4

Specify theme, avg daily covers, and avg spend per cover of each restaurant:

	Square Footage	SEATING CAPACITY	THEME	Covers	Avg Spend per cover
Steak Restaurant	9,000	165	Gourmet Steakhouse	240	\$ 40.00
Buffet/Market Food Court	33,817	466.66667	High-volume buffet/food court	2,100	\$ 12.50
All Day Café	3,992	275	Casual dining eatery	900	\$ 10.00
Italian Restaurant	11,000	195	Gourmet Italian	240	\$ 40.00

[see below for multiple additional restaurants in retail/dining/entertainment district]

BARS AND LOUNGES [CASINO ONLY; DOES NOT INCLUDE ENTERTAINMENT / RETAIL DISTRICT]

Number of bars and lounges

4

Specify theme & size of each bar

	Square Footage	Seating Capacity	THEME
Sports Bar	14,000	400	NASCAR Sports Grille
Night Club	10,000	850	Upscale, hip club [Note: occupancy not seats]
Casino Center Bar	3,200	100	High-energy bar in center of casino with live entertainment acts.
Pool Bar & Grille	3,000	120	Casual drink and food in pool-side setting.

[see below for multiple additional bar/lounges in retail/dining/entertainment district]

ENTERTAINMENT VENUES [CASINO ONLY; DOES NOT INCLUDE ENTERTAINMENT / RETAIL DISTRICT]

Number of Entertainment Venues

2

Describe and note size of each venue

Music/Entertainment Venue	Square Footage	Seating Capacity	DESCRIPTION
Casino Center Bar	40,000	2,000	Stadium seating style theater capable of hosting headliner shows.
Outdoor Pool Deck	3,200	100	High-energy bar in center of casino with live entertainment acts. Outdoor pool deck will be used for evening live performances on seasonal basis.

[see below for multiple entertainment venues in retail/dining/entertainment district]

EVENT VENUES [CASINO ONLY; DOES NOT INCLUDE ENTERTAINMENT / RETAIL DISTRICT]

Number of Event Venues	Square Footage	Seating Capacity	DESCRIPTION
1	40,000	2,000	Stadium seating style theater capable of hosting headliner shows.
	4,500	100	High-energy bar in center of casino with live entertainment acts.

[see below for multiple music/entertainment venues in retail/dining/entertainment district]

CONVENTION FACILITIES

Square footage of Convention Space	40,000	40,000 sq.ft. of Main and Junior Ballrooms, Meeting Rooms
Square footage of Pre Function & Back of House Space	18,000	Convention facilities have extensive pre-function circulation space; back of house shared with hotel
Number of Break-out Rooms	5	
Capacity of Break-out rooms	School-room seating	Theater seating
Room #1	110	n/a
Room #2	110	n/a
Room #3	90	n/a
Room #4	90	n/a
Room #5	90	n/a
Additional Meeting Space	59,000	Additional meeting space and pre-function space outside convention rooms

SPORTS AND RECREATION FACILITIES

Description of Sports/Recreation Offerings	Square Footage	Seating Capacity	DESCRIPTION
Enclosed Pool	25,000	n/a	Enclosed pool and deck; feeds into open-air pool and deck space during applicable seasons
Outdoor Pool	13,000	n/a	
Spa & Fitness Center	18,000		Upscale day spa and large, state-of-the-art fitness center

RETAIL OUTLETS [CASINO ONLY; DOES NOT INCLUDE ENTERTAINMENT / RETAIL DISTRICT]

Description and size of Retail Outlets	SQUARE FOOTAGE	DESCRIPTION
Sundries / Retail	2,500	Convenience retail and newstand
Coffee Outlet	1,200	24-hour gourmet coffee shop
Hard Rock Store	1,300	Branded merchandise store for casino

RETAIL / DINING / ENTERTAINMENT OUTLETS [ENTERTAINMENT / RETAIL DISTRICT--OUTSIDE OF CASINO]

	SQUARE FOOTAGE	
20+ R/D/E Concepts	165,500	High-energy retail, dining, and entertainment concepts. Will include proprietary concepts of The Cordish Company.

Representative Concepts Include:

	<u>S.F.</u>	<u>Seating</u>
<i>Dining:</i>		
Asian	10,000	225
Seafood	8,000	150
Burger	2,500	90
Health	4,000	125
Cuban/Latin	8,000	175
Gelato	<u>2,500</u>	<u>90</u>
<i>Subtotal: Dining</i>	<u>35,000</u>	<u>855</u>
<i>Entertainment:</i>		
Rock Bar	5,000	300
Dance Club	12,000	800
Irish Pub	8,000	350
Comedy Club	10,000	400
Jazz Club	6,500	400
Country	8,000	500
Upscale Lounge	6,000	240
Players Club Lounge	<u>3,000</u>	<u>90</u>
<i>Subtotal: Entertainment</i>	<u>41,500</u>	<u>3080</u>
<i>Traditional Retail</i>	89,000	n/a

features stage w/ live music
features national and regional touring acts
features national and regional touring acts
features regional touring acts

Common Area space for entertainment district; will be programmed with live performances and other entertainment

RDE Promenade Space

100,000

PARKING FACILITIES

Number of surface parking spaces	5,584
Total paved square footage for surface parking	1,934,000
Number of enclosed parking spaces	1,342
Total square footage for enclosed parking	535,000
Number of valet parking spaces	386
Number of employee parking spaces	750
Number of parking spaces for Recreational Vehicles	-

Include ingress and egress coverage

Include all square footage within parking structures

VISITATION AND SPENDING PATTERNS DURING OPERATIONS' PHASE OF LOTTERY GAMING FACILITY											
Kansas Entertainment, LLC											
Please submit 5-year projections, starting from the date of opening											
PROJECED DATE OF OPENING:	2009	2010	2011	2012	2013	2014	2015				
Unit of Measure											
RESIDENTS											
Resident population (within 100 miles)											
Number of adult residents	#	2,207,758	2,229,836	2,252,134	2,274,655	2,297,402	2,297,402				
Residential gaming penetration rate *	%	26.6%	26.6%	26.6%	26.6%	26.6%	26.6%	* Indicates only resident gaming customer's			
Market penetration rate**	%	38.6%	38.6%	38.6%	38.6%	38.6%	38.6%	** Includes all residents			
Visits per gaming resident per year	#	6.5	6.5	6.5	6.5	6.5	6.5				
Total resident gaming visits per year	#	3,813,702	3,852,459	3,891,562	3,930,975	3,970,774	3,970,774				
Resident non-gaming visits per year***	#	2,011,228	2,032,706	2,054,316	2,075,980	2,097,846	2,097,846	*** Resident non-gaming visitors			
Total Residential visits per year	#	5,824,930	5,885,165	5,945,878	6,006,955	6,068,621	6,068,621				
Residential gaming spend per visit	\$	76.80	77.93	79.07	80.24	81.42	81.42				
Residential gamer non-gaming spend per diem	\$	87,235	90,598	94,004	97,441	100,982	100,982				
Per diem gaming resident	\$	57,114	59,306	61,525	63,766	66,074	66,074				
Per diem non-gaming resident	\$	30,120	31,292	32,478	33,675	34,908	34,908				
Total Residential Gaming Spend per annum	\$	292,890,392	300,212,652	307,717,968	315,410,917	323,296,190	323,296,190				
Total Residential Non-Gaming Spend per annum	\$	31,840,593	33,068,234	34,311,322	35,566,019	36,858,269	36,858,269				
TOURISTS (residence more than 100 miles away)											
Tourist gaming visits per year*	#	651,538	657,434	663,430	669,567	675,772	675,772	* Indicates gaming customers			
Tourist non-gaming visits per year**	#	2,292,461	2,315,975	2,339,499	2,362,911	2,386,469	2,386,469	** Customers who do not game			
Total Tourist visits per year	#	2,943,998	2,973,409	3,002,929	3,032,478	3,062,241	3,062,241				
Tourist gaming spend per diem	\$	154,655	158,522	162,485	166,547	170,711	170,711				
Tourist gamer non-gaming spend per diem	\$	20,343	20,956	21,530	22,048	22,547	22,547				
Tourist non-gamer spend per diem	\$	71,577	73,822	75,924	77,809	79,625	79,625				
Total Tourist Gaming Spend per annum	\$	56,449,206	57,860,436	59,306,947	60,789,621	62,309,361	62,309,361				
Total Tourist Non-Gaming Spend per annum	\$	33,550,538	34,593,829	35,571,065	36,447,864	37,292,717	37,292,717				
TOTAL VISITATION PER YEAR	#	8,768,929	8,858,574	8,948,807	9,039,433	9,130,862	9,130,862				
TOTAL GAMING SPEND PER YEAR	\$	349,339,598	358,073,088	367,024,915	376,200,538	385,605,551	385,605,551				
TOTAL NON-GAMING SPEND PER YEAR	\$	65,391,131	67,662,063	69,882,387	72,013,883	74,150,986	74,150,986				
Tourist Visitors											
Total number of tourists	#	2,943,998	2,973,409	3,002,929	3,032,478	3,062,241	3,062,241				
Leisure tourists	#	1,324,799	1,367,768	1,381,347	1,394,940	1,408,631	1,408,631				
Business/conference tourists	#	1,619,199	1,605,641	1,621,582	1,637,538	1,653,610	1,653,610				
Leisure tourists - Please specify top five source markets											
Other Kansas	#	235,814	243,463	245,880	248,299	250,736	250,736				
Oklahoma	#	414,662	428,111	432,362	436,616	440,902	440,902				
Nebraska	#	218,592	225,682	227,922	230,165	232,424	232,424				
Colorado	#	33,120	34,194	34,534	34,873	35,216	35,216				
Missouri	#	226,541	233,888	236,210	238,535	240,876	240,876				
Other	#	196,070	202,430	204,439	206,451	208,477	208,477				
Business/Conference Tourists - Please specify top five source markets											
Other Kansas	#	288,217	285,804	288,642	291,482	294,343	294,343				
Oklahoma	#	506,809	502,566	507,555	512,549	517,580	517,580				
Nebraska	#	267,168	264,931	267,561	270,194	272,846	272,846				
Colorado	#	40,480	40,141	40,540	40,938	41,340	41,340				
Missouri	#	276,883	274,565	277,290	280,019	282,767	282,767				
Other	#	239,641	237,635	239,994	242,356	244,734	244,734				

Kansas Entertainment, LLC											
Please submit 5-year projections, starting from the date of opening											
Unit of Measure	2009	2010	2011	2012	2013	2014	2015				
PROJECTED DATE OF OPENING:	1/1/2011										
HOTEL GUESTS											
Number of hotel rooms	#	300	300	300	300	300	300				
Occupancy rate	%	77.8%	80.2%	82.3%	83.9%	85.4%	86.4%				
Visitors per room	#	1.5	1.5	1.5	1.5	1.5	1.5				
Total hotel guests per year	\$	127,748	131,690	135,139	137,767	140,231	141,161				
Average room rate	\$	169.44	172.27	175.16	178.31	181.16	184.16				
Percentage of hotel guests who are residents (within 100 miles)	%	21.2%	21.9%	22.6%	23.2%	23.9%	24.6%				
Percentage of hotel guests who are tourists	%	78.8%	78.1%	77.4%	76.8%	76.1%	75.4%				
Total hotel revenues per year	\$	14,430,034	15,124,435	15,781,039	16,376,865	16,936,041	17,461,627				
Total gaming spend by hotel guests per year	\$	16,050,390	16,451,650	16,862,941	17,284,515	17,716,627	18,154,793				
Total non-gaming non-hotel spend by hotel guests per year	\$	11,186,240	11,532,504	11,835,124	12,066,035	12,283,847	12,512,847				
TOTAL SPEND BY HOTEL GUESTS PER YEAR	\$	41,666,664	43,108,589	44,479,103	45,727,414	46,936,515	48,154,793				
LEISURE HOTEL GUESTS											
Visitors per room	#	1.5	1.5	1.5	1.5	1.5	1.5				
Total leisure guests per year	#	84,492	86,988	89,375	91,324	93,094	94,793				
Average room rate	\$	135.55	137.82	140.13	142.65	144.93	147.21				
Percentage of leisure guests who are residents	%	19.7%	20.5%	21.3%	22.1%	22.9%	23.7%				
Percentage of leisure guests who are tourists	%	80.3%	79.5%	78.7%	77.9%	77.1%	76.3%				
Total leisure hotel revenues per year	\$	7,635,202	7,992,442	8,349,494	8,684,832	8,994,570	9,283,847				
Total gaming spend by leisure guests per year	\$	8,449,200	8,872,820	9,298,541	9,691,306	10,076,479	10,449,200				
Total other non-gaming leisure spend by leisure guests per year	\$	7,398,562	7,617,877	7,827,217	7,998,439	8,154,793	8,311,044				
TOTAL SPEND BY LEISURE HOTEL GUESTS PER YEAR	\$	23,482,964	24,483,140	25,475,262	26,374,577	27,225,842	28,071,044				
BUSINESS HOTEL GUESTS											
Visitors per room	#	1.5	1.5	1.5	1.5	1.5	1.5				
Total business hotel guests per year	\$	43,256	44,701	45,764	46,443	47,137	47,831				
Average room rate	\$	235.63	239.32	243.58	248.44	252.72	257.00				
Percentage of business hotel guests who are residents	%	24.0%	24.5%	25.0%	25.5%	26.0%	26.5%				
Percentage of business hotel guests who are tourists	%	76.0%	75.5%	75.0%	74.5%	74.0%	73.5%				
Total business hotel revenues per year	\$	6,794,832	7,131,993	7,431,545	7,692,033	7,941,471	8,181,913				
Total gaming spend by business hotel guests per year	\$	7,601,190	7,578,829	7,564,400	7,593,208	7,640,149	7,687,090				
Total other non-gaming spend by business hotel guests per year	\$	3,787,678	3,914,627	4,007,907	4,067,596	4,129,054	4,190,603				
TOTAL SPEND BY BUSINESS HOTEL GUESTS PER YEAR	\$	18,183,700	18,625,449	19,003,851	19,352,837	19,710,674	20,072,603				

CHANGES IN SPENDING PATTERNS DUE TO LOTTERY GAMING FACILITY DURING OPERATIONS PHASE									
KANSAS ENTERTAINMENT, LLC									
Please submit 5-year projections, starting from the date of opening									
Unit of Measure									
PROJECTED DATE OF OPENING:									
	2009	2010	2011	2012	2013	2014	2015		
Annual Spending by Residents at the Lottery Gaming Facility									
Total spending by residents per year (Note: distinguish between residents who gamble (Resident Gaming Visitors) and residents who do not gamble (Resident Non-Gaming Visitors))									
Resident Gaming Visitors									
Accommodation	\$	2,368,298	2,563,258	2,758,077	2,948,490	3,139,096			
Food & Beverage	\$	10,761,553	11,069,504	11,391,385	11,733,372	12,086,717			
Retail	\$	3,864,146	4,010,510	4,163,693	4,311,844	4,465,881			
Gaming	\$	-	292,890,392	300,212,652	307,717,968	315,410,917	323,296,190		
Tickets to events, concerts, shows	\$	2,781,641	2,909,735	3,024,849	3,146,197	3,273,082			
Other spending	\$	1,575,272	1,636,406	1,699,532	1,751,899	1,805,796			
TOTAL spending by gaming visitors (residents)	\$	-	314,241,302	322,402,065	330,755,505	339,302,720	348,086,762		
Resident Non-Gaming Visitors									
Accommodation	\$	798,891	864,656	930,374	994,605	1,058,902			
Food & Beverage	\$	5,483,280	5,635,886	5,796,251	5,968,055	6,145,925			
Retail	\$	1,977,658	2,052,103	2,130,156	2,205,822	2,284,638			
Tickets to events, concerts, shows	\$	1,423,635	1,488,857	1,547,520	1,609,509	1,674,431			(included w/ tickets to events)
Ticketed attractions	\$	-	-	-	-	-			
Other spending	\$	806,219	837,319	869,485	896,224	923,802			
TOTAL spending by non gaming visitors (residents)	\$	10,489,683	10,878,821	11,273,785	11,674,216	12,087,697			
Total Spending by Residents									
Gaming	\$	-	292,890,392	300,212,652	307,717,968	315,410,917	323,296,190		
Non Gaming	\$	-	31,840,593	33,068,234	34,311,322	35,566,019	36,858,269		
TOTAL SPENDING BY RESIDENTS AT LOTTERY GAMING FACILITY	\$	-	324,730,985	333,280,886	342,029,290	350,976,937	360,154,459		
SOURCES OF EXPENDITURES AT LOTTERY GAMING FACILITY: For the following questions, provide your best estimates, based on your economic models									
Percent of Spend that would have occurred within the region*									
[NOTE: Analysis based on radius within Kansas only]									
Percent of Spend that would have taken place outside the region**	%	41.4%	41.7%	41.9%	42.3%	42.5%	42.5%		* What percent of residents' total spend would have taken place within the 100mile radius if the LGF facility did not exist
Percent of Spend that comes from new income generated in the region***	%	55.8%	55.6%	55.4%	55.1%	55.0%	55.0%		**Without an LGF, what percent would have been spent outside the 100-mile radius
	%	2.8%	2.7%	2.7%	2.6%	2.5%	2.5%		***Percent of total spending by residents that comes from income generated by the LGF and its multiplier effects

EMPLOYMENT INFORMATION DURING OPERATIONS' PHASE OF LOTTERY GAMING FACILITY										
Kansas Entertainment, LLC										
<i>Please submit 5-year projections, starting from the date of opening</i>										
Unit of Measure = Positions (FTEs)										
PROJECTED DATE OF OPENING:	2009	2010	2011	2012	2013	2014	2015			
No. of FTE Workers employed within the Lottery Gaming Facility										
General and Administrative										
Professionals, Managers, Executives and Technicians	-	-	87	87	87	87	87	87		
Clerical Workers, Sales and Service Workers	-	-	173	173	173	173	173	173		
Production and Transport Operators, Laborers and Cleaners	-	-	66	66	66	66	66	66		
Casino										
Professionals, Managers, Executives and Technicians	-	-	43	43	43	43	43	43		
Dealers and game supervisors	-	-	673	673	673	673	673	673		Includes slot service supervisors & attendants
Clerical Workers, Sales and Hosts	-	-	1	1	1	1	1	1		
Security and surveillance	-	-	107	107	107	107	107	107		
Cleaners	-	-	93	93	93	93	93	93		
Other	-	-	-	-	-	-	-	-		
Hotel										
Professionals, Managers, Executives and Technicians	-	-	12	12	12	12	12	12		
Clerical Workers, Sales and Marketing Staff	-	-	73	73	73	73	73	73		
Room cleaners, housekeeping supervisors	-	-	106	106	106	106	106	106		
Other	-	-	-	-	-	-	-	-		
Food and Beverage										
Professionals, Chefs, Managers, Executives and Technicians	-	-	30	30	30	30	30	30		
Clerical Workers, Sales and Service Workers	-	-	136	136	136	136	136	136		
Food preparers and servers, Hosting staff, and Cleaners	-	-	333	333	333	333	333	333		
Other	-	-	-	-	-	-	-	-		

Kansas Entertainment, LLC	1/1/2011	Unit of Measure = Positions (FTEs)													
		2009	2010	2011	2012	2013	2014	2015							
PROJECTED DATE OF OPENING:															
No. of FTE Workers employed within the Lottery Gaming Facility															
Other (including convention, entertainment, retail, etc.)															
Professionals, Managers, Executives and Technicians	-	-	5	5	5	5	5	5							
Clerical Workers, Compliance, Accounting, and Sales	-	-	30	30	30	30	30	30							
Human Resources	-	-	-	-	-	-	-	-							
Other	-	-	-	-	-	-	-	-							
Others (Valet, PBX, Uniforms Depts.)															
Professionals, Managers, Executives and Technicians	-	-	7	7	7	7	7	7							
Clerical Workers, Sales and Service Workers	-	-	38	38	38	38	38	38							
Production and Transport Operators, Laborers and Cleaners	-	-	55	55	55	55	55	55							
TOTAL EMPLOYED BY THE LGF			2,068	2,068	2,068	2,068	2,068	2,068							
FTE=full time equivalent															

PAYROLL INFORMATION DURING OPERATIONS' PHASE OF LOTTERY GAMING FACILITY

Kansas Entertainment, LLC

Please submit 5-year projections, starting from the date of opening

Unit of Measure = Actual \$

PROJECTED DATE OF OPENING:

1/1/2011	2009	2010	2011	2012	2013	2014	2015
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Total Payroll of Workers employed within the Lottery Gaming Facility, including cost of paid benefits such as health insurance, unemployment insurance, worker's compensation, retirement.

NOTE: Fringe costs (all taxes & benefits) are assumed at 50.8% over base wages and salaries; base wages and salaries in Original Submission are illustrated at 2008 levels - 2.0% annual growth rate applied to each year in forecast models.

General and Administrative

Professionals, Managers, Executives and Technicians	-	-	6,200,472	6,324,482	6,450,971	6,579,991	6,711,590
Clerical Workers, Sales and Service Workers	-	-	6,424,065	6,562,546	6,683,597	6,817,269	6,953,614
Production and Transport Operators, Laborers and Cleaners	-	-	3,517,798	3,588,154	3,659,917	3,733,115	3,807,777

Casino

Professionals, Managers, Executives and Technicians	-	-	2,025,972	2,066,491	2,107,821	2,149,978	2,192,977
Dealers and game supervisors	-	-	21,655,777	22,088,892	22,530,670	22,981,283	23,440,909
Clerical Workers, Sales and Hosts	-	-	53,494	54,564	55,655	56,768	57,904
Security and surveillance	-	-	4,773,103	4,868,565	4,965,937	5,065,255	5,166,561
Cleaners	-	-	2,875,491	2,933,001	2,991,661	3,051,494	3,112,524

Hotel

Professionals, Managers, Executives and Technicians	-	-	696,500	710,430	724,639	739,132	753,914
Clerical Workers, Sales and Marketing Staff	-	-	2,251,805	2,296,841	2,342,778	2,389,634	2,437,426
Room cleaners, housekeeping supervisors	-	-	3,301,585	3,367,617	3,434,969	3,503,668	3,573,742
Other	-	-	-	-	-	-	-

Food and Beverage

Professionals, Chefs, Managers, Executives and Technicians	-	-	1,602,864	1,634,921	1,667,620	1,700,972	1,734,992
Clerical Workers, Sales and Service Workers	-	-	3,752,615	3,827,667	3,904,221	3,982,305	4,061,951
Food preparers and servers, Hosing staff, and Cleaners	-	-	8,278,105	8,443,667	8,612,540	8,784,791	8,960,487
Other	-	-	-	-	-	-	-

Other (including convention, entertainment, retail, etc.)

Professionals, Managers, Executives and Technicians	-	-	356,641	363,774	371,049	378,470	386,040
Clerical Workers, Compliance, Accounting, and Sales	-	-	913,417	931,685	950,319	969,325	988,712
Human Resources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-

Others (Valet, PBX, Uniforms Depts.)

Professionals, Managers, Executives and Technicians	-	-	323,880	330,357	336,965	343,704	350,578
Clerical Workers, Sales and Service Workers	-	-	1,218,478	1,242,848	1,267,705	1,293,059	1,318,920
Production and Transport Operators, Laborers and Cleaners	-	-	1,579,940	1,611,539	1,643,770	1,676,645	1,710,178

TOTAL PAYROLL (INCLUDING BENEFITS) FOR THE

LGF	-	-	71,802,001	73,238,041	74,702,802	76,196,858	77,720,795
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	2009	2010	2011	2012	2013	2014	2015
NET INCOME BEFORE FEDERAL INCOME TAX	-	-	39,557	46,520	52,807	58,340	64,180
DEPARTMENTAL INCOME STATEMENTS							
CASINO DEPARTMENT							
REVENUE							
Pit Revenue (including keno, bingo)	-	-	36,681	37,598	38,538	39,501	40,489
Electronic gaming machines	-	-	308,118	315,820	323,716	331,809	340,104
Poker and other non-banked card games	-	-	4,541	4,655	4,771	4,891	5,013
TOTAL REVENUE	-	-	349,340	358,073	367,025	376,201	385,606
DEPARTMENTAL EXPENSES							
Bad debt expenses	-	-	873	895	918	941	964
Commissions	-	-	-	-	-	-	-
Complementary expenses	-	-	52,401	53,711	55,054	56,430	57,841
Gaming taxes and licenses	-	-	104,802	107,583	110,448	113,384	116,394
Preferred guest expenses	-	-	4,367	4,476	4,588	4,703	4,820
Payroll taxes	-	-	2,819	2,876	2,933	2,992	3,052
Payroll - Employee Benefits	-	-	6,878	7,015	7,155	7,298	7,444
Payroll - Officers	-	-	-	-	-	-	-
Payroll - Other Employees	-	-	21,687	22,121	22,563	23,014	23,475
Other Departmental Expenses	-	-	6,987	7,161	7,340	7,524	7,712
TOTAL EXPENSES			200,814	205,838	210,999	216,286	221,702
TOTAL CASINO INCOME	-	-	148,526	152,235	156,026	159,914	163,904
HOTEL DEPARTMENT							
REVENUE							
Room Sales	-	-	4,491	4,705	4,906	5,089	5,260
Complementary rooms	-	-	10,479	10,978	11,448	11,874	12,274
TOTAL REVENUE	-	-	14,971	15,683	16,355	16,962	17,534
DEPARTMENTAL EXPENSES							
Bad debt expenses	-	-	-	-	-	-	-
Complementary expenses	-	-	-	-	-	-	-
Payroll taxes	-	-	554	565	577	588	600
Payroll - Employee Benefits	-	-	1,433	1,461	1,490	1,520	1,551
Payroll - Officers	-	-	-	-	-	-	-
Payroll - Other Employees	-	-	4,263	4,348	4,435	4,524	4,615
Other Departmental Expenses	-	-	979	1,035	1,089	1,137	1,187
TOTAL EXPENSES	-	-	7,229	7,410	7,591	7,770	7,952
TOTAL HOTEL INCOME	-	-	7,741	8,273	8,764	9,192	9,582

	2009	2010	2011	2012	2013	2014	2015
FOOD DEPARTMENT REVENUE							
Cash Food Sales	-	-	6,655	6,829	7,007	7,188	7,373
Complementary Food Sales	-	-	13,511	13,865	14,226	14,594	14,970
TOTAL REVENUE	-	-	20,166	20,695	21,232	21,781	22,343
Cost of sales	-	-	9,075	9,313	9,342	9,366	9,496
GROSS MARGIN	-	-	11,091	11,382	11,890	12,415	12,847
DEPARTMENTAL EXPENSES							
Bad debt expenses	-	-	-	-	-	-	-
Complementary expenses	-	-	-	-	-	-	-
Payroll taxes	-	-	797	812	829	845	862
Payroll - Employee Benefits	-	-	2,620	2,672	2,726	2,780	2,836
Payroll - Officers	-	-	-	-	-	-	-
Payroll - Other Employees	-	-	6,127	6,250	6,375	6,502	6,632
Other Departmental Expenses	-	-	1,008	1,035	1,062	1,089	1,117
TOTAL EXPENSES	-	-	10,552	10,769	10,991	11,217	11,447
TOTAL FOOD INCOME	-	-	539	613	899	1,199	1,400
BEVERAGE DEPARTMENT REVENUE							
Cash Beverage Sales	-	-	2,852	2,927	3,003	3,081	3,160
Complementary Beverage Sales	-	-	5,790	5,942	6,097	6,254	6,416
TOTAL REVENUE	-	-	8,642	8,869	9,099	9,335	9,576
Cost of sales	-	-	2,161	2,217	2,184	2,147	2,155
GROSS MARGIN	-	-	6,482	6,652	6,916	7,188	7,421
DEPARTMENTAL EXPENSES							
Bad debt expenses	-	-	-	-	-	-	-
Complementary expenses	-	-	-	-	-	-	-
Payroll taxes	-	-	341	348	355	362	370
Payroll - Employee Benefits	-	-	1,123	1,145	1,168	1,191	1,215
Payroll - Officers	-	-	-	-	-	-	-
Payroll - Other Employees	-	-	2,626	2,678	2,732	2,787	2,842
Other Departmental Expenses	-	-	216	222	227	233	239
TOTAL EXPENSES	-	-	4,306	4,394	4,483	4,574	4,667
TOTAL BEVERAGE INCOME	-	-	2,176	2,258	2,433	2,614	2,754

	2009	2010	2011	2012	2013	2014	2015
CONVENTION DEPARTMENT REVENUE							
Cash Sales	-	-	3,342	3,459	3,580	3,670	3,761
Complementary Sales	-	-	-	-	-	-	-
TOTAL REVENUE	-	-	3,342	3,459	3,580	3,670	3,761
Cost of sales	-	-	836	847	859	862	865
GROSS MARGIN	-	-	2,507	2,612	2,721	2,807	2,896
DEPARTMENTAL EXPENSES							
Bad debt expenses	-	-	-	-	-	-	-
Complementary expenses	-	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-	-
Payroll - Employee Benefits	-	-	-	-	-	-	-
Payroll - Officers	-	-	-	-	-	-	-
Payroll - Other Employees	-	-	-	-	-	-	-
Other Departmental Expenses	-	-	1,102	1,128	1,155	1,192	1,236
TOTAL EXPENSES	-	-	1,102	1,128	1,155	1,192	1,236
TOTAL CONVENTION INCOME ENTERTAINMENT DEPARTMENT REVENUE	-	-	1,404	1,483	1,566	1,616	1,660
ENTERTAINMENT DEPARTMENT REVENUE							
Total Sales	-	-	5,484	5,717	5,921	6,132	6,352
Complementary Sales	-	-	1,828	1,906	1,974	2,044	2,117
TOTAL REVENUE	-	-	7,313	7,623	7,894	8,176	8,470
Cost of sales	-	-	7,530	7,739	7,925	8,116	8,312
GROSS MARGIN	-	-	(218)	(116)	(31)	60	158
DEPARTMENTAL EXPENSES							
Bad debt expenses	-	-	-	-	-	-	-
Complementary expenses	-	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-	-
Payroll - Employee Benefits	-	-	-	-	-	-	-
Payroll - Officers	-	-	-	-	-	-	-
Payroll - Other Employees	-	-	-	-	-	-	-
Other Departmental Expenses	-	-	3,653	3,854	4,061	4,278	4,504
TOTAL EXPENSES	-	-	3,653	3,854	4,061	4,278	4,504
TOTAL ENTERTAINMENT INCOME	-	-	(3,870)	(3,970)	(4,092)	(4,218)	(4,346)

	2009	2010	2011	2012	2013	2014	2015
RETAIL							
REVENUE							
Total Sales	-	-	7,619	7,880	8,150	8,404	8,667
Complementary Sales	-	-	2,540	2,627	2,717	2,801	2,889
TOTAL REVENUE	-	-	10,158	10,506	10,866	11,206	11,556
Cost of sales	-	-	2,540	2,416	2,391	2,465	2,427
GROSS MARGIN	-	-	7,619	8,090	8,476	8,741	9,129
DEPARTMENTAL EXPENSES							
Bad debt expenses	-	-	-	-	-	-	-
Complementary expenses	-	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-	-
Payroll - Employee Benefits	-	-	-	-	-	-	-
Payroll - Officers	-	-	-	-	-	-	-
Payroll - Other Employees	-	-	-	-	-	-	-
Other Departmental Expenses	-	-	2,552	2,673	2,756	2,807	2,905
TOTAL EXPENSES	-	-	2,552	2,673	2,756	2,807	2,905
TOTAL RETAIL INCOME	-	-	5,067	5,417	5,720	5,933	6,224
OTHER DEPARTMENTAL INCOME (Spa, Gift Shop, ATM Fees, Check Cashing, Misc. Services)							
REVENUE							
Total Sales	-	-	363	517	613	642	631
Complementary Sales	-	-	436	310	242	241	280
TOTAL REVENUE	-	-	799	828	855	883	911
Cost of sales	-	-	-	-	-	-	-
GROSS MARGIN	-	-	799	828	855	883	911
DEPARTMENTAL EXPENSES							
Bad debt expenses	-	-	-	-	-	-	-
Complementary expenses	-	-	-	-	-	-	-
Payroll taxes	-	-	389	397	405	413	421
Payroll - Employee Benefits	-	-	1,013	1,033	1,053	1,074	1,096
Payroll - Officers	-	-	-	-	-	-	-
Payroll - Other Employees	-	-	2,991	3,051	3,112	3,174	3,238
Other Departmental Expenses	-	-	-	-	-	-	-
TOTAL EXPENSES	-	-	4,392	4,480	4,570	4,661	4,754
TOTAL OTHER DEPARTMENTAL INCOME	-	-	(3,593)	(3,652)	(3,714)	(3,778)	(3,843)

	2009	2010	2011	2012	2013	2014	2015
G&A							
REVENUE							
Total Sales	-	-	-	-	-	-	-
Complementary Sales	-	-	-	-	-	-	-
TOTAL REVENUE	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-
GROSS MARGIN	-	-	-	-	-	-	-
DEPARTMENTAL EXPENSES							
Bad debt expenses	-	-	-	-	-	-	-
Complimentary expenses	-	-	-	-	-	-	-
Payroll taxes	-	-	1,576	1,607	1,639	1,672	1,706
Payroll - Employee Benefits	-	-	2,445	2,494	2,544	2,595	2,647
Payroll - Officers	-	-	-	-	-	-	-
Payroll - Other Employees	-	-	12,122	12,364	12,611	12,863	13,121
Other Departmental Expenses	-	-	458	498	849	890	762
TOTAL EXPENSES	-	-	16,600	16,963	17,643	18,021	18,235
TOTAL OTHER DEPARTMENTAL INCOME	-	-	(16,600)	(16,963)	(17,643)	(18,021)	(18,235)

CONSTRUCTION PHASE INFORMATION DURING OPERATIONS PHASE OF LOTTERY GAMING FACILITY

Kansas Entertainment, LLC

Please submit 5-year projections, starting from the date of opening

Months from Issuance of License to Opening of Permanent Facility

Amounts in thousands of dollars

31 (Original submission assume LGM License issued 3/1/2008)

	CONSTRUCTION PHASE				OPERATIONAL PHASE																	
	TOTAL CONSTRUCTION BUDGET	CONSTRUCTION EXPENDITURES OVER PERIOD			TOTAL CONSTRUCTION PERIOD EXPENDITURES	MAINTENANCE AND UPGRADE CAP EX																
		2008	2009	2010		2011	2012	2013	2014	2015												
Development Investment																						
Fixed asset investment																						
Buildings	343,563	51,534	137,425	154,603	343,563						4,000									4,500		
Parking Garages	36,775	5,516	14,710	16,549	36,775																	
Land ¹	-	-	-	-	-																	
Land improvements, excluding landscaping	15,000	2,250	6,000	6,750	15,000																	
Landscaping	-	-	-	-	-																	
(Note: Costs included in Buildings)																						
Soft Costs, i.e. engineering, architectural, development fees ²	44,845	6,727	17,938	20,180	44,845						1,000										1,500	
Financing costs	25,000	12,500	12,500	-	25,000																	
Public sector infrastructure	-	-	-	-	-																	
Rolling stock	-	-	-	-	-																	
(Note: Included in FF,&E)																						
Furniture, Fixtures and Equipment	12,602	-	4,411	8,191	12,602																	2,000
Floor and Wall Treatments	-	-	-	-	-																	
(Note: Costs included in Buildings)																						
Gaming equipment	51,000	-	10,200	40,800	51,000																	2,750
Management Info Systems & AV Equip.	15,889	2,383	6,356	7,150	15,889																	2,000
Pre-opening & Working Capital	23,500	3,525	9,400	10,575	23,500																	
State License Fee	25,000	25,000	-	-	25,000																	
Contingencies (Hard & Soft)	32,409	-	16,205	16,205	32,409																	
Capitalized Interest	80,000	12,000	32,000	36,000	80,000																	
Maintenance Capital Expenditures																						
TOTAL INVESTMENT	705,583	121,436	267,144	317,003	705,583																	

CONSTRUCTION PHASE INFORMATION DURING OPERATIONS PHASE OF LOTTERY GAMING FACILITY

Kansas Entertainment, LLC

Please submit 5-year projections, starting from the date of opening

Months from Issuance of License to Opening of Permanent Facility
Amounts in thousands of dollars

31 (Original submission assume LGM License issued 3/1/2008)

Source of Funds for Investment Percent each year from:	2008-IV		2009-I		2009-II		2009-III		2009-IV		2010-I		2010-II		2010-III		2010-IV	
Construction Loan																		
Debt			79.9%			79.9%												
Working Capital from Parent Company																		
Sale of Equity																		
Equity Contributed by Applicant			20.1%		20.1%	20.1%												
Cash Flow to Applicant from Operations																		
			100%		100%	100%												

Amounts in actual dollars

The following figures on a Quarterly basis

	2008-IV	2009-I	2009-II	2009-III	2009-IV	2010-I	2010-II	2010-III	2010-IV
Development Employment Data									
Average Wage per employee	227	636	909	1,091	1,363	1,363	1,273	1,182	1,045
Total construction payroll	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750
Average Benefits per employee	2,670,000	7,476,000	10,680,000	12,816,000	16,020,000	16,020,000	14,952,000	13,884,000	12,282,000
Other expenses per employee	778,278	2,179,178	3,113,111	3,735,733	4,669,667	4,669,667	4,358,356	4,047,044	3,580,078
Cost of materials from region	n/a								
Cost of materials from outside of region	30,513,885	10,189,070	14,555,814	17,466,977	21,833,721	23,761,956	22,177,826	20,593,695	18,217,500
Other Development Expenses*	13,077,379	4,366,744	6,238,206	7,485,847	9,357,309	10,183,696	9,504,783	8,825,869	7,807,500
	53,008,042	17,700,225	25,286,036	30,343,243	37,929,054	41,278,742	38,526,826	35,774,909	31,647,035

* Land already owned in fee simple by Applicant is being contributed to the project

Kansas Entertainment, LLC
PUBLIC SECTOR IMPACTS OF LGF

		OPERATIONS						
		2009	2010	2011	2012	2013	2014	2015

Population Growth # of Construction Employees or LGF Employees who will be new residents to the area	Units of Measure							
		2009	2010	2011	2012	2013	2014	2015
	#	154	154	352	50	50	50	50

Note: Based on current unemployment levels in the surrounding region, which are well above national averages, combined with the nature of the proposed job mix at the project, it is expected that the vast number of jobs in the project can and will be filled by local residents. Projected initial new employees who will be new residents to the area is 17% of total jobs.

Additional Note: The project owners have voluntarily agreed to give an additional 1% of Gross Gaming Revenue to the U.G. of Wyandotte County as an additional fee. This 1% amount is projected to exceed \$3.16 million per year to the County. This voluntary fee will be many multiples of any public sector costs for the project, which as demonstrated below will be de minimus.

Infrastructure Costs									
Roads/Streets Improvements	\$								
% Paid by Developer	%								
% Paid by Public Sector	%								
Water/Sewer Improvements	\$								
% Paid by Developer	%								
% Paid by Public Sector	%								
Storm Drains	\$								
% Paid by Developer	%								
% Paid by Public Sector	%								
Law Enforcement Building, New or Improved	\$								
% Paid by Developer	%								
% Paid by Public Sector	%								
Fire Station, New or Improved	\$								
% Paid by Developer	%								
% Paid by Public Sector	%								

All infrastructure costs at site are already included in budget, and there will be no public sector expenditures on roads, water/sewer, or storm drains or other infrastructure for the proposed development. As part of the development of the Kansas Speedway, with which the project is contiguous, extensive roads and redundant public utilities were installed at the site sufficient to handle multi-hundreds of thousands of visitors, and were designed for future growth. At the same time, fire, law enforcement and emergency infrastructure was put in place by the Unified Government for such capacity at the site. The site is unique among all applicants for the Northeast Zone gaming license in having such infrastructure fully in place and already operational.

Full security personnel and first-responder emergency personnel will also be on site and provided by the project owners. Given the existing fire and law enforcement infrastructure surrounding the Kansas Speedway, no additional such infrastructure is therefore foreseen. The projections below for school, fire personnel, etc. therefore relate solely to the costs related to new employees moving to the area.

Operating Costs									
School System	#	21	21	47	7	7	7	7	7
# of Additional K-12 students	#	1	1	2	0	0	0	0	0
Estimated number of additional K-12 teachers	#	0	0	1	0	0	0	0	0
K-12 support staff	\$	42,726	43,581	101,152	14,608	14,900	15,198	15,502	15,502
Add'l salary cost-teachers	\$	9,812	10,008	23,229	3,355	3,422	3,490	3,560	3,560
Add'l salary cost-support staff	\$								
Estimated number of additional classrooms needed	#	1	1	2	0	0	0	0	0
Estimated add'l sq. footage of ancillary K-12 needed (gyms, cafeterias, etc.)	#	-	-	-	-	-	-	-	-
Estimated cost of additional rolling stock	\$	-	-	-	-	-	-	-	-

NOTE: The current K-12 age population in the 50-mile region surrounding the project is currently estimated at 413,142. As such, the maximum increase in K-12 students in 2011 (45 students in 2011) would represent a 0.01% increase in the K-12 student population for the region.

	CONSTRUCTION		OPERATIONS						
	2009	2010	2011	2012	2013	2014	2015		
<u>Law Enforcement</u>									
Estimated # of add'l personnel									
Uniform	2	2	3	2	1	-	1	1	
Non-Uniform	1	1	1	1	-	-	-	1	
Estimated salary/benefits									
Uniform	78,000	79,560	121,727	82,774	42,215	-	-	43,920	
Non-Uniform	37,000	37,740	38,495	39,265	-	-	-	41,668	
Estimated add'l non-salary expense (services/supplies)									
Estimated add'l rolling stock expense	20,000	20,400	20,808	21,224	21,649	-	-	22,523	
Estimated add'l capital outlay expense (computers, equipment)	20,000	20,400	20,808	21,224	21,649	-	-	22,523	
	7,000	7,140	7,283	7,428	7,577	-	-	7,883	
<u>Fire Protection</u>									
Estimated # of add'l personnel									
Uniform	2	2	3	1	-	-	1	-	
Non-Uniform	1	1	1	1	-	-	1	-	
Estimated salary/benefits									
Uniform	106,612	108,744	166,379	56,569	-	-	58,854	-	
Non-Uniform	47,000	47,940	48,899	49,877	-	-	51,892	-	
Estimated add'l non-salary expense (services/supplies)									
Estimated add'l rolling stock expense	20,000	20,400	20,808	21,224	-	-	22,082	-	
Estimated add'l capital outlay expense (computers, equipment)	20,000	20,400	20,808	21,224	-	-	22,082	-	
	5,000	5,100	5,202	5,306	-	-	5,520	-	
<u>Ambulance Service</u>									
Estimated # of add'l personnel									
Uniform	2	1	3	2	-	-	1	-	
Non-Uniform	1	-	1	1	-	-	1	-	
Estimated salary/benefits									
Uniform	84,000	42,840	131,090	89,141	-	-	46,371	-	
Non-Uniform	40,000	-	41,616	42,448	-	-	44,163	-	
Estimated add'l non-salary expense (services/supplies)									
Estimated add'l rolling stock expense	20,000	20,400	20,808	21,224	-	-	22,082	-	
Estimated add'l capital outlay expense (computers, equipment)	20,000	20,400	20,808	21,224	-	-	22,082	-	
	5,000	5,100	5,202	5,306	-	-	5,520	-	

	CONSTRUCTION			OPERATIONS				
	2009	2010	2011	2012	2013	2014	2015	TOTALS
Public Sector Revenue								
	CONSTRUCTION PHASE							
	2009	2010	2011	2012	2013	2014	2015	TOTALS
Change in Ad Valorem Tax (Property Tax)			\$ 9,285,719	\$ 9,564,291	\$ 9,285,720	\$ 9,564,292	\$ 9,285,721	\$ 46,985,742
State			n/a	n/a	n/a	n/a	n/a	-
County								-
City								-
Sales and Use Tax			12,759,526	13,014,717	13,275,011	13,540,511	13,811,322	66,401,087
State	11,000,273	11,000,273	3,226,434	3,315,311	3,402,864	3,487,734	3,571,386	17,003,729
County (includes Hotel Occ. Tax)	2,075,523	2,075,523	3,009,322	3,069,508	3,130,899	3,193,516	3,257,387	15,660,632
City	2,594,404	2,594,404	18,995,282	19,399,536	19,808,773	20,221,761	20,640,095	99,065,448
Subtotal: Sales & Use Tax	15,670,200	15,670,200	76,854,712	78,937,541	81,085,980	83,288,129	85,545,332	405,711,694
LGF Gaming Revenue ¹			6,986,792	7,161,462	7,340,498	7,524,011	7,712,111	36,724,874
Exp. Lottery Act Revenue Fund			2,620,047	2,685,548	2,752,687	2,821,504	2,892,042	13,771,828
Problem Gambling Fund			7,860,141	8,056,644	8,258,061	8,464,512	8,676,125	41,315,483
Cities			3,493,396	3,580,731	3,670,249	3,762,005	3,856,056	18,362,437
County			97,815,087	100,421,926	103,107,475	105,860,161	108,681,665	515,886,315
Wyandotte County Incentive Fee ²								
Subtotal: Gaming Revenue			129,385,753	129,385,753	132,201,968	135,646,214	138,607,481	761,002,952
TOTAL TAX REVENUES			\$ 129,385,753	\$ 129,385,753	\$ 132,201,968	\$ 135,646,214	\$ 138,607,481	\$ 761,002,952

¹ Tax revenue projection based on taxes under final management agreement with State of Kansas:

- * 27% total tax to State & County on first \$350mm of Gross Gaming Revenue
- * 29% total tax to State & County on GGR between \$350mm and \$400mm
- * 31% total tax to State & County on GGR above \$400mm

² Voluntary additional 1% fee being given to UG of Wyandotte County

PLEASE NOTE WHAT YOU CONSIDER TO BE THE TEN MOST IMPORTANT FEATURES OF YOUR PROPOSAL.

What factors of your proposal are most distinctive in making it more attractive to Kansas and its residents than a "generic" gaming facility that could be developed within this zone?

1. HARD ROCK: LEADING INTERNATIONAL BRAND; BRAND MOST DESIRED BRAND BY KANSANS. The Hard Rock brand is one of the most-recognized brands in the world, and a proven market leader in gaming. The principals of Kansas Entertainment, LLC have previously developed two Hard Rock-themed hotel and casinos (in Hollywood and Tampa, Florida) that are among the most profitable and successful casinos in the world. With these developments, they proved the ability of the brand to dominate a market, drive incremental revenue, and create a true tourist destination. The Hard Rock-brand at the Kansas Speedway will provide a similar lift in visitation and spend versus the less compelling brands of other respondents. A study by research firm Zogby International confirmed the dominant position of the brand, concluding that "more than twice the number of Kansans who say they are very interested in visiting a casino say they would be very likely to visit the Hard Rock, compared to Sands, Legends Sun, Pinnacle, and Golden." The Hard Rock brand will therefore drive incremental revenue and tourist visitation versus the other brands competing for the license.

2. OPTIMAL LOCATION IN NORTHEAST ZONE. The proposed facility is the only one that is directly contiguous with the Kansas Speedway, itself already a proven destination and generator of significant tax revenue. This location is the heart of Village West in Wyandotte County, which the consultant hired by the State of Kansas identified as an optimal location for the project. The presence of hundreds of thousands of persons on the site during multiple race weeks, who can all be fed directly into the gaming facility, is a huge embedded advantage. In addition, as the owners already hold all land necessary for the facility, they are unique in being able to avoid any land acquisition costs, and instead invest maximum investment dollars in creating a first-class attraction. **Further, the site is unique in requiring no public sector investment in infrastructure to it. The site already has enjoys outstanding vehicular access and road systems, and has ample water/sewer and electric capacity already in place. It is also the only site among all competitors capable of housing a temporary facility while allowing construction on the permanent facility to occur unimpeded.**

3. TRUE REGIONAL / NATIONAL DESTINATION WITH UNIQUE ENTERTAINMENT AMENITIES The development is far more than a casino / hotel. It is a national-caliber entertainment destination driven by the integration of diverse entertainment and retail amenities with a five-star, branded hotel/casino and convention facility. In addition to multiple dining and entertainment attractions within the casino proper, the project will feature a 275,000 square feet retail, dining and entertainment district that will complement and enhance the casino. It also contains a state-of-the-art 2,000+ seat live performance venue that will be completely unique in the marketplace. The project has in excess of 100,000 square feet of convention facilities, and indoor and outdoor pools with panoramic views of the Kansas Speedway. The developers of the project have significant experience in the integration of such concepts into a cohesive destination, and the scale and scope of amenities in the proposed facilities will create a compelling draw for both tourists and local residents.

4. PROVEN DEVELOPMENT TEAM WITH MARKET LEADING EXPERTISE IN GAMING AND NON-GAMING ENTERTAINMENT DEVELOPMENT. The developers of the proposed facilities are principals at The Cordish Company, with proven experience in delivering unique resort , casino and entertainment districts. The Cordish Company is nationally recognized as market leaders in the development of entertainment districts. The developers' award-winning Hard Rock facilities in Florida set a new standard for the integration of a large-scale regional destination retail and entertainment district with a first-class hotel/casino and convention facility. The development team will bring the same expertise and experience set to the proposed development in Kansas, and will deliver a project that will be of a quality level previously not seen in a regional gaming facility.

5. DEEP FINANCIAL RESOURCES OF SPONSORS & FINANCIAL COMMITMENT TO PROJECT. The owners and financial sponsors of the project, International Speedway Corporation and principals of The Cordish Company, have very significant financial resources, more than sufficient to finance the project in full without third-parties. In a market where third-party financing is extremely challenging, the owners of Kansas Entertainment, LLC have the financial resources to deliver on a large-scale facility in a timely manner.

6. WORLD-CLASS DESIGN AND ARCHITECTURE. Both the developers and the design team on the project are national-caliber firms that will bring a market-leading level of design to the destination. Klai Juba Architects, the design architects for the project, are widely recognized as industry leaders in gaming and hospitality, having designed three Hard Rock Hotel & Casinos (Las Vegas, Hollywood & Tampa FL), Mandalay Bay (Las Vegas), THE Hotel (Las Vegas), the MGM Expansion (Las Vegas), the Four Seasons Las Vegas, and multiple other hotel/casinos. The quality of design, amenities, and materials on the Hard Rock Hotel & Casino at Kansas Speedway will be world-class, able to compete with any development nationally.

7. PREMIER OPERATIONAL TEAM WITH TRACK RECORD FOR INNOVATIVE MANAGEMENT. The operations management team for the facility is led by Mr. Dennis Gomes, a thirty-five year gaming industry veteran widely recognized as one of the most innovative managers in the history of the gaming industry. Mr. Richard Schuetz, an expert hired by the Kansas Lottery, wrote that "Dennis Gomes is a top-notch casino executive with extensive experience, and is well respected in all gaming markets...Dennis Gomes is as good a gaming executive as one could hope to have involved with a project." Mr. Gomes who will ensure that the proposed facility will be operated and marketed to a first-class national-caliber standard. The executive gaming management team also includes top personnel in their respective fields, including gaming floor operations, food and beverage, finance, marketing, human resources, security and surveillance and development. These executives have worked together for many years and are existing officers of the applicant.

8. ABILITY TO LEVERAGE HARD ROCK , NASCAR AND CORDISH NETWORKS WORLD-WIDE. The project has access to and association with three of the strongest marketing and promotions networks in the U.S. and world-wide. No other competitor has the ability to leverage a customer base and marketing network as diverse and international as that of Hard Rock. At the same, the project's affiliation with a NASCAR speedway affords it access to this equally powerful brand and its customer base to which to market as well as The Cordish Company's Live districts and properties throughout the country.

9. INTEGRATION WITH KANSAS SPEEDWAY OPERATIONS TO DRIVE INCREMENTAL TAX REVENUE. The project is unique not simply in being contiguous with the Kansas Speedway, which is already a major regional destination, but in its ability to integrate with the Speedway to enhance gaming and non-gaming revenues at the project. As one example, the Speedway is already a provider of corporate meetings and events--with the convention facilities of the Hard Rock Hotel now available to it, the Speedway will be able to drive significant convention and meeting business to the project immediately. In addition, the Kansas Speedway already hosts hundreds of the nation's top executives each year at its events, allowing it to market the Hard Rock Hotel & Casino for additional meeting and convention business throughout the year. At the same time, the extensive marketing and advertising operations of the Speedway, plus its significant media exposure during races, will be able to drive massive incremental media exposure at no cost to the gaming facility. This is a completely unique capability of the project versus all other proposals.

10. COMMITMENT OF OWNERS TO LOCAL COMMUNITY AND LONG-TERM OWNERSHIP. All of the owners of Kansas Entertainment, LLC are committed to long-term ownership of their assets, with decades-long histories of holding on to projects and sustaining them and to being personally involved in the development and operations of the facilities. As owners of the Kansas Speedway, International Speedway Corporation is already a respected local business owner in Wyandotte County, with a consistent history of giving back to the community. As corporate citizens that have already demonstrated an ability to work with the public sector in Kansas to create a major destination and source of new tax revenue, ISC is already deeply vested in the community and the success of any endeavor it undertakes in Wyandotte County. As a further statement of Kansas Entertainment's commitment to the local community, it has agreed to contribute each year an amount equal to 1% of gross gaming revenues to the Unified Government of Wyandotte County to be used for charitable causes. This agreement far exceeds any other commitment by any other applicant.

SUMMARY OF PROPOSAL DATA

Proposer: Kansas Entertainment, LLC

Project Description

	<u>Unit of Measure</u>		
From award of license to opening (in months)	#		
Temporary facility if applicable	#		11
Permanent facility	#		31
Total investment in project	\$	\$	705,583,000
Casino square footage	#		125,100
No. of hotel rooms	#		300
# food and beverage outlets	#		8 (This is exclusive of an additional 20 RDE amenities)
Convention center square footage	#		117,000 (Includes meeting and convention space)
Retail square footage	#		265,500 (Adds 20 add'l RDE amenities, including live music)
Event/entertainment facility square footage	#		40,000
No. of covered parking spaces	#		1,342
No. of surface parking spaces	#		5,584

**1st Full Year of
Operation**

No. of annual visitors	#		8,768,929
% within 100 miles	%		66.4%
% of overnight visitors	%		1.5% (Reflects guests in property hotel only)
Annual gross gaming revenue	\$	\$	349,339,598
Annual hotel occupancy	%		77.8%
Annual hotel revenue	\$	\$	14,970,649
Annual food and beverage revenue	\$	\$	28,808,282
Net income before federal income taxes	\$	\$	39,557,219

Employment and Payroll

No. of FTE operating employees-total project	#		2,068
Annual operating payroll-total project	\$	\$	71,802,001

Economic and Fiscal Impacts

Total economic impact-construction-spending	\$	\$	676,074,039	Spending Impact (total for construction period)
Total economic impact-construction-earnings	\$	\$	305,451,718	Earnings Impact (total for construction period)
Total economic impact-operating-spending PER ANNUM	\$	\$	463,260,479	Spending Impact (per annum)
Total economic impact-operating-earnings PER ANNUM	\$	\$	211,861,966	Earnings Impact (per annum)

[NOTE: The third-party Economic Impact Study commissioned by the Applicant indicated a present value of the economic impact of the operation to be \$4.86 billion.]

Total incremental public sector revenue-construction	\$	31,340,400	TOTAL OVER CONSTRUCTION PERIOD
Total incremental public sector costs-construction	\$	1,092,303	TOTAL OVER CONSTRUCTION PERIOD
Total incremental public sector revenue-operating	\$	761,002,952	TOTAL OVER FIRST 5 YEARS OF OPERATION
Total incremental public sector costs-operating	\$	1,926,870	TOTAL OVER FIRST 5 YEARS OF OPERATION

Three Most Important Features

1. HARD ROCK BRAND, COMBINED WITH DEVELOPERS' PROVEN CAPABILITIES AND THE PROJECT'S 5-STAR DESIGN, WILL CREATE UNIQUE NATIONAL-CALIBER ATTRACTION THAT WILL DRIVE SIGNIFICANT INCREMENTAL TOURISM AND VISITATIONS.
2. LARGE-SCALE, COMPELLING NON-GAMING ENTERTAINMENT AMENITIES WILL CREATE TRUE DESTINATION WITH SIGNIFICANT NON-GAMING DRAWS
3. OPTIMAL LOCATION IN NORTHEAST ZONE, WITH UNIQUE ABILITY TO INTEGRATE WITH EXISTING ANCHOR ATTRACTION OF SPEEDWAY, AND INTEGRATE WITH GLOBAL NETWORKS OF HARD ROCK, NASCAR AND THE CORDISH COMPANY.

LOTTERY GAMING FACILITY MANAGEMENT CONTRACT

(Pursuant to the Kansas Expanded Lottery Act)

This LOTTERY GAMING FACILITY MANAGEMENT CONTRACT ([this “Agreement”](#)) 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 Kansas](#) _____ 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. 2007 Supp. 74-8733 through 74-8773, and [Kansas Entertainment, LLC, a Delaware limited liability company](#) _____ (“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) “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 Kansas](#) _____ gaming zone.
- b) “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.
- c) “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.
- d) “Commission” means the Kansas Lottery Commission.
- e) [“CPI” means the United States Department of Labor, Bureau of Labor Statistics “Consumer Price Index” for Midwest-Urban, with a base of 1982-1984 = 100. If the CPI ceases to be published, with no successor index, then the parties shall agree upon a reasonable substitute index. The](#)

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CPI for any date means the CPI last published before the calendar month that includes such date.

- f) “CPI Adjustment Factor” means, as of any date, the greater of (a) 1.00 or (b) the CPI for such date divided by the CPI in effect on the Commencement Date.
- g) “Effective Date” means the date this Agreement is signed by all the parties and all required approvals for the Agreement are obtained in accordance with the Kansas Expanded Lottery Act and rules and regulations promulgated pursuant thereto.
- h) “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, 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. 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.
- i) “Executive Director” means the executive director of the Kansas Lottery.
- j) “Fiscal Year” means the accounting year established for the Lottery Gaming Facility, which is specified here to be the twelve month period commencing December 1 and ending on November 30, a calendar year, and includes any partial (short) year.
- k) “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.
- l) “Kansas Expanded Lottery Act” means the provisions contained in K.S.A. 2007 Supp. 74-8733 through 74-8773, and amendments thereto which may become effective during this Agreement’s term.
- m) “Kansas Lottery” means the state agency created by the Kansas Lottery

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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.

- 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 building 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, which temporary facility may be established at the sole option of Manager 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

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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 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.

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](#), [30](#), [31](#), [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 [the 36th month anniversary of the Effective Date.](#)~~INSERT 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:

- 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; or
- c) Any other reason determined by the Executive Director in his sole discretion that adversely impacted Manager’s ability to perform.

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5. **Renewal of Agreement.** Prior to its expiration, [the Commission and Manager may negotiate a new agreement on substantially the same terms as 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 [new agreement will be in writing and written consent](#) will set out the terms under which the renewal is to be effective.

6. **Manager's Representations and Warranties.** Manager represents and warrants to the Kansas Lottery as follows:

- a) Manager is a [limited liability company](#) _____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.
- b) Manager has 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.
- 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 effect 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.
- e) Manager [or its affiliate](#) has acquired [full title](#) ~~[*alternative*]~~ 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.

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- 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), except for any liability or expenses resulting from the gross negligence or willful misconduct of the Kansas Lottery or its employees or agents (but not including Manager to the extent Manager would be determined to be an agent of the Kansas Lottery for certain purposes).~~(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 except the litigation against the Kansas Lottery and the Executive Director involving the constitutionality of the Kansas Expanded Lottery Act and other litigation identified in Paragraph 8 below. No revenue bonds, ~~state tax abatement, local tax abatement,~~ tax increment financing or similar financing ~~has or~~ will be used to finance any part of the Lottery Gaming Enterprise, nor will any state or local tax abatement~~or~~ apply to any part of ~~the Manager's~~ Lottery Gaming Enterprise.
- h) The ~~Manager 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

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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 in existence, or to Manager's knowledge threatened or, anticipated, or in existence at 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 promptly immediately notify the Executive Director in writing with full details regarding the same. Manager and its principals have 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), except for any liability or expenses resulting from the gross negligence or willful misconduct of the Kansas Lottery or its employees or agents (but not including Manager to the extent Manager would be determined to be an agent of the Kansas Lottery for certain purposes).~~(h)~~.

- 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

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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; or oversight of lost patron monies. 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 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 [direct or indirect](#) 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, 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

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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 Lottery explicitly retains the power to overrule any action of Manager affecting the gaming operation without prior notice and the Lottery retains full control over all decisions concerning Lottery Gaming Facility Games. No Gray Machines will be permitted at the Lottery Gaming Facility.
- 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 [unified government of Wyandotte County](#)~~county commission [alternative: city governing body]~~ 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 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.
- c) Neither the execution and delivery of this Lottery Gaming Facility Management Contract, the consummation of the transactions contemplated

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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.

8. **Kansas Expanded Lottery Act Litigation.** Manager acknowledges it enters into this Agreement with the understanding that the Kansas Expanded Lottery Act's constitutionality under the Kansas Constitution, 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 acknowledges it is aware of the pending case of *State ex rel. Stephen Six v. Kansas Lottery and Ed Van Petten*, Shawnee County District Court Case No. 07 C 1312, and presently docketed with the Kansas Supreme Court as Case No. 08-99957-S, in which the constitutionality of the Kansas Expanded Lottery Act is under review. [Manager also acknowledges it is aware of the pending case of *Flunder v. Kansas Lottery, et al. Shawnee County, Kansas Case No. 08 C 442, in which certain relief is requested regarding the applicant contracting process in the Northeast Kansas Gaming Zone under the Kansas Expanded Lottery Act.*](#) Manager further acknowledges that other litigation may be commenced in the future challenging the KELA or the Kansas Lottery's implementation pursuant thereto. The Kansas Lottery makes no warranty or representation, either express or implied, regarding the Kansas Expanded Lottery Act's constitutionality or validity, or the implementation pursuant thereto. 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 [Paragraph sentence](#) will be interpreted to restrict or to be prejudicial to any right Manager may have through litigation or other legal means to seek repayment of Manager's privilege fee if the Kansas Expanded Lottery Act is declared unconstitutional.

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.

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

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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) 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. 2007 Supp. 74-8755.
- h) Obtain and maintain all necessary governmental permits and licenses [in connection with the operation of the Lottery Gaming Enterprise, when and as may be required by law.](#)
- i) Be in compliance with all other requirements in this Agreement, [as and when applicable.](#)

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

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time to time to promote the Lottery Gaming Facility's competitive position in the market in order to maximize Lottery Gaming Facility Revenues. 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 completed and the Lottery Facility Games ready for play by the public within that facility no later than 36 months after the Effective Date, ~~INSERT 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

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Manager's contingency budget.

14. **Construction Related to Ancillary Lottery Gaming Facilities**

Operations. Manager will 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.

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. The 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

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generally accepted accounting principles;

- j) Obtaining all necessary government approvals, consents, permits, and licenses;
- k) Providing legal support related to the development and construction responsibilities undertaken by Manager; and
- l) Ensuring all required insurance is maintained in force.

16. **Exclusive Use of Lottery Gaming Facility.** 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 beverage service, food service, [entertainment, 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.

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-

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approved changes to the plan.

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. ~~alternative \$5.5 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 within 30 days after the Commission's approval, this Agreement will be void and Manager will forfeit any rights it may have to be a Lottery Gaming Facility Manager under the Kansas Expanded Lottery Act. Once all required approvals for this Agreement are obtained in accordance with the Kansas Expanded Lottery Act, 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. The Executive Director will provide Manager with notice of any meeting of the Kansas Racing and Gaming Commission to consider approval of Manager and this Agreement within ten (10) days of the Executive Director receiving notice of such meeting. 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 Kansas gaming zone prior to transfer of Manager's privilege fee payment to the Expanded Lottery Revenue Fund, the Executive Director will promptly direct the state treasurer to refund, without interest, Manager's privilege fee payment. If the Kansas Expanded Lottery Act, or any portion thereof, is declared unconstitutional by a court of competent jurisdiction before Manager's privilege fee is transferred to the Expanded Lottery Act Revenues Fund, the Executive Director will promptly direct the state treasurer to refund, without interest, Manager's privilege fee payment at Manager's written request.

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.

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

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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 must approve all agreements concerning software licensing and ownership affecting the Lottery Facility Games made available to Players at the Lottery Gaming Facility.

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. 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. Manager agrees 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

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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 to be given to anyone in the Lottery Gaming Facility Revenues generated at the Lottery Gaming Facility that are to be remitted daily to the State.

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. Manager.~~ As its sole compensation for the management services for the Lottery Gaming Facility as set out in this Agreement, Manager will be paid -the following percentages of the Lottery Gaming Facility Revenues generated at the Lottery Gaming Facility calculated with respect to the then current Fiscal Year, as follows: (a) 73% on all Lottery Gaming Facility Revenues up to \$350 million times the CPI Adjustment Factor; (b) 70% on all Lottery Gaming Facility Revenues above \$350 million up to \$400 million times the CPI Adjustment Factor; and (c) 67% on all Lottery Gaming Facility Revenues above \$400 million times the CPI Adjustment Factor.~~depending upon the applicable year of operation , as follows: (a) 73% during the first partial Fiscal Year of operation, if any, and the first full Fiscal Year thereafter ; (b) 72% during the second Fiscal Year of operation; (c) 71% during the third Fiscal Year of operation; (d) 69% during the fourth Fiscal Year of operation; (e) 68% during the fifth Fiscal Year of operation; (f) 65% during the sixth Fiscal Year of operation; and (g) 62% thereafter.~~

~~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.~~

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 ~~threetwo~~ percent (3%) to be paid to the county in which the Lottery Gaming Facility is

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located ~~[alternative language for this 3% if not in a city, or if in the southeast or south central zones to comply with K.S.A. 2007 Supp. 74-8734(15)(A), 74-8734(h)(15) and amendments thereto. It is hereby acknowledged and agreed that such payments shall not be paid(16), or to conform to manager's application if increased from the compensation payable to Manager pursuant to Paragraph 26.statute.]~~

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:

- a) Manager's share of the Kansas Lottery's 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 subparagraph (a). ~~Such expenses~~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 before making Manager's monthly 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, plus 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.
- 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 will be void, and Manager will 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 it has been advised that the executive director of the

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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.

- 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 the Kansas Lottery at Racetrack Gaming Facilities and Lottery Gaming Facilities that are part of ~~this~~ the central computer system.

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);
- c) Maintain the Lottery Gaming Facility and all property and improvements associated with its Ancillary Lottery Gaming Facility Operations in ~~working order and good~~~~first class~~ condition, ordinary wear and tear excepted, including, without limitation, interior and exterior cleaning, painting and decorating, plumbing, carpentry and such other items that may be commercially reasonable; and
- d) Manage the Lottery Gaming Facility and all of Ancillary Lottery Gaming Facility Operations in a sound, diligent, and prudent manner in accordance with this Agreement.

30. **Prohibitions Applicable to the State.** The Kansas Lottery, acting on behalf of the State of Kansas, agrees by entering into this Agreement that:

- a) Neither the Kansas Lottery nor the State of Kansas will enter into a management contract for more than four (4) lottery gaming facilities or

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similar facilities in the four gaming zones outlined in the Kansas Expanded Lottery Act 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; 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 will 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

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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) Insurance against loss or damage by fire, lightning, and other casualties, with a uniform standard extended coverage endorsement, 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 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, with limits of not less than \$10,000,000 per accident or occurrence on account of personal injury, including death resulting there from, and \$10,000,000 per accident or occurrence 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.

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- d) Business interruption insurance against the perils enumerated in subparagraph (a) and in amounts determined by the Executive Director to be appropriate and commercially reasonable to protect both the Kansas Lottery's and Manager's financial interests in the revenue produced by the Lottery Gaming Facility.
- e) 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.
- f) 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.

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 a named insured, or additional named insured. 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 effect, 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

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promptly at his request.

- c) Within one hundred twenty (120) days after the end of each Fiscal Year, the Company must file with the Executive Director a certificate from 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.

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, 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. Manager will have no obligation to rebuild the Lottery Gaming Facility if such damage, destruction or condemnation occurs within five (5) years of the end of this Agreement's term. The Kansas Lottery will have no obligation to replace, repair, rebuild or restore the Lottery Gaming Facility.

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 maximize to the greatest extent possible 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 may include information regarding

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problem gambling as directed by the Executive Director.

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; and (c) 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, 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.

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. Manager will administer such program at the Lottery Gaming Facility as the Executive Director may provide. 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.

41. **Use of Trademarks, Service Marks, and Trade Names.** 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

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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.

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 ~~commercially reasonable 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 employment and retention 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 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 Key Employees list at any time for any reason.

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 and 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 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

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Facility Revenues or a discrepancy greater than \$100,000 on any other line item 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.

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. 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.

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. 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. Notwithstanding the foregoing, if Executive Director or Manager objects to any portion of a proposed Budget, Executive Director or Manager, as the case may be, shall advise Manager or Executive Director, as the case may be, of such objections (and deliver to Manager or Executive Director, as the case may be, a reasonably detailed description of such objections) (such objections, the "Disapproved Items") and Manager or Executive Director, as the case may be, shall promptly revise the Budget to address the Disapproved Items and shall resubmit the same to Executive Director or Manager, as the case may be, until Executive Director or Manager, as the case may be, approves such Disapproved Items. Until such time that Executive Director or Manager, as the case may be, 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.

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Notwithstanding the foregoing, 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, then the Executive Director shall not have the right to disapprove such item and Manager shall be permitted to pay the same.

48. **Bank Accounts.** Manager will establish a special bank account in its name at a Kansas bank approved by the Executive Director with Manager being the only party authorized to draw from this account in order to make the payments to the Executive Director required pursuant to Paragraph 23 hereof, except upon a default under this Agreement by Manager or any termination of this Agreement at which time the Executive Director will have that authority (the “Collection Account”). The Collection Account will be used by Manager for all payments to the Executive Director. All amounts due and payable to the Executive Director in accordance with Paragraph 23 hereof shall be withdrawn by Manager from the Collection Account and paid to the Kansas Lottery. Manager will establish an additional bank account in its name at a bank of its choice into which the Executive Director shall deposit all amounts due and payable to Manager in accordance with Paragraph 26 hereof (the “Operations Account”). Manager shall give the Executive Director written notice of the account information necessary for the Executive Director to make deposits into the Operations Account. ~~This bank account will be used by Manager for all payments.~~ 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 shall have the right to establish additional accounts and subaccounts at its election, provided that all payments required to be made to the Executive Director continue to be deposited into the Collection Account. Manager shall have the right to grant a security interest in the Operations Account and any other accounts established by Manager (other than the Collection Account) to any Lender, into this account monthly. With the Executive Director’s approval, Manager may establish at the same bank multiple accounts to segregate certain expenses, such as payroll.

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 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 and, other than with respect to Paragraph 23, if Manager fails to cure such nonpayment within seven (7) days after the date on which such notice was received;
- 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;

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- 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 unstayed and in effect for a period of 120 consecutive days; or
- e) Manager's failure to perform, keep or fulfill any other covenant, undertakings, obligations or conditions set out in this Agreement 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.
- f) Withdrawal of any approval granted, loss or suspension of any license 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; or
- g) Manager's financial condition being such that the sum of Manager's debts exceeds the fair market value of Manager's assets.

50. **Remedies on Default.** If an event of default occurs as provided above, the Executive Director may, without prejudice to any other legal or equitable remedy which he may have, give Manager notice of the Kansas Lottery's intention to terminate this Agreement after the expiration of fifteen (15) days from the date of such notice 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 [Northeast](#) Kansas gaming zone without penalty to the Kansas Lottery or further recourse by Manager. 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.

51. **Remedies Cumulative.** No remedy conferred upon or reserved to the

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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. 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, 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, 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. 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.

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, 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

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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. This entire Paragraph 54 does not include any action against the Kansas Lottery or its staff regarding the constitutionality of the Kansas Expanded Lottery Act or misconduct by an Indemnified Party that is found to be negligent or criminal.
- 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

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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. Manager agrees to defend (with counsel selected by 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. Nothing contained in this provision will relieve Manager from responsibility to the Kansas Lottery, as a result of willful misconduct, gross negligence, material breach of this Agreement, or acts outside the scope of Manager's authority under this Agreement on the part of Manager, its agents or employees, and Manager agrees to indemnify any Indemnified Party for damage or loss resulting from said acts. Manager's obligations under this paragraph 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 limits.

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, 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 undischarged 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

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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. This Agreement is not transferable in bankruptcy without the Executive Director's approval, provided however that the trustee of Manager, 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.~~approval.~~

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, except that this Agreement may be assigned in whole or in part to any Lender as provided in Paragraph 77 hereto subject to Lender's compliance with all statutory requirements and regulatory procedures, including those related to suitability.~~discretion.~~ The Executive Director acknowledges that a joint venture or other business combination or transfer of an equity interest involving Manager and suitable third party or parties is permissible, provided such party or parties receive all approvals required by applicable statute or regulation.

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: Kansas Entertainment, LLC
_____c/o The Cordish Company
_____601 East Pratt Street
_____6th Floor
_____Baltimore, Maryland 21202
_____Telephone: 410-752-5444
_____Facsimile: 410-659-9491

_____With a copy to: Joe Weinberg
_____The Cordish Company
_____601 East Pratt Street
_____6th Floor
_____Baltimore, Maryland 21202
_____Telephone: 410-752-5444

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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

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 8, 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

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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.

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, final resolution of any material litigation (including the litigation referred to in Paragraph 8 above) strike, lockout, breakdown, accident, order or regulation of or by any governmental authority, 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 claims or court orders restricting Manager's ability to perform so long as such orders, claims or court orders are not on account of any misconduct by Manager. The provisions of this Paragraph 63 notwithstanding, the parties agree the litigation component of the force majeure definition does 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.

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.

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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. 2007 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. 2007 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. 2007 Supp. 74-8734(h)(12) or (13) above the amounts provided for in this Agreement;
- c) K.S.A. 2007 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. 2007 Supp. 74-8734(h)(16) above the amounts provided for in this Agreement;
- 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. 2007 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 [thetable](#) 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;

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- i) The Executive Director breaches the covenant of the Executive Director pursuant to Paragraph 68 in exercising 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; or
- j) If litigation or any other challenge to the constitutionality of the Kansas Expanded Lottery Act or the enforceability of this Agreement remains in question more than 180 days after the Effective Date.

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), ~~(f)~~, or ~~(i)(f)~~ occur during the term of this Agreement. Nothing in this paragraph will be deemed a waiver of ~~(x)~~ the immunities and protections reserved to the State of Kansas under the Eleventh Amendment to the Constitution of the United States, ~~(y) the rights of Manager pursuant to the provisions of Paragraph 31 or (z) the rights of Manager pursuant to the provisions of Paragraph 8.~~

66. **Manager's Ability to Withdraw Application.** Manager may withdraw its application to be a Lottery Gaming Facility Manager at any time prior to its approval by the Lottery Gaming Facility Review Board. 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. Manager acknowledges and agrees that if it withdraws its application pursuant to this paragraph, this Agreement will be void and Manager will not be permitted to re-apply as a Lottery Gaming Facility Manager in the Northeast Kansas 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. 2007 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

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approval, the Executive Director will respond within ~~30 days, 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 ~~that 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 Construction.~~** 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 8, 31, 48, 52, 54, 58, 65, 71, 72, 74 and 78 shall survive the termination of this Agreement.

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.

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75. **Covenant for Continued Disclosure.** Within 30 days after the close of the Fiscal Year, Manager must update all exhibits to this Agreement. 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), which has been revised by the parties and is attached as Exhibit F, are incorporated in this Agreement as though set out in full.

78. **Lender Protections.** Notwithstanding anything in this Agreement to the contrary, without Kansas Lottery or Executive Director's consent, at any time: (a) Manager or its affiliates may grant a mortgage encumbering the Lottery Facility Enterprise pursuant to any financing entered into by Manager or its affiliates with any institutional lender (together with its successors and assigns, a "Lender") in connection with the Lottery Gaming Enterprise (including, without limitation, the construction and development thereof) (a "Financing"); (b) any Lender may initiate and complete any foreclosure, deed in lieu thereof or similar proceeding (a "Foreclosure Event") to acquire the Lottery Gaming Enterprise and exercise any other rights and remedies against Manager or its affiliates and the Lottery Gaming Enterprise under the Financing; and (c) may assign this Agreement to any purchaser through a Foreclosure Event subject to such purchaser's compliance with all statutory requirements and regulatory procedures, including those related to suitability. Notwithstanding anything to the contrary in this Agreement, from and after the date when the Executive Director has received written notice of any Lender, for such Lender and its successors and assigns:

- a) If any default occurs for which the Kansas Lottery intends to exercise any remedy, the Kansas Lottery shall promptly give Lender a notice of such default. Any notice from the Kansas Lottery to Manager shall have no effect unless Lender receives a copy of same.
- b) Kansas Lottery shall accept Lender's cure at any time until ten (10) days after Manager's cure period for that default has expired, provided that with respect to a default under Paragraph 23 hereof, Kansas Lottery shall accept Lender's cure at any time during the cure period provided to Manager under such Paragraph.
- c) If this Agreement terminates in the event of bankruptcy of

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Manager, Kansas Lottery shall promptly give Lender a notice of termination of this Agreement. By giving notice to Kansas Lottery on or before the day that is fifteen (15) days after Lender receives Kansas Lottery's notice of termination of this Agreement (the "New Agreement Option Period"), Lender may require Kansas Lottery to promptly enter into a new management agreement on substantially the same terms as this Agreement (a "New Management Agreement"). Kansas Lottery need not do so, however, unless manager under the New Management Agreement has: (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) complied with the suitability requirements of Paragraph 57.

- d) Notwithstanding anything to the contrary in this Agreement, Lender may exercise its rights through an affiliate, assignee, designee, nominee, subsidiary, or other Person, acting in its own name or in Lender's name (and anyone acting under this subparagraph (d) shall automatically have the same protections, rights, and limitations of liability as Lender). To the extent any Lender's rights under this Agreement apply after this Agreement terminates, they shall survive such termination.
- e) Subject to the provisions of Paragraph 59, no material amendment, modification or supplementation to this Agreement shall be effective without the prior written consent of Lender, such consent not to be unreasonably withheld.
- f) From time to time upon reasonable request of any Lender, Kansas Lottery shall execute and deliver consents, estoppels and other documentation as may be reasonably required in connection with any Financing.

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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.

THE KANSAS LOTTERY

By: _____
Ed Van Petten, Executive Director

KANSAS ENTERTAINMENT, LLC~~[INSERT NAME]~~

By: _____

EXHIBIT SCHEDULE

EXHIBIT A – Environmental Compliance and Indemnification Agreement

EXHIBIT B – County Endorsement

EXHIBIT C –Expected Construction Sequence

EXHIBIT D –Key Employees

EXHIBIT E– Financing Commitment Description

EXHIBIT F – DA-146a (revised by the parties)

EXHIBIT "A"

**ENVIRONMENTAL COMPLIANCE AND
INDEMNIFICATION AGREEMENT**

EXHIBIT A

5/22/08

**ENVIRONMENTAL COMPLIANCE
AND INDEMNIFICATION AGREEMENT**

THIS ENVIRONMENTAL COMPLIANCE AND INDEMNIFICATION AGREEMENT (the "Environmental Compliance Agreement"), dated as of May __, 2008, is given by **Kansas Entertainment, LLC** ("Manager"), a Delaware limited liability company having offices at c/o The Cordish Company, and the persons, firms or corporations, if any, identified as Indemnitors at the end of this Environmental Compliance Agreement (collectively "Indemnitors"), to the **Kansas Lottery**, an agency of the State of Kansas having its principal office at 128 N. Kansas Avenue, Topeka, KS 66603-3638.

RECITALS

WHEREAS, the Manager or an affiliate thereof is the owner of, or is acquiring title to or other interest in, certain real property located in Kansas City, State of Kansas and described more fully in Schedule "A" attached and made a part hereof (the "Premises"); and

WHEREAS, the Manager is contracting with the Kansas Lottery to be a Lottery Gaming Facility Manager, as that term is defined in the Kansas Expanded Lottery Act, K.S.A. 2007 Supp. 74-8733 through 74-8773, which will consist of a Lottery Gaming Facility and certain Ancillary Lottery Gaming Facility Operations, as referenced in a Lottery Gaming Facility Management Contract of even date, to which this Environmental Compliance Agreement is attached (collectively referred to as the "Project"); and

WHEREAS, the Lottery Gaming Facility Management Contract contemplates that Manager will construct and maintain the Project in which a certain portion will be used to house a Lottery Gaming Facility, the business of which will be owned and operated by the Kansas Lottery ; and

WHEREAS, the Kansas Lottery is unwilling to consummate the Lottery Gaming Facility Management Contract unless the Manager and the Indemnitors execute and deliver this Environmental Compliance Agreement to the Kansas Lottery.

NOW, THEREFORE, in consideration of the foregoing and to induce the Kansas Lottery to consummate the Lottery Gaming Facility Management Contract, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Manager and the Indemnitors covenant and agree with the Kansas Lottery as follows:

1. **DEFINITIONS**. All capitalized terms used in this Environmental Compliance Agreement and not defined will have the meanings set forth below.

(a) **Environment** means any water, groundwater, water vapor, land (including land surface or subsurface), soil vapor, air, fish, wildlife, biota, and all other natural resources.

5/22/08

(b) Environmental Laws mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the Environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances (as defined below) and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

(c) Environmental Permits mean all permits, licenses, approvals, authorizations, consents or registrations required by any applicable Environmental Law in connection with the ownership, use and/or operation of the Premises for the storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances.

(d) Hazardous Substance means any substance (i) the presence of which requires investigation or remediation under any Environmental Law; or (ii) which is or becomes defined as a "hazardous waste", "hazardous substance", "toxic substance", "solid waste", pollutant and/or or contaminant under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. section 9601 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. section 6901 *et seq.*), as amended, the Hazardous Materials Transportation Act, as amended (49 U.S.C. Section 1801 *et seq.*), the Clean Air Act (42 U.S.C. Sections 7401, *et seq.*), the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601, *et seq.*), the Clean Water Act, as amended (33 U.S.C. Sections 1251 *et seq.*), the Occupational Safety and Health Act, as amended (29 U.S.C.A. Section 651 *et seq.*), and/or any other applicable Environmental Law or any regulations promulgated under any of the foregoing; or (iii) which is toxic (including, but not limited to, toxic mold), explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, the State of Kansas or any political subdivision thereof; or (iv) the presence of which on the Premises poses or threatens to pose a hazard to the health or safety of persons on or about the Premises; or (v) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or (vi) which contains polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde foam insulation.

(e) Improvements mean any buildings, structures and other improvements (if any) presently or hereafter located on the Premises.

(f) Indemnitee means the Kansas Lottery, the Kansas Lottery Commission, and the State of Kansas, and their successors and assigns, and their respective officers, directors, employees, agents, representatives, contractors and subcontractors.

(g) Release means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the Environment (including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Hazardous Substance).

5/22/08

2. REPRESENTATIONS AND WARRANTIES: The Manager represents and warrants to the Kansas Lottery that to Manager's knowledge (without inquiry) and, in each case, except to the extent in compliance with applicable law (including Environmental Law):

(a) The Premises is not being nor has it been used for the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substance or as a landfill or other solid waste disposal site or for military, manufacturing or industrial purposes or for the storage of petroleum or petroleum based products.

(b) Underground storage tanks are not and have not been located on the Premises, except as set forth in Schedule "B" hereto.

(c) The soil, subsoil, bedrock, soil vapor, surface water and groundwater of the Premises are free of any Hazardous Substances.

(d) There has been no Release nor is there the threat of a Release of any Hazardous Substance on, at or from the Premises, which through soil, subsoil, soil vapor, bedrock, surface water or groundwater migration could come to be located on the Premises, and the Manager has not received any form of notice or inquiry from any federal, state or local governmental agency or authority, any operator, tenant, subtenant, licensee or occupant of the Premises with regard to a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises.

(e) All Environmental Permits necessary for the acquisition, construction, equipping, use or operation of the Premises have been obtained and are in full force and effect.

(f) No event has occurred with respect to the Premises which, with the passage of time or the giving of notice, or both, would constitute a violation of any applicable Environmental Law or non-compliance with any Environmental Permit.

(g) There are no agreements, consent orders, decrees, judgments, notices of violations, demand letters, license or permit conditions or other orders or directives of any federal, state or local court, governmental agency or authority relating to the past, present or future ownership, use, operation, sale, transfer or conveyance of the Premises which require any change in the present condition of the Premises with respect to Environmental Law or Hazardous Substances or any work, repairs, construction, containment, clean-up, investigations, studies, removal or other remedial action or capital expenditures with respect to the Premises with respect to Environmental Law or Hazardous Substances.

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(h) There are no actions, suits, claims or proceedings, pending or threatened, which could cause the incurrence of expenses or costs or which seek money damages, injunctive relief, investigations, remedial action or any other remedy that arise out of, relate to or result from (i) a violation or alleged violation of any applicable Environmental Law or non-compliance or alleged non-compliance with any Environmental Permit, (ii) the presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises or (iii) human exposure to any Hazardous Substance to the extent the same arise from the condition of the Premises or the ownership, use, operation, sale, transfer or conveyance thereof.

3. COVENANTS OF MANAGER: The Manager covenants and agrees with the Kansas Lottery as follows (except, in each case, in compliance with applicable law, including Environmental Law):

(a) The Manager shall keep, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to keep, the Premises free of all Hazardous Substances and shall not cause or permit the Premises or any part thereof to be used for the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substances.

(b) The Manager shall comply with, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to comply with all applicable Environmental Laws, and shall obtain and comply with, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to obtain and comply with, all Environmental Permits.

(c) The Manager shall not cause or permit any change to be made in the present or intended use of the Premises which would (i) involve the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substance or the use of the Premises as a landfill or other solid waste disposal site or for military, manufacturing or industrial purposes or for the storage of petroleum or petroleum based products, (ii) violate any applicable Environmental Law, (iii) constitute non-compliance with any Environmental Permit or (iv) materially increase the risk of a Release of any Hazardous Substance.

(d) The Manager shall promptly provide the Kansas Lottery with a copy of all notifications which the Manager gives or receives with respect to any past or present Release or the threat of a Release of any Hazardous Substance on, at or from the Premises.

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(e) The Manager shall undertake and complete or shall cause to be undertaken and completed all investigations, studies, sampling and testing and all removal and other remedial actions necessary to contain, remove and clean up all Hazardous Substances that are determined to be present at the Premises in accordance with all applicable Environmental Laws and all Environmental Permits.

(f) The Manager or its affiliates shall at all reasonable times allow the Kansas Lottery and its officers, employees, agents, representatives, contractors and subcontractors reasonable access to the Premises for the purposes of ascertaining site conditions, including, but not limited to, subsurface conditions, provided however that the Kansas Lottery shall not conduct any invasive testing without the prior written consent of the Manager.

(g) If at any time the Manager obtains any evidence or information which suggests that potential and material environmental problems may exist at the Premises, the Kansas Lottery may require that a full or supplemental environmental investigation and environmental assessment report (including a Phase II environmental investigation if recommended by a Phase I environmental investigation) with respect to the Premises of a scope and level of detail satisfactory to the Kansas Lottery to be prepared by an environmental engineer or other qualified person acceptable to the Kansas Lottery, at the Manager's expense. Said investigation may include a physical inspection of the Premises, a visual inspection of any property adjacent to or within the immediate vicinity of the Premises, personnel interviews and a review of all Environmental Permits. If the Kansas Lottery requires, such inspection shall also include a records search and/or subsurface testing for the presence of Hazardous Substances in the soil, subsoil, soil vapor, bedrock, surface water and/or groundwater. If the investigations indicate the presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises other than in compliance with applicable law, including Environmental Law, the Manager shall promptly undertake and diligently pursue to completion all necessary, appropriate and legally authorized investigative, containment, removal, and other remedial actions, using methods recommended by the engineer or other person who conducted the investigations and acceptable to the appropriate federal, state and local agencies or authorities.

(h) Attached hereto as Schedule "C" is a complete list of all Environmental Permits presently required for the ownership, use or operation of the Premises and the businesses located thereon. The Manager agrees to notify the Kansas Lottery of any additions, deletions, or modifications of any Environmental Permits and the list thereof. Upon written request of the Kansas Lottery, the Manager shall furnish true and complete copies of all Environmental Permits.

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4. INDEMNIFICATION PROVISIONS: The Manager and the Indemnitors hereby jointly and severally covenant and agree, at their sole cost and expense, to indemnify, protect, defend, and save harmless each and every Indemnitee from and against any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, actions, proceedings, costs, disbursements and/or expenses (including, without limitation, reasonable attorneys' and experts' fees for attorneys and experts selected by the Indemnitee) of any kind or nature whatsoever which may at any time be imposed upon, incurred by or awarded against any Indemnitee relating to, resulting from or arising out of (a) the use of the Premises for the storage, treatment, generation, transportation, processing, handling, production or disposal of any Hazardous Substance or as a landfill or other waste disposal site or for military, manufacturing or industrial purposes or for the storage of petroleum or petroleum based products, (b) the presence or claimed presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, (c) the failure to promptly undertake and diligently pursue to completion all legally required investigative, containment, removal, clean-up and other remedial actions with respect to a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, (d) human exposure to any Hazardous Substance to the extent the same arise from the condition of the Premises or the ownership, use, operation, sale, transfer or conveyance thereof, (e) a violation of any applicable Environmental Law, (f) non-compliance with any Environmental Permit, (g) a material misrepresentation or inaccuracy in any representation or warranty or a material breach of or failure to perform any covenant made by the Manager in this Environmental Compliance Agreement, and (h) the designation by any state or governmental entity, the United States Environmental Protection Agency or any other governmental authority of an Indemnitee as a party responsible or potentially responsible for the remediation of any condition related to Environmental Law or Hazardous Substances on the Premises (collectively, the "Indemnified Matters").

The liability of the Manager and the Indemnitors to the Kansas Lottery and each Indemnitee shall be perpetual and shall survive, and shall in no way be limited, abridged, impaired or otherwise affected, by (i) any amendment or modification of any of the Lottery Gaming Facility Management Contract, (ii) the invalidity or unenforceability of any of the terms or provisions of the Lottery Gaming Facility Management Contract, (iii) any applicable statute of limitations, (iv) any investigation or inquiry conducted by or on the behalf of the Kansas Lottery or any other Indemnitee or any information which the Kansas Lottery or any other Indemnitee may have or obtain with respect to the environmental or ecological condition of the Premises, (v) the sale, transfer or conveyance of all or part of the Premises, (vi) the dissolution or liquidation of the Manager, (vii) the death or legal incapacity of any Indemnitor, (viii) the release or discharge, in whole or in part, of the Manager or any Indemnitor in any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceeding, (ix) any other circumstances which might otherwise constitute a legal or equitable release or discharge, in whole or in part, of the Manager or any Indemnitor under this Environmental Compliance Agreement, (x) the expiration or termination of the Lottery Gaming Facility Management Contract or (xi) the reconveyance of title to the Premises by the Manager or any

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other person, whether in accordance with the terms of a lease, by foreclosure or deed in lieu of foreclosure, sale or otherwise.

Notwithstanding anything to the contrary contained herein, neither Manager nor the Indemnitor indemnify, protect, defend, or save harmless any Indemnitee from and against any damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, actions, proceedings, costs, disbursements and/or expenses (including, without limitation, reasonable attorneys' and experts' fees for attorneys and experts selected by the Indemnitee) of any kind or nature whatsoever which may at any time be imposed upon, incurred by or awarded against any Indemnitee relating to, resulting from or arising out of (i) any such Indemnitees gross negligence or willful misconduct or (ii) any circumstance arising from and after the date on which Manager or its affiliate transfers title to the Premises to a third party, whether by sale, foreclosure, deed in lieu of foreclosure or otherwise.

The indemnification agreement contained herein is wholly independent of and in addition to any indemnification agreement given to the Kansas Lottery or any other Indemnitee, as part of the application of the Kansas Expanded Lottery Act or any other applicable statute or regulation.

5. GOVERNING LAW: This Environmental Compliance Agreement shall be governed by, construed in accordance with and enforceable under the laws of the State of Kansas.

6. COUNTERPARTS: This Environmental Compliance Agreement may be executed in one or more counterparts, each of which shall be deemed an original. Said counterparts shall constitute but one and the same instrument and shall be binding upon each of the undersigned as fully and completely as if all had signed the same instrument.

7. SUCCESSORS AND ASSIGNS: This Environmental Compliance Agreement shall be binding upon the Manager, its successors and assigns, all subsequent owners of the Premises, the Indemnitors and their respective successors, assigns, executors, administrators, and legal representatives and shall inure to the benefit of each Indemnitee.

5/22/08

IN WITNESS WHEREOF, the Manager and the Indemnitors have caused this Environmental Compliance Agreement to be duly executed as of the day and year first above written.

KANSAS ENTERTAINMENT, LLC

By: J-W-S
Name:
Title: AUTHORIZED REPRESENTATIVE

KANSAS ENTERTAINMENT INVESTORS,
LLC, a Maryland limited liability company

By: J-W-S
Name:
Title: AUTHORIZED REPRESENTATIVE

KANSAS SPEEDWAY DEVELOPMENT CORP,
a Kansas corporation

By: _____
Name:
Title:

THE KANSAS LOTTERY

By: _____
Ed Van Petten, Executive Director

5/22/08

IN WITNESS WHEREOF, the Manager and the Indemnitors have caused this Environmental Compliance Agreement to be duly executed as of the day and year first above written.

KANSAS ENTERTAINMENT, LLC

By: _____
Name:
Title:

KANSAS ENTERTAINMENT INVESTORS,
LLC, a Maryland limited liability company

By: _____
Name:
Title:

KANSAS SPEEDWAY DEVELOPMENT CORP,
a Kansas corporation

By: _____
Name: *Jeff Bohner*
Title: *President*

THE KANSAS LOTTERY

By: _____
Ed Van Petten, Executive Director

5/22/08

State of Florida)
County of Volusia ss.:

On the 22nd day of May in the year 2008, before me, the undersigned, personally appeared JOSEPH WEINBERG, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Peggy S. Butler
Notary Public

State of Florida)
County of Volusia ss.:



Peggy S. Butler
Commission # DD529243
Expires June 11, 2010
Bonded Title Plan - Insurance Inc. 800-385-7019

On the 22nd day of May in the year 2008, before me, the undersigned, personally appeared Joseph Weinberg, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

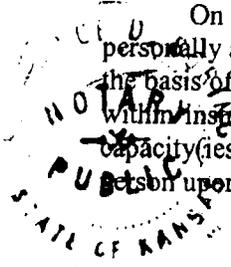
Peggy S. Butler
Notary Public



Peggy S. Butler
Commission # DD529243
Expires June 11, 2010
Bonded Title Plan - Insurance Inc. 800-385-7019

5/22/08

State of Kansas)
County of Ward) ss.:



On the 22 day of May in the year 2008, before me, the undersigned, personally appeared Jeff Berger, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Constancia K. B.
Notary Public

My Appointment Expires 8/25/2010

State of _____)
County of _____) ss.:

On the ____ day of _____ in the year 2008 before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public]

5/22/08

SCHEDULE "A"
(Premises)

See attached.

Schedule "A"

ZONING TRACT DESCRIPTION:

All that part of Lot 1 of KANSAS SPEEDWAY CORPORATION, a Subdivision in Kansas City, Wyandotte County, Kansas, situated in Sections 2 and 11, in Township 11 South, Range 23 East, more fully described as follows:

COMMENCING at the intersection of the East right-of-way line of 110th Street and the North right-of-way line of Interstate 70, as roads presently exist; thence North 10°57'02" West, along the East right-of-way line of said 110th Street, a distance of 213.42 feet; thence South 87°53'47" West, along said East right-of-way line, a distance of 7.54 feet; thence North 02°42'35" West, along said East right-of-way line, a distance of 437.71 feet to the intersection of the East right-of-way line of said 110th Street and the North right-of-way line of Village West Parkway, as road is defined in Book 4469 at Page 329; thence North 79°46'40" East, along said North right-of-way line, a distance of 102.31 feet; thence continuing along said North right-of-way line 591.84 feet along a tangent curve to the right having a radius of 1717.02 feet and a chord of North 89°39'09" East, 588.92 feet; thence South 80°28'22" East, a distance of 587.70 feet to the **POINT OF BEGINNING** of said tract; thence departing said North right-of-way line of Village West Parkway, the following course and distance:

1. North 02°10'50" West, a distance of 1156.18 feet to a point 10.00 feet from the outside face of the existing concrete track wall around the Kansas Speedway racing track surface, said point being the beginning of a non-tangent curve;

Thence 10.00 feet outside of and parallel with the outside face of said track wall, the following 3 courses and distances:

2. 535.42 feet along a curve to the left with an initial tangent bearing of North 76°05'16" East, having a radius of 801.50 feet and a chord of North 56°57'01" East, 525.52 feet to a point of a compound curve;
3. 424.77 feet along a curve to the left having a radius of 1067.33 feet and a chord of North 26°24'42" East, 421.97 feet to a point of tangent;
4. North 15°00'38" East, a distance of 1148.53 feet;

Thence departing said 10.00 foot outside of track wall line, the following 4 courses and distances:

5. North 87°38'21" East, a distance of 798.77 feet;
6. South 02°16'59" East, a distance of 319.90 feet;
7. North 87°38'21" East, a distance of 193.90 feet;
8. South 02°16'59" East, a distance of 2233.51 feet to the Northerly right-of-way line of said Village West Parkway;

Thence along the Northerly right of way line of said Village West Parkway the following 3 courses and distances:

9. South 62°02'58" West, a distance of 465.64 feet to a point of a tangent curve;
10. 1446.78 feet along a curve to the right having a radius of 2211.83 feet and a chord of South 80°47'18" West, 1421.13 feet to a point of tangent;
11. North 80°28'22" West, a distance of 163.34 feet to the **POINT OF BEGINNING**.

THIS PARCEL CONTAINS 101.889 ACRES MORE OR LESS.

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SCHEDULE "B"
(Underground Storage Tanks)

None.

5/22/08

SCHEDULE "C"
(Environmental Permits)

None.

EXHIBIT "B"

**ENDORSEMENT BY LOCAL
GOVERNMENT**

EXHIBIT "B"

RESOLUTION NO. R-126-07

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS:

WHEREAS, Kansas Entertainment, LLC, Leg Sun LLC, and Pinnacle Entertainment Inc. submitted proposals to the Unified Government of Wyandotte County/Kansas City, Kansas for destination tourist gaming facility located in Wyandotte County; and

WHEREAS, the separate applications for change in zoning and for a special use permit has been approved separately for all three proposals; and

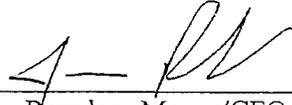
WHEREAS, the Board of Commissioners of the Unified Government of Wyandotte County/Kansas City, Kansas have reviewed all three proposals, considered the supporting documents, reviewed the financial testimony of the consultants hired by all proposing parties and by the Unified Government, conducted public hearings and heard testimony from the interested parties and the citizenry and have otherwise been advised in the facts law relevant to this decision;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, AS FOLLOWS:

1. That the proposals submitted by Kansas Entertainment, LLC, Leg Sun LLC, and Pinnacle Entertainment Inc. are hereby endorsed by the Unified Government subject to and conditioned upon completion and execution of a development agreement that includes the points of agreement stipulated by the parties and that accurately reflects and binds the parties to submit to the State of Kansas the proposal and major points contained in their initial response to the Unified Government's Request for Proposals (RFP) and all subsequent amendments, additions and agreements entered throughout the planning and zoning process and the final review of the response to the RFP, including any best and final stipulations made by the parties through or at the time of the final hearing before the Commission of the Unified Government held on December 13, 2007.

2. That the County Administrator is hereby directed to submit this Resolution No. R-126-07 and supporting documentation including the development agreement to the State of Kansas Lottery Commission and to each proposing party for further consideration and review.

ADOPTED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED
GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS
THIS 13TH DAY OF DECEMBER, 2007.



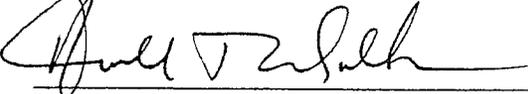
Joe Reardon, Mayor/CEO

ATTEST:



Unified Government Clerk

Approved as to form:



Harold T. Walker, Chief Counsel

EXHIBIT "C"
EXPECTED CONSTRUCTION
SEQUENCE

EXHIBIT "D"

KEY EMPLOYEES

Exhibit "D"

KEY EMPLOYEES OF GAMING FACILITY MANAGER

The following positions or their equivalents shall be considered Key Employees of Lottery Gaming Facility Manager Kansas Entertainment LLC.

1. President and General Manager – Responsible for the day to day operations of the property.
Ensures that Company policy and internal controls are being adhered to and that all departments are being managed in the best interests of the Company and the state of Kansas.
2. Vice President of Casino Operations – Oversees and directs all operations of the Casino Games and Slot Departments in accordance with approved internal controls and procedures.
3. Vice President of Finance (Chief Financial Officer) – Plans, directs, supervises and coordinates the property's accounting, casino cashiers, credit, count room, purchasing and financial analysis functions in accordance with approved internal controls and procedures.
4. Vice President of Food & Beverage – Plans, directs, supervises and coordinates the property's restaurants, beverage outlets, and culinary operations.
5. Vice President of Hotel Operations – Oversees and directs all operations of the hotel including front desk, housekeeping, bell services, public areas, and facilities.
6. Vice President of Marketing – Responsible for long range and daily planning and operations of Marketing Department including public relations, advertising, player development.
7. Vice President Administration – Plans, directs and supervises the operations of the Human Resource, Security, Surveillance and Community Affairs departments.
8. Director of Internal Audit – Responsible for planning, implementing, controlling and coordinating the property's internal audit policies, programs and procedures. Supervises all internal audit staff.
9. Director of Slot Operations – Oversees and directs all operations of the Slot Department in accordance with approved internal controls and procedures. Supervises all slot operations staff.
10. Director of Table Games – Oversees and directs all operations of the Table Games Department in accordance with approved internal controls and procedures. Supervises all table games staff.
11. Director of Information Technology – Plans, directs and coordinates all operations of the property's computer and information technology infrastructure in accordance with approved internal controls and procedures. Ensures data and information system security. Supervises all information technology staff.

12. Director of Security - Oversees the operation of the Security Department in accordance with approved internal controls and procedures. Supervises all security staff.
13. Director of Surveillance - Oversees the operation of the Surveillance Department in accordance with approved internal controls and procedures. Supervises all surveillance staff.

EXHIBIT "E"

FINANCING COMMITMENT

Exhibit E

Financing Commitment Description

Manager hereby confirms that it is highly confident, based upon the internal financial resources of Manager, Manager's principals long term history of success in financing, building and operating similar scale properties and commitment proposals received from two large financial institutions to date, that it can obtain the third party debt financing required, if any, to support the activities contemplated by the Management Agreement and the Kansas Expanded Lottery Act. Manager is prepared to contribute a substantial portion of the necessary financing through equity contributions. To the extent a credit entity guaranty is legally required for either the financing commitment, the construction completion or the environmental indemnification of any capital source, Manager will work with its principals promptly and in good faith to provide such a guaranty.

EXHIBIT "F"

DA-146a CONTRACTUAL

ATTACHMENT

EXHIBIT F

CONTRACTUAL PROVISIONS ATTACHMENT

Important: This form contains mandatory contract provisions and must be attached to or incorporated in all copies of any contractual agreement. If it is attached to the vendor/contractor's standard contract form, then that form must be altered to contain the following provision.

"The Provisions found in Contractual Provisions Attachment (Form DA-146a, Rev. 1-01), which is attached hereto, are hereby incorporated in this contract and made a part thereof."

The parties agree that the following provisions are hereby incorporated into the contract to which it is attached and made a part thereof, said contract being the _____ day of _____, 20_____.

1. **Terms Herein Controlling Provisions:** ~~Except as provided herein, it is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated.~~ Deleted: I
2. **Agreement With Kansas Law:** All contractual agreements shall be subject to, governed by, and construed according to the laws of the State of Kansas.
3. ~~**Termination Due To Lack Of Funding Appropriation:** If, in the judgment of the Director of Accounts and Reports, Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 90 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.~~
3. **Termination Due To Lack Of Funding Appropriation, Intentionally Omitted.**
4. **Disclaimer Of Liability:** ~~Neither~~ Except as otherwise provided for in the Lottery Gaming Facility Management Contract, neither the State of Kansas nor any agency thereof shall hold harmless or indemnify any contractor beyond that liability incurred under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).
5. **Anti-Discrimination Clause:** The contractor ~~agrees~~ will use the best efforts to: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-1111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration; (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration.

Parties to this contract understand that the provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or whose contracts with the contracting state agency cumulatively total \$5,000 or less during the fiscal year of such agency.
6. **Acceptance Of Contract** This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.
7. **Arbitration, Damages, Warranties:** ~~Notwithstanding any language to the contrary~~ Except as otherwise provided for in the Lottery Gaming Facility Management Contract, no interpretation shall be allowed to find the State or any agency thereof has agreed to binding arbitration, or the payment of damages or penalties upon the occurrence of a contingency. Further, the State of Kansas shall not agree to pay attorney fees and late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect which attempts to exclude, modify, disclaim or otherwise attempt to limit implied warranties of merchantability and fitness for a particular purpose.
8. **Representative's Authority To Contract:** By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.
9. **Responsibility For Taxes:** The State of Kansas shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.
10. **Insurance:** The State of Kansas shall not be required to purchase, any insurance against loss or damage to any personal property to which this contract relates, nor shall this contract require the State to establish a "self-insurance" fund to protect against any such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the vendor or lessor shall bear the risk of any loss or damage to any personal property in which vendor or lessor holds title.
11. **Information:** No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to information pursuant to K.S.A. 46-1101 et seq.
12. **The Eleventh Amendment:** "The Eleventh Amendment is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this contract shall be deemed a waiver of the Eleventh Amendment."

Executive Summary of: **PINNACLE ENTERTAINMENT (NE3)**
Gaming Zone: **NORTHEAST**

1. Name of Facility: **Pinnacle Casino Kansas City, subject to change.**
2. Name of Manager: **PNK-Kansas, LLC**
3. Location of Facility: **Wyandotte County, at the corner of I-435 and Parallel Parkway**
4. Investment in Infrastructure: **\$623.6 million**
5. Principals/ Owners: **PNK-Kansas, LLC is a wholly owned subsidiary of Pinnacle Entertainment, Inc.**
6. Gaming Experience: **Parent company (Pinnacle Entertainment, Inc.) owns and operates seven casinos in the United States, as well as a number of gaming operations around the world. It opened Lumiere Place in downtown St. Louis on December 19, 2007 and is currently under construction on its second St. Louis gaming facility, River City, in South St. Louis County.**
7. Resolution of Endorsement Obtained: **Yes (by the Unified Government of Wyandotte County/Kansas City, Kansas on December 13, 2007, subject to a Development Agreement, which was executed on December 31, 2007.)**
8. Planning and Zoning Approval: **Yes (by the Unified Government of Wyandotte County/Kansas City, Kansas on December 4, 2007 subject to certain conditions).**
9. Theme: **Contemporary, with focus on water elements**
10. Number of Slot Machines: **2,300**
11. Number of Tables (positions): **60 (plus 25-table poker room)**
12. Anticipated Gaming Revenue in Year 1, Year 2, Year 3:
 - a. **Year 1 – \$361,310,580**
 - b. **Year 2 – \$401,456,200**
 - c. **Year 3 – \$413,499,886**
13. Ancillary Facilities:
 - a. **Two hotels (500 rooms total)**
 - b. **100,000-square-foot convention center**

- c. 50,000-square-foot live event center**
- d. Several restaurants/dining areas**
- e. Nightclubs/live entertainment**
- f. Spa/salon**
- g. Retail**
- h. Waterfront dining and entertainment around central lagoon**

14. Anticipated Ancillary Revenue Year 1, Year 2, Year 3:

- a. Year 1 – \$78,157,507**
- b. Year 2 – \$86,841,674**
- c. Year 3 – \$89,446,924**

15. Number of Gaming Visitors (local – within 100 miles of facility) per year:
3,570,690

16. Number of Gaming Visitors (tourists – further than 100 from facility) per year:
396,743

17. Number of Ancillary Visitors (local) per year: **491,043**

18. Number of Ancillary Visitors (tourists) per year: **44,083**

19. Number of Full Time Employees: **1,516**

20. Projected Opening Date: **January 2011**

21. Length of Construction Period: **24 months from selection.**

22. Proposed Temporary Facility: Yes

23. If yes, projected date of opening temporary facility: July 1, 2009

- a. Number of Slot Machines at temporary): 1,200
- b. Number of Tables (positions) at temporary: 45
- c. Anticipated Gaming Revenue at temporary: Additional information will be provided.

24. Rewards Program: Participation in MyChoice, Pinnacle’s national player tracking and rewards system that links all Pinnacle properties, including St. Louis.

25. Potential for Expansion of Gaming Floor: Future expansion was a critical component of Jerde's designs. Gaming floor is designed to increase, all on a single level.

26. Other Gaming Operations:

Name	City, State	Operated Since
Lumière Place Casino & Hotels	St. Louis, MO	December 2007
L'Auberge du Lac Casino Resort	St. Charles, LA	May 2005
Belterra Casino Resort & Spa	Belterra, IN	October 2000
Boomtown Casino New Orleans	Harvey, LA	1994*
President Casino	St. Louis, MO	1994**
Boomtown Casino & Hotel Reno	Reno, NV	1964
Boomtown Casino & Hotel Bossier City	Bossier City, LA	October 1996*
INTERNATIONAL HOLDINGS		
The Casino at Emerald Bay	Great Exuma, The Bahamas	May 2006
Casino Magic Properties***	Argentina	
	Neuquen	January 1995
	New Neuquen facility	2005
	San Martin	1996
	Junin de los Andes	2003
	Copahue	February 2006
	Caviahue	July 2006
*Acquired by Hollywood Park, Inc. in 1997 when it acquired Boomtown, Inc.		
**Acquired by Pinnacle Entertainment, Inc. in December, 2006.		
***Acquired by Hollywood Park, Inc. in 1998 when it acquired Casino Magic Corp.		

**PINNACLE ENTERTAINMENT
TIMELINE OF PROJECT**

COMMENTS OR DESCRIPTIONS

DATE

Estimated date of awarding of License 11/28/2008 Assumes 60 day extension for Racing and Gaming background investigations.

Estimated date for approval of all building plans and variances 4/3/2009

Estimated date for Ground-breaking 4/6/2009

If project is to be phased, please describe the phases

Completion date for Phase 1

Completion date for Phase 2

If project is going to involve a temporary gaming facility, please note estimated date of opening of the temporary and the permanent facility

Estimated Opening Date for temporary facility 7/1/2009 Reviewing options for temporary casino.

Estimated Opening Date for permanent facility 7/1/2011 Conservative schedule.

PINNACLE ENTERTAINMENT
DESCRIPTION OF CASINO AND OTHER PHYSICAL FACILITIES

CASINO

	Square Footage	Units of Measure	COMMENTS
Square footage	100,000	2,300	
Number of slot machines		85	including 25 poker
Number of table games			
Types of table games offered:			
Blackjack		33	
Craps		6	
Roulette		4	
Pai Gow Poker		4	
Other games		13	
Other gaming offerings (specify):			Potentially Mini-Baccarat, 3 card poker, 4 card poker, let it ride, caribbean stud, texas holdem bonus, Spanish 21

HOTEL

Total square footage	481,333		
Total square footage of public areas	35,886		
Number of standard rooms		300	
Number of premium rooms		200	
Square footage of standard room		475	
Square footage of premium room (average)		650	
Amenities in standard rooms (specify):			DESCRIPTION
Additional amenities in premium rooms (specify):			Those typical of a four-star hotel (i.e. Hyatt, Hilton)
Additional amenities in public areas (specify):			Those typical of a five-star hotel (i.e. Four Seasons) Spa, Salon, Pool, etc.

RESTAURANTS

Number of restaurants and eating outlets 8

Specify theme, avg daily covers, and avg spend per cover of each restaurant:

	Square Footage	SEATING CAPACITY	THEME	Covers	Avg Spend per cover
Restaurant #1	22,000	629	Buffet	550,000	\$22.00
Restaurant #2	14,000	286	Fine Dining	90,000	\$50.00
Restaurant #3	12,000	245	Fine Dining	80,000	\$50.00
Restaurant #4	10,000	223	Casual	274,285	\$17.00
Restaurant #5	10,000	223	Casual	274,285	\$17.00
Restaurant #6	8,000	179	Casual	140,000	\$25.00
Restaurant #7	10,000	223	Casual	274,285	\$17.00
Restaurant #8	3,000	30	Coffee	158,491	\$6.00

NOTE: Does not include room service or banquet covers.

BARS AND LOUNGES

Number of bars and lounges

4

Specify theme & size of each bar	Square Footage	Seating Capacity	THEME
Bar #1	6000	122	Piano Bar
Bar #2	6000	122	Sports Bar
Bar #3	15000	306	Central Island Bar
Bar #4	6000	122	Beer Garden Bar

ENTERTAINMENT VENUES

Number of Entertainment Venues

SEE EVENT VENUE

Describe and note size of each venue

Describe and note size of each venue	Square Footage	Seating Capacity	DESCRIPTION
Venue #1			
Venue #2			
Venue #3			
Venue #4			
Venue #5			

SEE EVENT VENUE

EVENT VENUES

Number of Event Venues

1

Describe and note size of each venue

Describe and note size of each venue	Square Footage	Seating Capacity	DESCRIPTION
Venue #1	50,000	3,500	Event Venue will also double as Entertainment Venue
Venue #2			
Venue #3			
Venue #4			

CONVENTION FACILITIES

Square footage of Convention Space

68,540

Square footage of Pre Function & Back of House Space

31,770

Number of Break-out Rooms

24

Assume the maximum number of possible break-out rooms

Capacity of Break-out rooms

Capacity of Break-out rooms	School-room seating	Theater seating
Room #1	200	assuming 2000 square feet
Room #2	200	assuming 2000 square feet
Room #3	200	assuming 2000 square feet
Room #4	200	assuming 2000 square feet
Room #5	200	assuming 2000 square feet
Room #6	200	assuming 2000 square feet
Room #7	200	assuming 2000 square feet
Room #8	200	assuming 2000 square feet
Room #9	200	assuming 2000 square feet

Room #10	200	assuming 2000 square feet
Room #11	200	assuming 2000 square feet
Room #12	200	assuming 2000 square feet
Room #13	200	assuming 2000 square feet
Room #14	200	assuming 2000 square feet
Room #15	200	assuming 2000 square feet
Room #16	200	assuming 2000 square feet
Room #17	200	assuming 2000 square feet
Room #18	200	assuming 2000 square feet
Room #19	200	assuming 2000 square feet
Room #20	200	assuming 2000 square feet
Room #21	200	assuming 2000 square feet
Room #22	200	assuming 2000 square feet
Room #23	200	assuming 2000 square feet
Room #24	200	assuming 2000 square feet

SPORTS AND RECREATION FACILITIES

N/A

Description of Sports/Recreation Offerings	Square Footage	Seating Capacity	DESCRIPTION
--	----------------	------------------	-------------

- Offering #1
- Offering #2
- Offering #3
- Offering #4
- Offering #5

RETAIL OUTLETS

Description and size of Retail Outlets

Outlet #	SQUARE FOOTAGE	DESCRIPTION
Outlet #1	1,000	Sundries
Outlet #2	5,000	Men's Clothing
Outlet #3	5,000	Women's Clothing
Outlet #4	4,000	Art Store

PARKING FACILITIES

Number of surface parking spaces	2,800	(or as required by code)
Total paved square footage for surface parking	1,200,000	(or as required by code)
Number of enclosed parking spaces	0	
Total square footage for enclosed parking	0	
Number of valet parking spaces	700	
Number of employee parking spaces	800	
Number of parking spaces for Recreational Vehicles	20	

**VISITATION AND SPENDING PATTERNS DURING OPERATIONS' PHASE OF LOTTERY GAMING FACILITY
PINNACLE ENTERTAINMENT**

Please submit 5-year projections, starting from the date of opening

Unit of Measure
7/1/2011

PROJECTED DATE OF OPENING:

	2009	2010	2011	2012	2013	2014	2015
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RESIDENTS

	2009	2010	2011	2012	2013	2014	2015
Resident population (within 100 miles)							
Number of adult residents	2,164,419	2,192,556	2,221,059	2,249,933	2,279,182	2,249,933	2,279,182
Residential gaming penetration rate *	31%	33%	33%	33%	33%	33%	33%
Market penetration rate	15%	16%	16%	16%	16%	16%	16%
Visits per gaming resident per year	0	10	10	10	10	10	10
Total resident gaming visits per year	3,267,551	3,570,690	3,617,106	3,664,131	3,711,765	3,664,131	3,711,765
Resident non-gaming visits per year**	449,385	491,043	497,427	503,683	510,444	503,683	510,444
Total Residential visits per year	3,716,936	4,061,732	4,114,535	4,168,024	4,222,208	4,168,024	4,222,208
Residential gaming spend per visit	\$94	\$96	\$97	\$99	\$100	\$99	\$100
Residential gamer non-gaming spend per diem	\$15	\$15	\$15	\$15	\$16	\$15	\$16
Per diem gaming resident	\$109	\$111	\$112	\$114	\$116	\$114	\$116
Total Residential Gaming Spend per annum	\$307,113,993	\$341,237,770	\$351,474,903	\$362,019,150	\$372,879,725	\$362,019,150	\$372,879,725
Total Residential Non-Gaming Spend per annum	\$64,710,255	\$60,789,172	\$62,612,847	\$64,491,232	\$66,425,969	\$64,491,232	\$66,425,969

TOURISTS (residence more than 100 miles away)

Tourist gaming visits per year*	363,061	396,743	401,901	407,126	412,418	407,126	412,418
Tourist non-gaming visits per year**	40,340	44,083	44,656	45,236	45,824	45,236	45,824
Total Tourist visits per year	403,401	440,826	446,557	452,362	458,243	452,362	458,243
Tourist gaming spend per diem	\$149	\$152	\$154	\$157	\$160	\$157	\$160
Tourist gamer non-gaming spend per diem	\$58	\$59	\$60	\$61	\$62	\$61	\$62
Tourist non-gamer spend per diem	\$58	\$59	\$60	\$61	\$62	\$61	\$62
Total Tourist Gaming Spend per annum	\$54,196,697	\$60,216,430	\$62,024,983	\$63,885,732	\$65,802,304	\$63,885,732	\$65,802,304
Total Tourist Non-Gaming Spend per annum	\$23,447,252	\$26,052,502	\$26,834,077	\$27,639,100	\$28,468,273	\$27,639,100	\$28,468,273
TOTAL VISITATION PER YEAR	4,120,308	4,502,558	4,561,092	4,620,386	4,680,451	4,620,386	4,680,451
TOTAL GAMING SPEND PER YEAR	\$361,310,880	\$401,456,200	\$413,499,886	\$425,904,883	\$438,682,029	\$425,904,883	\$438,682,029
TOTAL NON-GAMING SPEND PER YEAR	\$78,157,507	\$86,841,674	\$89,446,924	\$92,130,332	\$94,894,242	\$92,130,332	\$94,894,242

Tourist Visitors

Total number of tourists	
Leisure tourists	367,095
Business/conference tourists	36,306
Leisure tourists - Please specify top five source markets	
Other Kansas	77,090
Oklahoma	47,722
Nebraska	77,090
Colorado	11,013
Missouri	80,761
Other	73,419

Business/Conference Tourists - Please specify top five source markets

Other Kansas	7,624
Oklahoma	4,720
Nebraska	7,624
Colorado	1,089
Missouri	7,987
Other	7,261

PINNACLE ENTERTAINMENT

Please submit 5-year projections, starting from the date of opening

Unit of Measure
7/1/2011

PROJECTED DATE OF OPENING:

	2009	2010	2011	2012	2013	2014	2015
HOTEL GUESTS							
Number of hotel rooms	#	500	500	500	500	500	500
Occupancy rate	%	83%	90%	90%	90%	90%	90%
Visitors per room	#	1.8	1.8	1.8	1.8	1.8	1.8
Total hotel guests per year	#	274,068	295,650	295,650	295,650	295,650	295,650
Average room rate	\$	\$88	\$91	\$93	\$96	\$99	\$99
Percentage of hotel guests who are residents (within 100 miles)	%	23%	23%	23%	23%	23%	23%
Percentage of hotel guests who are tourists	%	77%	77%	77%	77%	77%	77%
Total hotel revenues per year	\$	\$13,410,258	\$14,900,286	\$15,347,295	\$15,807,714	\$16,281,945	\$16,281,945
Total gaming spend by hotel guests per year	\$	\$1,865,659	\$35,428,510	\$36,491,365	\$37,566,106	\$38,713,689	\$38,713,689
Total non-gaming non-hotel spend by hotel guests per year	\$	\$14,199,408	\$15,777,120	\$16,250,433	\$16,737,946	\$17,240,085	\$17,240,085
TOTAL SPEND BY HOTEL GUESTS PER YEAR	\$	\$59,495,324	\$66,105,916	\$68,089,093	\$70,131,766	\$72,235,719	\$72,235,719
LEISURE HOTEL GUESTS							
Visitors per room	#	1.9	1.9	1.9	1.9	1.9	1.9
Total leisure guests per year	#	249,401	269,042	269,042	269,042	269,042	269,042
Average room rate	\$	\$81	\$84	\$86	\$89	\$92	\$92
Percentage of leisure guests who are residents	%	22%	22%	22%	22%	22%	22%
Percentage of leisure guests who are tourists	%	78%	78%	78%	78%	78%	78%
Total leisure hotel revenues per year	\$	\$10,680,081	\$11,755,646	\$12,108,315	\$12,471,564	\$12,845,711	\$12,845,711
Total gaming spend by leisure guests per year	\$	\$30,291,376	\$33,657,084	\$34,666,797	\$35,706,801	\$36,778,005	\$36,778,005
Total other non-gaming leisure spend by leisure guests per year	\$	\$12,779,467	\$14,199,408	\$14,625,390	\$15,064,152	\$15,516,076	\$15,516,076
TOTAL SPEND BY LEISURE HOTEL GUESTS PER YEAR	\$	\$53,650,924	\$59,612,138	\$61,400,502	\$63,242,517	\$65,139,792	\$65,139,792
BUSINESS HOTEL GUESTS							
Visitors per room	#	1.1	1.1	1.1	1.1	1.1	1.1
Total business hotel guests per year	#	24,666	26,609	26,609	26,609	26,609	26,609
Average room rate	\$	\$126	\$130	\$134	\$138	\$142	\$142
Percentage of business hotel guests who are residents	%	31%	31%	31%	31%	31%	31%
Percentage of business hotel guests who are tourists	%	69%	69%	69%	69%	69%	69%
Total business hotel revenues per year	\$	\$2,830,177	\$3,144,641	\$3,238,980	\$3,336,150	\$3,436,234	\$3,436,234
Total gaming spend by business hotel guests per year	\$	\$1,594,283	\$1,771,425	\$1,824,568	\$1,879,305	\$1,935,684	\$1,935,684
Total other non-gaming spend by business hotel guests per year	\$	\$1,419,941	\$1,577,712	\$1,625,043	\$1,673,795	\$1,724,008	\$1,724,008
TOTAL SPEND BY BUSINESS HOTEL GUESTS PER YEAR	\$	\$5,844,401	\$6,493,778	\$6,688,592	\$6,889,249	\$7,095,927	\$7,095,927

All Revenues in this section are PNK revenues (does not account for Non-PNK hotel revenues)

-Represents "guest nights". To calc guests, guest nights must be divided by avg length of stay.

>Only represents rate revenue from PNK hotel.

> Only represents gaming spend by PNK hotel guests.

Separate from Leisure Hotel Spend

Separate from Business Hotel Spend

PINNACLE ENTERTAINMENT

Please submit 5-year projections, starting from the date of opening Unit of Measure

7/1/2011

PROJECTED DATE OF OPENING:

	2009	2010	2011	2012	2013	2014	2015
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Annual Spending by Residents at the Lottery Gaming Facility (does not include non-LGF spending)

Total spending by residents per year (Note: distinguish between residents who gamble (Resident Gaming Visitors) and residents who do not gamble (Resident Non-Gaming Visitors))

	2009	2010	2011	2012	2013	2014	2015
Resident Gaming Visitors							
Accommodation	\$	\$	\$823,502	\$915,003	\$942,453	\$970,726	\$999,848
Food & Beverage	\$	\$	\$37,391,458	\$41,546,065	\$42,792,447	\$44,076,220	\$45,398,507
Retail	\$	\$	\$5,445,000	\$6,050,000	\$6,231,500	\$6,418,445	\$6,610,998
Gaming	\$	\$	\$307,113,993	\$341,237,770	\$351,474,903	\$362,019,150	\$372,879,725
Tickets to events, concerts, shows	\$	\$	\$742,500	\$825,000	\$849,750	\$875,243	\$901,500
Other spending	\$	\$	\$3,693,600	\$4,104,000	\$4,227,120	\$4,353,934	\$4,484,552
TOTAL spending by gaming visitors (residents)	\$	\$	\$355,210,054	\$394,677,838	\$406,518,173	\$418,713,718	\$431,275,129

Resident Non-Gaming Visitors

Accommodation	\$	\$	\$2,292,784	\$2,547,538	\$2,623,964	\$2,702,683	\$2,783,763
Food & Beverage	\$	\$	\$3,579,810	\$3,977,567	\$4,096,894	\$4,219,800	\$4,346,394
Retail	\$	\$	\$396,000	\$440,000	\$453,200	\$466,796	\$480,800
Tickets to events, concerts, shows	\$	\$	\$54,000	\$60,000	\$61,800	\$63,654	\$65,564
Ticketed attractions	\$	\$	\$0	\$0	\$0	\$0	\$0
Other spending	\$	\$	\$291,600	\$324,000	\$333,720	\$343,732	\$354,044
TOTAL spending by non gaming visitors (residents)	\$	\$	\$6,614,194	\$7,349,104	\$7,569,577	\$7,796,665	\$8,030,565

Total Spending by Residents

Gaming	\$	\$	\$307,113,993	\$341,237,770	\$351,474,903	\$362,019,150	\$372,879,725
Non Gaming	\$	\$	\$54,710,255	\$60,789,172	\$62,612,847	\$64,491,232	\$66,425,969
TOTAL SPENDING BY RESIDENTS AT LOTTERY GAMING FACILITY	\$	\$	\$361,824,248	\$402,026,942	\$414,087,750	\$426,510,383	\$439,305,694

PINNACLE ENTERTAINMENT

Please submit 5-year projections, starting from the date of opening

Unit of Measure

PROJECTED DATE OF OPENING:

7/1/2011

	2009	2010	2011	2012	2013	2014	2015
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SOURCES OF EXPENDITURES AT LOTTERY GAMING FACILITY:

For the following questions, provide your best estimates, based on your economic models

Percent of Spend that would have occurred within the region*

	2009	2010	2011	2012	2013	2014	2015
Percent of Spend that would have taken place outside the region**			60%	60%	60%	60%	60%
Percent of Spend that comes from new income generated in the region***			10%	10%	10%	10%	10%
			1%	1%	1%	1%	1%

No. No.

Tourist Gaming Visitors

Accommodation	\$	\$10,248,030	\$11,386,700	\$11,728,301	\$12,080,151	\$12,442,555
Food & Beverage	\$	\$6,274,396	\$6,971,552	\$7,180,698	\$7,396,119	\$7,618,003
Retail	\$	\$3,465,000	\$3,850,000	\$3,965,500	\$4,084,465	\$4,206,999
Gaming	\$	\$54,196,587	\$60,218,430	\$62,024,983	\$63,885,732	\$65,802,304
Tickets to events, concerts, shows	\$	\$337,500	\$375,000	\$386,250	\$397,838	\$409,773
Other spending	\$	\$777,600	\$864,000	\$889,920	\$916,618	\$944,116
TOTAL spending by gaming visitors (tourists)	\$	\$75,299,114	\$83,665,682	\$86,175,652	\$88,760,922	\$91,423,750

Tourist Non-Gaming Visitors

Accommodation	\$	\$272,741	\$303,046	\$312,137	\$321,501	\$331,146
Food & Beverage	\$	\$1,164,784	\$1,294,204	\$1,333,031	\$1,373,022	\$1,414,212
Retail	\$	\$594,000	\$660,000	\$679,800	\$700,194	\$721,200
Gaming	\$	\$0	\$0	\$0	\$0	\$0
Tickets to events, concerts, shows	\$	\$216,000	\$240,000	\$247,200	\$254,616	\$262,254
Other spending	\$	\$97,200	\$108,000	\$111,240	\$114,577	\$118,015
TOTAL spending by non-gaming visitors (tourists)	\$	\$2,344,725	\$2,605,250	\$2,683,408	\$2,763,910	\$2,846,827

TOTAL SPENDING BY TOURISTS AT LOTTERY GAMING FACILITY

		\$77,643,839	\$86,270,932	\$88,859,060	\$91,524,832	\$94,270,577
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PINNACLE ENTERTAINMENT

Please submit 5-year projections, starting from the date of opening Unit of Measure

PROJECTED DATE OF OPENING:	2009	2010	2011	2012	2013	2014	2015
SOURCES OF EXPENDITURES AT LOTTERY GAMING FACILITY: For the following questions, provide your best estimates, based on your economic models What proportion of Tourist visitors would not have visited the region if the Lottery Gaming Facility did not exist? What proportion of Tourist visitor spending would not have occurred within the region if the Lottery Gaming Facility did not exist?			50%	50%	50%	50%	50%
			60%	60%	60%	60%	60%
Please provide your estimate of induced spending by resident visitors to the LGF (import substitution)			\$160,000,000	\$164,800,000	\$169,744,000	\$174,836,320	\$180,081,410
Please provide your estimate of direct spending by tourist visitors to the LGF (newly injected spending)			\$50,000,000	\$51,500,000	\$53,045,000	\$54,636,350	\$56,275,441
Please provide your estimate of induced spending by tourist visitors to the LGF (newly injected spending to the region but not at the LGF)			\$18,500,000	\$19,055,000	\$19,626,650	\$20,215,450	\$20,821,913
Please provide your estimate of an appropriate expenditure multiplier for the region			2.00	2.00	2.00	2.00	2.00
TOTAL DIRECT, INDIRECT,, AND INDUCED INCREASES IN SPENDING IN THE REGION, PER YEAR (SPEND)			\$228,500,000	\$235,355,000	\$242,415,650	\$249,688,120	\$257,178,763
ESTIMATED AGGREGATE PERSONAL INCOME IN THE REGION (API)			\$91,100,000,000	\$93,833,000,000	\$96,647,990,000	\$99,547,429,700	\$102,533,852,591
RATIO OF SPEND/API			0.005	0.005	0.005	0.005	0.005

Instructions to Proposers

The intent of this section is to provide a foundation to estimate the amount of new direct spending (from import substitution by residents and newly injected spending by tourists), and then to estimate the indirect increases in expenditure brought about in the region via a regional expenditure multiplier process

INDUCED SPENDING BY RESIDENTS is incremental spending that results from residents who are in the region because of the LGF (rather than visiting other regions) and the additional expenditures they make in the region as a result. (This does not include substitution or "cannibalization" of spending that would have shifted from other businesses in the region to the LGF.)

INDUCED SPENDING is incremental spending that results from tourists who stay longer in the region because of the LGF and the additional expenditures they make in the region, not at the LGF, as a result of their longer stays.

EMPLOYMENT INFORMATION DURING OPERATIONS' PHASE OF LOTTERY GAMING FACILITY

PINNACLE ENTERTAINMENT

Please submit 5-year projections, starting from the date of opening

Unit of Measure FTEs
7/1/2011

PROJECTED DATE OF OPENING:

	2009	2010	2011	2012	2013	2014	2015
No. of FTE Workers employed within the Lottery Gaming Facility							
#							
General and Administrative							
Professionals, Managers, Executives and Technicians		63	70	70	70	70	70
Clerical Workers, Sales and Service Workers		74	82	82	82	82	82
Production and Transport Operators, Laborers and Cleaners		56	62	62	62	62	62
#							
Casino							
Professionals, Managers, Executives and Technicians		100	111	111	111	111	111
Dealers and game supervisors		407	452	452	452	452	452
Clerical Workers, Sales and Hosts		113	125	125	125	125	125
Security and surveillance		105	117	117	117	117	117
Cleaners							
Other							
#							
Hotel							
Professionals, Managers, Executives and Technicians		9	10	10	10	10	10
Clerical Workers, Sales and Marketing Staff		32	36	36	36	36	36
Room cleaners, housekeeping supervisors		88	98	98	98	98	98
Other		14	16	16	16	16	16
#							
Food and Beverage							
Professionals, Chefs, Managers, Executives and Technicians		65	72	72	72	72	72
Clerical Workers, Sales and Service Workers		52	58	58	58	58	58
Food preparers and servers, Hosing staff, and Cleaners		613	681	681	681	681	681
Other							
#							
Other (including convention, entertainment, retail, etc.)							
Professionals, Managers, Executives and Technicians		6	7	7	7	7	7
Clerical Workers, Compliance, Accounting, and Sales		53	59	59	59	59	59
Human Resources		14	15	15	15	15	15
Other							
#							
Others (please specify)							
Professionals, Managers, Executives and Technicians		1	1	1	1	1	1
Clerical Workers, Sales and Service Workers		2	2	2	2	2	2
Production and Transport Operators, Laborers and Cleaners							
#							
TOTAL EMPLOYED BY THE LGF		1,867	2,074	2,074	2,074	2,074	2,074

FTE=full time equivalent

PAYROLL INFORMATION DURING OPERATIONS' PHASE OF LOTTERY GAMING FACILITY

PINNACLE ENTERTAINMENT

Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING:

Unit of Measure THOUSANDS
7/1/2011

	2009	2010	2011	2012	2013	2014	2015

NOTE: Due to internal allocation methods, payroll by department will not necessarily align with the payroll represented on the Pro-Forma tab.

Total Payroll of Workers employed within the Lottery Gaming Facility, including cost of paid benefits such as health insurance, unemployment insurance, worker's compensation, retirement.

General and Administrative

Professionals, Managers, Executives and Technicians
Clerical Workers, Sales and Service Workers
Production and Transport Operators, Laborers and Cleaners

	\$4,891	\$5,434	\$5,597	\$5,765	\$5,938
	\$2,182	\$2,424	\$2,497	\$2,572	\$2,649
	\$1,663	\$1,847	\$1,903	\$1,960	\$2,019

Casino

Professionals, Managers, Executives and Technicians
Dealers and game supervisors
Clerical Workers, Sales and Hosts
Security and surveillance
Cleaners
Other

	\$5,406	\$6,007	\$6,187	\$6,373	\$6,564
	\$10,882	\$12,091	\$12,454	\$12,828	\$13,213
	\$5,012	\$5,569	\$5,736	\$5,908	\$6,085
	\$4,944	\$5,494	\$5,658	\$5,828	\$6,003

Hotel

Professionals, Managers, Executives and Technicians
Clerical Workers, Sales and Marketing Staff
Room cleaners, housekeeping supervisors
Other

	\$704	\$783	\$806	\$830	\$855
	\$1,327	\$1,475	\$1,519	\$1,564	\$1,611
	\$2,651	\$2,946	\$3,034	\$3,125	\$3,219
	\$278	\$309	\$318	\$327	\$337

Food and Beverage

Professionals, Chefs, Managers, Executives and Technicians
Clerical Workers, Sales and Service Workers
Food preparers and servers, Hosting staff, and Cleaners
Other

	\$4,353	\$4,837	\$4,982	\$5,131	\$5,285
	\$1,147	\$1,275	\$1,313	\$1,353	\$1,393
	\$15,579	\$17,310	\$17,829	\$18,364	\$18,915

Other (including convention, entertainment, retail, etc.)

Professionals, Managers, Executives and Technicians
Clerical Workers, Compliance, Accounting, and Sales
Human Resources
Other

	\$435	\$483	\$498	\$513	\$528
	\$1,908	\$2,120	\$2,184	\$2,249	\$2,317
	\$768	\$853	\$878	\$905	\$932

Others

Professionals, Managers, Executives and Technicians
Clerical Workers, Sales and Service Workers
Production and Transport Operators, Laborers and Cleaners

	\$49	\$54	\$56	\$58	\$59
	\$59	\$66	\$68	\$70	\$72

TOTAL PAYROLL (INCLUDING BENEFITS) FOR THE LGF

	\$64,238	\$71,376	\$73,517	\$75,722	\$77,994
--	-----------------	-----------------	-----------------	-----------------	-----------------

PINNACLE ENTERTAINMENT
Consolidated Pro-Forma Income and Expenditure Statement for the LGF

Amounts in thousands of dollars

Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING:

 Unit of Measure **THOUSANDS**
 7/1/2011

	2009	2010	2011	2012	2013	2014	2015
REVENUE (from below)							
Casino			\$361,311	\$401,456	\$413,500	\$425,905	\$438,682
Hotel			\$13,637	\$15,152	\$15,607	\$16,075	\$16,557
Food			\$36,132	\$40,147	\$41,351	\$42,592	\$43,870
Beverage			\$4,918	\$5,464	\$5,628	\$5,797	\$5,971
Convention			\$7,361	\$8,178	\$8,424	\$8,677	\$8,937
Entertainment			\$1,350	\$1,500	\$1,545	\$1,591	\$1,639
Retail			\$9,900	\$11,000	\$11,330	\$11,670	\$12,020
Other			\$4,860	\$5,400	\$5,562	\$5,729	\$5,901
Gross Revenues			\$439,468	\$488,298	\$502,947	\$518,035	\$533,576
less: cost of sales			(\$24,066)	(\$26,740)	(\$27,542)	(\$28,369)	(\$29,220)
Gross Margin			\$415,402	\$461,558	\$475,404	\$489,667	\$504,357
DEPARTMENTAL EXPENSES (from below)			(\$167,359)	(\$185,955)	(\$191,533)	(\$197,279)	(\$203,198)
DEPARTMENTAL INCOME			\$248,043	\$275,603	\$283,871	\$292,387	\$301,159
GENERAL AND ADMINISTRATIVE EXPENDITURE							
Advertising and Promotion			(\$51,712)	(\$57,457)	(\$59,181)	(\$60,957)	(\$62,785)
Bad debt expense			\$0	\$0	\$0	\$0	\$0
Complementary expense (not reported in departments)			(\$36,928)	(\$41,031)	(\$42,262)	(\$43,530)	(\$44,836)
Depreciation - Buildings			(\$11,811)	(\$11,811)	(\$11,811)	(\$11,811)	(\$11,811)
Depreciation and Amortization			(\$14,437)	(\$14,437)	(\$14,437)	(\$14,437)	(\$14,437)
Energy Expense (electricity, gas, etc.)			(\$4,555)	(\$5,061)	(\$5,213)	(\$5,369)	(\$5,530)
Equipment rental or lease			(\$41)	(\$45)	(\$47)	(\$48)	(\$50)
Interest expense			\$0	\$0	\$0	\$0	\$0
Payroll taxes			(\$1,134)	(\$1,260)	(\$1,298)	(\$1,337)	(\$1,377)
Payroll - Employee benefits			(\$3,403)	(\$3,781)	(\$3,894)	(\$4,011)	(\$4,131)
Payroll - other employees			(\$9,969)	(\$11,077)	(\$11,409)	(\$11,752)	(\$12,104)
Rent of Premises			\$0	\$0	\$0	\$0	\$0
Taxes - Real Estate			(\$17,800)	(\$17,800)	(\$18,334)	(\$18,884)	(\$19,451)
Taxes and Licenses - Other			(\$2,694)	(\$2,994)	(\$3,083)	(\$3,176)	(\$3,271)
Utilities (other than Energy Expenses)			(\$845)	(\$939)	(\$967)	(\$996)	(\$1,026)
Other General and Administrative expenses			(\$28,199)	(\$31,333)	(\$32,273)	(\$33,241)	(\$34,238)
TOTAL GENERAL AND ADM. EXPENDITURE			(\$183,528)	(\$199,026)	(\$204,209)	(\$209,548)	(\$215,047)
NET INCOME BEFORE FEDERAL INCOME TAX			\$64,515	\$76,577	\$79,662	\$82,839	\$86,112
EBITDA Check			\$90,763	\$102,825	\$105,910	\$109,087	\$112,360
DEPARTMENTAL INCOME STATEMENTS							
CASINO DEPARTMENT							
REVENUE							
Pit Revenue (including keno, bingo) (TABLES)			\$280,007	\$311,119	\$320,452	\$330,066	\$339,968
Electronic gaming machines (SLOTS)			\$78,840	\$87,600	\$90,228	\$92,935	\$95,723
Poker and other non-banked card games (POKER)			\$2,464	\$2,738	\$2,820	\$2,904	\$2,991
TOTAL REVENUE			\$361,311	\$401,456	\$413,500	\$425,905	\$438,682
DEPARTMENTAL EXPENSES							
Bad debt expenses			(\$1,246)	(\$1,384)	(\$1,426)	(\$1,469)	(\$1,513)
Commissions			\$0	\$0	\$0	\$0	\$0
Complementary expenses			(\$227)	(\$252)	(\$259)	(\$267)	(\$275)
Gaming taxes and licenses			(\$98,008)	(\$108,898)	(\$112,165)	(\$115,530)	(\$118,996)
Preferred guest expenses			\$0	\$0	\$0	\$0	\$0
Payroll taxes			(\$2,761)	(\$3,067)	(\$3,160)	(\$3,254)	(\$3,352)
Payroll - Employee Benefits			(\$6,077)	(\$6,753)	(\$6,955)	(\$7,164)	(\$7,379)
Payroll - Officers			\$0	\$0	\$0	\$0	\$0
Payroll - Other Employees			(\$15,165)	(\$16,850)	(\$17,355)	(\$17,876)	(\$18,412)
Other Departmental Expenses			(\$7,566)	(\$8,406)	(\$8,658)	(\$8,918)	(\$9,186)
Preferred guest expenses			\$0	\$0	\$0	\$0	\$0
Payroll taxes			\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES			(\$131,049)	(\$145,610)	(\$149,979)	(\$154,478)	(\$159,112)
TOTAL CASINO INCOME			\$230,261	\$255,846	\$263,521	\$271,427	\$279,570
HOTEL DEPARTMENT							
REVENUE							
Room Sales			\$7,670	\$8,522	\$8,778	\$9,041	\$9,313
Complementary rooms			\$5,967	\$6,630	\$6,829	\$7,034	\$7,245
TOTAL REVENUE			\$13,637	\$15,152	\$15,607	\$16,075	\$16,557

PINNACLE ENTERTAINMENT

Consolidated Pro-Forma Income and Expenditure Statement for the LGF

Amounts in thousands of dollars

Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING:

Unit of Measure **THOUSANDS**
7/1/2011

	2009	2010	2011	2012	2013	2014	2015
DEPARTMENTAL EXPENSES							
Bad debt expenses			(\$122)	(\$136)	(\$140)	(\$144)	(\$148)
Complementary expenses			(\$119)	(\$132)	(\$136)	(\$140)	(\$144)
Payroll taxes			(\$261)	(\$290)	(\$299)	(\$308)	(\$317)
Payroll - Employee Benefits			(\$791)	(\$879)	(\$906)	(\$933)	(\$961)
Payroll - Officers			\$0	\$0	\$0	\$0	\$0
Payroll - Other Employees			(\$2,713)	(\$3,014)	(\$3,105)	(\$3,198)	(\$3,294)
Other Departmental Expenses			(\$2,682)	(\$2,980)	(\$3,069)	(\$3,161)	(\$3,256)
Payroll taxes			\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES			(\$6,688)	(\$7,431)	(\$7,654)	(\$7,884)	(\$8,120)
TOTAL HOTEL INCOME			\$6,949	\$7,721	\$7,953	\$8,191	\$8,437
FOOD DEPARTMENT REVENUE							
Food Sales			\$18,443	\$20,493	\$21,107	\$21,741	\$22,393
Complementary Food Sales			\$17,689	\$19,654	\$20,244	\$20,851	\$21,477
TOTAL REVENUE			\$36,132	\$40,147	\$41,351	\$42,592	\$43,870
Cost of sales			(\$15,538)	(\$17,264)	(\$17,782)	(\$18,316)	(\$18,865)
GROSS MARGIN			\$20,594	\$22,883	\$23,569	\$24,276	\$25,005
DEPARTMENTAL EXPENSES							
Bad debt expenses			\$0	\$0	\$0	\$0	\$0
Complementary expenses			(\$626)	(\$696)	(\$717)	(\$738)	(\$760)
Payroll taxes			(\$958)	(\$1,064)	(\$1,096)	(\$1,129)	(\$1,163)
Payroll - Employee Benefits			(\$2,824)	(\$3,137)	(\$3,231)	(\$3,328)	(\$3,428)
Payroll - Officers			\$0	\$0	\$0	\$0	\$0
Payroll - Other Employees			(\$9,725)	(\$10,806)	(\$11,130)	(\$11,464)	(\$11,808)
Other Departmental Expenses			(\$3,617)	(\$4,019)	(\$4,140)	(\$4,264)	(\$4,392)
Payroll taxes			\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES			(\$17,750)	(\$19,722)	(\$20,314)	(\$20,923)	(\$21,551)
TOTAL FOOD INCOME			\$2,844	\$3,160	\$3,255	\$3,353	\$3,454
BEVERAGE DEPARTMENT REVENUE							
Beverage Sales			\$984	\$1,093	\$1,126	\$1,159	\$1,194
Complementary Beverage Sales			\$3,934	\$4,371	\$4,502	\$4,637	\$4,776
TOTAL REVENUE			\$4,918	\$5,464	\$5,628	\$5,797	\$5,971
Cost of sales			(\$1,227)	(\$1,363)	(\$1,404)	(\$1,446)	(\$1,489)
GROSS MARGIN			\$3,691	\$4,101	\$4,224	\$4,351	\$4,481
DEPARTMENTAL EXPENSES							
Bad debt expenses			\$0	\$0	\$0	\$0	\$0
Complementary expenses			\$0	\$0	\$0	\$0	\$0
Payroll taxes			(\$241)	(\$268)	(\$276)	(\$284)	(\$292)
Payroll - Employee Benefits			(\$764)	(\$849)	(\$875)	(\$901)	(\$928)
Payroll - Officers			\$0	\$0	\$0	\$0	\$0
Payroll - Other Employees			(\$1,246)	(\$1,385)	(\$1,427)	(\$1,469)	(\$1,513)
Other Departmental Expenses			(\$168)	(\$186)	(\$192)	(\$198)	(\$203)
Payroll taxes			\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES			(\$2,419)	(\$2,688)	(\$2,769)	(\$2,852)	(\$2,937)
TOTAL BEVERAGE INCOME			\$1,272	\$1,413	\$1,455	\$1,499	\$1,544
CONVENTION DEPARTMENT REVENUE							
Total Sales			\$5,068	\$5,631	\$5,800	\$5,974	\$6,153
Complementary Sales			\$2,292	\$2,547	\$2,624	\$2,702	\$2,783
TOTAL REVENUE			\$7,361	\$8,178	\$8,424	\$8,677	\$8,937
Cost of sales			(\$1,635)	(\$1,817)	(\$1,871)	(\$1,928)	(\$1,985)
GROSS MARGIN			\$5,725	\$6,362	\$6,552	\$6,749	\$6,951
DEPARTMENTAL EXPENSES							
Bad debt expenses			\$0	\$0	\$0	\$0	\$0
Complementary expenses			(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
Payroll taxes			(\$151)	(\$168)	(\$173)	(\$178)	(\$183)
Payroll - Employee Benefits			(\$445)	(\$495)	(\$510)	(\$525)	(\$541)
Payroll - Officers			\$0	\$0	\$0	\$0	\$0
Payroll - Other Employees			(\$1,352)	(\$1,502)	(\$1,547)	(\$1,594)	(\$1,641)
Other Departmental Expenses			(\$803)	(\$892)	(\$919)	(\$947)	(\$975)
Payroll taxes			\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES			(\$2,752)	(\$3,057)	(\$3,149)	(\$3,244)	(\$3,341)
TOTAL CONVENTION INCOME			\$2,974	\$3,304	\$3,403	\$3,505	\$3,611

PINNACLE ENTERTAINMENT

Consolidated Pro-Forma Income and Expenditure Statement for the LGF

Amounts in thousands of dollars

Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING:

Unit of Measure **THOUSANDS**
7/1/2011

	2009	2010	2011	2012	2013	2014	2015
ENTERTAINMENT DEPARTMENT							
REVENUE							
Total Sales			\$338	\$375	\$386	\$398	\$410
Complementary Sales			\$1,013	\$1,125	\$1,159	\$1,194	\$1,229
TOTAL REVENUE			\$1,350	\$1,500	\$1,545	\$1,591	\$1,639
Cost of sales			\$0	\$0	\$0	\$0	\$0
GROSS MARGIN			\$1,350	\$1,500	\$1,545	\$1,591	\$1,639
DEPARTMENTAL EXPENSES							
Bad debt expenses			\$0	\$0	\$0	\$0	\$0
Complimentary expenses			(\$217)	(\$242)	(\$249)	(\$256)	(\$264)
Payroll taxes			(\$14)	(\$16)	(\$17)	(\$17)	(\$18)
Payroll - Employee Benefits			(\$43)	(\$48)	(\$50)	(\$51)	(\$53)
Payroll - Officers			\$0	\$0	\$0	\$0	\$0
Payroll - Other Employees			(\$165)	(\$183)	(\$189)	(\$195)	(\$200)
Other Departmental Expenses			(\$2,752)	(\$3,058)	(\$3,150)	(\$3,245)	(\$3,342)
Payroll taxes			\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES			(\$3,193)	(\$3,547)	(\$3,654)	(\$3,764)	(\$3,876)
TOTAL ENTERTAINMENT INCOME			(\$1,843)	(\$2,047)	(\$2,109)	(\$2,172)	(\$2,237)
RETAIL							
REVENUE							
Total Sales			\$7,375	\$8,194	\$8,440	\$8,693	\$8,954
Complementary Sales			\$2,525	\$2,806	\$2,890	\$2,977	\$3,066
TOTAL REVENUE			\$9,900	\$11,000	\$11,330	\$11,670	\$12,020
Cost of sales			(\$4,986)	(\$5,540)	(\$5,707)	(\$5,878)	(\$6,054)
GROSS MARGIN			\$4,914	\$5,460	\$5,623	\$5,792	\$5,966
DEPARTMENTAL EXPENSES							
Bad debt expenses			\$0	\$0	\$0	\$0	\$0
Complimentary expenses			(\$4)	(\$4)	(\$5)	(\$5)	(\$5)
Payroll taxes			(\$255)	(\$283)	(\$292)	(\$300)	(\$309)
Payroll - Employee Benefits			(\$749)	(\$832)	(\$857)	(\$883)	(\$909)
Payroll - Officers			\$0	\$0	\$0	\$0	\$0
Payroll - Other Employees			(\$1,640)	(\$1,822)	(\$1,877)	(\$1,933)	(\$1,991)
Other Departmental Expenses			(\$439)	(\$488)	(\$503)	(\$518)	(\$533)
Payroll taxes			\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES			(\$3,087)	(\$3,430)	(\$3,533)	(\$3,639)	(\$3,748)
TOTAL RETAIL INCOME			\$1,827	\$2,030	\$2,090	\$2,153	\$2,218
OTHER DEPARTMENTAL INCOME (please specify)							
(Includes Spa, ATM, other)							
REVENUE							
Total Sales			\$4,516	\$5,017	\$5,168	\$5,323	\$5,483
Complementary Sales			\$344	\$383	\$394	\$406	\$418
TOTAL REVENUE			\$4,860	\$5,400	\$5,562	\$5,729	\$5,901
Cost of sales			(\$680)	(\$756)	(\$778)	(\$802)	(\$826)
GROSS MARGIN			\$5,540	\$6,156	\$6,340	\$6,530	\$6,726
DEPARTMENTAL EXPENSES							
Bad debt expenses			\$0	\$0	\$0	\$0	\$0
Complimentary expenses			(\$1)	(\$1)	(\$1)	(\$1)	(\$1)
Payroll taxes			(\$35)	(\$39)	(\$40)	(\$41)	(\$42)
Payroll - Employee Benefits			(\$102)	(\$113)	(\$117)	(\$120)	(\$124)
Payroll - Officers			\$0	\$0	\$0	\$0	\$0
Payroll - Other Employees			(\$224)	(\$248)	(\$256)	(\$264)	(\$272)
Other Departmental Expenses			(\$60)	(\$67)	(\$69)	(\$71)	(\$73)
Payroll taxes			\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES			(\$421)	(\$468)	(\$482)	(\$496)	(\$511)
TOTAL OTHER DEPARTMENTAL INCOME			\$5,961	\$6,623	\$6,822	\$7,027	\$7,237

CONSTRUCTION PHASE INFORMATION DURING OPERATIONS PHASE OF LOTTERY GAMING FACILITY

PINNACLE ENTERTAINMENT

Please submit 5-year projections, starting from the date of opening.

24

Months from Issuance of License to Opening of Permanent Facility

6

Months from Issuance of License to Opening of Temporary Facility

	2008	2009	2010	2011	2012	2013
Development Investment						
Fixed asset investment						
Buildings						
Land	\$6,057,585	\$118,886,838	\$256,610,875			
Land improvements, excluding landscaping	\$32,700,000	\$0	\$0			
Landscaping	\$373,970	\$6,783,952	\$15,842,078			
Soft Costs, i.e. engineering, architectural, development fees	Captured in Another Category	Captured in Another Category	Captured in Another Category			
Financing costs	\$1,103,253	\$20,013,427	\$46,735,924			
Public sector infrastructure	\$119,579	\$12,386,844	\$35,560,334			
Rolling stock	Captured in Another Category	Captured in Another Category	Captured in Another Category			
Furniture, Fixtures and Equipment	\$0	\$0	\$15,000,000			
Floor and Wall Treatments	\$0	\$176,182	\$20,267,818			
Gaming equipment	\$0	\$3,296,243	\$32,603,757			
Others	\$25,000,000	\$-	\$-			
TOTAL INVESTMENT	\$65,354,387	\$161,543,486	\$422,620,786	\$7,655,992	\$12,759,987	\$17,523,715

Maintenance Capital Requirements
Capital that will be reinvested across various categories to support various property needs (e.g., carpeting, repairs, etc.)

<-Includes Pre-Opening Costs

<-License Fee

Our intention is to fund this project like all of our development projects: from a combination of existing cash resources (\$203 million cash balance at 3/31/08), our credit facility (currency set at \$625 million), ongoing cash flow generated by current and future operations, and/or additional capital raises from the financial markets.

	2008-IV	2009-I	2009-II	2009-III	2009-IV	2010-I	2010-II	2010-III	2010-IV
Source of Funds for Investment									
Percent each year from:									
Construction Loan	\$40,344	40,647	40,951	41,259	41,568	41,880	42,194	42,510	42,829
Debt	\$2,834,407	\$2,823,462	\$5,685,276	\$10,030,904	\$11,549,869	\$15,221,363	\$19,169,404	\$23,175,809	\$19,458,023
Working Capital from Parent Company	\$18,155	\$18,291	\$18,428	\$18,566	\$18,706	\$18,846	\$18,987	\$19,130	\$19,273
Sale of Equity	\$1,210	\$1,219	\$1,229	\$1,238	\$1,247	\$1,256	\$1,266	\$1,275	\$1,285
Other (please explain)	\$1,241,805	\$2,437,180	\$4,874,360	\$8,530,131	\$9,748,721	\$10,521,046	\$13,151,307	\$15,781,569	\$13,151,307
Other Development Expenses	\$3,725,415	\$7,311,541	\$14,623,081	\$25,590,392	\$29,246,162	\$31,563,138	\$39,453,922	\$47,944,706	\$39,453,922

ALL DATA IS APPROXIMATED BASED ON PREVIOUSLY SUBMITTED SSG ECONOMIC IMPACT STUDY AND INTERNAL ESTIMATES

PINNACLE ENTERTAINMENT
PUBLIC SECTOR IMPACTS OF LGF

	2009	2010	2011	2012	2013	2014	2015
Population Growth							
# of Construction Employees or LGF Employees who will be new residents to the area	20	30	100	10	10	10	10
Infrastructure Costs							
Roads/Streets Improvements	\$ 2,000,000	\$ 2,000,000					
% Paid by Developer	100	100					
% Paid by Public Sector	0	0					
Water/Sewer Improvements	\$						
% Paid by Developer	%						
% Paid by Public Sector	%						
Storm Drains	\$						
% Paid by Developer	%						
% Paid by Public Sector	%						
Law Enforcement Building, New or Improved	\$						
% Paid by Developer	%						
% Paid by Public Sector	%						
Fire Station, New or Improved	\$						
% Paid by Developer	%						
% Paid by Public Sector	%						
Operating Costs							
<u>School System</u>							
# of Additional K-12 students	4	6	20	2	2	2	2
Estimated number of additional K-12 teachers	#						
K-12 support staff	#						
Add'l salary cost-teachers	\$						
Add'l salary cost-support staff	\$						
Estimated number of additional classrooms needed	#						
Estimated add'l sq. footage of ancillary K-12 needed (gyms, cafeterias, etc.)	#						
Estimated cost of additional rolling stock	\$						

<u>Law Enforcement</u>		
Estimated # of add't personnel	#	
Uniform	#	
Non-Uniform		
Estimated salary/benefits	\$	
Uniform	\$	
Non-Uniform		
Estimated add't non-salary	\$	
expense (services/supplies)		
Estimated add't rolling stock	\$	
expense		
Estimated add't capital outlay	\$	
expense (computers, equipment)		

<u>Fire Protection</u>		
Estimated # of add't personnel	#	
Uniform	#	
Non-Uniform		
Estimated salary/benefits	\$	
Uniform	\$	
Non-Uniform		
Estimated add't non-salary	\$	
expense (services/supplies)		
Estimated add't rolling stock	\$	
expense		
Estimated add't capital outlay	\$	
expense (computers, equipment)		

<u>Ambulance Service</u>		
Estimated # of add't personnel	#	
Uniform	#	
Non-Uniform		
Estimated salary/benefits	\$	
Uniform	\$	
Non-Uniform		
Estimated add't non-salary	\$	
expense (services/supplies)		
Estimated add't rolling stock	\$	
expense		
Estimated add't capital outlay	\$	
expense (computers, equipment)		

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	Attributable to this project and its consequences
Public Sector Revenue								
Change in Ad Valorem Tax (Property Tax)								
State	\$		169,000	169,000	169,000	169,000	169,000	169,000
County	\$		17,663,000	17,663,000	17,663,000	17,663,000	17,663,000	17,663,000
City	\$							
Sales and Use Tax								
County	\$		\$4,923,923	\$5,471,025	\$5,635,156	\$5,804,211	\$5,978,337	
City	\$							
LGF Gaming Revenue								
Exp. Lottery Act Revenue Fund	\$		\$79,488,328	\$86,320,364	\$90,969,975	\$93,699,074	\$96,510,046	
Problem Gambling Fund	\$		\$7,226,212	\$8,029,124	\$8,269,998	\$8,518,098	\$8,773,641	
Cities	\$		\$10,839,317	\$12,043,686	\$12,404,997	\$12,777,146	\$13,160,461	
County	\$							

PINNACLE ENTERTAINMENT

PLEASE NOTE WHAT YOU CONSIDER TO BE THE TEN MOST IMPORTANT FEATURES OF YOUR PROPOSAL.

What factors of your proposal are most distinctive in making it more attractive to Kansas and its residents than a "generic" gaming facility that could be developed within this zone?

Please provide descriptions of ten (or fewer) features in 250 words or less for each.

1. 500 total hotel rooms to bring in more out-of-town guest.
2. 100,000-square-foot convention center to attract business travelers.
3. Innovative design around central water feature.
4. Celebrity-chef restaurants and high-energy bars to attract non-gamers as well as gamers.
5. Adjacent to Schlitterbahn Vacation Village
6. Within walking distance of 1,600 additional planned hotel rooms -- increases potential out-of-town gaming win.
7. Extensive experience developing and operating high-quality regional destinations.
8. Superior access off I-435 resulting in negligible traffic concerns.
9. Free shuttle system to transport patrons around Village West area.
10. Designed for future expansion.

SUMMARY OF PROPOSAL DATA
PINNACLE ENTERTAINMENT

<u>Project Description</u>	<u>Unit of Measure</u>	
From award of license to opening (in months)	#	
Temporary facility if applicable	#	6
Permanent facility	#	24
Total investment in project	\$	\$650.0 M
Casino square footage	#	100,000 sf
No. of hotel rooms	#	500 rooms
# food and beverage outlets	#	12 outlets
Convention center square footage	#	100,000 sf
Retail square footage	#	15,000 sf
Event/entertainment facility square footage	#	50,000 sf
No. of covered parking spaces	#	0 spaces (or as required by code)
No. of surface parking spaces	#	2,800 spaces (or as required by code)
		1st Full Year of Operation
No. of annual visitors	#	4,502,558
% within 100 miles	%	10%
% of overnight visitors	%	7%
Annual gross gaming revenue	\$	\$401.5 M
Annual hotel occupancy	%	90%
Annual hotel revenue	\$	\$15.2 M
Annual food and beverage revenue	\$	\$53.8 M (includes convention banquet)
Net income before federal income taxes	\$	\$76.6 M
<u>Employment and Payroll</u>		
No. of FTE operating employees-total project	#	2,074
Annual operating payroll-total project	\$	\$71.4 M
<u>Economic and Fiscal Impacts</u>		
Total economic impact-construction	\$	\$450.0 M annual
Total economic impact-operating	\$	\$288.0 M annual. Multiplier effect of 2.0.
Total incremental public sector revenue-construction	\$	Uncertain
Total incremental public sector costs-construction	\$	Negligible (see Public Sector tab)
Total incremental public sector revenue-operating	\$	\$131.7 M annual; Excludes license fee. (see Public Sector tab)
Total incremental public sector costs-operating	\$	Negligible (see Public Sector tab)
<u>Three Most Important Features</u>		
1. 500 total hotel rooms to bring in more out-of-town guests.		
2. 100,000-square-foot convention center to attract business travelers.		
3. Within walking distance of 1,600 additional planned hotel rooms -- increases potential out-of-town gaming win.		

05/2610/08

PNK (Kansas), LLC

Execution Copy

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 Kansas _____ 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. 2007 Supp. 74-8733 through 74-8773, and PNK (Kansas), LLC, a Kansas limited liability company _____ (“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 Facilities” means additional non-lottery facility game products and services not owned and operated by the state which may be included in the overall development that Manager constructs or causes to be constructed under this Lottery Gaming Facility Management Contract. 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, as may be amended with the prior written consent of the Executive Director, for the privilege of being designated the Lottery Gaming Facility Manager in the Northeast Kansas _____ 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.
- 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 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, 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. 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) “Kansas Expanded Lottery Act” means the provisions contained in K.S.A. 2007 Supp. 74-8733 through 74-8773, and amendments thereto which may become effective during this Agreement’s term.
- l) “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.
- m) “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.

- n) "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.
- o) "Lottery Gaming Facility" means that portion of the building 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, including any temporary gaming facilities approved by the Executive Director.](#)~~Lottery.~~
- p) "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 (in which the Kansas Lottery has no financial interest) even if the revenue is generated within the Lottery Gaming Facility or (ii) Promotional Credit(s).
- q) "Player" means a person who: (1) ~~playstakes 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.
- r) "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.
- s) "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.
- t) "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.

- u) “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 winningsuccessful 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” also 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.

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, 58, 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 thirty-six (36) months after the Effective Date, as such time period shall be extended by the number of days in which the Executive Director takes to approve Manager’s plans and specifications and construction contract.~~[INSERT 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:

- 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; or
- c) Any other reason determined by the Executive Director in his sole discretion that adversely impacted Manager’s ability to perform.

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.

6. **Manager's Representations and Warranties.** Manager represents and warrants to the Kansas Lottery as follows:

- a) Manager is a Kansas limited liability company _____ duly organized, validly existing and in good standing under the laws of the State of Kansas, _____, and is duly qualified to do business as such in Kansas.
- b) Following receipt of all approvals required by the Kansas Expanded Lottery Act, Manager has 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.
- 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 effect 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.
- e) Manager has acquired full title [~~alternative: 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 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 except the litigation against the Kansas Lottery and the Executive Director involving the constitutionality of the Kansas Expanded Lottery Act and other litigation identified in Paragraph 8 below. No revenue bonds, state tax abatement, local tax abatement, tax increment financing or similar financing has or will be used to finance or apply to any part of Manager's Lottery Gaming Enterprise.
- 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 and its principals

have 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).

- 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; or oversight of lost patron monies. 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 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 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, 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 Lottery explicitly retains the power to overrule any action of Manager affecting the gaming operation without prior notice and the Lottery retains full control over all decisions concerning Lottery Gaming Facility Games. No Gray Machines will be permitted at the Lottery Gaming Facility.

- 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 ~~or required~~ and reporting of Prizes in accordance with all applicable federal and state laws and regulations.
- p) Manager has a resolution of endorsement from the Unified Government of Wyandotte County/Kansas City, Kansas~~county commission [alternative: city governing body]~~ 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 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.
- 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.

8. **Kansas Expanded Lottery Act Litigation.** Manager acknowledges it enters into this Agreement with the understanding that the Kansas Expanded Lottery Act's constitutionality under the Kansas Constitution, 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 acknowledges it is aware of the pending case of *State ex rel. Stephen Six v. Kansas Lottery and Ed Van Petten*, Shawnee County District Court Case No. 07 C 1312, and presently docketed with the Kansas Supreme Court as Case No. 08-99957-S, in which the constitutionality of the Kansas Expanded Lottery Act is under review and *Mary Ann*

Flunder, et al. v. The Kansas Lottery; The Kansas Lottery Commission; The Lottery Gaming Facility Review Board; and the Kansas Racing and Gaming Commission (“Flunder”), and is presently docketed with the Shawnee County District Court as Case No. 08C442, which alleges certain violations of the KELA. - Manager further

acknowledges that other litigation may be commenced in the future challenging the KELA or the Kansas Lottery’s implementation pursuant thereto. The Kansas Lottery makes no warranty or representation, either express or implied, regarding the Kansas Expanded Lottery Act’s constitutionality or validity, or the implementation pursuant thereto. 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 sentence will be interpreted to restrict or to be prejudicial to any right Manager may have through litigation or other legal means to seek repayment of Manager’s privilege fee if the Kansas Expanded Lottery Act is declared unconstitutional.

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.

10. Conditions Precedent to Lottery Gaming Facility Opening. Prior to permitting initial public access to the Lottery Gaming Facility, if approved by the Executive Director, Manager must:

- 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 local zoning requirements applicable to the Lottery Gaming Facility.
- g) 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. 2007 Supp. 74-8755.
- h) Obtain and maintain all necessary governmental permits and licenses when and as may be required by law.
- i) Be in compliance with all other requirements in this Agreement as and when applicable.

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 maximize Lottery Gaming Facility Revenues. 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 completed and the Lottery Facility Games ready for play by the public within that facility no later than the Commencement Date, [INSERT 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.

14. **Construction Related to Ancillary Lottery Gaming Facilities Operations.** Manager will 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.

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. The 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 [Paragraphs 13 and 14;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;
- k) Providing legal support related to the development and construction responsibilities undertaken by Manager; and
- l) Ensuring all required insurance is maintained in force.

16. **Exclusive Use of Lottery Gaming Facility.** 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 beverage service, food service, 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.

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.

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. ~~alternative \$5.5 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 within thirty (30) days after the Commission's approval, this Agreement will be void and Manager will have no duty, obligation or liability ~~forfeit any rights it may have to be a Lottery Gaming Facility Manager~~ under this Agreement or the Kansas Expanded Lottery Act. Once all required approvals for this Agreement are obtained in accordance with the Kansas Expanded Lottery Act, 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. The Executive Director will provide Manager with notice of any meeting of the Kansas Racing and Gaming Commission to consider approval of Manager and this

Agreement within ten (10) days of the Executive Director receiving notice of such meeting. 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 Kansas gaming zone prior to transfer of Manager's privilege fee payment to the Expanded Lottery Revenue Fund, the Executive Director will, within five (5) business days, promptly direct the state treasurer to refund, without interest, Manager's privilege fee payment. If the Kansas Expanded Lottery Act, or any portion thereof, is declared unconstitutional by a court of competent jurisdiction before Manager's privilege fee is transferred to the Expanded Lottery Act Revenues Fund, the Executive Director will, within five (5) business days following Manager's written request, promptly direct the state treasurer to refund, without interest, Manager's privilege fee payment, at Manager's written request.

21. **Lottery Facility Game Ownership.** The Manager must ~~purchase or lease,~~ on behalf of the State of Kansas, arrange for the purchase or lease 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. Upon receipt of an invoice(s) or demand for payment from one or more vendors for any of the above equipment, Manager will forward such invoice(s) to the Executive Director together with a sum equal to the amount due pursuant to such invoice(s) as a fee to the Kansas Lottery. Thereafter, the Kansas Lottery must pay to each vendor the amount due pursuant to the appropriate invoice from the funds provided by Manager. Following payment of acquisition of all such equipment, the Kansas Lottery and Manager will review such amounts remitted to all vendors and the total amount of fees paid to the Kansas Lottery by Manager. If an overpayment of fees by Manager to the Kansas Lottery pursuant to this Paragraph 21, the Executive Director must notify, within five (5) days after determination of the discrepancy, the state treasurer to refund such overpayment amount to Manager. If an underpayment of fees by Manager to the Kansas Lottery pursuant to this Paragraph 21, Manager must, within thirty (30) days after determination of the discrepancy, pay to the Kansas Lottery the amount of such underpayment. If any equipment for the Lottery Facility Games is replaced during the term of this Agreement, the Kansas Lottery agrees to sell, with the assistance of Manager, any such replaced equipment to a third party, who is eligible by law to acquire such equipment. Manager's fee to the Kansas Lottery for any new equipment will be equal to the invoice price less any proceeds received by the Kansas Lottery from the sale of the replaced equipment. In lieu of the above fee payment structure, the Executive Director and Manager may agree on such other reasonable fee/payment structure necessary to comply with Manager's accounting practices, so long as such alternative structure in no way infringes upon the Kansas Lottery's ownership of the Lottery Facility Games.

-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.

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 must approve all agreements concerning software licensing and ownership affecting the Lottery Facility Games made available to Players at the Lottery Gaming Facility.

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. 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. Manager agrees 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 to be given to anyone in the Lottery Gaming Facility Revenues generated at the Lottery Gaming Facility that are to be remitted daily to the State.

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 as follows: (i) seventy-three percent (73%) the following percentages of the annual Lottery Gaming Facility Revenues generated at the Lottery Gaming Facility up to Four Hundred Million Dollars (\$400,000,000) and (ii) seventy-one percent (71%) of the annual Lottery Gaming Facility Revenues generated at depending upon the Lottery Gaming Facility in ~~excess applicable year of operation~~, as follows: (a) 73% during the first partial Fiscal Year of Four Hundred Million Dollars (\$400,000,000) operation, if any, and the first full Fiscal Year thereafter; (b) 72% during the second Fiscal Year of operation; (c) 71% during the third Fiscal Year of operation; (d) 69% during the fourth Fiscal Year of operation; (e) 68% during the fifth Fiscal Year of operation; (f) 65% during the sixth Fiscal Year of operation; and (g) 62% thereafter.

The Executive Director will direct this payment to Manager on a monthly basis on the fifth (5th) day of each month, if possible, but no later than the tenth (10th) day of the month; 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. The parties will cooperate in reconciling the prior month's management fee and any underpayments or overpayments which will be deducted from or added to the immediately succeeding monthly management fee payment.

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 ~~threetwo~~ percent (3%) to the Unified Government of Wyandotte County/Kansas City, Kansas, as provided by K.S.A. 2007 Supp. 74-8734(h)(15). Such amounts are to be paid to the appropriate governmental bodies or funds out of the twenty-seven percent (27%) ~~of county in which~~ the Lottery Gaming Facility ~~Revenues is located~~ ~~[alternative language for this 3% if not paid in a city, or if in the southeast or south central zones to comply with K.S.A. 74-8734(h)(15) and (16), or to conform to the Manager pursuant to Paragraph 26 above, manager's application if increased from statute.].~~

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:

- a) Manager's share of the Kansas Lottery's 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 subparagraph (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 before making Manager's monthly 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, plus 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.
- 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 will be void, and Manager will forfeit any rights it may have to be a Lottery Gaming Facility Manager under the Kansas Expanded Lottery Act [in the Northeast Kansas gaming zone](#) ten (10) days after receiving written notice from the Kansas Racing and Gaming Commission of Manager's failure to timely pay. Manager further acknowledges it has been advised 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.

- 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 the [other Electronic Gaming Machines placed by the](#) Kansas Lottery at Racetrack Gaming Facilities and Lottery Gaming Facilities that are part of ~~this~~ central computer system.

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);
- c) Maintain the Lottery Gaming Facility and all property and improvements associated with its Ancillary Lottery Gaming Facility Operations in first class condition, ordinary wear and tear excepted, including, without limitation, interior and exterior cleaning, painting and decorating, plumbing, carpentry and such other items that may be commercially

reasonable; and

- d) Manage the Lottery Gaming Facility and all of Ancillary Lottery Gaming Facility Operations in a sound, diligent, and prudent manner in accordance with this Agreement.

30. **Prohibitions Applicable to the State.** The Kansas Lottery, acting on behalf of the State of Kansas, agrees by entering into this Agreement that:

- a) Neither the Kansas Lottery nor the State of Kansas will enter into a management contract for more than four (4) lottery gaming facilities or similar facilities in the four gaming zones outlined in the Kansas Expanded Lottery Act 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, enacted by the legislature in 2007 Senate Bill 66;Act;](#) 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. 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 will 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) [may be located on-site at the Lottery Gaming Facility,](#) 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) Insurance against loss or damage by fire, lightning, windstorm, hail, and explosion, and other casualties, with a uniform standard extended coverage endorsement, 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 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 underin 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 on account of personal injury, including

~~death resulting there from, and \$10,000,000 general aggregate per accident or occurrence 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, but not less than \$300,000.~~ 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) Business interruption insurance against the perils enumerated in subparagraph (a) and in amounts determined by the Executive Director to be appropriate and commercially reasonable to protect ~~both the Kansas Lottery's and~~ Manager's financial interests in the revenue produced by the Lottery Gaming Facility.
- e) 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.
- f) 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.

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 additional insureds. ~~named insured, or additional named insured.~~ All insurance will be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the Manager, but eligible ~~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 effect, 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 Company must file with the Executive Director a certificate from 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. Manager will make policies available to the Executive Director when available from the applicable insurer.

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, 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. Manager will have no obligation to rebuild the Lottery Gaming Facility if such damage, destruction or condemnation occurs within five (5) years of the end of this Agreement's term. The Kansas Lottery will have no obligation to replace, repair, rebuild or restore the Lottery Gaming Facility.

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 maximize to the greatest extent possible 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, [to the minimum extent required by Kansas Constitution Article 15 Section 3c](#), 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 may include information regarding problem gambling as directed by the Executive Director.

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; and (c) 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, 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 [and all other gaming facilities operated by Manager at other locations](#), provided that such awards programs are approved by the Executive Director.

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. Manager will administer such program at the Lottery Gaming Facility as the Executive Director may provide. 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.

41. **Use of Trademarks, Service Marks, and Trade Names.** 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.

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 employment and retention 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 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 notice to Manager.](#)

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 and 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 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 discrepancy greater than \$100,000 on any other line item 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.

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. 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.

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. 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.

48. **Bank Accounts.** Manager will establish a special bank account in its name at a Kansas bank approved by the Executive Director with Manager being the only party authorized to draw from this account except upon a default under this Agreement by Manager or any termination of this Agreement at which time the Executive Director will have that authority. This bank account will be used by Manager for all payments. The Executive Director will cause Manager's portion of the Lottery Gaming Facility Revenues to be deposited into this account monthly. With the Executive Director's approval, Manager may establish ~~at the same bank~~ multiple bank accounts at one or more Kansas banks to segregate certain expenses, such as payroll.

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 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 unstayed and in effect for a period of 120 consecutive days; ~~or~~
- e) Manager's failure to perform, keep or fulfill any other covenant, undertakings, obligations or conditions set out in this Agreement 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; ~~action.~~

f) Withdrawal of any approval granted, loss or suspension of any license 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; or

~~g)~~ Manager's financial condition being such that the sum of Manager's debts exceeds the fair market value of Manager's assets.

g)

50. **Remedies on Default.** If an event of default occurs as provided above, the Executive Director may, without prejudice to any other legal or equitable remedy which he may have, give Manager notice of the Kansas Lottery's intention to terminate this Agreement after the expiration of ~~thirty (30)~~~~fifteen (15)~~ days from the date of such notice 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 ~~Northeast~~- Kansas gaming zone without penalty to the Kansas Lottery or further recourse by Manager. 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 as provided in Paragraph 23.

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. 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, 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, 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. 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. In no event will the Kansas Lottery or the State of Kansas have the right to possess, take charge or own the real estate or improvements upon which the Lottery Gaming Facility is located.

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 in any such judicial action.-

54. **Manager's Indemnification Responsibilities.** In addition to any other indemnification obligations provided in this Agreement or 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. This entire Paragraph 54 does not include any action against the Kansas Lottery or its staff regarding the constitutionality of the Kansas Expanded Lottery Act or misconduct by an Indemnified Party that is found to be negligent or criminal.

- 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. Manager agrees to defend (with counsel selected by 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. Nothing contained in this provision will relieve Manager from responsibility to the Kansas Lottery, as a result of willful misconduct, gross negligence, material breach of this Agreement, or acts outside the scope of Manager's authority under this Agreement on the part of Manager, its agents or employees, and Manager agrees to

indemnify any Indemnified Party for damage or loss resulting from said acts. Manager's obligations under this paragraph 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 limits.

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, 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 undischarged 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. This Agreement is not transferable in bankruptcy without the Executive Director's approval.

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. The Executive Director acknowledges that a joint venture or other business combination or transfer of an equity interest involving Manager and suitable third party or parties is permissible, provided such party or parties receive all approvals required by applicable statute or regulation.

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: [PNK \(Kansas\), LLC](#)
[c/o Pinnacle Entertainment, Inc.](#)
[3800 Howard Hughes Boulevard](#)
[Suite 1800](#)
[Las Vegas, NV 89169](#)
[Telephone: 702-784-7777](#)
[Facsimile: 702-784-7773](#)
[Attn: General Counsel](#)

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. [Notwithstanding anything herein to the contrary, Manager shall have the right to make changes to the Lottery Gaming Enterprise, subject to the approval of the Executive Director, necessitated by any judicial decision or order of a court of competent](#)

[jurisdiction which affects the Lottery Gaming Enterprise.](#) The parties agree nothing in this paragraph will be read to limit the remedies provided to Manager in Paragraphs [20](#), [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.

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, god~~, final resolution of any material litigation (including the litigation referred to in Paragraph 8 above) strike, lockout, breakdown, accident, order or regulation of or by any governmental authority, 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 claims or court orders restricting Manager's ability to perform so long as such orders, claims or court orders are not on account of any misconduct by Manager. The provisions of this Paragraph 63 notwithstanding, the parties agree the litigation component of the force majeure definition does 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.

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. 2007 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. 2007 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. 2007 Supp. 74-8734(h)(12) or (13) above the amounts provided for in this Agreement;
- c) K.S.A. 2007 Supp. 74-8734 ~~(h)(15)(h)(16)~~ or other applicable statute or regulation is amended to increase above the aggregate the minimum percentages stated in K.S.A. 2007 Supp. ~~74-8734(h)(15)-74-8734(h)(16)~~ above the amounts provided for in this Agreement;
- 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. 2007 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~~ Games, as defined in the Act on the Effective Date;

- 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;
- 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; or
- j) If litigation or any other challenge to the constitutionality of the Kansas Expanded Lottery Act or the enforceability of this Agreement remains in question more than 180 days after the Effective Date.

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 at any time prior to its approval by the Lottery Gaming Facility Review Board. Notice of Manager's withdrawal must be given in writing to the Executive Director and shall be immediately effective upon actual receipt. 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. Manager

acknowledges and agrees that if it withdraws its application pursuant to this paragraph, this Agreement will be void and Manager will not be permitted to re-apply as a Lottery Gaming Facility Manager in the ~~Northeast~~ Kansas 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. 2007 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.** 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.

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. 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), which has been revised by the parties and is attached as Exhibit F, are incorporated in this Agreement as though set out in full.

78. **Temporary Gaming Facility.** Subject to compliance with the conditions provided in Paragraph 9 above and approval of the Executive Director, Manager shall have the right to construct and operate a temporary gaming facility. The operation of such temporary gaming facility shall be subject to all gaming procedures and limitations provided herein and in the Kansas Expanded Lottery Act.

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.

THE KANSAS LOTTERY

By: _____
Ed Van Petten, Executive Director

| PNK (Kansas), LLC, a Kansas limited liability company
[INSERT NAME]

| By: _____
Wade Hundley, President

EXHIBIT SCHEDULE

EXHIBIT A – Environmental Compliance and Indemnification Agreement

EXHIBIT B – County Endorsement

EXHIBIT C –Expected Construction Sequence

EXHIBIT D –Key Employees

EXHIBIT E– Financing Commitment Description

EXHIBIT F – DA-146a (revised by the parties)

EXHIBIT "A"

**ENVIRONMENTAL COMPLIANCE AND
INDEMNIFICATION AGREEMENT**

5/15/08

**ENVIRONMENTAL COMPLIANCE
AND INDEMNIFICATION AGREEMENT**

THIS ENVIRONMENTAL COMPLIANCE AND INDEMNIFICATION AGREEMENT (the "Environmental Compliance Agreement"), dated as of May __, 2008, is given by **PNK (Kansas), LLC** ("Manager"), a Kansas company having offices at c/o Pinnacle Entertainment, Inc., 3800 Howard Hughes Boulevard, Suite 1800, Las Vegas, Nevada 89169; Attn: General Counsel, and the persons, firms or corporations, if any, identified as Indemnitors at the end of this Environmental Compliance Agreement (collectively "Indemnitors"), to the **Kansas Lottery**, an agency of the State of Kansas having its principal office at 128 N. Kansas Avenue, Topeka, KS 66603-3638.

RECITALS

WHEREAS, the Manager is the owner of, or is acquiring title to or other interest in, certain real property generally located at the Southeast corner of Interstate 435 and Parallel Ave., Kansas City, Wyandotte County, State of Kansas and described more fully in Schedule "A" attached and made a part hereof (the "Premises"); and

WHEREAS, the Manager is contracting with the Kansas Lottery to be a Lottery Gaming Facility Manager, as that term is defined in the Kansas Expanded Lottery Act, K.S.A. 2007 Supp. 74-8733 through 74-8773, which will consist of a Lottery Gaming Facility and certain Ancillary Lottery Gaming Facility Operations, as referenced in a Lottery Gaming Facility Management Contract of even date, to which this Environmental Compliance Agreement is attached (collectively referred to as the "Project"); and

WHEREAS, the Lottery Gaming Facility Management Contract contemplates that Manager will construct and maintain the Project in which a certain portion will be used to house a Lottery Gaming Facility, the business of which will be owned and operated by the Kansas Lottery ; and

WHEREAS, the Kansas Lottery is unwilling to consummate the Lottery Gaming Facility Management Contract unless the Manager and the Indemnitors execute and deliver this Environmental Compliance Agreement to the Kansas Lottery.

NOW, THEREFORE, in consideration of the foregoing and to induce the Kansas Lottery to consummate the Lottery Gaming Facility Management Contract, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Manager and the Indemnitors covenant and agree with the Kansas Lottery as follows:

1. **DEFINITIONS**. All capitalized terms used in this Environmental Compliance

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Agreement and not defined will have the meanings set forth below.

(a) Environment means any water, groundwater, water vapor, land (including land surface or subsurface), soil vapor, air, fish, wildlife, biota, and all other natural resources.

(b) Environmental Laws mean all federal, state and local environmental, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the Environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances (as defined below) and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

(c) Environmental Permits mean all permits, licenses, approvals, authorizations, consents or registrations required by any applicable Environmental Law in connection with the ownership, use and/or operation of the Premises for the storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances or the sale, transfer or conveyance of the Premises.

(d) Hazardous Substance means any substance, which is not naturally occurring (i) the presence of which requires investigation or remediation under any Environmental Law; or (ii) which is or becomes defined as a "hazardous waste", "hazardous substance", "toxic substance", "solid waste", pollutant and/or or contaminant under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. section 9601 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. section 6901 *et seq.*), as amended, the Hazardous Materials Transportation Act, as amended (49 U.S.C. Section 1801 *et seq.*), the Clean Air Act (42 U.S.C. Sections 7401, *et seq.*, the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601, *et seq.*), the Clean Water Act, as amended (33 U.S.C. Sections 1251 *et seq.*), the Occupational Safety and Health Act, as amended (29 U.S.C.A. Section 651 *et seq.*), and/or any other applicable Environmental Law or any regulations promulgated under any of the foregoing; or (iii) which is toxic (including, but not limited to, toxic mold), explosive, corrosive, flammable, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, the State of Kansas or any political subdivision thereof; or (iv) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or (v) which contains polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde foam insulation.

(e) Improvements mean any buildings, structures and other improvements (if any) presently or hereafter located on the Premises.

(f) Indemnitee means the Kansas Lottery, the Kansas Lottery Commission, and the State of Kansas, and their successors and assigns, and their respective officers, directors,

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employees, agents, representatives, contractors and subcontractors.

(g) Release means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the Environment (including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Hazardous Substance).

2. REPRESENTATIONS AND WARRANTIES: The Manager represents and warrants to the Kansas Lottery that to the best of the Manager's knowledge, information and belief, without investigation:

(a) Neither the Premises nor any property adjacent to the Premises is being or has been used for the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substance or as a landfill or other solid waste disposal site or for military, manufacturing or industrial purposes or for the storage of petroleum or petroleum based products.

(b) Underground storage tanks are not and have not been located on the Premises, except as set forth in Schedule "B" hereto.

(c) The soil, subsoil, bedrock, soil vapor, surface water and groundwater of the Premises are free of any Hazardous Substances in excess of Kansas Department of Health and Environment for commercial use.

(d) There has been no Release nor is there the threat of a Release of any Hazardous Substance on, at or from the Premises, or any property adjacent to or within the immediate vicinity of the Premises which through soil, subsoil, soil vapor, bedrock, surface water or groundwater migration could come to be located on the Premises, and the Manager has not received any form of written notice or inquiry from any federal, state or local governmental agency or authority, any operator, tenant, subtenant, licensee or occupant of the Premises or any property adjacent to or within the immediate vicinity of the Premises or any other person with regard to a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises or any property adjacent to the Premises.

(e) All Environmental Permits necessary for the acquisition, construction, equipping, use or operation of the Premises will be obtained and will be in full force and effect when the Project opens to the public.

(f) No event has occurred with respect to the Premises which, with the passage of time or the giving of notice, or both, would constitute a violation of

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any applicable Environmental Law or non-compliance with any Environmental Permit.

(g) There are no agreements, consent orders, decrees, judgments, notices of violations, demand letters, license or permit conditions or other orders or directives of any federal, state or local court, governmental agency or authority relating to the past, present or future ownership, use, operation, sale, transfer or conveyance of the Premises which require any change in the present condition of the Premises or any work, repairs, construction, containment, clean-up, investigations, studies, removal or other remedial action or capital expenditures with respect to the Premises.

(h) There are no actions, suits, claims or proceedings, pending or threatened, which could cause the incurrence of expenses or costs of any name or description or which seek money damages, injunctive relief, investigations, remedial action or any other remedy that arise out of, relate to or result from (i) a violation or alleged violation of any applicable Environmental Law or non-compliance or alleged non-compliance with any Environmental Permit, (ii) the presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises or any property adjacent to or within the immediate vicinity of the Premises or (iii) human exposure to any Hazardous Substance of whatever kind to the extent the same arise from the condition of the Premises or the ownership, use, operation, sale, transfer or conveyance thereof.

3. COVENANTS OF MANAGER: The Manager covenants and agrees with the Kansas Lottery as follows:

(a) Except in accordance with Environmental Laws, Manager shall keep, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to keep, the Premises free of all Hazardous Substances and shall not cause or permit the Premises or any part thereof to be used for the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substances.

(b) The Manager shall comply with, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to comply with, all applicable material Environmental Laws, and shall obtain and comply with, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to obtain and comply with, all Environmental Permits.

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(c) Except in accordance with Environmental Laws, Manager shall not cause or permit any change to be made in the present or intended use of the Premises which would (i) involve the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substance or the use of the Premises as a landfill or other solid waste disposal site or for military, manufacturing or industrial purposes, (ii) violate any applicable Environmental Law, or (iii) constitute non-compliance with any Environmental Permit.

(d) The Manager shall promptly provide the Kansas Lottery with a copy of all written notifications which the Manager gives or receives with respect to any past or present Release or the threat of a Release of any Hazardous Substance on, at or from the Premises or any property adjacent to or within the immediate vicinity of the Premises.

(e) Except in accordance with Environmental Laws, Manager shall undertake and complete all investigations, studies, sampling and testing and all removal and other remedial actions necessary to contain, remove and clean up all Hazardous Substances that are determined to be present at the Premises in accordance with all applicable Environmental Laws and all Environmental Permits.

(f) The Manager shall at all times, upon reasonable notice, allow the Kansas Lottery and its officers, employees, agents, representatives, contractors and subcontractors reasonable access to the Premises for the purposes of ascertaining site conditions, including, but not limited to, subsurface conditions. In exercising such right, the Kansas Lottery will use good faith efforts to not unreasonably disturb or disrupt the Premises. In the event the Kansas Lottery negligently damages the Premises in the exercise of its rights under this subparagraph (f), the Kansas Lottery will return the Premises to the same condition as existed prior to the Kansas Lottery's entering the Premises pursuant to this subparagraph (f).

(g) Except as provided in the Lottery Gaming Facility Management Contract, if at any time the Manager obtains credible evidence or information which suggests that potential violation of Environmental Laws or Environmental Permits may exist at the Premises, the Kansas Lottery may require that a full or supplemental environmental investigation and environmental assessment report (including a Phase II environmental investigation) with respect to the Premises of a scope and level of detail satisfactory to the Kansas Lottery to be prepared by an environmental engineer or other qualified person acceptable to the Kansas Lottery

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and Manager, at the Manager's expense. Said investigation may include a physical inspection of the Premises, a visual inspection of any property adjacent to or within the immediate vicinity of the Premises, personnel interviews and a review of all Environmental Permits. If the Kansas Lottery requires, such inspection shall also include a records search and/or subsurface testing for the presence of Hazardous Substances in the soil, subsoil, soil vapor, bedrock, surface water and/or groundwater. If the investigations indicate the presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, the Manager shall promptly undertake and diligently pursue to completion all necessary, appropriate and legally authorized investigative, containment, removal, and other remedial actions, using methods recommended by the engineer or other person who conducted the investigations and acceptable to the appropriate federal, state and local agencies or authorities.

(h) Attached hereto as Schedule "C" is a complete list of all Environmental Permits presently required for the ownership, use or operation of the Premises and the businesses located thereon. The Manager agrees to notify the Kansas Lottery of any additions, deletions, or modifications of any Environmental Permits and the list thereof. Upon written request of the Kansas Lottery, the Manager shall furnish true and complete copies of all Environmental Permits.

4. INDEMNIFICATION PROVISIONS: The Manager and the Indemnitors hereby jointly and severally covenant and agree, at their sole cost and expense, to indemnify, protect, defend, and save harmless each and every Indemnitee from and against any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, actions, proceedings, costs, disbursements and/or expenses (including, without limitation, attorneys' and experts' fees for attorneys and experts selected by the Indemnitee, expenses and disbursements) of any kind or nature whatsoever which may at any time be imposed upon, incurred by or asserted or awarded against any Indemnitee relating to, resulting from or arising out of (a) the use of the Premises, during the term of the Lottery Gaming Facility Management Contract, for the storage, treatment, generation, transportation, processing, handling, production or disposal of any Hazardous Substance, except in accordance with Environmental Laws or Environmental Permits, or as a landfill or other waste disposal site or for military, manufacturing or industrial purposes, (b) the presence or claimed presence of any Hazardous Substance, except in accordance with Environmental Laws or Environmental Permits, or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, or of any property adjacent to or within the immediate vicinity of the Premises, during the term of the Lottery Gaming Facility Management Contract, (c) the failure during the term of the Lottery Gaming Facility Management Contract to promptly undertake and diligently pursue to completion all necessary, appropriate and legally authorized investigative, containment, removal, clean-up and other

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remedial actions with respect to a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, (d) human exposure during the term of the Lottery Gaming Facility Management Contract to any Hazardous Substance, except in accordance with Environmental Laws or Environmental Permits, to the extent the same arise from the condition of the Premises or the ownership, use, operation, sale, transfer or conveyance thereof, (e) a violation of any applicable Environmental Law during the term of the Lottery Gaming Facility Management contract, (f) non-compliance with any Environmental Permit during the term of the Lottery Gaming Facility Management Contract, (g) a material misrepresentation or inaccuracy in any representation or warranty or a material breach of or failure to perform any covenant made by the Manager in this Environmental Compliance Agreement, and (h) the designation by any state or governmental entity, the United States Environmental Protection Agency or any other governmental authority of an Indemnatee as a party responsible or potentially responsible for the remediation of any condition on the Premises (collectively, the "Indemnified Matters").

The liability of the Manager and the Indemnitors to the Kansas Lottery and each Indemnatee shall be perpetual and shall survive for a period of three (3) years following the termination or expiration of the Lottery Gaming Facility Management Contract, and shall in no way be limited, abridged, impaired or otherwise affected, by (i) any amendment or modification of any of the Lottery Gaming Facility Management Contract, (ii) the invalidity or unenforceability of any of the terms or provisions of the Lottery Gaming Facility Management Contract, (iii) any applicable statute of limitations, (iv) any investigation or inquiry conducted by or on the behalf of the Kansas Lottery or any other Indemnatee or any information which the Kansas Lottery or any other Indemnatee may have or obtain with respect to the environmental or ecological condition of the Premises, (v) the sale, transfer or conveyance of all or part of the Premises, (vi) the dissolution or liquidation of the Manager, (vii) the death or legal incapacity of any Indemnitor, (viii) the release or discharge, in whole or in part, of the Manager or any Indemnitor in any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceeding, (ix) any other circumstances which might otherwise constitute a legal or equitable release or discharge, in whole or in part, of the Manager under of any Indemnitor under this Environmental Compliance Agreement, (x) the expiration or termination of the Lottery Gaming Facility Management Contract or (xi) the reconveyance of title to the Premises by the Manager or any other person, whether in accordance with the terms of a lease, by foreclosure or deed in lieu of foreclosure, sale or otherwise.

The indemnification agreement contained herein is wholly independent of and in addition to any indemnification agreement given to the Kansas Lottery or any other Indemnatee, as part of the application of the Kansas Expanded Lottery Act or any other applicable statute or regulation.

5. GOVERNING LAW: This Environmental Compliance Agreement shall be governed by, construed in accordance with and enforceable under the laws of the State of Kansas.

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6. COUNTERPARTS: This Environmental Compliance Agreement may be executed in one or more counterparts, each of which shall be deemed an original. Said counterparts shall constitute but one and the same instrument and shall be binding upon each of the undersigned as fully and completely as if all had signed the same instrument.

7. SUCCESSORS AND ASSIGNS: This Environmental Compliance Agreement shall be binding upon the Manager, its successors and assigns, all subsequent owners of the Premises, the Indemnitors and their respective successors, assigns, executors, administrators, legal representatives, distributees and fiduciaries and shall inure to the benefit of each Indemnitee.

IN WITNESS WHEREOF, the Manager and the Indemnitors have caused this Environmental Compliance Agreement to be duly executed as of the day and year first above written.

PNK (Kansas), LLC, a Kansas limited liability company

By: _____
Name:
Title:

PINNACLE ENTERTAINMENT, INC., a
_____ corporation

By: _____
Name:
Title:

THE KANSAS LOTTERY

By: _____
Ed Van Petten, Executive Director

5/15/08

State of _____)
County of _____) ss.:

On the ____ day of _____ in the year 2008, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

State of _____)
County of _____) ss.:

On the ____ day of _____ in the year 2007 before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public]

State of _____)
County of _____) ss.:

On the ____ day of _____ in the year 2008, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

5/15/08

SCHEDULE "A"
(Premises)

5/15/08

SCHEDULE "B"
(Underground Storage Tanks)

5/15/08

SCHEDULE "C"
(Environmental Permits)

EXHIBIT "B"
ENDORSEMENT BY LOCAL
GOVERNMENT

RESOLUTION NO. R-126-07

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS:

WHEREAS, Kansas Entertainment, LLC, Leg Sun LLC, and Pinnacle Entertainment Inc. submitted proposals to the Unified Government of Wyandotte County/Kansas City, Kansas for destination tourist gaming facility located in Wyandotte County; and

WHEREAS, the separate applications for change in zoning and for a special use permit has been approved separately for all three proposals; and

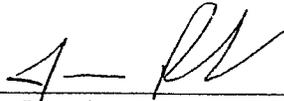
WHEREAS, the Board of Commissioners of the Unified Government of Wyandotte County/Kansas City, Kansas have reviewed all three proposals, considered the supporting documents, reviewed the financial testimony of the consultants hired by all proposing parties and by the Unified Government, conducted public hearings and heard testimony from the interested parties and the citizenry and have otherwise been advised in the facts law relevant to this decision;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, AS FOLLOWS:

1. That the proposals submitted by Kansas Entertainment, LLC, Leg Sun LLC, and Pinnacle Entertainment Inc. are hereby endorsed by the Unified Government subject to and conditioned upon completion and execution of a development agreement that includes the points of agreement stipulated by the parties and that accurately reflects and binds the parties to submit to the State of Kansas the proposal and major points contained in their initial response to the Unified Government's Request for Proposals (RFP) and all subsequent amendments, additions and agreements entered throughout the planning and zoning process and the final review of the response to the RFP, including any best and final stipulations made by the parties through or at the time of the final hearing before the Commission of the Unified Government held on December 13, 2007.

2. That the County Administrator is hereby directed to submit this Resolution No. R-126-07 and supporting documentation including the development agreement to the State of Kansas Lottery Commission and to each proposing party for further consideration and review.

ADOPTED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED
GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS
THIS 13TH DAY OF DECEMBER, 2007.



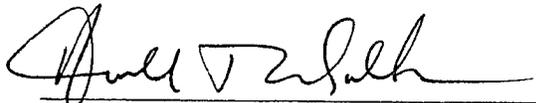
Joe Reardon, Mayor/CEO

ATTEST:



Unified Government Clerk

Approved as to form:



Harold T. Walker, Chief Counsel

EXHIBIT "C"
EXPECTED CONSTRUCTION
SEQUENCE

EXHIBIT C
Kansas Proposal Construction Schedule
(Conservative Timeline Assumed)

ID	Task Name	Duration	Start	Finish
1	KANSAS PROJECT	744 days	Wed 8/27/08	Mon 7/14/11
2	Official Dates & Deadlines	726 days	Fri 9/19/08	Fri 7/11/11
3	Lottery Facility Review Board Selection	1 day	Fri 9/19/08	Fri 9/19/08
4	Background Investigations	70 days	Mon 9/22/08	Fri 12/26/08
5	Finalize Pinnacle presentation plans	80 days	Mon 9/22/08	Fri 1/9/09
6	Submit code-compliant Pinnacle plans	60 days	Mon 1/12/09	Fri 4/3/09
7	Commence Construction	14 days	Mon 4/6/09	Thu 4/23/09
8	Complete Construction	570 days	Mon 4/27/09	Fri 7/11/11
9	SCHEDULED OPENING DATE	1 day	Mon 7/14/11	Mon 7/14/11
10	Design and Construction	272 days	Wed 8/27/08	Thu 9/10/09
11	Design	272 days	Wed 8/27/08	Thu 9/10/09
12	Program Information	177 days	Mon 9/22/08	Tue 3/3/09
18	Hire Consultants	20 days	Wed 8/27/08	Tue 9/23/08
47	Schematic Design	46 days	Wed 8/27/08	Wed 5/6/09
50	Design Development	80 days	Thu 5/7/09	Wed 8/26/09
57	Construction Documents	255 days	Fri 9/19/08	Thu 9/10/09
58	Civil/Environmental Package	121 days	Wed 9/24/08	Wed 3/11/09
62	Foundation	53 days	Wed 5/6/09	Fri 7/17/09
66	Structural	31 days	Thu 6/18/09	Thu 7/30/09
70	Architectural & Other	213 days	Wed 9/24/08	Fri 7/17/09
74	Geotechnical	92 days	Mon 9/22/08	Tue 1/27/09
80	River Design	91 days	Wed 12/17/08	Wed 4/22/09
86	Interior Design	255 days	Fri 9/19/08	Thu 9/10/09
87	Hotel Design	255 days	Fri 9/19/08	Thu 9/10/09
88	Typical rooms	181 days	Thu 1/1/09	Thu 9/10/09
97	Public areas and suites	181 days	Thu 1/1/09	Thu 9/10/09
102	Casino Design	181 days	Thu 1/1/09	Thu 9/10/09
107	Food Service Design	212 days	Fri 9/19/08	Mon 7/13/09
115	Construction	721 days	Fri 9/19/08	Fri 6/24/11
116	Site Work	300 days	Fri 9/19/08	Thu 11/12/09
128	Hire General Contractor	281 days	Fri 9/19/08	Fri 10/18/09
135	Deep Foundations	182 days	Thu 7/2/09	Fri 3/12/10
139	Hotel Building Frame	80 days	Mon 3/15/10	Fri 7/2/10
142	Hotel Enclosure	255 days	Mon 7/5/10	Fri 6/24/11
147	Low Rise Enclosure	195 days	Mon 3/15/10	Fri 12/10/10
152	Casino	270 days	Mon 3/15/10	Fri 3/25/11
157	Obtain regulatory and final approvals	4 days	Mon 6/27/11	Thu 6/30/11
158	Complete Construction	1 day	Fri 7/11/11	Fri 7/11/11

Project: KANSAS PROJECT TIMELIN
Date: Fri 5/18/08

Task Split

Progress Milestone

Summary Project Summary

External Tasks External Milestone

Deadline

EXHIBIT “D”

KEY EMPLOYEES

EXHIBIT D
Key Employees of Gaming Facility Manager

The following positions or their functional equivalents shall be considered Key Employees of Lottery Gaming Facility Manager PNK (Kansas), LLC:

1. General Manager. Responsible for the overall operation of the property. Ensures that Company policy and internal controls are being adhered to by applicable personnel and that all departments are being managed in the best interests of the Company.
2. Assistant General Manager. Assists the General Manager in managing all operations of the property. Acts in the capacity of the General Manager in the General Manager's absence.
3. Director of Casino Operations. Oversees and directs all operations of the Casino Games and Slot Departments in accordance with approved internal controls and procedures.
4. Director of Slot Operations. Oversees and directs all operations of the Slot Department in accordance with approved internal controls and procedures. Supervises all slot operations staff.
5. Director of Table Games. Oversees and directs all operations of the Table Games Department in accordance with approved internal controls and procedures. Supervises all table game staff.
6. Director of Information Technology. Plan, direct and coordinate all operations of the property's computer and information technology infrastructure in accordance with approved internal controls and procedures. Ensure data and information system security. Supervise all information technology staff.
7. Director of Finance (Chief Financial Officer). Plan, direct, supervise and coordinate the property's accounting, casino cashiering, credit, count room, purchasing and financial analysis functions in accordance with approved internal controls and procedures.
8. Director of Security. Oversees the operation of the security department in accordance with approved internal controls and procedures. Supervises all security staff.
9. Director of Surveillance. Oversees the operation of the surveillance department in accordance with approved internal controls, policies and procedures. Supervises all surveillance staff.

EXHIBIT "E"

FINANCING COMMITMENT

LEHMAN BROTHERS

CONFIDENTIAL

May 14, 2008

Pinnacle Entertainment, Inc.
3800 Howard Hughes Parkway
Las Vegas, Nevada 89169
Attention: Daniel R. Lee
Chairman & Chief Executive Officer

Gentlemen:

You have advised Lehman Brothers Inc. ("Lehman") of your interest in pursuing a gaming license in Kansas City, Kansas with which Pinnacle Entertainment, Inc. ("Pinnacle" or the "Company") would build a gaming development for a total cash consideration of approximately \$650 million. In connection with the proposed project, you have asked for our view regarding the capability of Pinnacle to raise \$650 million of financing to fund the development of the project.

Based upon our understanding of the proposed project, Pinnacle's liquidity as well as current market conditions, we are pleased to inform you that we are highly confident that Pinnacle could finance the project either through its existing sources of liquidity or raise the proceeds in the debt or equity markets at a price based on prevailing market conditions at the time of pricing.

The Company has a number of characteristics which we believe help provide Pinnacle strong access to public and private capital sources:

- High quality recently renovated properties in attractive locations
- A geographically diversified portfolio of casinos which gives it a balanced presence in six major U.S. gaming markets
- Consistently strong operating results
- Long and successful history of executing development projects
- Proven track record of successfully raising development capital (a total of \$4.3 billion since 2003 in both the debt and equity markets)
- Experienced management with strong gaming industry experience and an established record of developing, acquiring, integrating and operating gaming facilities

Lehman's view as to Pinnacle's ability to finance the project is based upon the assumption that each of the following conditions:

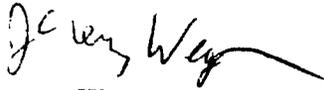
- i) There not having occurred any material adverse change in the financial condition, results of operations, business or prospects of the Company and its subsidiaries; and
- ii) In the sole judgment of Lehman there not having occurred any disruption or material adverse change in the market for new issues of high yield securities or the financial or capital markets in general;

Please understand that this letter is not a legally binding obligation or a commitment to provide financing, and any actual obligation or commitment by Lehman Brothers or its affiliates to act as underwriter for or to provide any financing for the proposed project will exist only upon the execution of a final, written underwriting, purchase or placement agent agreement, commitment letter or loan agreement, as the case may be, in form and substance satisfactory to Lehman Brothers, and then only in accordance with the terms and conditions thereof.

This letter is rendered to the Company solely for your use in connection with your decision to submit a bid with respect to a gaming license in Kansas City and does not confer any rights or remedies on any party, including any other party to the project or any financing sources for the project. Please also note that the contents of this letter are confidential and may not be disclosed to any other person without our prior written consent, except as required by law or regulation.

We are looking forward to continuing to work with you on this transaction, and to help bringing it to a successful conclusion. We remain at your disposal should you have any questions or require additional information or clarifications on this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeremy Wegner", with a long horizontal flourish extending to the right.

Jeremy Wegner
Senior Vice President

EXHIBIT "F"

DA-146a CONTRACTUAL

ATTACHMENT

CONTRACTUAL PROVISIONS ATTACHMENT

Important: This form contains mandatory contract provisions and must be attached to or incorporated in all copies of any contractual agreement. If it is attached to the vendor/contractor's standard contract form, then that form must be altered to contain the following provision:

"The Provisions found in Contractual Provisions Attachment (Form DA-146a, Rev. 1-01), which is attached hereto, are hereby incorporated in this contract and made a part thereof."

The parties agree that the following provisions are hereby incorporated into the contract to which it is attached and made a part thereof, said contract being the _____ day of _____, 20_____.

1. **Terms Herein Controlling Provisions:** It is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated.
2. **Agreement With Kansas Law:** All contractual agreements shall be subject to, governed by, and construed according to the laws of the State of Kansas.
3. **Termination Due To Lack Of Funding Appropriation:** Intentionally Omitted.
4. **Disclaimer Of Liability:** Except as otherwise provided for in the Lottery Gaming Facility Management Contract, neither the State of Kansas nor any agency thereof shall hold harmless or indemnify any contractor beyond that liability incurred under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).
5. **Anti-Discrimination Clause:** The contractor will use the best efforts to: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-1111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency; (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency.

Parties to this contract understand that the provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or whose contracts with the contracting state agency cumulatively total \$5,000 or less during the fiscal year of such agency.
6. **Acceptance Of Contract:** This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.
7. **Arbitration, Damages, Warranties:** Except as otherwise provided for in the Lottery Gaming Facility Management Contract, no interpretation shall be allowed to find the State or any agency thereof has agreed to binding arbitration, or the payment of damages or penalties upon the occurrence of a contingency. Further, the State of Kansas shall not agree to pay attorney fees and late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect which attempts to exclude, modify, disclaim or otherwise attempt to limit implied warranties of merchantability and fitness for a particular purpose.
8. **Representative's Authority To Contract:** By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.
9. **Responsibility For Taxes:** The State of Kansas shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.
10. **Insurance:** The State of Kansas shall not be required to purchase, any insurance against loss or damage to any personal property to which this contract relates, nor shall this contract require the State to establish a "self-insurance" fund to protect against any such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the vendor or lessor shall bear the risk of any loss or damage to any personal property in which vendor or lessor holds title.
11. **Information:** No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to information pursuant to K.S.A. 46-1101 et seq.
12. **The Eleventh Amendment:** "The Eleventh Amendment is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this contract shall be deemed a waiver of the Eleventh Amendment."

Executive Summary of: **Golden Heartland, Inc.**
Gaming Zone: **Northeast Zone**

1. Name of Facility: **Golden Heartland Casino**
2. Name of Manager: **Golden Heartland, Inc.**
3. Location of Facility: **300 North 100th Street, Edwardsville, Kansas**
4. Investment in Infrastructure: **\$630 million in casino resort (in Edwardsville, KS), plus additional \$32 million in golf course (in Bonner Springs, KS)**
5. Principals/ Owners:
 - **95% by the Sartini Family Trust (Blake L. Sartini and Delise F. Sartini are co-trustees)**
 - **3.25% by Rodney S. Atamian**
 - **1.75% by Stephen A. Arcana**
6. Gaming Experience: **Blake L. Sartini (President and Chief Executive Officer); Rodney S. Atamian (Executive Vice President, Secretary & Treasurer); Stephen A. Arcana (Chief Operating Officer) and Sheila Pankas (Director of Compliance) all have significant gaming experience. Affiliated entities of Golden Heartland, Inc. own four other casinos, along with a chain of 45 taverns in Nevada (that conduct gaming).**
7. Resolution of Endorsement Obtained: **City of Edwardsville, Kansas on December 10, 2007**
8. Planning and Zoning Approval:
 - **City of Edwardsville, Kansas regarding the gaming facility on December 10, 2007**
 - **City of Bonner Springs, Kansas gave additional approvals for the Golf course and retail development on December 17, 2007**
9. Theme: **Transitional Midwestern Luxury**
10. Number of Slot Machines: **2,500**
11. Number of Tables (positions): **98 tables (726 total positions)**
12. Anticipated Gaming Revenue in Year 1, Year 2, Year 3:
 - **Year 1 = \$239,275,750**
 - **Year 2 = \$266,085,000**
 - **Year 3 = \$284,681,750**

13. Ancillary Facilities:
- **18-hole Tom Watson designed championship golf course**
 - **Hotel with 300 rooms**
 - **Several restaurants / dining areas**
 - **Spa**
 - **Convention and events center**
 - **Entertainment and music venues**
 - **60-lane bowling facility (in second phase, or in the alternative expand the convention center)**
 - **Retail shops (in second phase)**
 - **Loft residences (in second phase)**
14. Anticipated Ancillary Revenue Year 1, Year 2, Year 3:
- **Year 1 = \$49,552,124**
 - **Year 2 = \$52,892,143**
 - **Year 3 = \$55,005,502**
15. Number of Gaming Visitors (local – within 100 miles of facility) per year:
- **Year 2011 = 3,345,000**
 - **Year 2014 = 3,379,000**
16. Number of Gaming Visitors (tourists – further than 100 from facility) per year:
- **Year 2011 = 329,000**
 - **Year 2014 = 381,000**
17. Number of Ancillary Visitors (local) per year:
- **Year 2011 = 141,000**
 - **Year 2014 = 727,000**
18. Number of Ancillary Visitors (tourists) per year:
- **Year 2011 = 73,133**
 - **Year 2014 = 104,753**
19. Number of Full Time Employees:
- **1,850 FTEs at the facility in 2011**
 - **Overall impact on the area employment of 11,561 jobs created at the construction phase and 8,826 at operational phase**
20. Projected Opening Date: **First quarter 2011 or approximately 28 months after selection**
21. Length of Construction Period: **Approximately 28 months**
22. Proposed Temporary Facility: **No**
23. If yes, projected date of opening temporary facility: **N/A**

- a. Number of Slot Machines at temporary): **N/A**
- b. Number of Tables (positions) at temporary: **N/A**
- c. Anticipated Gaming Revenue at temporary: **N/A**

24. Rewards Program: **Golden Heartland intends to institute a player’s club program that has been approved by the Executive Director.**

25. Potential for Expansion of Gaming Floor: **Golden Heartland’s master plan was designed to allow for expansion of the casino floor should market conditions demonstrate a need for expansion.**

26. Other Gaming Operations:

Name	City, State	Operated Since
Mardi Gras Casino	Black Hawk, Colorado	January 2005
Golden Gates Casino	Black Hawk, Colorado	January 2005
Golden Gulch Casino	Black Hawk, Colorado	January 2005
Pahrump Nugget Hotel & Gambling Hall	Pahrump, Nevada	November 2006
Golden Tavern Group, LLC (affiliated company that owns and operates 45 taverns in Northern and Southern Nevada)	Las Vegas, Nevada (corporate Office)	October 2001
Golden Route Operations, LLC	Las Vegas, Nevada (corporate office)	October 2001
Golden HRC, LLC (managed the Hard Rock Hotel & Casino in Las Vegas)	Las Vegas, Nevada	February 2007 – February 2008

Golden Heartland, Inc.

TIMELINE OF PROJECT

	DATE	COMMENTS OR DESCRIPTIONS
Estimated date of awarding of License	19-Sep-08	Lottery Facility Review Board is scheduled to vote on September 19, 2008.
Estimated date for approval of all building plans and variances	08-May-09	Final permits and design approvals of all interior and exterior development.
Estimated date for Ground-breaking	09-Jan-09	Facility site grading to commence 1/9/09; Golf course clearing / mass excavation to commence 1/16/09; Parking garage foundation to commence 3/6/09; Hotel structural to commence 3/13/09; Casino structural to commence 7/14/09;
If project is to be phased, please describe the phases		
Completion date for Phase 1	23-Feb-11	Phase I includes the hotel, casino and golf course. Estimated completion of Phase I and the facility opening is 2/23/2011.
Completion date for Phase 2	06-Aug-14	Phase II includes the retail and residential (loft) developments, bowling facility, additional restaurants, mini-amphitheater; food court. Estimated completion is 8/06/2014.
If project is going to involve a temporary gaming facility, please note estimated date of opening of the temporary and the permanent facility		
Estimated Opening Date for temporary facility		N/A - Golden Heartland is not proposing a temporary facility
Estimated Opening Date for permanent facility	23-Feb-11	Grand opening for the hotel, casino and golf course estimated at February 23, 2011.

DESCRIPTION OF CASINO AND OTHER PHYSICAL FACILITIES

Information from:

COMMENTS

	Square Footage	Units of Measure	COMMENTS
CASINO	131,804		
Square footage		2500	High limit area with 50 slots
Number of slot machines		98	Includes 6 - 8 high limit tables
Number of table games			
Types of table games offered:			
		53	Blackjack = 32 tables; blackjack variations = 21 tables
		5	Basic craps = 4 tables; Craps variation = 1 table
		4	Roulette
		4	Pai Gow Tiles = 1 table; Pai Gow variations = 3 tables
Other gaming offerings (specify):			
		3	Baccarat
		3	Texas Hold'em
		3	Three Card Poker
		1	Four Card Poker
		2	Let it Ride
		2	Flop Poker
		18	Poker
			Poker room to include Texas Hold'em, Five Card Draw, Omaha, and Seven Card Stud.

HOTEL

Total square footage	272,000		
Total square footage of public areas	17,560	240	Main lobby 17,323 + Entry vestibule 237
Number of standard rooms		60	Suites
Number of premium rooms			Two versions of premium rooms A = 611 to 643; B = 938 to 958
Square footage of standard room	424 - 433		
Square footage of premium room (average)	627 / 948		
Amenities in standard rooms (specify):			Cumming Corp report Friedmutter Friedmutter Friedmutter Friedmutter Friedmutter
Additional amenities in premium rooms (specify):			Friedmutter
Additional amenities in public areas (specify):			Friedmutter

RESTAURANTS

RESTAURANTS	Square Footage	SEATING CAPACITY	THEME	Covers	Avg Spend per cover
Number of restaurants and eating outlets		14			
Specify theme, avg daily covers, and avg spend per cover of each restaurant:					
Restaurant #1	22077	350	Buffet	472,675	\$ 16.07 Feasibility table #57 (2011 #s)
Restaurant #2	9000	220	Café	433,620	\$ 13.38 Feasibility table #57 (2011 #s)
Restaurant #3	11091	125	Fine dining (Steakhouse)	91,250	\$ 63.11 Feasibility table #57 (2011 #s)
Restaurant #4	13227	100	TBD - specialty restaurant	82,125	\$ 21.37 Feasibility table #57 (2011 #s)
Restaurant #5	12587	275	Golf course view restaurant (similar to Tommy Bahamas')	TBD	TBD
Restaurant #6	13305	315	TBD - specialty restaurant for phase II	TBD	TBD
Restaurant #7	6750	160	Food Court for phase II	TBD	\$ 20.66 Feasibility table #57 (2011 #s)
Restaurant #8	N/A	N/A	Room Service	TBD	\$ 8.10 Feasibility table #57 (2011 #s)
Restaurant #9	N/A	N/A	Pool Service	22,951	\$ 27.20 Feasibility table #57 (2011 #s)
Restaurant #10	17675	TBD	Restaurants in Phase II entertainment venue - 3 restaurants	4,500	\$ 14.26 Feasibility table #57 (2011 #s)
Restaurant #11	11304	TBD	National chain restaurant in Phase II	TBD	TBD
Restaurant #12	6276	TBD	Restaurant in Phase II	TBD	TBD
Restaurant #13	10250	TBD	Loft Building #1 restaurant in Phase II	TBD	TBD
Restaurant #14	7117	TBD	Loft Building #3 restaurant in Phase II	TBD	TBD

BARS AND LOUNGES

Number of bars and lounges 3

Specify theme & size of each bar

Bar #	Square Footage	Seating Capacity	THEME
Bar #1	4171	50	Center Bar
Bar #2	1879	20	Sports Bar
Bar #3	3092	81	Lobby Bar - seats 53 inside and 28 on the patio
Bar #4	695	N/A	Service Bar
Bar #5	748	N/A	Service Bar
Bar #6	736	N/A	Service Bar
Bar #7			

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ENTERTAINMENT VENUES

Number of Entertainment Venues

Describe and note size of each venue

Venue #	Square Footage	Seating Capacity	DESCRIPTION
Venue #1	11596	1000	Showroom with Bar and 2 levels
Venue #2	6482	N/A	Spa
Venue #3	TBD	TBD	Kids Quest
Venue #4	61468	N/A	Bowling facility - 60 lanes in Phase II
Venue #5			

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EVENT VENUES

Number of Event Venues

Describe and note size of each venue

Venue #	Square Footage	Seating Capacity	DESCRIPTION
Venue #1	TBD	TBD	Mini-Amphitheatre (Phase II)
Venue #2		#	
Venue #3		#	
Venue #4		#	

CONVENTION FACILITIES

Square footage of Convention Space 25000
Square footage of Pre Function & Back of House Space 9500
Number of Break-out Rooms 6

{doesn't include BOH}
Includes 2 banquet rooms and 4 board rooms

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School-

room seating Theater seating

Room #	School-room seating	Theater seating
Room #1	30	50
Room #2	30	50
Room #3	45	75
Room #4	35	55
Room #5	725	1200
Room #6	235	390
Room #7	#	#

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SPORTS AND RECREATION FACILITIES

Description of Sports/Recreation Offerings

Offering #	Square Footage	Seating Capacity	DESCRIPTION
Offering #1	150+ acres	N/A	Tom Watson designed Championship Golf Course
Offering #2	40167	N/A	Pool with private cabanas and lounge area
Offering #3		#	
Offering #4		#	
Offering #5		#	

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RETAIL OUTLETS

Description and size of Retail Outlets

Outlet #	SQUARE FOOTAGE	DESCRIPTION	Friedmutter
Outlet #1	1,100	Hotel gift shop	Friedmutter
Outlet #2	37,476	Building #1 retail - 10 outlets	Friedmutter
Outlet #3	47,471	Building #2 retail - 11 outlets	Friedmutter
Outlet #4	42,605	Building #3 retail - 8 outlets	Friedmutter
Outlet #5	11,330	National chain restaurant retail - 2 outlets	Friedmutter

PARKING FACILITIES

Number of surface parking spaces
 Total paved square footage for surface parking
 Number of enclosed parking spaces
 Total square footage for enclosed parking
 Number of valet parking spaces
 Number of employee parking spaces
 Number of parking spaces for Recreational Vehicles

1,229
 405,570 **Include ingress and egress coverage**
 2,020 Includes open to air upper deck spaces
 789,750 **Include all square footage within parking structures**
 323 Grade level of parking structure utilized for valet parking
 TBD Employee parking has not been determined. Additional acres being optioned for expansion.
 TBD RV parking has not been determined. Additional acres being optioned for expansion.

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VISITATION AND SPENDING PATTERNS DURING OPERATIONS - PHASE OF LOTTERY GAMING FACILITY

Golden Heartland, Inc.

EI = Economic Impact Study dated 12/4/07
 FS = Feasibility Study dated 12/9/07

Please submit 5-year projections, starting from the date of opening

Unit of Measure

PROJECTED DATE OF OPENING: 23-Feb-11

	2010	2011	2012	2013	2014
RESIDENTS					
Resident population (within 100-miles) Wyandotte County Residents					
Number of adult residents		1,805,722			2,166,866
Residential gaming penetration rate *		30%			35% * Indicates only resident gaming customers
Market penetration rate**		32%			37% ** Includes all residents
Visits per gaming resident per year		3.6			4.90 # residents * market penetration/total residents
Total resident gaming visits per year		1,619,732			1,643,382
Resident non-gaming visits per year***		36,114			43,337
Total Residential visits per year		1,655,846			1,686,719
Residential gaming spend per visit per diem	\$	75			80
Residential gamer non-gaming spend per diem	\$	121,479,900			131,470,560
Per diem gaming resident					
Per diem non-gaming resident					
Total Residential Gaming Spend per annum	\$	119,700,000			130,200,000
Total Residential Non-Gaming Spend per annum	\$	20,580,000			31,080,000
TOURISTS (residence more than 100-miles away) Non-Wyandotte County Residents					
Tourist gaming visits per year*	#	2,050,000			2,110,000
Tourist non-gaming visits per year**	#	196,237			450,000
Total Tourist visits per year	#	2,246,237			2,560,000
Tourist gaming spend per diem	\$	80			85
Tourist gamer non-gaming spend per diem	\$	7			10
Tourist non-gamer spend per diem	\$	71			48
Total Tourist Gaming Spend per annum	\$	165,300,000			179,800,000
Total Tourist Non-Gaming Spend per annum	\$	28,420,000			42,920,000

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Please submit 5-year projections, starting from the date of opening

Unit of Measure
 PROJECTED DATE OF OPENING: 23-Feb-11

	2010	2011	2012	2013	2014
TOTAL VISITATION PER YEAR	#	3,888,427			4,592,072
TOTAL GAMING SPEND PER YEAR	\$	285,874,704			310,499,295
TOTAL NON-GAMING SPEND PER YEAR	\$	48,966,984			74,135,691
Tourist-Non-Wyandotte Visitors					
Total number of tourists					
Leisure tourists	#	2,246,237			2,567,698
Business/conference tourists	#	2,111,463			2,413,636
Leisure tourists - Please specify top five source markets		134,774			154,062
Other Kansas	#	1,414,680			1,617,136
Oklahoma	#	105,573			120,682
Nebraska	#	63,344			72,409
Colorado	#	105,573			120,682
Missouri	#	63,344			72,409
Other	#	316,719			362,045
	#	42,229			48,273
Business/Conference Tourists - Please specify top five source markets					
Other Kansas	#	74,125.82			84,734.03
Oklahoma	#	9,434.20			10,784.33
Nebraska	#	6,738.71			7,703.09
Colorado	#	9,434.20			10,784.33
Missouri	#	6,738.71			7,703.09
Other	#	22,911.62			26,190.52
	#	5,390.97			6,162.48
HOTEL GUESTS					
Number of hotel rooms	#	300	300	300	300
Occupancy rate	%	79.9%	84.1%	86.0%	88.0%
Visitors per room	#	2	2	2	2
Total hotel-guests-per-year occupied room nights	#	87,489	92,072	94,187	96,354
Average room rate	\$	150	152	162	166
Percentage of hotel guests who are Wyandotte residents (within 100 miles)	%		6.3%		6.3%
Percentage of hotel guests who are tourists Non-Wyandotte county residents	%		93.7%		93.7%
Total hotel revenues per year	\$	\$ 13,132,591	\$ 13,693,884	\$ 14,432,559	\$ 15,211,398
Total gaming spend by hotel guests per year	\$	\$	\$	\$	\$ 16,032,603
Total non-gaming non-hotel spend by hotel guests per year	\$	\$	\$ 14,439,718	\$	\$ 15,594,081

Current study does not distinguish in this manner however it would equal a certain % of the non-gamers non-gaming \$19,000,000 annual spend.

Golden Heartland, Inc.

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Please submit 5-year projections, starting from the date of opening

Unit of Measure
 PROJECTED DATE OF OPENING: 23-Feb-11

	2010	2011	2012	2013	2014	
TOTAL SPEND BY HOTEL GUESTS PER YEAR	\$					Current study does not project this number.
LEISURE HOTEL GUESTS						
Visitors per room	#	31,517	27,431	28,254	29,101	Occupied room nights FS Table 44
Total leisure guests per year	\$	162 \$	172 \$	177 \$	182	
Average room rate	%	26,632				Current study does not distinguish in this manner.
Percentage of leisure guests who are residents	%					Current study does not distinguish in this manner.
Percentage of leisure guests who are tourists	\$	167 \$				Current study does not distinguish in this manner.
Total leisure hotel revenues per year	\$					Current study does not distinguish in this manner.
Total gaming spend by leisure guests per year	\$					Separate from Leisure Hotel Spend. Current study does not distinguish in this manner.
Total other non-gaming leisure spend by leisure guests per year	\$					
TOTAL SPEND BY LEISURE HOTEL GUESTS PER YEAR	\$					
BUSINESS HOTEL GUESTS						
Visitors per room	#	16,910	17,417	18,121	18,484	Occupied room nights FS Table 44
Total business hotel guests per year	\$	187 \$	198 \$	204 \$	210	
Average room rate	%					Current study does not distinguish in this manner.
Percentage of business hotel guests who are residents	%					Current study does not distinguish in this manner.
Percentage of business hotel guests who are tourists	\$					Current study does not distinguish in this manner.
Total business hotel revenues per year	\$					Current study does not distinguish in this manner.
Total gaming spend by business hotel guests per year	\$					Separate from Leisure Hotel Spend. Current study does not distinguish in this manner.
Total other non-gaming spend by business hotel guests per year	\$					
TOTAL SPEND BY BUSINESS HOTEL GUESTS PER YEAR	\$					
CASINO HOTEL GUESTS						
Visitors per room	#	39,063	46,875	47,813	48,769	Occupied room nights Feasibility Table 44
Total casino hotel guests per year	\$	125 \$	132 \$	136 \$	140	
Average room rate	%					Current study does not distinguish in this manner.
Percentage of casino hotel guests who are residents	%					Current study does not distinguish in this manner.
Percentage of casino hotel guests who are tourists	\$					Current study does not distinguish in this manner.
Total casino hotel revenues per year	\$					Current study does not distinguish in this manner.

Golden Heartland, Inc.

Please submit 5-year projections, starting from the date of opening
Unit of Measure

PROJECTED DATE OF OPENING: 23-Feb-11

Total gaming spend by casino hotel
guests per year
Total other non-gaming spend by
casino hotel guests per year
**TOTAL SPEND BY CASINO HOTEL
GUESTS PER YEAR**



EI = Economic Impact Study dated 12/4/07
FS = Feasibility Study dated 12/9/07

Current study does not distinguish in this manner.
Separate from Leisure Hotel Spend. Current study does not distinguish in this manner.

CHANGES IN SPENDING PATTERNS DUE TO LOTTERY GAMING FACILITY DURING OPERATIONS PHASE

Golden Heartland, Inc.

EI = Economic Impact Study dated 12/4/07
 FS = Feasibility Study dated 12/9/07

Please submit 5-year projections, starting from the date of opening Unit of Measure

PROJECTED DATE OF OPENING: 23-Feb-11

	2010	2011	2012	2013	2014
--	------	------	------	------	------

Annual Spending by Residents at the Lottery Gaming Facility

Note: Resident visitors here includes both Leisure and Business Resident visitors

Total spending by residents per year (Note: distinguish between residents who gamble (Resident Gaming Visitors) and residents who do not gamble (Resident Non-Gaming Visitors)

Current study does not distinguish in this manner. Responses are spending by Wyandotte vs Non-Wyandotte visitors.

Numbers assume an equal spend per visitor.

Resident Wyandotte Gaming/Non-Gaming Visitors

Accommodation	\$ 908,984.54	1,062,619.24	Assume average ADR, 6.3% Wyandotte visitors	EI Table 14-15
Food & Beverage	\$ 8,702,630.96	12,262,394.97	Assumes 33% of total = Wyandotte visitors	
Retail	\$ -	7,173,590.00	EI Table 19	
Gaming	\$ 121,479,906	130,797,765	EI Table 12-13	
Golf Tickets to events, concerts, shows	\$ 801,275.32	870,280.96	33% rounds = Wyandotte county	
Banquets, Spa, Kid Quest, Showroom, Other	\$ 2,008,960.99	2,258,680.78	Assumes 33% of total = Wyandotte visitors	
Other spending	\$ -	2,762,359.20	Bowling (based on total rev (table 80) * 80% of total visitors from Wyandotte County)	EI Table 15
TOTAL spending by Wyandotte gaming/non-gaming visitors (residents)	\$ 133,901,758	-		157,187,690

Resident Non-Gaming Visitors

Accommodation	\$ -	
Food & Beverage	\$ -	
Retail	\$ -	
Tickets to events, concerts, shows	\$ -	
Ticketed attractions	\$ -	
Other spending	\$ -	
TOTAL spending by non-gaming visitors (residents)	\$ -	

Total Spending by Residents

Gaming	\$ 133,901,758
Non Gaming	\$ -

TOTAL SPENDING BY WYANDOTTE COUNTY RESIDENTS AT LOTTERY GAMING FACILITY

	133,901,758		157,187,690
--	-------------	--	-------------

Golden Heartland, Inc.

EI = Economic Impact Study dated 12/4/07
 FS = Feasibility Study dated 12/9/07

Please submit 5-year projections, starting from the date of opening

2010	2011	2012	2013	2014
------	------	------	------	------

PROJECTED DATE OF OPENING: 23-Feb-11

SOURCES OF EXPENDITURES AT LOTTERY GAMING FACILITY: For the following questions, provide your best estimates, based on your economic models

	2010	2011	2012	2013	2014
Percent of Spend that would have occurred within the region*		45%			
Percent of Spend that would have taken place outside the region**		15%			
Percent of Spend that comes from new income generated in the region***		5%			

* What percent of residents' total spend would have taken place within the 45% 100-mile radius if the LGF facility did not exist
 **Without an LGF, what percent would have been spent outside the 100-15% mile radius
 ***Percent of total spending by residents that comes from income 5% generated by the LGF and its multiplier effects

No.
No.

Non-Wyandotte Tourist Gaming & Non-Gaming Visitors

Accommodation		13,519,341			15,804,353
Food & Beverage		17,387,874			24,502,715
Retail					14,564,561
Gaming		164,394,798			179,701,530
Golf Tickets to events, concerts, shows		1,586,541			1,723,329
Banquets, Spa, Kid Quest, Showroom, Other		4,013,908			4,513,296
Other spending					
TOTAL spending by non-Wyandotte gaming/non-gaming visitors (tourists)		200,902,463			241,500,373

Assume average ADR, 93.7% non-Wyandotte visitors
 Assumes 66% non-Wyandotte visitors
 EI Table 19
 EI Table 12-13
 66% rounds = non-Wyandotte county
 Assumes 66% non-Wyandotte visitors
 Bowling (based on total rev * 20% of total visitors from outside Wyandotte County)

Tourist Non-Gaming Visitors

Accommodation					
Food & Beverage					
Retail					
Gaming					
Tickets to events, concerts, shows					
Other spending					
TOTAL spending by non-gaming visitors (tourists)					

Golden Heartland, Inc.

EI = Economic Impact Study dated 12/4/07
 FS = Feasibility Study dated 12/9/07

Please submit 5-year projections, starting from the date of opening Unit of Measure

PROJECTED DATE OF OPENING: 23-Feb-11

	2010	2011	2012	2013	2014
TOTAL SPENDING BY NON-WYANDOTTE COUNTY RESIDENTS TOURISTS AT LOTTERY GAMING FACILITY		200,902,462.59			241,500,373.15

Note: Tourist visitors here includes both Leisure and Business Tourist visitors

SOURCES OF EXPENDITURES AT LOTTERY GAMING FACILITY: For the following questions, provide your best estimates, based on your economic models

- What proportion of Tourist non-Wyandotte visitors would not have visited the region if the Lottery Gaming Facility did not exist? %
- What proportion of Tourist non-Wyandotte visitor spending would not have occurred within the region if the Lottery Gaming Facility did not exist? %

15%	15%
60%	60%

Please provide your estimate of induced spending by resident visitors to the LGF (import substitution) \$

Please provide your estimate of direct spending by tourist visitors to the LGF (newly injected spending) \$

Please provide your estimate of induced spending by tourist visitors to the LGF (newly injected spending to the region but not at the LGF) \$

Please provide your estimate of an appropriate expenditure multiplier for the region #

TOTAL DIRECT, INDIRECT, AND INDUCED INCREASES IN SPENDING IN THE REGION, PER YEAR (SPEND) \$

ESTIMATED AGGREGATE PERSONAL INCOME IN THE REGION (API) \$

RATIO OF SPEND/API #

Current Economic Impact study does not provide this estimate.

Current Economic Impact study does not provide this estimate.

Current Economic Impact study does not provide this estimate.

Current Economic Impact study does not provide this estimate.

Current Economic Impact study does not provide this estimate.

Current Economic Impact study does not provide this estimate.

Current Economic Impact study does not provide this estimate.

Golden Heartland, Inc.

Please submit 5-year projections, starting Unit of Measure
 from the date of opening

PROJECTED DATE OF OPENING: 23-Feb-11

	2010	2011	2012	2013	2014
--	------	------	------	------	------

Instructions to Proposers

The intent of this section is to provide a foundation to estimate the amount of new direct spending (from import substitution by residents and newly injected spending by tourists), and then to estimate the indirect increases in expenditure brought about in the region via a regional expenditure multiplier process

INDUCED SPENDING BY RESIDENTS is incremental spending that results from residents who are in the region because of the LGF (rather than visiting other regions) and the additional expenditures they make in the region as a result. This does not include substitution or "cannibalization" of spending that would have shifted from other businesses in the region to the LGF.

INDUCED SPENDING IS INCREMENTAL spending that results from tourists who stay longer in the region because of the LGF and the additional expenditures they make in the region, not at the LGF, as a result of their longer stays.

EMPLOYMENT INFORMATION DURING OPERATIONS' PHASE OF LOTTERY GAMING FACILITY

Golden Heartland, Inc.

Please submit 5-year projections, starting from the date of opening

Unit of Measure

23-Feb-11

PROJECTED DATE OF OPENING:

	2010	2011	2012	2013	2014	2015
--	------	------	------	------	------	------

No. of FTE Workers employed within the Lottery Gaming Facility

General and Administrative

Professionals, Managers, Executives and Technicians	#	15	15	15	15	15	15
Clerical Workers, Sales and Service Workers	#	5	5	5	5	5	5
Production and Transport Operators, Laborers and Cleaners	#	5	5	5	5	5	5

Casino

Professionals, Managers, Executives and Technicians	#	34	34	34	34	34	34
Dealers and game supervisors	#	425	425	425	425	425	425
Clerical Workers, Sales and Hosts	#	97	97	97	97	97	97
Security and surveillance	#	66	66	66	66	66	66
Cleaners	#	-	-	-	-	-	-
Other	#	-	-	-	-	-	-

Hotel

Professionals, Managers, Executives and Technicians	#	12	12	12	12	12	12
Clerical Workers, Sales and Marketing Staff	#	28	28	28	28	28	28
Room cleaners, housekeeping supervisors	#	73	73	73	73	73	73
Other	#	72	72	72	72	72	72

Food and Beverage

Professionals, Chefs, Managers, Executives and Technicians	#	36	36	36	36	36	36
Clerical Workers, Sales and Service Workers	#	3	3	3	3	3	3
Food preparers and servers, Hosting staff, and Cleaners	#	517	517	517	517	517	517
Other	#	-	-	-	-	-	-

Golden Heartland, Inc.

Please submit 5-year projections, starting from the date of opening

Unit of Measure

PROJECTED DATE OF OPENING:

23-Feb-11

2010 2011 2012 2013 2014 2015

No. of FTE Workers employed within the Lottery Gaming Facility

Other (including convention, entertainment, retail, etc.)

Professionals, Managers, Executives and Technicians	#	68	68	68	77	77	Includes Spa, Gift Shop, Entertainment, Bowling, HR, Accounting & Compliance
Clerical Workers, Compliance, Accounting, and Sales	#	52	52	52	65	65	
Human Resources	#	10	10	10	10	10	
Other	#	-	-	-	-	-	

Others (please specify)

Professionals, Managers, Executives and Technicians	#	27	27	27	27	27	Includes Engineering, Internal Maintenance & Transportation
Clerical Workers, Sales and Service Workers	#	-	-	-	-	-	
Production and Transport Operators, Laborers and Cleaners	#	80	80	80	80	80	

TOTAL EMPLOYED BY THE LGF

#	1,625	1,625	1,625	1,625	1,694	1,694	In 2014 Bowling and Specialty Room #2 opens
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Preopening

All FTE's are on hired by year end 2010

FTE=full time equivalent

Golden Heartland, Inc.

Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING:

Unit of Measure
23-Feb-11

	2010	2011	2012	2013	2014	2015
Professionals, Managers, Executives and Technicians	\$160,322	\$1,440,446	\$1,482,690	\$1,526,840	\$1,572,305	\$1,617,897
Clerical Workers, Sales and Service Workers	\$0	\$0	\$0	\$0	\$0	\$0
Production and Transport Operators, Laborers and Cleaners	\$222,758	\$2,001,424	\$2,060,137	\$2,121,462	\$2,184,633	\$2,247,993

TOTAL PAYROLL (INCLUDING BENEFITS) FOR THE LGF

\$5,444,473 \$48,917,100 \$50,351,710 \$51,851,013 \$55,330,634 \$56,935,068 In 2014 Bowling and Specialty Room #2 opens

Preopening

Golden Heartland, Inc.

Consolidated Pro-Forma Income and Expenditure Statement for the LGF

Amounts in thousands of dollars
Please submit 5-year projections, starting from the date of opening
PROJECTED DATE OF OPENING:

Unit of Measure
23-Feb-11

	2010	2011	2012	2013	2014	2015
REVENUE (from below)						
Casino	0	239,275,750	266,085,000	284,681,750	293,241,000	301,800,250
Hotel	0	13,832,248	14,414,941	15,171,745	15,961,815	16,804,220
Food	0	20,602,458	24,099,856	24,940,827	27,088,443	27,524,161
Beverage	0	7,027,935	7,593,857	7,956,326	8,689,574	9,003,591
Other Operating Depts	0	2,032,358	2,100,135	2,152,523	4,814,978	4,922,432
Golf	0	4,448,125	3,012,194	3,097,497	3,185,359	3,275,858
Retail	0	0	0	0	7,637,082	7,797,328
Loft	0	0	0	0	0	124,819,100
Other Miscellaneous	0	1,609,000	1,671,160	1,686,585	1,716,340	1,732,854
Total Revenues	0	288,827,874	318,977,143	339,687,253	362,334,591	497,679,794
Less: Cost of Sales	0	12,139,388	14,064,908	14,586,103	15,883,492	124,895,147
Gross Margin	0	276,688,486	304,912,235	325,101,150	346,451,099	372,784,647
DEPARTMENTAL EXPENSES (from below)	0	135,273,164	147,484,236	156,381,067	165,794,250	170,390,321
DEPARTMENTAL INCOME	0	141,415,322	157,427,999	168,720,083	180,656,849	202,394,326
GENERAL AND ADMINISTRATIVE EXPENDITURE	0	33,646,188	34,992,036	36,041,797	37,123,050	38,236,742
Advertising and Promotion	0	0	0	0	0	0
Bad debt expense	0	0	0	0	0	0
Complimentary expense (not reported in departments)	0	0	0	0	0	0
Depreciation - Buildings	0	31,201,445	31,509,445	31,817,445	38,434,086	39,204,086
Depreciation and Amortization	0	9,319,912	9,411,912	9,503,912	11,480,312	11,710,312
Energy Expense (electricity, gas, etc.)	0	3,360,000	3,494,400	3,599,232	3,707,209	3,818,425
Equipment rental or lease	0	500,000	520,000	535,600	551,668	568,218
Interest expense	0	51,039,163	48,834,252	45,989,765	52,483,305	54,838,956
Payroll taxes	0	916,236	942,241	974,469	978,259	1,000,710
Payroll - Employee benefits	0	2,574,541	2,651,777	2,731,330	2,813,270	2,897,668
Payroll - officers	0	0	0	0	0	0
Payroll - Other Employees	0	8,581,803	8,839,257	9,104,435	9,377,568	9,658,895
Rent of Premises	0	0	0	0	0	0
Taxes - Real Estate	0	9,624,268	9,912,996	10,408,646	10,720,905	11,042,532
Taxes and Licenses - Other	0	426,153	524,297	540,828	555,204	562,075
Utilities (other than Energy Expenses)	0	787,200	818,688	843,249	868,546	894,602
Other General and Administrative expenses	0	8,188,550	9,777,502	10,805,197	11,910,944	9,630,915
TOTAL GENERAL AND ADM. EXPENDITURE	0	160,165,459	162,228,804	162,895,905	181,004,326	184,064,136
NET INCOME BEFORE FEDERAL INCOME TAX	0	(18,750,137)	(4,800,805)	5,824,178	(347,477)	18,330,190
DEPARTMENTAL INCOME STATEMENTS						
CASINO DEPARTMENT REVENUE	0	46,720,000	49,640,000	52,560,000	55,480,000	58,400,000
Pit Revenue (including keno, bingo)	0	186,150,000	209,875,000	225,387,500	230,862,500	236,337,500
Electronic gaming machines						

See footnote below on five of the largest items

Golden Heartland, Inc.

Consolidated Pro-Forma Income and Expenditure Statement for the LGF

Amounts in thousands of dollars
Please submit 5-year projections, starting from the date of opening
PROJECTED DATE OF OPENING:

Unit of Measure
23-Feb-11

	2010	2011	2012	2013	2014	2015
Poker and other non-banked card games	0	6,405,750	6,570,000	6,734,250	6,898,500	7,062,750
TOTAL REVENUE	0	239,275,750	266,085,000	284,681,750	293,241,000	301,800,250
DEPARTMENTAL EXPENSES						
Bad debt expenses	0	900,000	940,000	971,200	1,003,336	1,036,436
Commissions	0	0	0	0	0	0
Complimentary expenses	0	13,192,954	16,297,385	16,874,521	17,387,003	17,668,627
Gaming taxes and licenses	0	64,604,453	71,842,950	76,864,073	79,175,070	81,486,068
Preferred guest expenses	0	10,610,550	11,034,972	12,847,088	13,159,163	13,471,238
Payroll taxes	0	1,120,766	1,152,573	1,191,995	1,196,634	1,224,097
Payroll - Employee Benefits	0	3,149,252	3,243,730	3,341,042	3,441,273	3,544,511
Payroll - Officers	0	0	0	0	0	0
Payroll - Other Employees	0	10,497,508	10,812,434	11,136,807	11,470,911	11,815,038
Other Departmental Expenses	0	4,148,189	4,314,117	4,486,681	4,666,148	4,852,794
TOTAL EXPENSES	0	108,223,673	119,638,160	127,713,406	131,499,538	135,098,810
TOTAL CASINO INCOME	0	131,052,077	146,446,840	156,968,344	161,741,462	166,701,440
HOTEL DEPARTMENT REVENUE						
Room Sales	0	10,505,859	10,955,895	11,548,023	12,166,764	12,826,672
Complimentary rooms	0	2,626,465	2,738,974	2,887,006	3,041,691	3,206,668
Other Revenue	0	699,924	720,072	736,716	753,360	770,880
TOTAL REVENUE	0	13,832,248	14,414,941	15,171,745	15,961,815	16,804,220
DEPARTMENTAL EXPENSES						
Bad debt expenses	0	100,000	100,000	100,000	100,000	100,000
Complimentary expenses	0	0	0	0	0	0
Payroll taxes	0	392,971	404,123	417,945	419,572	429,201
Payroll - Employee Benefits	0	1,104,212	1,137,338	1,171,458	1,206,602	1,242,800
Payroll - Officers	0	0	0	0	0	0
Payroll - Other Employees	0	3,680,706	3,791,127	3,904,861	4,022,006	4,142,667
Other Departmental Expenses	0	1,244,003	1,293,763	1,345,513	1,399,334	1,455,307
TOTAL EXPENSES	0	6,521,890	6,726,350	6,939,777	7,147,514	7,369,974
TOTAL HOTEL INCOME	0	7,310,358	7,688,591	8,231,968	8,814,301	9,434,246
FOOD DEPARTMENT REVENUE						
Food Sales	0	6,579,300	6,925,747	7,155,468	8,785,909	8,967,443
Complimentary Food Sales	0	10,191,462	13,172,898	13,593,105	13,941,701	14,048,834
Banquet Food Sales	0	2,352,816	2,499,867	2,646,918	2,793,969	2,941,020
Employee Meals	0	1,478,880	1,501,344	1,545,336	1,566,864	1,566,864
TOTAL REVENUE	0	20,602,458	24,099,856	24,940,827	27,088,443	27,524,161
Cost of sales	0	9,561,789	11,299,256	11,697,745	12,760,790	12,978,648
GROSS MARGIN	0	11,040,669	12,800,600	13,243,082	14,327,653	14,545,513
DEPARTMENTAL EXPENSES						
Bad debt expenses	0	0	0	0	0	0
Complimentary expenses	0	0	0	0	0	0

All room, food, beverage & gift shop comps

Guest earned points from slot club

Golden Heartland, Inc.

Consolidated Pro-Forma Income and Expenditure Statement for the LGF

Amounts in thousands of dollars
Please submit 5-year projections, starting from the date of opening
PROJECTED DATE OF OPENING:

Unit of Measure
23-Feb-11

	2010	2011	2012	2013	2014	2015
Payroll taxes	0	876,381	901,252	932,078	1,020,811	1,044,241
Payroll - Employee Benefits	0	2,462,552	2,536,428	2,612,521	2,935,643	3,023,717
Payroll - Officers	0	0	0	0	0	0
Payroll - Other Employees	0	8,208,506	8,454,761	8,708,404	9,785,478	10,079,055
Other Departmental Expenses	0	944,003	981,763	1,021,033	1,061,874	1,104,349
TOTAL EXPENSES	0	12,491,441	12,874,204	13,274,036	14,803,807	15,251,362
TOTAL FOOD INCOME	0	(1,450,772)	(73,604)	(30,954)	(476,154)	(705,849)
BEVERAGE DEPARTMENT REVENUE						
Beverage Sales	0	6,535,484	7,076,981	7,414,742	8,122,989	8,411,702
Complimentary Beverage Sales	0	231,027	239,113	247,482	256,144	265,109
Banquet Beverage Sales	0	261,424	277,763	294,102	310,441	326,780
TOTAL REVENUE	0	7,027,935	7,593,857	7,956,326	8,689,574	9,003,591
Cost of sales	0	2,108,380	2,278,157	2,366,898	2,606,872	2,701,077
GROSS MARGIN	0	4,919,555	5,315,700	5,569,428	6,082,702	6,302,514
DEPARTMENTAL EXPENSES						
Bad debt expenses	0	0	0	0	0	0
Complimentary expenses	0	0	0	0	0	0
Payroll taxes	0	149,330	153,567	158,820	159,438	163,097
Payroll - Employee Benefits	0	419,603	432,191	445,156	458,511	472,266
Payroll - Officers	0	0	0	0	0	0
Payroll - Other Employees	0	1,398,675	1,440,635	1,483,855	1,528,370	1,574,221
Other Departmental Expenses	0	587,500	605,125	623,279	641,977	661,236
TOTAL EXPENSES	0	2,555,107	2,631,519	2,711,110	2,788,296	2,870,821
TOTAL BEVERAGE INCOME	0	2,364,448	2,684,181	2,858,318	3,294,406	3,431,693
OTHER OPERATING DEPARTMENTS(Casino/Hotel only) REVENUE						
Spa	0	1,312,358	1,350,135	1,381,343	1,412,550	1,445,400
Bowling	0	0	0	0	2,609,459	2,661,648
Showroom (4 wall)	0	600,000	618,000	636,540	655,636	675,305
Gift Shop	0	120,000	132,000	134,640	137,333	140,079
TOTAL REVENUE	0	2,032,358	2,100,135	2,152,523	4,814,978	4,922,432
Cost of sales	0	60,000	66,000	67,320	68,666	70,040
GROSS MARGIN	0	1,972,358	2,034,135	2,085,203	4,746,312	4,852,392
DEPARTMENTAL EXPENSES						
Bad debt expenses	0	0	0	0	0	0
Complimentary expenses	0	0	0	0	0	0
Payroll taxes	0	188,525	193,875	200,506	268,634	274,799
Payroll - Employee Benefits	0	529,739	545,631	562,000	772,536	795,712
Payroll - Officers	0	0	0	0	0	0
Payroll - Other Employees	0	1,765,795	1,818,769	1,873,332	2,575,119	2,652,372
Other Departmental Expenses	0	690,947	718,000	736,540	755,636	775,305

Golden Heartland, Inc.

Consolidated Pro-Forma Income and Expenditure Statement for the LGF

Amounts in thousands of dollars
Please submit 5-year projections, starting from the date of opening
PROJECTED DATE OF OPENING:

Unit of Measure
23-Feb-11

	2010	2011	2012	2013	2014	2015
TOTAL EXPENSES	0	3,175,006	3,276,275	3,372,378	4,371,924	4,498,188
TOTAL OTHER OPERATING INCOME	0	(1,202,648)	(1,242,140)	(1,287,175)	374,388	354,204
OTHER MISCELLANEOUS Non-operating(Casino/Hotel only)						
Kids Quest (outside vendor)	0	72,000	74,160	76,385	78,676	81,037
Arcade	0	600,000	660,000	673,200	686,664	700,397
Rental Income (Food court)	0	0	0	0	14,000	14,420
Miscellaneous Income (ATM/Credit cash advance)	0	937,000	937,000	937,000	937,000	937,000
TOTAL OTHER MISC REVENUE	0	1,609,000	1,671,160	1,666,585	1,716,340	1,732,854
GOLF REVENUE						
Total Sales	0	4,448,125	3,012,194	3,097,497	3,185,359	3,275,858
Complimentary Sales	0	0	0	0	0	0
TOTAL REVENUE	0	4,448,125	3,012,194	3,097,497	3,185,359	3,275,858
GROSS MARGIN	0	409,219	421,495	434,140	447,164	460,580
DEPARTMENTAL EXPENSES						
Bad debt expenses	0	0	0	0	0	0
Complimentary expenses	0	0	0	0	0	0
Payroll taxes	0	64,286	64,286	64,286	64,286	64,286
Payroll - Employee Benefits	0	192,857	192,857	192,857	192,857	192,857
Payroll - Officers	0	0	0	0	0	0
Payroll - Other Employees	0	642,857	642,857	642,857	642,857	642,857
Other Departmental Expenses	0	1,406,046	1,437,728	1,470,360	1,503,971	1,538,589
TOTAL EXPENSES	0	2,306,046	2,337,728	2,370,360	2,403,971	2,438,589
TOTAL GOLF INCOME	0	1,732,860	252,971	292,997	334,224	376,689
RETAIL REVENUE						
Total Sales	0	0	0	0	7,637,082	7,797,328
Complimentary Sales	0	0	0	0	0	0
TOTAL REVENUE	0	0	0	0	7,637,082	7,797,328
GROSS MARGIN	0	0	0	0	7,637,082	7,797,328
DEPARTMENTAL EXPENSES						
Bad debt expenses	0	0	0	0	0	0
Complimentary expenses	0	0	0	0	0	0
Payroll taxes	0	0	0	0	0	0
Payroll - Employee Benefits	0	0	0	0	0	0
Payroll - Officers	0	0	0	0	0	0
Payroll - Other Employees	0	0	0	0	0	0
Other Departmental Expenses	0	0	0	0	2,779,200	2,862,576

Golden Heartland, Inc.

Consolidated Pro-Forma Income and Expenditure Statement for the LGF

Amounts in thousands of dollars
Please submit 5-year projections, starting from the date of opening
PROJECTED DATE OF OPENING:

Unit of Measure
23-Feb-11

	2010	2011	2012	2013	2014	2015
TOTAL EXPENSES	0	0	0	0	2,779,200	2,862,576
TOTAL RETAIL INCOME	0	0	0	0	4,857,882	4,934,752
LOFTS REVENUE	0	0	0	0	0	124,819,100
Total Sales	0	0	0	0	0	124,819,100
Complimentary Sales	0	0	0	0	0	0
TOTAL REVENUE	0	0	0	0	0	124,819,100
Cost of sales-Construction	0	0	0	0	0	108,684,802
GROSS MARGIN	0	0	0	0	0	16,134,298
DEPARTMENTAL EXPENSES	0	0	0	0	0	0
Bad debt expenses	0	0	0	0	0	0
Complimentary expenses	0	0	0	0	0	0
Payroll taxes	0	0	0	0	0	0
Payroll - Employee Benefits	0	0	0	0	0	0
Payroll - Officers	0	0	0	0	0	0
Payroll - Other Employees	0	0	0	0	0	0
Other Departmental Expenses	0	0	0	0	0	0
TOTAL EXPENSES	0	0	0	0	0	0
TOTAL LOFT INCOME	0	0	0	0	0	16,134,298

FOOTNOTE: Five largest other general and administrative expenses:

Insurance	0	1,200,000	1,248,000	1,285,440	1,324,003	1,363,723
Service Contracts	0	1,000,000	1,040,000	1,071,200	1,103,336	1,136,436
Repairs & Maintenance	0	1,000,000	1,040,000	1,071,200	1,103,336	1,136,436
Outside Services	0	1,000,000	1,040,000	1,071,200	1,103,336	1,136,436
Preopening Expenses	0	0	1,000,000	1,662,849	2,494,273	0

CONSTRUCTION PHASE INFORMATION DURING OPERATIONS PHASE OF LOTTERY GAMING FACILITY

Golden Heartland, Inc.

Please submit 5-year projections, starting from the date of opening

Months from Issuance of License to Opening of Permanent Facility 28 months

N/A - Golden Heartland is not proposing a temporary facility

Months from Issuance of License to Opening of Temporary Facility

	2008	2009	2010	2011	2012	2013	2014
Development Investment							
Fixed asset investment							
Buildings		\$	399,784,351				\$ 173,179,031
Land		\$	23,500,000				\$ 10,000,000
Land improvements, excluding landscaping							
Landscaping							
Soft Costs, i.e. engineering, architectural, development fees		\$	63,977,946				\$ 47,570,374
Financing costs/Taxes/Legal		\$	3,000,000				\$ 1,000,000
Public sector infrastructure							
Rolling stock							
Furniture, Fixtures and Equipment		\$	25,298,136				\$ 2,038,075
Floor and Wall Treatments							
Gaming equipment		\$	67,889,146				\$ -
Others							
Other equipment		\$	19,449,024				\$ 1,000,000
Capitalized Interest		\$	24,000,000				\$ 6,000,000
Contingency		\$	27,731,443				\$ 11,695,443
Preopening Expenses		\$	7,000,000				\$ -
TOTAL INVESTMENT		\$	661,630,046				\$ 252,482,923

Source of Funds for Investment Market conditions at the time of selection will ultimately dictate the specific financing secured and the ratio of debt to equity that will be required. We anticipate using one or more of the following financing options:

Percent each year from: Imbedded equity in the land under option; Equity from affiliated companies; Private equity partner

Construction Loan Retail and residential partner; Equity from Stockholder

Debt Working Capital from Parent Company

Sale of Equity Project specific bank/bond financing; Bank/bond financing through affiliates; Loans from Stockholders

Other (please explain)

The following figures on a Quarterly basis

2008-IV	2009-I	2009-II	2009-III	2009-IV	2010-I	2010-II	2010-III	2010-IV
---------	--------	---------	----------	---------	--------	---------	----------	---------

Development Employment Data
Construction Employment

- Average Wage per employee
- Total construction payroll
- Average Benefits per employee
- Other expenses per employee
- Cost of materials from region
- Cost of materials from outside of region
- Other Development Expenses

Golden Heartland retained Cumming Corporation to provide a conceptual Statement of Probable Cost which provides an overall construction cost of \$399,284,351 for phase I and \$173,179,031 for phase II. These estimates include employment and labor costs associated with the project.

PUBLIC SECTOR IMPACTS OF LGF

2009 2010 2011 2012 2013 2014 2015

Population Growth

of Construction Employees or LGF Employees who will be new residents to the area

Units of Measure

#

Infrastructure Costs

Roads/Streets Improvements

% Paid by Developer

% Paid by Public Sector

\$ 4,583,990

100%

0%

Water/Sewer Improvements

% Paid by Developer

% Paid by Public Sector

\$ 1,586,600

100%

0%

Storm Drains

% Paid by Developer

% Paid by Public Sector

\$

801,300

100%

0%

Law Enforcement Building, New or Improved

% Paid by Developer

% Paid by Public Sector

See response below.

See response below.

See response below.

Fire Station, New or Improved

% Paid by Developer

% Paid by Public Sector

See response below.

See response below.

See response below.

Operating Costs

School System

of Additional K-12 students

Estimated number of additional

K-12 teachers

K-12 support staff

Add't salary cost-teachers

Add't salary cost-support staff

Estimated number of additional

#

#

#

\$

\$

Golden Heartland has had ongoing discussions with the Superintendents of all the school districts in Wyandotte County to determine their needs and how the facility can best provide assistance that benefits all jurisdictions.

Refer to page 33 of the Economic Impact study for additional information on the impact of the facility on the existing school system. The Economic Impact study does not contain the specific information requested. In order for our consultant to provide this type of information, a census of Edwardsville and

Golden Heartland, Inc.

PUBLIC SECTOR IMPACTS OF LGF

2009 2010 2011 2012 2013 2014 2015

the surrounding areas will need to be conducted. That information would need to be projected into the marketplace with an evaluation of the existing school system.

classrooms needed
 # Estimated add't sq. footage of ancillary K-12 needed (gyms, cafeterias, etc.)
 \$ Estimated cost of additional rolling stock

Law Enforcement

Estimated # of add't personnel
 Uniform
 Non-Uniform
 Estimated salary/benefits
 Uniform
 Non-Uniform
 Estimated add't non-salary expense (services/supplies)
 Estimated add't rolling stock expense
 Estimated add't capital outlay expense (computers, equipment)

Golden Heartland and its consultants have had ongoing discussions with local law enforcement to determine their needs. To assist with police protection we will have a fully trained security and surveillance department that will at a minimum meet the requirements of the Kansas Lottery. We will be staffed with armed security guards to patrol the facility, surrounding grounds and outlying areas. The City Administrator in Edwardsville has indicated that their analysis of the police department suggests minimal to no impact on their existing facilities and at most one additional officer may be required for public safety.

Refer to pages 34 - 36 of the Economic Impact study for additional information on the impact of the facility on local law enforcement.

Fire Protection

Estimated # of add't personnel
 Uniform
 Non-Uniform
 Estimated salary/benefits
 Uniform
 Non-Uniform
 Estimated add't non-salary expense (services/supplies)
 Estimated add't rolling stock expense
 Estimated add't capital outlay expense (computers, equipment)

Golden Heartland and its consultants have had ongoing discussions with local fire department to determine their needs. The facility building will be of type 1-A structural fire resistance construction in accordance with the 2006 International Building Code. The building will be equipped with a sprinkler system and a smoke detection/control system. We will also employ a Fire Life Safety consultant for this project to ensure compliance with local code and Authorities Having Jurisdiction (AHJ). The City Administrator in Edwardsville has indicated that their analysis of the fire department suggests minimal to no impact on their existing facilities.

Refer to pages 37 - 39 of the Economic Impact study for additional information on the impact of the facility on the local fire department.

Ambulance Service

Estimated # of add't personnel

The Edwardsville Fire Department provides first response medical care to provide rapid intervention in

PUBLIC SECTOR IMPACTS OF LGF

	2009	2010	2011	2012	2013	2014	2015
#							
#							
\$							
\$							
\$							
\$							
\$							

Uniform
Non-Uniform
Uniform
Non-Uniform

Estimated add't non-salary expense (services/supplies)
Estimated add't rolling stock expense
Estimated add't capital outlay expense (computers, equipment)

medical emergencies. Ambulance service to the citizens of Edwardsville is currently contracted with the Kansas City, KS Fire Department. Golden Heartland will have security personnel that are trained in the operation of automated external defibrillators ("AEDs") as well as other life safety training as part of the Security / Surveillance Plan for the facility.

Refer to page 39 of the Economic Impact study for additional information on the impact of the facility on local ambulance service.

Public Sector Revenue

Change in Ad-Valorem Tax Property Tax

State	\$						
County	\$		207,173				
Cities (Edwardsville)	\$		19,278,023				
Cities (Bonner Springs)	\$		6,985,219				
	\$		11,532,671				
Sales and Use Tax	\$						
County	\$		1,991,846				
City (Edwardsville)	\$		337,258				
City (Bonner Springs)	\$		959,013				
State	\$		4,691,904				
LGF Gaming Revenue	\$						
Exp. Lottery Act Revenue Fund	\$		60,943,685				
Problem Gambling Fund	\$		5,540,335				
Privilege Fee	\$		25,000,000				
Cities (Edwardsville)	\$		2,077,626				
Cities (Bonner Springs)	\$		193,219				
County	\$		6,039,658				

See also Economic Impact Study p. 25 and 30 for additional tax impact.

Golden Heartland, Inc.

PLEASE NOTE WHAT YOU CONSIDER TO BE THE TEN MOST IMPORTANT FEATURES OF YOUR PROPOSAL.

What factors of your proposal are most distinctive in making it more attractive to Kansas and its residents than a "generic" gaming facility that could be developed within this zone?

Please provide descriptions of ten (or fewer) features in 250 words or less for each.

- 1. Tom Watson Designed golf course** - Local golf legend Tom Watson has teamed up with Golden Heartland to design a championship 18-hole golf course. Tom's many championship titles and commitment to the Kansas community will draw local and national golfers to the facility. The course will integrate the natural landscape and water features to create an outstanding golf experience. Additionally it will serve an environmental purpose because the storm water will be collected in runoff drains and piped to the south of the property where it will be maintained in holding ponds on the golf course. The water can then be utilized as irrigation for the golf course and other possible needs of the facility.
- 2. Friedmutter Designed Facility** - Golden Heartland has retained world renowned design company, Friedmutter Design Group, to create a resort to blend the Midwest comfort with cutting edge design. Friedmutter's vision of the property will incorporate much of the natural stone and indigenous materials with a luxury resort atmosphere.
- 3. Covered parking w/ valet service and other hotel transportation** - Golden Heartland has a 2,020 space covered parking garage planned for the facility that will include covered valet service. Additionally, we propose to provide shuttle service to local commercial areas that will interconnect with the Kansas City Area Transportation Authority.
- 4. Casino layout** - Golden Heartland is designing the casino floor with what we believe is the right size facility for the market with 2,500 slots, 98 table games and a poker room. To ensure the casino does not have a warehouse feel, we have designed it with wide isles, comfortable slot stools, fixtures and décor that provide for a pleasing atmosphere.
- 5. Entertainment / Show room** - Golden Heartland's facility will offer an entertainment venue for local, regional and national entertainers and musical acts. We anticipate a concept similar to a House of Blues facility.
- 6. Dining options** - Golden Heartland proposes a casually upscale steakhouse along with several themed restaurants and bars throughout the facility. We anticipate including several well known national chain restaurants within both phases of the facility.
- 7. Pool w/ seasonal entertainment** - The facilities' pool area will be design to include private cabanas and VIP areas along with poolside entertainment when the weather permits. Food and beverage service will also be available.
- 8. Spa** - Golden Heartland anticipates creating a full service spa and salon that will offer a variety of services.
- 9. Loft / Retail development** - The residential and retail component to the project will be added in Phase II and will be designed to compliment the current environment while providing an attractive amenity to the golf course and hotel and casino resort. Golden Heartland is proposing a retail development that will compliment the business at the Legends at Village West, while differentiating itself by providing an alternative to the existing facilities. Although specific chains and retail outlets have not yet been determined, we anticipate that the tenant mix will include national and local upscale and diverse businesses.
- 10. Bowling Center** - Golden Heartland is proposing to design a 60 lane bowling facility with state of the art scoring system to include cosmic bowling, full service food and beverage and a pro shop that will provide entertainment for all age-groups.

SUMMARY OF PROPOSAL DATA

Proposer: **Golden Heartland, Inc.**

Project Description

Unit of Measure

From award of license to opening (in months)		
Temporary facility if applicable	N/A	
Permanent facility	28	
Total investment in project	\$ 914,112,968	Phase I and Phase II (not including the \$25m privilege fee)
Casino square footage	131,804	
No. of hotel rooms	300	
# food and beverage outlets	14	
Convention center square footage	25000	Opportunity to expand in Phase II
Retail square footage	127552	
Event/entertainment facility square footage	79546	Showroom/bowling/spa
No. of covered parking spaces	2020	
No. of surface parking spaces	1229	

**1st Full Year of
Operation**

No. of annual visitors	#	3,900,000
% within 100 miles	%	18.5%
% of overnight visitors	%	4.6%
Annual gross gaming revenue	\$	\$ 285,874,704
Annual hotel occupancy	%	82.2%
Annual hotel revenue	\$	\$ 14,428,326
Annual food and beverage revenue	\$	\$ 26,107,919
Net income before federal income taxes	\$	(18,750,137) year 2011

Employment and Payroll

No. of FTE operating employees-total project	#	1625	(1850 including golf FTE's)
Annual operating payroll-total project	\$	\$48,917,100	

Economic and Fiscal Impacts

Total economic impact-construction	\$	\$ 1,405,520,758	EI Table 33 (both construction phases)
Total economic impact-operating	\$	\$ 578,748,098	EI Table 33
Total incremental public sector revenue-construction	\$		Refer to Public Sector tab for explanation.
Total incremental public sector costs-construction	\$		Refer to Public Sector tab for explanation.
Total incremental public sector revenue-operating	\$		Refer to Public Sector tab for explanation.
Total incremental public sector costs-operating	\$		Refer to Public Sector tab for explanation.

Three Most Important Features

1. Tom Watson designed golf course
2. Friedmutter designed facility
3. Covered parking with valet service and other hotel transportation

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 Kansas Gaming Zone, and is entered into as of the 27th day of May, 2008 (the "Execution Date"). ~~_____ 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. 2007 Supp. 74-8733 through 74-8773, and Golden Heartland, Inc., a Nevada corporation ~~_____~~ (“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) “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 Kansas ~~_____~~ gaming zone.
 - b) “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.
 - c) “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.
 - d) “Commission” means the Kansas Lottery Commission.
 - e) “Effective Date” means the date this Agreement is signed by all the parties and all required approvals for the Agreement are obtained in accordance with the Kansas Expanded Lottery Act and rules and regulations

promulgated pursuant thereto.

- f) “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, 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. 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.
- g) “Executive Director” means the executive director of the Kansas Lottery.
- h) “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.
- i) “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.
- j) “Kansas Expanded Lottery Act” means the provisions contained in K.S.A. 2007 Supp. 74-8733 through 74-8773, and amendments thereto which may become effective during this Agreement’s term.
- k) “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.
- l) “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.
- m) “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.

- n) "Lottery Gaming Facility" means that portion of the building 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.
- o) "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~~ⁱⁿ which the Kansas Lottery has no financial interest) even if the revenue is generated within the Lottery Gaming Facility or (ii) Promotional Credit(s).
- p) "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.
- q) "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.
- r) "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.
- s) "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.
- t) "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 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.

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, 57, 58, 60, 61, 62, 63, 66, 68, 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 1100 days after the Effective Date.~~INSERT 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:

- 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; or
- c) Any other reason determined by the Executive Director in his sole discretion that adversely impacted Manager’s ability to perform.

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.

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 Nevada, _____, and is duly qualified to do business as such in Kansas.
- b) Manager has 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.

- 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 effect 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.
- e) Manager has acquired valid options~~full title~~ ~~[alternative: the ability to acquire full title]~~ to the property~~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 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 except the litigation against the Kansas Lottery and the Executive Director involving the constitutionality of the Kansas Expanded Lottery Act and other litigation identified in Paragraph 8 below. No revenue bonds, state tax abatement, local tax abatement, tax increment financing or similar financing has or will be used to finance or apply to any part of Manager's Lottery Gaming Enterprise.

- 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 Manager's knowledge (having undertaken no independent investigation as of the Execution Date), 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 and its principals have 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).
- 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; or oversight of lost patron monies. 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 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 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, 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 Lottery explicitly retains the power to overrule any action of Manager affecting the gaming operation without prior notice and the Lottery retains full control over all decisions concerning Lottery Gaming Facility Games. No Gray Machines will be permitted at the Lottery Gaming Facility.
- 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 ~~county commission~~ [\[alternative: city governing body\]](#) 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 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.
- 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.

8. **Kansas Expanded Lottery Act Litigation.** Manager acknowledges it enters into this Agreement with the understanding that the Kansas Expanded Lottery Act's constitutionality under the Kansas Constitution, 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 acknowledges it is aware of the pending case of *State ex rel. Stephen Six v. Kansas Lottery and Ed Van Petten*, Shawnee County District Court Case No. 07 C 1312, and presently docketed with the Kansas Supreme Court as Case No. 08-99957-S, in which the constitutionality of the Kansas Expanded Lottery Act is under review. Manager also acknowledges it is aware of the pending case of *Flunder v. Kansas Lottery, et al.*, Shawnee County, Kansas Case No. 08 C 442, in which certain relief is requested regarding the applicant contracting process in the Northeast Kansas Gaming Zone under the Kansas Expanded Lottery Act. Manager further acknowledges that other litigation may be commenced in the future challenging the KELA or the Kansas Lottery's implementation pursuant thereto. The Kansas Lottery makes no warranty or representation, either express or implied, regarding the Kansas Expanded Lottery Act's constitutionality or validity, or the implementation pursuant thereto. 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 sentence will be interpreted to restrict or to be prejudicial to any right Manager may have through litigation or other legal means to seek repayment of Manager's privilege fee if the Kansas Expanded Lottery Act is

declared unconstitutional.

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.

10. **Conditions Precedent to Lottery Gaming Facility Opening.** Prior to permitting initial public access to the Lottery Gaming Facility, Manager must:

- 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 local zoning requirements applicable to the Lottery Gaming Facility.
- g) 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. 2007 Supp. 74-8755.
- h) Obtain and maintain all necessary governmental permits and licenses when and as may be required by law.
- i) Be in compliance with all other requirements in this Agreement as and when applicable.

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 maximize Lottery Gaming Facility Revenues. 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. Notwithstanding the foregoing, the uses of any of the Ancillary Lottery Gaming Facility Operations provided for in Manager's Application for Lottery Gaming Facility manager shall be deemed approved under this Paragraph 12.

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 completed and the Lottery Facility Games ready for play by the public within that facility no later than 1100 days after the Effective Date, [INSERT 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.

14. Construction Related to Ancillary Lottery Gaming Facilities

Operations. Manager will 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.

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. The 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;
- k) Providing legal support related to the development and construction responsibilities undertaken by Manager; and
- l) Ensuring all required insurance is maintained in force.

16. **Exclusive Use of Lottery Gaming Facility.** 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 beverage service, food service, 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.

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.

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, ~~alternative \$5.5 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 within 30 days after the Commission's approval, this Agreement will be void and Manager will forfeit any rights it may have to be a Lottery Gaming Facility Manager [in the Northeast Kansas gaming zone](#) under the Kansas Expanded Lottery Act [under Manager's Application for Lottery Gaming Facility Manager, unless the application process is reopened.](#) Once all required approvals for this Agreement are obtained in accordance with the Kansas Expanded Lottery Act, 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. The Executive Director will provide Manager with notice of any meeting of the Kansas Racing and Gaming Commission to consider approval of Manager and this Agreement -within ten (10) days of the Executive Director receiving notice of such meeting. 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 Kansas gaming zone prior to transfer of Manager's privilege fee payment to the Expanded Lottery Revenue Fund, the Executive Director will promptly direct the state treasurer to refund, without interest, Manager's privilege fee payment. If the Kansas Expanded Lottery Act, or any portion thereof, is declared unconstitutional by a court of competent jurisdiction before Manager's privilege fee is transferred to the Expanded Lottery Act Revenues Fund, the Executive Director will promptly direct the state treasurer to refund, without interest, Manager's privilege fee payment at Manager's written request.

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.

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 must approve all agreements concerning software licensing and ownership affecting the Lottery Facility Games made available to Players at the Lottery Gaming Facility.

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. 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 caused by within Manager's intentional act, 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 accidental and involuntary and 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. Manager agrees 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 to be given to anyone in the Lottery Gaming Facility Revenues generated at the Lottery Gaming Facility that are to be remitted daily to the State.

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 the following percentages of the Lottery Gaming Facility Revenues generated at the Lottery Gaming Facility depending upon the applicable annual calendar year revenues, as follows: (a) 73% of all annual Lottery Gaming facility Revenues up to and including \$250 million; (b) 72% of all annual Lottery Gaming Facility Revenues in excess of \$250 million, up to and including \$300 million; (c) 71% of all annual Lottery Gaming Facility Revenues in excess of \$300 million, up to and including \$350 million; (d) 70% of all annual Lottery Gaming Facility Revenues in excess of \$350 million, up to and including \$400 million; (e) 69% of all

~~annual Lottery Gaming Facility Revenues in excess of \$400 million, up to and including \$450 million; (f) 68% of all annual Lottery Gaming Facility Revenues in excess of \$450 million, up to and including \$500 million; and (g) 67% of all annual Lottery Gaming Facility Revenues in excess of \$500 million. year of operation, as follows: (a) 73% during the first partial Fiscal Year of operation, if any, and the first full Fiscal Year thereafter; (b) 72% during the second Fiscal Year of operation; (c) 71% during the third Fiscal Year of operation; (d) 69% during the fourth Fiscal Year of operation; (e) 68% during the fifth Fiscal Year of operation; (f) 65% during the sixth Fiscal Year of operation; and (g) 62% thereafter.~~

~~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.~~

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 one and one-half ~~two~~ percent (1.5%) ~~of (3%) to the county in which the~~ Lottery Gaming Facility Revenues to be paid ~~is located [alternative language for this 3% if not in a city, or if in the southeast or south central zones to Wyandotte County and one and one and one-half percent (1.5%) to The City of Edwardsville, Kansas, as provided in comply with K.S.A. 2007 Supp. 74-8734(15)(A), and amendments thereto. 74-8734(h)(15) and (16), or to conform to manager's application if increased from statute.]~~

28. **Manager's Payments for Kansas Lottery's Expenses and Kansas Racing and Gaming Commission's Expenses~~Costs~~ for Oversight and Regulation.** Manager must pay the expenses of the Kansas Lottery and the Kansas Racing and Gaming Commission, as follows:

- a) Manager's share of the Kansas Lottery's 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 subparagraph (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 notice 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 before making Manager's monthly 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, plus 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. The Executive Director's determination as to expenses of the Kansas Lottery to be paid by Manager will be conclusive, absent manifest error.

- 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 will be void, and Manager will 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 it has been advised 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.~~
- 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 the Kansas Lottery at Racetrack Gaming Facilities and Lottery Gaming Facilities that are part of ~~this~~ the central computer system.

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);
- c) Maintain the Lottery Gaming Facility and all property and improvements associated with its Ancillary Lottery Gaming Facility Operations in working order and good~~first class~~ condition, ordinary wear and tear excepted, including, without limitation, interior and exterior cleaning, painting and decorating, plumbing, carpentry and such other items that may be commercially reasonable; and
- d) Manage the Lottery Gaming Facility and all of Ancillary Lottery Gaming Facility Operations in a sound, diligent, and prudent manner in accordance with this Agreement.

30. **Prohibitions Applicable to the State.** The Kansas Lottery, acting on behalf of the State of Kansas, agrees by entering into this Agreement that:

- a) Neither the Kansas Lottery nor the State of Kansas will enter into a management contract for more than four (4) lottery gaming facilities or similar facilities in the four gaming zones outlined in the Kansas Expanded Lottery Act 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; 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.** If the State of Kansas violates any provision in Paragraph 30 above, 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%).(10%), if the State of Kansas violates any provision in Paragraph 30 above.~~ 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 will appoint one or more persons to oversee ~~on-site~~ the Lottery Facility Games on-site at the Lottery Gaming Facility and to oversee 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) Insurance against loss or damage by fire, lightning, and other casualties, with a uniform standard extended coverage endorsement, 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 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, with limits of not less than \$10,000,000 per accident or occurrence on account of personal injury, including death resulting there from, and \$10,000,000 per accident or occurrence 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.
- d) Business interruption insurance against the perils enumerated in subparagraph (a) and in amounts determined by the Executive Director to be appropriate and commercially reasonable to protect both the Kansas Lottery's and Manager's financial interests in the revenue produced by the Lottery Gaming Facility.

- e) 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, which coverage may be satisfied with limits of not less than \\$1,000,000 per occurrence laws.](#)
- f) 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.

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 a named insured, or additional named insured. 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 effect, 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 Company must file with the Executive Director a certificate from 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.

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, 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. Manager will have no obligation to rebuild the Lottery Gaming Facility if such damage, destruction or condemnation occurs within five (5) years of the end of this Agreement's term. The Kansas Lottery will have no obligation to replace, repair, rebuild or restore the Lottery Gaming Facility.

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 maximize to the greatest extent possible 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 [reflect adversely on the Kansas Lottery](#), ~~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 may include information regarding problem gambling as directed by the Executive Director.

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; and (c) 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, 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.

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. Manager will administer such program at the Lottery Gaming Facility as the Executive Director may provide. 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.

41. **Use of Trademarks, Service Marks, and Trade Names.** 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.

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 commercially reasonable 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 employment and retention 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 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 Key Employees list at any time for any reason.

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 and 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 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 discrepancy greater than \$100,000 on any other line item 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.

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. 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.

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. 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.

48. **Bank Accounts.** Manager will establish a special bank account in its name at a Kansas bank approved by the Executive Director with Manager being the only party authorized to draw from this account except upon a default under this Agreement by Manager or any termination of this Agreement at which time the Executive Director will have that authority. This bank account will be used by Manager for all payments. The Executive Director will cause Manager's portion of the Lottery Gaming Facility Revenues to be deposited into this account monthly. With the Executive Director's approval, Manager may establish at the same bank multiple accounts to segregate certain expenses, such as payroll.

49. **Events of Default by Manager.** - Each of the following will constitute an event of default by Manager:

- a) Manager's failure to pay any amount owed the Kansas Lottery and/or the Kansas Racing and Gaming Commission in the manner provided for in

this Agreement, if the Kansas Lottery decides in its sole discretion to give notice of such default to Manager, except where notice is expressly provided for herein, in which case such notice will be required; 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 unstayed and in effect for a period of 120 consecutive days; or
- e) Manager's failure to perform, keep or fulfill any other covenant, undertakings, obligations or conditions set out in this Agreement for a period of thirty (30) days after written notice of said failure from the Executive Director (unless a shorter period of time is expressly provided for 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.
- f) Withdrawal of any approval granted, loss or suspension of any license 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; or
- g) Manager's financial condition being such that the sum of Manager's debts exceeds the fair market value of Manager's assets.

50. **Remedies on Event of Default by Manager.** If an event of default by Manager occurs as provided above, the Executive Director may, without prejudice to any other legal or equitable remedy which he may have, give Manager notice of the Kansas Lottery's intention to terminate this Agreement after the expiration of thirty (30) fifteen (15) days from the date of such notice 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 [Northeast](#) Kansas gaming zone without penalty to the Kansas Lottery or further recourse by [Manager, subject to Manager's right to pursue its legal recourses regarding such termination.](#)~~Manager~~. Manager further acknowledges that its [uncured](#) 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.

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. 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, 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, 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. 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.

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, 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. This entire Paragraph 54 does not include, and Manager shall have no obligation to indemnify any Indemnified Party in any action against the Kansas Lottery or its staff regarding the constitutionality of the Kansas Expanded Lottery Act or conduct, action or inaction~~misconduct~~ by an Indemnified Party that is found to be negligent or criminal.

~~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.~~

- c) To hold and save harmless any Indemnified Party from liability for any violation or breach of this Agreement by Manager, its employees, or agents.
- d) 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.
- e) 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. Manager agrees to defend (with counsel selected by the Executive Director), at Manager's sole expense, any Indemnified Party, and to pay on demand all reasonable costs and expenses related to such defense regarding any indemnification right provided for in this paragraph. Nothing contained in this provision will relieve Manager from responsibility to the Kansas Lottery, as a result of willful misconduct, gross negligence, material breach of this Agreement, or acts outside the scope of Manager's authority under this Agreement on the part of Manager, its agents or employees, and Manager agrees to indemnify any Indemnified Party for damage or loss resulting from said acts. Nothing contained in this provision will require Manager to indemnify, defend or hold harmless any Lottery Indemnified Party as a result of any negligent act or omission or willful misconduct or malicious conduct of the Executive Director, the Commission or the State of Kansas, or the agents or employees thereof, including all Lottery Indemnified Parties. Manager's obligations under this paragraph 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 limits.

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, 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 undischarged 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. This Agreement is not transferable in bankruptcy without the Executive Director's approval.

57. **Assignment.** This Agreement may not be assigned in whole or in part without the Executive Director's ~~express~~ written consent, ~~and which may be granted or withheld~~ in his sole and absolute discretion, provided that the Executive Director's consent shall not be unreasonably withheld, conditioned or delayed as to any transaction where Manager retains at least a fifty percent (50%) interest. ~~discretion.~~ The Executive Director acknowledges that a joint venture or other business combination or transfer of an equity interest involving Manager and a suitable third party or parties is permissible, provided such party or parties receive all approvals required by applicable statute or regulation.

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:

Golden Heartland, Inc.
6595 S. Jones Boulevard
Las Vegas, NV 89118
Attn: Blake L. Sartini
Telephone: 702-891-4235
Facsimile: 785-891-4202

With a copy to: Golden Heartland, Inc.
6595 S. Jones Boulevard
Las Vegas, NV 89118
Attn: Rod S. Atamian
Telephone: 702-891-4237
Facsimile: 702-891-4206

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.** Except as otherwise provided herein, 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.

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 including but not limited to such as an act of God, god, final resolution of any material litigation (including the litigation referred to in Paragraph 8 above) strike, lockout, breakdown, accident, order or regulation of or by any governmental authority, 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 claims or court orders restricting Manager's ability to perform so long as such orders, claims or court orders are not on account of any misconduct by Manager. The provisions of this Paragraph 63 notwithstanding, the parties agree the litigation component of the force majeure definition does 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.

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 (6) months advance written notice if:

- a) K.S.A. 2007 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. 2007 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. 2007 Supp. 74-8734(h)(12) or (13) above the amounts provided for in this Agreement;
- c) K.S.A. 2007 Supp. 74-8734 (h)(15)(h)(16) or other applicable statute or regulation is amended to increase above the aggregate the minimum percentages stated in K.S.A. 2007 Supp. 74-8734(h)(16) above the amounts provided for in this Agreement;
- 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. 2007 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 any type of Lottery Facility Gamestable 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;

- 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; ~~or~~
- j) The Kansas Expanded Lottery Act is amended by statutory enactment or judicial interpretation in any manner that renders the Lottery Gaming Facility no longer commercially viable; or
- k) If litigation or any other challenge to the constitutionality of the Kansas Expanded Lottery Act or the enforceability of this Agreement remains in question more than 180 days after the Effective Date.

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. If (g), (h), (i), (j) or (k) occur, Manager will have the right to cease its management activities as provided in this paragraph. 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 at any time prior to its approval by the Lottery Gaming Facility Review Board. 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. Manager acknowledges and agrees that if it withdraws its application pursuant to this paragraph, this Agreement will be void and Manager will not be permitted to re-apply as a Lottery Gaming Facility Manager in the Northeast Kansas gaming zone~~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. 2007 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 30 days, 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 ~~that 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. Manager waives any right it may have to bring any action in federal court (or to remove any action from state court to federal court).

73. **Headings Not Controlling; Construction.** 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.

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. 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), which has been revised by the parties and is attached as Exhibit F, are incorporated in this Agreement as though set out in full.

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 Execution Date, date first above written.

THE KANSAS LOTTERY

By: _____
Ed Van Petten, Executive Director

GOLDEN HEARTLAND, LLC [INSERT NAME]

By: _____

EXHIBIT SCHEDULE

EXHIBIT A – Environmental Compliance and Indemnification Agreement

EXHIBIT B – County Endorsement

EXHIBIT C –Expected Construction Sequence

EXHIBIT D –Key Employees

EXHIBIT E– Financing Commitment Description

EXHIBIT F – DA-146a (revised by the parties)

EXHIBIT "A"

**ENVIRONMENTAL COMPLIANCE AND
INDEMNIFICATION AGREEMENT**

**ENVIRONMENTAL COMPLIANCE
AND INDEMNIFICATION AGREEMENT**

THIS ENVIRONMENTAL COMPLIANCE AND INDEMNIFICATION AGREEMENT (the "Environmental Compliance Agreement"), dated as of May 27, 2008, is given by GOLDEN HEARTLAND, INC. ("Manager"), a Nevada corporation having offices at 6595 South Jones Boulevard, Las Vegas, Nevada, 89118, and its affiliate, GOLDEN GAMING, INC., a Nevada corporation (collectively "Indemnitors"), to the **Kansas Lottery**, an agency of the State of Kansas having its principal office at 128 N. Kansas Avenue, Topeka, KS 66603-3638.

RECITALS

WHEREAS, the Manager is the owner of, or is acquiring title to or other interest in, certain real property located in the City of Edwardsville, State of Kansas and described more fully in Schedule "A" attached and made a part hereof (the "Premises"); and

WHEREAS, the Manager is contracting with the Kansas Lottery to be a Lottery Gaming Facility Manager, as that term is defined in the Kansas Expanded Lottery Act, K.S.A. 2007 Supp. 74-8733 through 74-8773, which will consist of a Lottery Gaming Facility and certain Ancillary Lottery Gaming Facility Operations, as referenced in a Lottery Gaming Facility Management Contract of even date (the "Management Contract"), to which this Environmental Compliance Agreement is attached (collectively referred to as the "Project"); and

WHEREAS, if the Management Contract becomes effective upon Manager obtaining all necessary approvals, the Lottery Gaming Facility Management Contract contemplates that Manager will construct and maintain the Project in which a certain portion will be used to house a Lottery Gaming Facility, the business of which will be owned and operated by the Kansas Lottery ; and

WHEREAS, the Kansas Lottery is unwilling to enter into the Lottery Gaming Facility Management Contract unless the Manager and the Indemnitors execute and deliver this Environmental Compliance Agreement to the Kansas Lottery.

NOW, THEREFORE, in consideration of the foregoing and to induce the Kansas Lottery to consummate the Lottery Gaming Facility Management Contract, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Manager and the Indemnitors covenant and agree with the Kansas Lottery as follows:

1. **DEFINITIONS**. All capitalized terms used in this Environmental Compliance Agreement will have the meanings set forth below, or, if not defined herein, will have the meanings provided in the Management Contract.

(a) **Environment** means any water, groundwater, water vapor, land (including land surface or subsurface), soil vapor, air, fish, wildlife, biota, and all other natural resources.

(b) Environmental Laws mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the Environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances (as defined below) and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

(c) Environmental Permits mean all permits, licenses, approvals, authorizations, consents or registrations required by any applicable Environmental Law in connection with the ownership, use and/or operation of the Premises for the storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances or the sale, transfer or conveyance of the Premises.

(d) Hazardous Substance means any substance (i) the presence of which requires investigation or remediation under any Environmental Law; or (ii) which is or becomes defined as a “hazardous waste”, “hazardous substance”, “toxic substance”, “solid waste”, pollutant and/or or contaminant under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. section 9601 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. section 6901 *et seq.*), as amended, the Hazardous Materials Transportation Act, as amended (49 U.S.C. Section 1801 *et seq.*), the Clean Air Act (42 U.S.C. Sections 7401, *et seq.*), the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601, *et seq.*), the Clean Water Act, as amended (33 U.S.C. Sections 1251 *et seq.*), the Occupational Safety and Health Act, as amended (29 U.S.C.A. Section 651 *et seq.*), and/or any other applicable Environmental Law or any regulations promulgated under any of the foregoing; or (iii) which is toxic (including, but not limited to, toxic mold), explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, the State of Kansas or any political subdivision thereof; or (iv) the presence of which on the Premises causes or threatens to cause a nuisance upon the Property or to adjacent properties or poses or threatens to pose a hazard to the health or safety of persons on or about the Premises; or (v) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or (vi) which contains polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde foam insulation.

(e) Improvements mean any buildings, structures and other improvements (if any) presently or hereafter located on the Premises.

(f) Indemnitee means the Kansas Lottery, the Kansas Lottery Commission, and the State of Kansas, and their successors and assigns, and their respective officers, directors, employees, agents, representatives, contractors and subcontractors.

(g) Release means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the Environment (including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Hazardous Substance).

2. REPRESENTATIONS AND WARRANTIES: The Manager represents and warrants to the Kansas Lottery that to Manager's current actual knowledge as of the date hereof, having undertaken no independent investigation:

(a) Neither the Premises nor any property adjacent to or within the immediate vicinity of the Premises is being or has been used for the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substance or as a landfill or other solid waste disposal site or for military, manufacturing or industrial purposes or for the storage of petroleum or petroleum based products.

(b) Underground storage tanks are not and have not been located on the Premises.

(c) The soil, subsoil, bedrock, soil vapor, surface water and groundwater of the Premises are free of any Hazardous Substances.

(d) There has been no Release nor is there the threat of a Release of any Hazardous Substance on, at or from the Premises, or any property adjacent to or within the immediate vicinity of the Premises which through soil, subsoil, soil vapor, bedrock, surface water or groundwater migration could come to be located on the Premises, and the Manager has not received any form of notice or inquiry from any federal, state or local governmental agency or authority, any operator, tenant, subtenant, licensee or occupant of the Premises or any property adjacent to or within the immediate vicinity of the Premises or any other person with regard to a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises or any property adjacent to or within the immediate vicinity of the Premises.

(e) All Environmental Permits necessary for the acquisition, construction, equipping, use or operation of the Premises will be obtained as and when appropriate.

(f) No event has occurred with respect to the Premises which, with the passage of time or the giving of notice, or both, would constitute a violation of any applicable Environmental Law or non-compliance with any Environmental Permit.

(g) There are no agreements, consent orders, decrees, judgments, notices of violations, demand letters, license or permit conditions or other orders or directives of any federal, state or local court, governmental agency or authority relating to the past, present or future ownership, use, operation, sale, transfer or conveyance of the Premises which require any change in the present condition of the Premises or any work, repairs, construction, containment, clean-up,

investigations, studies, removal or other remedial action or capital expenditures with respect to the Premises.

(h) There are no actions, suits, claims or proceedings, pending or threatened, which could cause the incurrence of expenses or costs of any name or description or which seek money damages, injunctive relief, investigations, remedial action or any other remedy that arise out of, relate to or result from (i) a violation or alleged violation of any applicable Environmental Law or non-compliance or alleged non-compliance with any Environmental Permit, (ii) the presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises or any property adjacent to or within the immediate vicinity of the Premises or (iii) human exposure to any Hazardous Substance, noises, vibrations or nuisances of whatever kind to the extent the same arise from the condition of the Premises or the ownership, use, operation, sale, transfer or conveyance thereof.

3. COVENANTS OF MANAGER: The Manager covenants and agrees with the Kansas Lottery that, from and after the Effective Date:

(a) The Manager shall keep, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to keep, the Premises free of all Hazardous Substances, except in the ordinary course of business and in compliance with all Environmental Laws, and shall not cause or permit the Premises or any part thereof to be used for the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substances, except in the ordinary course of business and in compliance with all Environmental Laws.

(b) The Manager shall comply with, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to comply with, all applicable Environmental Laws, and shall obtain and comply with, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to obtain and comply with, all Environmental Permits.

(c) The Manager shall not cause or permit any change to be made in the present or intended use of the Premises which would (i) involve the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substance, except in the ordinary course of business and in compliance with all Environmental Laws, or the use of the Premises as a landfill or other solid waste disposal site or for military, manufacturing or industrial purposes or for the storage of petroleum or petroleum based products, except in the ordinary course of business and in compliance with all Environmental Laws, (ii) violate any applicable Environmental Law, (iii) constitute non-compliance with any Environmental Permit or (iv) increase the risk of a Release of any Hazardous Substance.

(d) The Manager shall promptly provide the Kansas Lottery with a copy of all notifications which the Manager gives or receives with respect to any past or present Release or the threat of a Release of any Hazardous Substance on, at or from the Premises or any property adjacent to or within the immediate vicinity of the Premises.

(e) The Manager shall undertake and complete all investigations, studies, sampling and testing and all removal and other remedial actions necessary to contain, remove and clean up all Hazardous Substances that are determined to be present at the Premises in accordance with all applicable Environmental Laws and all Environmental Permits.

(f) The Manager shall at all times allow the Kansas Lottery and its officers, employees, agents, representatives, contractors and subcontractors reasonable access to the Premises for the purposes of ascertaining site conditions, including, but not limited to, subsurface conditions.

(g) If at any time the Manager obtains any evidence or information which suggests that potential environmental problems may exist at the Premises, the Kansas Lottery may require that a full or supplemental environmental investigation and environmental assessment report (including a Phase II environmental investigation) with respect to the Premises of a scope and level of detail satisfactory to the Kansas Lottery be prepared by an environmental engineer or other qualified person acceptable to the Kansas Lottery, at the Manager's expense. Said investigation may include a physical inspection of the Premises, a visual inspection of any property adjacent to or within the immediate vicinity of the Premises, personnel interviews and a review of all Environmental Permits. If the Kansas Lottery requires, such inspection shall also include a records search and/or subsurface testing for the presence of Hazardous Substances in the soil, subsoil, soil vapor, bedrock, surface water and/or groundwater. If the investigations indicate the presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, the Manager shall promptly undertake and diligently pursue to completion all necessary, appropriate and legally authorized investigative, containment, removal, and other remedial actions, using methods recommended by the engineer or other person who conducted the investigations and acceptable to the appropriate federal, state and local agencies or authorities.

4. **INDEMNIFICATION PROVISIONS:** From and after and contingent upon there being an Effective Date, the Manager and the Indemnitors hereby jointly and severally covenant and agree, at their sole cost and expense, to indemnify, protect, defend, and save harmless each and every Indemnitee from and against any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, actions, proceedings, costs, disbursements and/or expenses (including, without limitation, attorneys' and experts' fees for

attorneys and experts selected by the Indemnitee, expenses and disbursements) of any kind or nature whatsoever which may at any time be imposed upon, incurred by or asserted or awarded against any Indemnitee relating to, resulting from or arising out of (a) the use of the Premises for the storage, treatment, generation, transportation, processing, handling, production or disposal of any Hazardous Substance or as a landfill or other waste disposal site or for military, manufacturing or industrial purposes or for the storage of petroleum or petroleum based products, (b) the presence or claimed presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, or of any property adjacent to or within the immediate vicinity of the Premises, (c) the failure to promptly undertake and diligently pursue to completion all necessary, appropriate and legally authorized investigative, containment, removal, clean-up and other remedial actions with respect to a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, (d) human exposure to any Hazardous Substance, vibrations or nuisances of whatever kind to the extent the same arise from the condition of the Premises or the ownership, use, operation, sale, transfer or conveyance thereof, (e) a violation of any applicable Environmental Law, (f) non-compliance with any Environmental Permit, (g) a material misrepresentation or inaccuracy in any representation or warranty or a material breach of or failure to perform any covenant made by the Manager in this Environmental Compliance Agreement, and (h) the designation by any state or governmental entity, the United States Environmental Protection Agency or any other governmental authority of an Indemnitee as a party responsible or potentially responsible for the remediation of any condition on the Premises (collectively, the "Indemnified Matters").

The liability of the Manager and the Indemnitors to the Kansas Lottery and each Indemnitee shall arise only upon the Effective Date, and following the Effective Date, shall be perpetual and shall survive, and shall in no way be limited, abridged, impaired or otherwise affected, by (i) any amendment or modification of any part of the Lottery Gaming Facility Management Contract, (ii) the invalidity or unenforceability of any of the terms or provisions of the Lottery Gaming Facility Management Contract, (iii) any applicable statute of limitations, (iv) any investigation or inquiry conducted by or on the behalf of the Kansas Lottery or any other Indemnitee or any information which the Kansas Lottery or any other Indemnitee may have or obtain with respect to the environmental or ecological condition of the Premises, (v) the sale, transfer or conveyance of all or part of the Premises, (vi) the dissolution or liquidation of the Manager, (vii) the death or legal incapacity of any Indemnitor, (viii) the release or discharge, in whole or in part, of the Manager or any Indemnitor in any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceeding, (ix) any other circumstances which might otherwise constitute a legal or equitable release or discharge, in whole or in part, of the Manager or any Indemnitor under this Environmental Compliance Agreement, (x) the expiration or termination of the Lottery Gaming Facility Management Contract or (xi) the reconveyance of title to the Premises by the Manager or any other person, whether in accordance with the terms of a lease, by foreclosure or deed in lieu of foreclosure, sale or otherwise.

The indemnification agreement contained herein is wholly independent of and in addition to any indemnification agreement given to the Kansas Lottery or any other Indemnitee as part of the application of the Kansas Expanded Lottery Act or any other applicable statute or regulation.

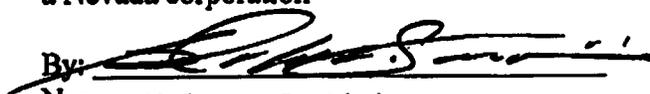
5. **GOVERNING LAW:** This Environmental Compliance Agreement shall be governed by, construed in accordance with and enforceable under the laws of the State of Kansas.

6. **COUNTERPARTS:** This Environmental Compliance Agreement may be executed in one or more counterparts, each of which shall be deemed an original. Said counterparts shall constitute but one and the same instrument and shall be binding upon each of the undersigned as fully and completely as if all had signed the same instrument.

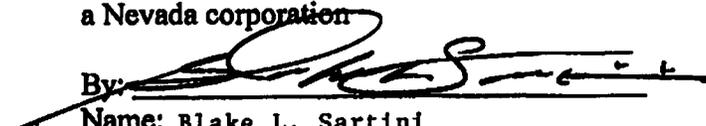
7. **SUCCESSORS AND ASSIGNS:** This Environmental Compliance Agreement shall be binding upon the Manager, its successors and assigns, all subsequent owners of the Premises, the Indemnitors and their respective successors, assigns, executors, administrators, legal representatives, distributees and fiduciaries and shall inure to the benefit of each Indemnitee.

IN WITNESS WHEREOF, the Manager and the Indemnitors have caused this Environmental Compliance Agreement to be duly executed as of the day and year first above written.

GOLDEN HEARTLAND, INC.
a Nevada corporation

By: 
Name: Blake L. Sartini
Title: President

GOLDEN GAMING, INC.,
a Nevada corporation

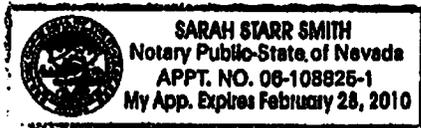
By: 
Name: Blake L. Sartini
Title: President

THE KANSAS LOTTERY

By: _____
Ed Van Petten, Executive Director

State of Nevada)
County of Clark) ss.:

On the 22 day of May in the year 2008, before me, the undersigned, personally appeared Blake L. Sartini, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his representative capacity, and that by his signature on the instrument, the entities upon behalf of which the individual acted, executed the instrument.



Blake L. Sartini
Notary Public

State of _____)
County of _____) ss.:

On the ____ day of _____ in the year 2007 before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

SCHEDULE "A"
(Premises)

EXHIBIT "B"

**ENDORSEMENT BY LOCAL
GOVERNMENT**

RESOLUTION NO. 2007-23

A RESOLUTION OF ENDORSEMENT BY THE CITY OF EDWARDSVILLE, KANSAS FOR THE OPERATION OF A LOTTERY GAMING FACILITY BY GOLDEN HEARTLAND, INC. IN EDWARDSVILLE, WYANDOTTE COUNTY, KANSAS.

WHEREAS, the State of Kansas permits the construction and operation of one lottery gaming facility in Wyandotte County in accordance with the Kansas Expanded Lottery Act (Act); and

WHEREAS, the State requires the operator of such facilities to obtain a Lottery Gaming Facility Management Contract from the Kansas Lottery Commission; and

WHEREAS, the Act requires the lottery gaming facility to comply with any planning or zoning regulations in the city where it shall be located; and

WHEREAS, the Edwardsville Planning Commission has held a public hearing to review and consider the proposed lottery gaming facility; and

WHEREAS, the Edwardsville Planning Commission has found that the proposed lottery gaming facility is compliant with the planning and zoning regulations of the City; and

WHEREAS, the City Council has considered and concurs with the Planning Commission's recommendation of approval of the lottery gaming facility; and

WHEREAS, the Act also requires the potential lottery gaming facility operator to obtain the endorsement of the local community where it shall be located; and

WHEREAS, the City Council has duly considered all information and testimony provided to the Governing body regarding this matter.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF EDWARDSVILLE, KANSAS, AS FOLLOWS:

Section 1. The Governing Body hereby endorses Golden Heartland, Inc. to the Kansas Lottery Commission to serve as the Lottery Gaming Facility Manager in Edwardsville, Wyandotte County, Kansas.

Section 2. This Resolution shall take effect and be in full force immediately after its adoption by the Governing Body of the City.

ADOPTED this 10th day of December, 2007.



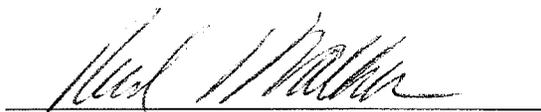
William Heinz Rodgers, Mayor

ATTEST:



Phyllis Freeman, City Clerk

APPROVED AS TO FORM



H. Reed Walker, City Attorney

EXHIBIT "C"

**EXPECTED CONSTRUCTION
SEQUENCE**

Activity ID	Activity Description	Orig Dur	Early Start	Early Finish	2008	2009	2010	2011	2012	2013	2014	2015
000	STATE OPERATOR SELECTION	0	18SEP08									
DESIGN												
003	COMPLETE DD DESIGN HOTEL / CASINO /	21	19SEP08	17OCT08								
028	GOLF COURSE DESIGN GRADING	65	22SEP08	18DEC08								
018	HOTEL CD'S SHELL	110	22SEP08	20FEB09								
009	CASINO CD'S SHELL	110	22SEP08	20FEB09								
032	SITE CIVIL DESIGN UTILITIES ETC	110	22SEP08	20FEB09								
024	GOLF COURSE FINAL DESIGN	85	22SEP08	20FEB09								
006	CASINO GARAGE	85	22SEP08	16JAN09								
015	SITE CIVIL / MASS EXCAVATION DESIGN	65	22SEP08	19DEC08								
021	HOTEL CD'S INTERIORS	85	17NOV08	13MAR09								
026	CASINO CD'S INTERIORS	85	17NOV08	13MAR09								
027	GOLF COURSE CLUBHOUSE	20	22DEC08	19FEB09								
029	SITE CIVIL / MASS EX ... PERMIT	20	22DEC08	16JAN09								
025	GOLF COURSE DESIGN GRADING ... PERMIT	20	22DEC08	16JAN09								
037	CASINO GARAGE ... PERMIT	40	19JAN09	13MAR09								
013	HOTEL CD'S SHELL ... PERMIT	40	16FEB09	14APR09								
019	CASINO CD'S SHELL ... PERMIT	40	23FEB09	17APR09								
010	SITE CIVIL DESIGN UTILITIES ETC ... PERMIT	20	23FEB09	20MAR09								
033	GOLF COURSE FINAL DESIGN ... PERMIT	20	23FEB09	20MAR09								
016	HOTEL CD'S INTERIORS ... PERMIT	40	16MAR09	08MAY09								
022	CASINO CD'S INTERIORS ... PERMIT	40	16MAR09	08MAY09								
CONSTRUCTION												
SITE WORK												
040	SITE GRADING	130	08JAN09	08JUL10								
043	SITE UTILITIES	152	08MAR09	05OCT09								
046	ROADWAYS	152	26JUN09	25JAN10								
049	SITE PAVING	85	13JUL10	15NOV10								
052	LANDSCAPING	85	05OCT10	31JAN11								
GARAGE												
055	GARAGE FOUNDATIONS	55	08MAR09	27MAY09								
056	PRECAST SHOPS / FAB / DELIVER	175	08MAR09	05NOV09								
070	MEP BELOW GRADE	55	08MAR09	21MAY09								
061	PRECAST ERECTION	130	24JUL09	21JAN10								
064	CONCRETE	85	23NOV09	19MAR10								
073	GARAGE MEP	130	08JAN10	06JUL10								
067	FINISHES	108	05FEB10	06JUL10								
HOTEL												
079	HOTEL STRUCTURAL	173	13MAR09	10NOV09								
094	MEP BELOW GRADE	77	13MAR09	29JUN09								
076	HOTEL FOUNDATIONS	43	13MAR09	12MAY09								
082	HOTEL FACADE	152	13MAY09	10DEC09								
097	HOTEL MEP	326	28JUL09	26OCT10								
091	FIRE SPRINKLERS	218	24SEP09	22JUL10								
085	HOTEL INTERIORS	218	24DEC09	21OCT10								
088	ELEVATORS	130	23APR10	21OCT10								
103	HOTEL F&E OWNER	109	23JUL10	22DEC10								
100	PUNCH LIST FINAL CLEAN	65	01OCT10	30DEC10								
CASINO												
106	CASINO FOUNDATION	62	15APR09	09JUL09								
124	MEP BELOW GRADE	55	15APR09	30JUN09								
109	CONCRETE	65	12JUN09	10SEP09								
112	STRUCTURAL	153	14JUL09	11FEB10								
115	CASINO FACADE	128	03NOV09	29APR10								
127	CASINO MEP	306	03DEC09	03FEB11								
118	CASINO INTERIORS	259	11FEB10	08FEB11								
133	CASINO F&E OWNER	125	02SEP10	23FEB11								
130	PUNCH LIST & FINAL CLEAN	55	09DEC10	23FEB11								
121	FIRE SPRINKLERS	50	18DEC10	26JAN11								

Start Date: 08/25/08
 Finish Date: 08/25/08
 Run Date: 02MAY08 15:07

105SEP09
 06FEB10
 18SEP09
 02MAY08 15:07

Edy Bar
 Progress Bar
 Critical Activity

GC03
 Walton Construction Co. LLC
 Golden Gaming Edwardsville/Bonner Sp
 Preliminary Schedule

Sheet 1 of 2



Activity ID	Activity Description	Orig Dur	Early Start	Early Finish	2008	2009	2010	2011	2012	2013	2014	2015
GOLF COURSE												
136	CLEARING / MASS EXCAVATION	88	16JAN08	19MAY09								
139	COURSE EXCAVATE DEVELOPMENT	129	17APR09	14OCT09								
145	CLUB HOUSE CONSTRUCTION	173	17APR09	15DEC09								
142	LANDSCAPING	109	15OCT09	18MAY10								
151	GOLF COURSE FFE OWNER	43	18NOV09	13JAN10								
148	PUNCH LIST & FINAL CLEAN	23	23NOV09	23DEC09								
DESIGN												
CONSTRUCTION												
CONCRETE & FINISHES												
154	PHASE II DD'S DESIGN	120	06JUN12	20NOV12								
157	PHASE II CD'S	195	09AUG12	07MAY13								
CONCRETE & FINISHES												
160	SITE CLEARING / MASS EXCAVATION	87	21NOV12	21MAY13								
163	SITE CIVIL UTILITIES	76	08FEB13	22MAY13								
172	BUILDING FOUNDATIONS	129	08MAY13	04SEP13								
175	BUILDING CONCRETE	142	19APR13	04NOV13								
187	MEP BELOW GRADE	52	24APR13	04JUL13								
178	BUILDING STRUCTURES	140	24MAY13	08DEC13								
181	BUILDING FACADE	111	25JUN13	28NOV13								
184	FIRE SPRINKLER	164	08AUG13	21MAY14								
190	COMMERCIAL BUILDINGS MEP	164	08AUG13	21MAY14								
189	LOFT APARTMENT FINISHES	164	08SEP13	22APR14								
166	SITE CONCRETE & PAVING	97	07OCT13	18FEB14								
169	LANDSCAPING	75	02JAN14	16APR14								
196	TENANT IMPROVEMENTS BY OWNER	98	13FEB14	30JUN14								
193	PUNCH LIST & FINAL CLEAN	75	24APR14	06AUG14								
GARAGE												
205	PRECAST SHOPS / FAB / DELIVER	106	08MAY13	07OCT13								
202	GARAGE FOUNDATION	53	08MAY13	19JUL13								
217	MEP BELOW GRADE	32	08MAY13	20JUN13								
208	PRECAST EJECTION	86	04SEP13	01JAN14								
220	GARAGE MEP	129	04SEP13	03MAY14								
211	CONCRETE	45	13NOV13	14JAN14								
214	FINISHES	65	02DEC13	29FEB14								
223	PUNCH LIST & FINAL CLEAN	23	10FEB14	12MAY14								

Start Date: 11SEP08
 Finish Date: 06AUG14
 Run Date: 02MAY08 15:01

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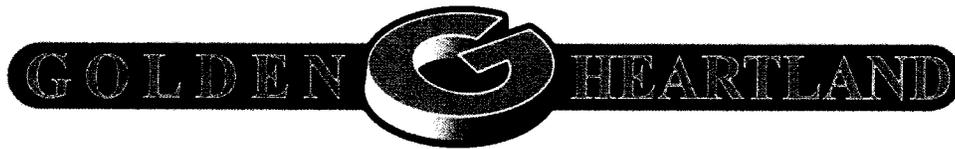
Walton Construction Co. LLC
 Golden Gaming Edwardsville/Bonner Sp
 Preliminary Schedule

Sheet 2 of 2

WALTON CONSTRUCTION

EXHIBIT "D"

KEY EMPLOYEES



CASINO ♦ RESORT ♦ SPA

Key Employees of Gaming Facility Manager

The following positions or their functional equivalents shall be considered Key Employees of the Lottery Gaming Facility Manager Golden Heartland, Inc.:

1. **Vice President / General Manager** – Oversees all departments at the facility; Responsible for all aspects of the operation; Directs staff in providing and directing procedures and systems necessary to maintain proper controls and ensure adequate gaming controls and customer service.
2. **Assistant General Manager** – Assists the General Manager in maintaining proper controls; Oversees IT, Finance, Facilities, Human Resources and assumes the roll of General Manager in his/her absence.
3. **Director of Finance** – Oversees the operations and management of the Finance Department. Responsible for the direction and monitoring of financial and accounting activities as well as its relationship with the state gaming agency and other regulatory agencies.
4. **Vice President of Casino Operations** – Responsible for the overall direction, coordination and evaluation of the table game operations; Safeguards company assets located within the casino; Assures compliance with Internal Controls.
5. **Vice President of Slots** – Directs and coordinates placement of machines, configurations, game adjustments, modifications, upgrades and installations; Conducts slot performance analysis to determine maximum profitability; Safeguards company assets; Assures compliance with Internal Controls.
6. **Vice President of Marketing** – Plans, directs, and coordinates the marketing of the facility's products and/or services; Establishes marketing goals to ensure share of market and profitability of products and services; Develops and executes marketing plans and programs; Plans and oversees the facility's advertising and promotion activities including print, electronic and direct mail outlets.
7. **Director of Information Technology** – Responsible for the installation, maintenance and continuous operation of all computer hardware and software utilized by the facility, including the administrative and accounting offices, casino, restaurant, bar and complete network.
8. **Director of Security** - Directs personnel involved in establishing, promoting and maintaining the facility's security and property protection programs; Establishes, implements and maintains a Security Plan.
9. **Director of Surveillance** – Monitors facility to detect crimes, accidents or disturbances using closed circuit television monitors, and notifies authorities of need for corrective action; Develops, implements and maintains a Surveillance Plan.
10. **Internal Audit Manager** – Directs the companies planning and operational practices as well as its relationship with the state gaming agency and other regulatory agencies by performing essential duties related to the system of internal controls.

EXHIBIT "E"

FINANCING COMMITMENT



101 California Street
Suite 1750
San Francisco, CA 94111
Tel: (415) 676-3423
Fax: (415) 676-3415

December 21, 2007

Golden Heartland, Inc.
c/o Golden Gaming, Inc.
6595 South Jones Blvd.
Las Vegas, NV 89118
Attention: Rodney S. Atamian

Re: Golden Heartland, Inc. -- Highly Confident Letter

Ladies and Gentlemen:

Golden Heartland, Inc. (the "**Company**" or "**you**") has advised Merrill Lynch, Pierce, Fenner & Smith Incorporated ("**Merrill Lynch**", "**Arranger**", "**we**" or "**us**") that the Company, if awarded a lottery gaming facility manager contract by the Kansas Lottery Commission, intends to design, develop, construct and open a Wyandotte County, Kansas casino project (the "**Casino Project**"). You have advised us that the total costs for the Casino Project are estimated to be approximately \$660 million (the "**Casino Project Costs**"), including license fees, land acquisition costs, construction costs, furniture and fixtures, capitalized interest, fees and reserves. In order to pay the Casino Project Costs, (a) Golden Gaming, Inc. ("**GGI**") or one of its affiliates proposes to contribute an approximate amount of \$160 million to \$190 million, in the form of cash (the "**Equity Contribution**") to the owner of the Casino Project (which shall be the Company or one of its affiliates organized in the United States) (the "**Casino Borrower**") and (b) the Casino Borrower will enter into bank and/or bond debt financings in the approximate amount of \$470 million to \$500 million (the "**Casino Debt Financing**"). It is also our understanding that the Company, if successful, would be the sole entity to be awarded a gaming license in Wyandotte County, aside from the existing slots only license awarded to the Pari-mutuel Track in the county, The Woodlands Race Park in Kansas City, Kansas. We also understand no more than six entities will be awarded a license to operate a gaming facility in the State of Kansas.

Based on our discussions with you, and your representatives and advisors, our review of revenue and expense projections, cost estimates for the casino provided by the Company, and our initial understanding of the facts to date and subject to the factors and assumptions referred to herein, as of the date hereof, we are highly confident of our ability to arrange, syndicate, provide, place, underwrite or participate in the Casino Debt Financing. The amount, structure, covenants and terms of each component of the Casino

Debt Financing, will be as determined by Merrill Lynch and our respective affiliates in consultation with the Casino Borrower based on (1) market conditions at the time of the offering, syndication or placement thereof, (2) the form, structure of the Casino Borrower, the Casino Project and the Casino Debt Financing (including guarantees, credit enhancement and security and the tax and legal consequences thereof), (3) definitive project documentation (including, without limitation, the land purchase agreement, any local development agreements, guaranteed maximum price construction agreements, final architectural renderings, personal services agreements with the casino management personnel and various other agreements affecting the Company and the Casino Borrower (collectively, the "Project Documentation")) and (4) definitive credit agreements, construction disbursement agreements and related guarantees, credit enhancements and security agreements, underwriting agreements, placement agreements, indentures and other customary credit and security documentation with respect to the Casino Debt Financing (collectively, the "Casino Debt Financing Documents"), in each case, which shall include customary construction loan provisions, and when finalized, that are satisfactory to the us and prospective debt holders. The Casino Project and all transactions contemplated to be entered into in connection with the Casino Project, the Equity Contribution and the Casino Debt Financing are herein referred to collectively as the "Transactions."

Merrill Lynch's confidence in its ability to execute the Casino Debt Financing is based upon, assumes and is subject to (i) the Casino Borrower being awarded a lottery gaming facility manager contract by the Kansas Lottery Commission (which award is not the subject of judicial or administrative proceedings challenging such award or any aspect thereof) and the receipt of all other requisite court, regulatory, governmental, shareholder, creditor and other third party consents and approvals (or the passage of all applicable waiting periods) required to consummate the Transactions, with none of such consents and approvals imposing a materially burdensome condition on the Casino Borrower or the consummation of the Casino Project in the Arranger's sole judgment; (ii) the Equity Contribution having been made by investors acceptable to the Arranger which is not subject to preference or fraudulent conveyance challenges and on terms acceptable to the Arranger in its sole discretion; (iii) the existence of market conditions during the marketing and syndication process and at the time that the Casino Debt Financing Documents are executed by the parties thereto in such market conditions acceptable for project financings existing for credit facilities, high yield notes, or other bonds or notes comparable in terms, structure and contemplated credit rating of the Casino Debt Financing and, in our sole judgment, there not having occurred and continuing and there not being any likelihood during the marketing and syndication process and at the time that the Casino Debt Financing Documents are executed by the parties thereto of any disruption or material adverse change (or development involving a prospective material adverse change) in U.S. or global financial or capital markets conditions, in each case, generally from those in effect on the date hereof; (iv) in our sole judgment, there not having occurred or becoming known any actual or prospective material adverse change or any condition or event that could reasonably be expected to result in a material adverse change in (A) the proposed business, market conditions, assets, liabilities (contingent or otherwise), the projected results of

operations, condition (financial or otherwise), prospects, debt service capacity, environmental liability or tax position of (1) the Company, taken as a whole, (2) the Casino Borrower taken as a whole (3) the Casino Project (both before and after giving effect to the Transactions) or (4) the providers of any guarantees, credit enhancement or security, (B) the ability of the Casino Borrower or any provider of any guaranty or credit enhancement to perform their obligations under the Casino Debt Financing Documents, (C) the validity or enforceability of the Casino Debt Financing Documents or the rights, remedies, options or benefits of the debt holders under the Casino Debt Financing Documents, (D) the gaming industry in Kansas (including the gaming industry in surrounding states) or any change or proposed change in any law or regulation that could reasonably be expected to result in a material adverse change or condition as set forth in clause (A), or (E) any of the information concerning the Company, the Casino Borrower or the Casino Project that is publicly available or has been provided to the Arranger by or on behalf of the Company or the Casino Borrower or that is reflected in the business plan as described to us by Company management (including with respect to the Casino Project); (v) no change or proposed change in United States, Kansas and other applicable law that could reasonably be expected to materially and adversely affect the economic consequences, including tax treatment, (A) the Company contemplates deriving from the Transactions or (B) the Arranger and the debt holders contemplate deriving from the Casino Debt Financing; (vi) consolidated pro forma capitalization of the Company and its subsidiaries (both before and after giving effect to the Transactions) satisfactory to the Arranger and the receipt of audited financials and any other relevant documentation that is required by securities laws or regulations or by market convention to consummate the Casino Debt Financing, in each case, in form and substance acceptable to the Arranger; (vii) delivery of third party reports to the Arranger including, without limitation, reports related to key person background checks, construction, insurance and environmental matters (all of which shall be satisfactory to the Arranger in its sole discretion), (viii) a FIRREA appraisal of the Casino Project showing a value of the Casino Project upon completion satisfactory to the Arranger, (ix) satisfactory title reports, surveys and title insurance in the amount of the Casino Debt Financing, (x) execution of all required Casino Debt Financing Documents, the Project Documentation and other customary documents, and delivery thereof together with such other documents (including legal opinions and any other statutory, legislative or regulatory approvals) as the Arranger may reasonably require, and the satisfaction of all conditions stated therein, in each case, in form and substance reasonably satisfactory to the Arranger; (xi) the payment of all fees and expenses in accordance herewith and the Casino Debt Financing Documents; (xii) the Arranger having a reasonable time to syndicate or market the Casino Debt Financing based on its experience in comparable transactions and market conditions at such time, the marketing process being conducted in a manner satisfactory to the Arranger in its sole judgment, and utilizing offering materials prepared by the Company and the Casino Borrower that contain all historical and pro forma financial and non-financial information (based upon reasonable assumptions) that would customarily be presented in transactions of such type; (xiii) the satisfactory completion of business, legal, tax, environmental and accounting due diligence by the Arranger up to the time that the Transactions are consummated and the syndication and marketing of the Casino Debt Financing are completed (including ongoing review of the business plan, the financial projections, the

budgets and timelines of the Casino Project, the Project Documentation and other Casino Project related documents, and any amendments or modifications thereof or thereto, and a background review of the Company's directors and officers and key management personnel) and the Arranger not becoming aware of or otherwise discovering new information or developments concerning conditions or events previously made public or otherwise disclosed to the Arranger that it believes in its sole discretion to be inconsistent in any material respect with the information or business plan previously provided or made available to it; (xiv) no default (beyond the expiration of applicable grace, notice and cure periods) existing under the terms of any material agreement of the Company or the Casino Borrower or any of their respective subsidiaries; and (xv) there not existing any threatened, instituted or pending action, proceeding or counterclaim by or before any court or governmental, administrative or regulatory agency or authority challenging any of the Transactions or seeking to obtain, or having resulted in the entry of, any judgment, order or injunction that would restrain, prohibit or impose materially adverse conditions on the Arranger's ability to execute, syndicate or market the Casino Debt Financing or on the consummation of any of the Transactions or the ownership or operation of the Casino Project by the Casino Borrower or any of its subsidiaries, or the businesses or a material portion of any of their businesses or assets of the Company or the Casino Borrower, or seeking material damages. In the event that any of the foregoing conditions, events, or circumstances are either not satisfied or prove to be unsatisfactory to the Arranger, the Arranger reserves the right to terminate the commitments, undertakings and agreements hereunder (and thereafter shall have no other or further obligations hereunder or in connection with the Casino Debt Financing).

This letter is not intended to be and should not be construed as a commitment with respect to the Casino Debt Financings or any other financing and creates no obligation or liability on the part of Merrill Lynch or any of its affiliates in connection with or any agreement by Merrill Lynch or the Company or any of their affiliates to arrange, syndicate, provide, place, underwrite or participate in any financing.

This letter, the contents hereof and our and/or our affiliates' activities pursuant hereto are confidential and shall not be disclosed by or on behalf of you, the Casino Borrower or any of your affiliates to any person (other than your officers, directors, employees and advisors in connection with the Transactions on a need-to-know basis) without our prior written consent, except that you may disclose this letter (i) to the Kansas Lottery Commission and then only in connection with the Transactions and on a confidential and need-to-know basis, and (ii) following your acceptance hereof, as you are required to make by compulsory legal process (based on the advice of legal counsel); provided, that in such event you agree, by your acceptance hereof, to give us prompt notice thereof and to cooperate with us in securing a protective order in the event of compulsory disclosure and that any disclosure made pursuant to public filings shall be subject to our prior approval (not to be unreasonably withheld). You agree that you will permit us to review and approve any reference to us or any of our affiliates in connection with this letter or the transactions contemplated hereby contained in any press release or similar public disclosure prior to public release. You agree that we may share information concerning the Company, the Casino Borrower and the Transactions with our respective affiliates.

This letter shall be governed by, and construed in accordance with, the laws of the State of New York (without regard to principles of conflicts of law).

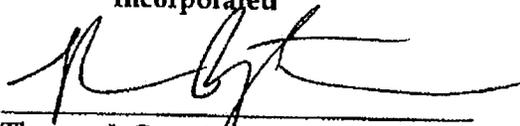
This letter shall be effective upon the date hereof and shall expire 90 days from the date hereof.

We are excited about the opportunity to work with you and look forward to expeditiously proceeding with the Casino Debt Financing. If you have any questions, please do not hesitate to contact the undersigned at 415-676-3423.

Very truly yours,

**Merrill Lynch, Pierce, Fenner & Smith
Incorporated**

By: _____


Thomas J. Granite
Vice President

Morgan Stanley

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Wells Fargo Securities, LLC
600 California Street Suite 1600
San Francisco, CA 94108

December 21, 2007

Golden Gaming, Inc.
6595 S. Jones Blvd.
Las Vegas, NV 89118
Attention: Mr. Blake Sartini

Wyandotte County Project: Highly Confidential Letter

Mr. Sartini:

Golden Gaming, Inc. (“**you**”) has advised Morgan Stanley & Co. Incorporated (“**MS&Co.**”) and Wells Fargo Securities, LLC (together with MS&Co. “**we**” or “**us**”) that, if awarded a lottery gaming facility manager contract by the Kansas Lottery Commission, you intend to enter into a transaction (the “**Transaction**”) in which Golden Heartland, Inc., (the “**Borrower**”) a new company formed by you to develop a destination casino resort in Wyandotte County, Kansas (the “**Project**”).

You have advised us that total funds of up to \$660 million are required to (i) finance the construction of the Project and (ii) pay fees, commissions and expenses in connection therewith. We understand that the sources of such funds will include (a) a senior secured revolving credit facility (the “**Revolver**”), which is expected to be undrawn at closing, (b) the issuance by the Borrower of between \$500 - \$550 million senior notes or other debt securities pursuant to a public offering or Rule 144A or other private placement (the “**Notes**” and together with the Revolver, the “**Debt Financing**”) and (c) approximately \$110 - \$160 million of cash equity invested in the Project and provided by you. You have assured us that no other financing will be required for the uses described above.

In evaluating the Transaction pursuant to your request, we have preliminarily reviewed and relied upon (without independent verification of the accuracy or completeness thereof) certain information provided by you relating to the Transaction and the Project. As of the date hereof and subject to normalization of the capital markets and the factors listed below, we are highly confident that the Debt Financing for the Transaction should be financeable.

For purposes of this letter we have assumed that the structure, covenants and terms of the Debt Financing will be determined by MS&Co. and Wells Fargo Securities, LLC in

consultation with you based on (i) market conditions at the time of syndication, offering or placement of the Debt Financing, (ii) the structure and documentation of the Transaction and related transactions and (iii) the financial prospects of the Borrower.

Our view is based upon the assumption that (i) there will be no change, or the disclosure of any additional information to, or discovery of additional information by, us (including, without limitation, information contained in any review or report provided to us in connection with the Debt Financing) which we deem to be materially adverse in respect of the business, results of operations, condition (financial or otherwise), assets, liabilities or prospects of the Borrower and its subsidiaries, taken as a whole; (ii) there will not occur, in our judgment, a material adverse change or material disruption in the financial, banking or capital markets generally after the date of this letter that could reasonably be expected to have a material adverse effect on the syndication of the Revolver or the marketing of the Notes; (iii) the definitive documentation for the Transaction and related transactions (including, without limitation, the documents relating to the Revolver and the Notes, including an underwriting agreement or placement agreement, a registration rights agreement and other documents) will be prepared, executed and delivered, and will be in form and substance reasonably satisfactory to us and all conditions set forth in such documentation will be satisfied; (iv) all requisite regulatory, governmental, shareholder and other third party approvals required to consummate the Transaction, the Debt Financing and all related transactions will be timely received; (v) the Debt Financing will be marketed for a reasonable period of time, as determined in our reasonable judgment, based on our experience in comparable transactions and market conditions, and the marketing process will be conducted in a manner satisfactory to us and, in the case of the Notes, utilize offering materials that contain all financing and non-financing information required by the Securities Act of 1933 (whether or not the Notes are sold in a transaction registered under such Act) and the rules and regulations thereunder for the registration statements on Form S-1 filed thereunder and, in the case of the Revolver, offering materials customary for bank loan syndications, in each case in form and substance satisfactory to us; (vi) there will not exist any threatened or pending litigation or other action or proceeding by or before any court or governmental, administrative or regulatory agency or authority that we determine could be adverse to the Borrower or challenging all or any part of the Transaction, the financing therefore or transactions related thereto or seeking any material amount of damages with respect thereto; (vii) a customary due diligence review will be completed to our satisfaction and the Transaction will be consummated on terms and conditions and pursuant to documentation satisfactory to us; (viii) audited and unaudited historical financial statements will be made available in form and substance satisfactory to us; (ix) the receipt of internal committee approvals; and (x) the Notes and the Revolver will each be rated prior to funding.

This letter is not intended to be and should not be construed as a commitment to provide, arrange, underwrite, purchase or place all or any portion of Debt Financing, and we express no view as to our willingness (or the willingness of any of our affiliates) to

hold, place, or underwrite any portion of the Debt Financing. This letter is solely for use by you and may not be disclosed to any person without our prior written consent, other than to your directors, officers and advisors and to any regulatory authorities, in each case on a "need to know" basis.

You agree that neither of us nor our respective affiliates shall have any liability to you or any third party relating to this letter or the matters described herein.

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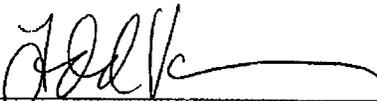
Morgan Stanley

December 21, 2007
Page 4

We look forward to working with you in connection with the financing for the Transaction.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED

By: 
Name: TODD VANNEUWEN
Title: MANAGING DIRECTOR

Morgan Stanley

December 21, 2007

Page 5

WELLS FARGO SECURITIES, LLC

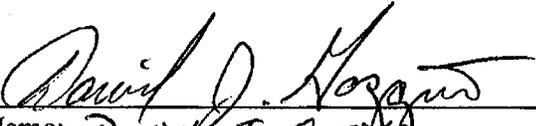
By: 
Name: DANIEL J. GOGGI
Title: MANAGING DIRECTOR - INVESTMENT BANKING

EXHIBIT "F"

**DA-146a CONTRACTUAL
ATTACHMENT**

CONTRACTUAL PROVISIONS ATTACHMENT

Important: This form contains mandatory contract provisions and must be attached to or incorporated in all copies of any contractual agreement. If it is attached to the vendor/contractor's standard contract form, then that form must be altered to contain the following provision:

"The Provisions found in Contractual Provisions Attachment (Form DA-146a, Rev. 1-01), which is attached hereto, are hereby incorporated in this contract and made a part thereof."

The parties agree that the following provisions are hereby incorporated into the contract to which it is attached and made a part thereof, said contract being the _____ day of _____, 20_____.

1. **Terms Herein Controlling Provisions:** Except as provided herein, it is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated.
2. **Agreement With Kansas Law:** All contractual agreements shall be subject to, governed by, and construed according to the laws of the State of Kansas.
- ~~3. **Termination Due To Lack Of Funding Appropriation:** If, in the judgment of the Director of Accounts and Reports, Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year, and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 90 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.~~
3. **Termination Due To Lack Of Funding Appropriation: Intentionally Omitted.**
4. **Disclaimer Of Liability:** ~~Neither~~Except as otherwise provided for in the Lottery Gaming Facility Management Contract, neither the State of Kansas nor any agency thereof shall hold harmless or indemnify any contractor beyond that liability incurred under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).
5. **Anti-Discrimination Clause:** The contractor ~~agrees~~will use the best efforts to: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-1111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency ~~or the Kansas Department of Administration;~~ (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency after contractor is given a reasonable period of time to cure the violation. ~~or the Kansas Department of Administration.~~

Parties to this contract understand that the provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or whose contracts with the contracting state agency cumulatively total \$5,000 or less during the fiscal year of such agency.

6. **Acceptance Of Contract:** This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.
7. **Arbitration, Damages, Warranties:** ~~Notwithstanding any language to the contrary~~Except as otherwise provided for in the Lottery Gaming Facility Management Contract, no interpretation shall be allowed to find the State or any agency thereof has agreed to binding arbitration, or the payment of damages or penalties upon the occurrence of a contingency. Further, the State of Kansas shall not agree to pay attorney fees and late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect which attempts to exclude, modify, disclaim or otherwise attempt to limit implied warranties of merchantability and fitness for a particular purpose.
8. **Representative's Authority To Contract:** By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.
9. **Responsibility For Taxes:** The State of Kansas shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.
10. **Insurance:** The State of Kansas shall not be required to purchase, any insurance against loss or damage to any personal property to which this contract relates, nor shall this contract require the State to establish a "self-insurance" fund to protect against any such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the vendor or lessor shall bear the risk of any loss or damage to any personal property in which vendor or lessor holds title.
11. **Information:** No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to information pursuant to K.S.A. 46-1101 et seq.

EXECUTIVE SUMMARY OF GAMING ZONE:

1. **NAME OF FACILITY:** Legends Sun
2. **NAME OF MANAGER:** Leg Sun, LLC
3. **LOCATION OF FACILITY:** 11501 Parallel Parkway, Kansas City, Kansas 66109 in Wyandotte County (located near the I-70 and I-435 interchange)
4. **INVESTMENT IN INFRASTRUCTURE:** Approximately \$767 million
5. **PRINCIPALS/OWNERS:** RED Leg Sun, LLC (an affiliate of RED Development) will serve as the lead developer of the project. Mohegan Resorts Kansas, LLC (an affiliate of The Mohegan Tribal Gaming Authority) will manage the casino. Leg Sun, LLC is owned 2/3 by Mohegan Resorts Kansas, LLC and 1/3 by RED Leg Sun, LLC.
6. **GAMING EXPERIENCE:** The Mohegan Tribal Gaming Authority operates one of the largest casinos in the United States, Mohegan Sun in Connecticut. Mohegan Sun is comprised of two separate gaming areas, the Casino of the Earth and Casino of the Sky (with expansions currently under construction). MTGA also operates Mohegan Sun at Pocono Downs in Wilkes-Barre, Pennsylvania. The Connecticut casinos alone attract over 11 million visitors annually, employ more than 10,000 people, and operate over 6,000 slot machines and over 275 table games, with a full array of ancillary services. When opened, Mohegan Sun at Pocono Downs was Pennsylvania's first commercial casino.
7. **RESOLUTION OF ENDORSEMENT OBTAINED:** Yes (by the Unified Government of Wyandotte County/Kansas City, Kansas on December 13, 2007, subject to the Development Agreement that was executed by and between the Unified Government and Leg Sun LLC on December 28, 2007)
8. **PLANNING AND ZONING APPROVAL:** Yes (by the Unified Government of Wyandotte County/Kansas City, Kansas on December 4, 2007 subject to certain conditions).
9. **THEME:** Contemporary
10. **NUMBER OF SLOT MACHINES:** 2,000
11. **NUMBER OF TABLES (POSITIONS):** 60 table games (360 positions) & 25 poker tables (250 positions)

12. ANTICIPATED GAMING REVENUE IN YEAR 1, YEAR 2, YEAR 3: \$271 million the first year, \$282 million the second and \$296 million the third

13. ANCILLARY FACILITIES:

- a. Hotel (350 rooms)**
- b. 18-hole Robert Trent Jones, Jr. championship golf course**
- c. Several restaurants/dining areas including a Michael Jordan's Steakhouse**
- d. Nightclubs/live entertainment**
- e. Convention/event center**
- f. Spa and fitness center**
- g. Retail shops**
- h. Residential space**

14. ANTICIPATED ANCILLARY REVENUE IN YEAR 1, YEAR 2, YEAR 3 (EXCLUDING THIRD PARTY TENANT REVENUES): \$14.2 million the first year, \$14.4 million the second and \$14.7 million the third

15. NUMBER OF GAMING VISITORS (LOCAL – WITHIN 100 MILES OF FACILITY) PER YEAR: 2.07 million

16. NUMBER OF GAMING VISITORS (TOURISTS – FURTHER THAN 100 MILES FROM FACILITY) PER YEAR: 841 thousand

17. NUMBER OF ANCILLARY VISITORS (LOCAL) PER YEAR: 1.14 million

18. NUMBER OF ANCILLARY VISITORS (TOURISTS) PER YEAR: 168.2 thousand

19. NUMBER OF FULL TIME EMPLOYEES: 2,500 FTEs (Full Time Equivalents)

20. PROJECTED OPENING DATE: December 2010

21. LENGTH OF CONSTRUCTION PERIOD: 20 Months

22. PROPOSED TEMPORARY FACILITY (YES/NO): No

23. IF YES, PROJECTED DATE OF OPENING TEMPORARY FACILITY: N/A

a. NUMBER OF SLOT MACHINES AT TEMPORARY: N/A

b. NUMBER OF TABLE GAMES (POSITIONS) AT TEMPORARY: N/A

c. ANTICIPATED GAMING REVENUE AT TEMPORARY: N/A

24. REWARDS PROGRAM: Yes

25. POTENTIAL FOR EXPANSION OF GAMING FLOOR: Potential Phase II expansion includes an additional 1,500 machines, an additional 30 table games, 650 room hotel, four dining outlets, cabaret, addition to spa, additional convention center space, additional residential units, structured parking garage, and childcare facility.

26. OTHER GAMING OPERATIONS:

Mohegan Sun

Mohegan Sun, opened in October 1996, is located on a 185-acre site on the Mohegan Tribe's reservation overlooking the Thames River with direct access from Interstate 395 and Connecticut Route 2A via a four-lane access road. Mohegan Sun is approximately 125 miles from New York City and approximately 100 miles from Boston, Massachusetts. In fiscal year 2002, a major expansion of Mohegan Sun known as Project Sunburst was completed. The first phase of Project Sunburst, the Casino of the Sky, which included increased gaming, restaurant and retail space and an entertainment arena, opened in September 2001. The remaining components, including the approximately 1,200-room luxury Sky hotel and approximately 100,000 square feet of convention space, were fully opened in June 2002.

Mohegan Sun operates in an approximately 3.0 million square-foot facility, which includes the following:

Casino of the Earth

As of March 31, 2008, the Casino of the Earth had approximately 188,000 square feet of gaming space and offered:

- approximately 3,600 slot machines and 200 table games (including blackjack, roulette, craps and baccarat);
- food and beverage amenities, including the Birches Bar & Grill, a 285-seat full-service restaurant and bar, three full-service themed fine dining restaurants, with a fourth area featuring cuisine from all three adjacent restaurant themes, a 630-seat buffet, a ten-station food court featuring international and

domestic cuisine, the “Hong Kong” Street food outlet offering authentic Southeast Asian cuisine, and multiple service bars, all operated by us, for a current total of approximately 1,700 restaurant seats;

- an approximately 10,000 square-foot, 410-seat lounge featuring live entertainment seven days a week;
- an approximately 11,000 square-foot simulcasting race book facility;
- five retail shops providing shopping opportunities ranging from Mohegan Sun logo souvenirs to cigars; and
- Sunrise Square, our new 8,500 square-foot Asian-themed gaming area offering 46 table games

Casino of the Sky

As of March 31, 2008, the Casino of the Sky had approximately 119,000 square feet of gaming space and offered:

- approximately 2,400 slot machines and 120 table games (including blackjack, roulette, craps and baccarat);
- food and beverage amenities, including two full-service restaurants, two quick-service restaurants, a 24-hour coffee shop, a 350-seat buffet and five lounges and bars operated by us, as well as four full-service restaurants, three quick-service restaurants and a multi-station food court operated by third parties, for a total of approximately 2,600 restaurant seats;
- Mohegan After Dark, consisting of a nightclub, a lounge and a pub, all operated by a third party;
- the Mohegan Sun Arena with seating for up to 10,000;
- a 350-seat Cabaret;
- The Shops at Mohegan Sun containing 32 retail shops;
- an approximately 1,200-room luxury hotel with a private high limit table games suite on the 36th floor;
- an approximately 20,000 square-foot spa operated by a third party;

- approximately 100,000 square feet of convention space; and
- a child care facility and an arcade style entertainment area operated by a third party.

Mohegan Sun has parking spaces for approximately 13,000 guests and 3,100 employees. Mohegan Sun also operates a gasoline and convenience center, an approximately 4,000 square-foot, 20-pump facility located adjacent to Mohegan Sun.

Project Horizon

A major expansion of Mohegan Sun, known as Project Horizon is currently underway and consists of four major components (Sunrise Square, Casino of the Wind, Earth Expansion and Property Infrastructure). The plans for Project Horizon include adding approximately 919 hotel rooms, gaming space and other new non-gaming amenities to Mohegan Sun. Upon completion of Project Horizon, Mohegan Sun is expected to offer approximately 7,000 slot machines, 380 table games, including poker, 2,100 hotel rooms, 75 restaurant and retail outlets, 30 bars and lounges and 4 entertainment venues.

Sunrise Square, a new Asian-themed gaming area in the Casino of the Earth, was completed in August 2007. Sunrise Square includes 8,500 square feet of gaming space offering 46 table games such as Mini-Baccarat, Sic Bo and Pai Gow Poker, a 5,000-square-foot bus lobby and a 4,000-square-foot "Hong Kong" Street food outlet.

Also under construction is the Casino of the Wind, a new gaming area adjacent to the Casino of the Sky, which is expected to include approximately 45,000 square feet of gaming space with approximately 670 slot machines, 28 table games and a themed poker room with 42 tables, as well as approximately 20,000 square feet of new dining and retail amenities, including a two-level, 16,000-square-foot Jimmy Buffett's Margaritaville Restaurant and the Chief's Deli, a casual dining restaurant. Groundbreaking for the Casino of the Wind occurred in June 2007, and the new casino is scheduled to open in the fall of 2008.

Project Horizon also includes the Earth Expansion, which features the Earth hotel. The Earth hotel is expected to include approximately 919 rooms, including approximately 261 House of Blues-themed hotel rooms, and a House of Blues Foundation Room. The Earth Expansion also is planned to include new House of Blues-themed dining and entertainment amenities, including an approximately

36,000-square-foot music hall and a 3,000-square-foot special events room. In addition, the Earth Expansion will include approximately 44,000 square feet of retail space, additional food and beverage facilities, including two fine-dining options, a burger restaurant, four bars, a family-style sit down pizzeria and a four-station quick-serve dining area. Groundbreaking for the Earth Expansion occurred on May 14, 2008. The Earth hotel and related facilities are expected to open in October 2010.

The Property Infrastructure component of Project Horizon is underway and includes a 1,500-space parking garage and additional surface parking lots, site development and road improvements on or adjacent to the property.

Mohegan Sun at Pocono Downs

Through Downs Racing, MTGA owns and operates the slot machine and harness racing facility known as Mohegan Sun at Pocono Downs located on approximately 400 acres in Plains Township, Pennsylvania, as well as several Pennsylvania OTWs located in Carbondale, East Stroudsburg, Hazleton and Lehigh Valley (Allentown). Harness racing has been conducted at Pocono Downs since 1965. The Lehigh Valley (Allentown) OTW is a 28,000 square-foot facility and is the largest OTW in the Commonwealth of Pennsylvania.

Downs Racing continues its harness racing activities for the 2008 racing season, which began on April 1, 2008. Year round simulcast pari-mutuel wagering activities also are conducted at Mohegan Sun at Pocono Downs and the OTW facilities. A new state of the art, pari-mutuel simulcast facility at Mohegan Sun at Pocono Downs opened in March 2006.

Pocono Downs was the first location to offer slot machine gaming in the Commonwealth of Pennsylvania when Phase I of the gaming and entertainment facility opened to the public on November 14, 2006. The two-level casino includes 90,000 square feet of gaming space, currently operates 24 hours a day, seven days a week and houses approximately 1,200 slot machines. The facility also offers two casino bars, a food court and a retail shop.

Project Sunrise, the Phase II gaming and entertainment facility at Mohegan Sun at Pocono Downs, is being developed at Pocono Downs on land adjacent to the existing gaming facility. When completed, the combined facility is anticipated to include approximately 2,500 slot machines, three full-service restaurants, a 300-seat buffet, a quick-serve dining area, six retail outlets, three bars/lounges, additional parking and bus amenities. Construction commenced in May 2007 with a grand opening planned for July 17, 2008.

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TIMELINE OF PROJECT - LEGENDS SUN

	DATE	COMMENTS OR DESCRIPTIONS
Estimated date of awarding of License	September-2008	
Estimated date for approval of all building plans and variances	March-2009	
Estimated date for Ground-breaking	April-2009	Site grading may occur earlier
If project is to be phased, please describe the phases		Leg Sun, LLC will develop and build all program elements specified in the official application submitted to the Kansas Lottery Commission within 36 months of being selected as the gaming facility manager. There may be market conditions, however that cause Leg Sun, LLC to delay the Retail and Residential component by 15-months from the completion date listed below.

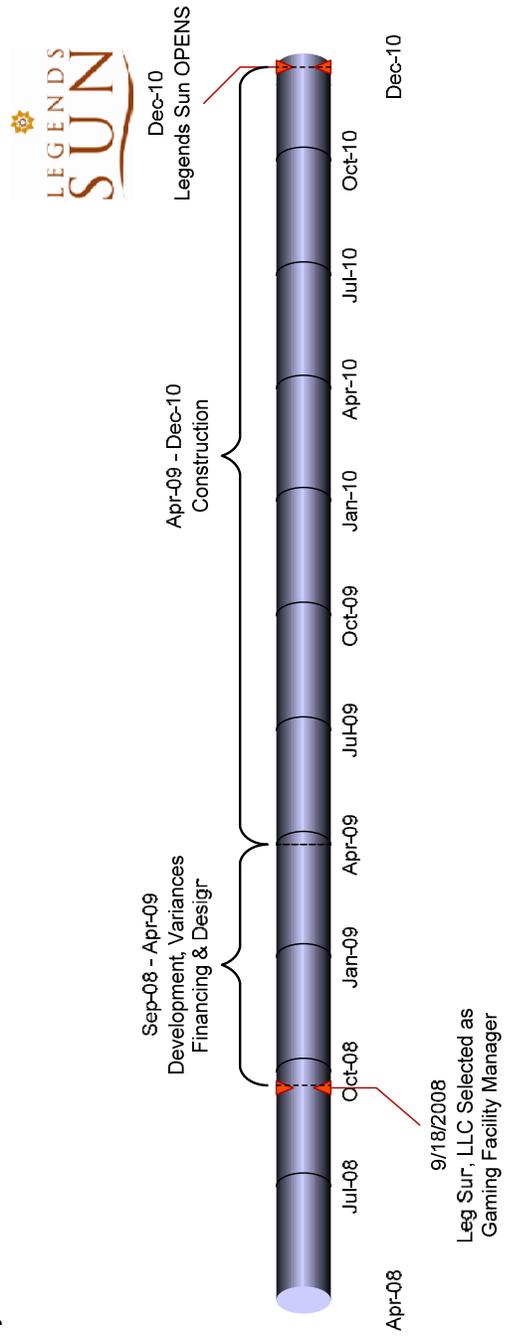
Completion date for Phase 1 December-2010

Completion date for Phase 2 N/A

If project is going to involve a temporary gaming facility, please note estimated date of opening of the temporary and the permanent facility

Estimated Opening Date for temporary facility N/A

Estimated Opening Date for permanent facility December-2010





DESCRIPTION OF CASINO AND OTHER PHYSICAL FACILITIES
LEGENDS SUN

COMMENTS

CASINO
 Square Footage 131,000
 Units of Measure 2,000

Number of slot machines 25
 Poker Games 60
 Number of table games 45
 Types of table games offered: 5

Blackjack 45
 Craps 5
 Roulette 3
 Pat Gow Poker 2
 Other games 5 Mini-Bac, Let it Ride, Caribbean Stud

HOTEL
 Square Footage 365,000
 Hotel will include a Luxury Spa and Fitness Center
 Total square footage of public areas 40,000
 Does not include Spa, Fitness Center and Pool Area
 Number of standard rooms 314
 Includes corridors, excludes elevators and stairwells
 Number of premium rooms 36
 Square footage of standard room 560
 Square footage of premium room (average) 1,200

DESCRIPTION

Amenities in standard rooms (specify):
 Additional amenities in premium rooms (specify):
 Additional amenities in public areas (specify):
 LCD Television, In-Room Dining, Free Local Calls, Wi-Fi, Complementary In-room Coffee Maker, Mini-Bar
 Standard Room Plus: Jacuzzi, Multiple Large LCD Televisions, Robes, Access to Hospitality Club Lounge
 Conierge & Tourism Desk, VIP Check-in, Lobby Bar (see below), Luxury Spa, Pool
 a Luxury Spa featuring a 4,000 sq ft Fitness center - may be branded with a nationally recognized name
 an expansive pool complex with water features, private cabanas and pool bar

RESTAURANTS

Number of restaurants and eating outlets 5 Does not include Catering and Room Service

Specify theme, avg daily covers, and avg spend per cover of each restaurant:
 24-Hour 'Coffee-Shop' 200 American Contemporary 292,000 \$ 13.75
 Buffet 350 Fresh Market Theme with International & Southwestern Influences 550,000 \$ 15.25
 Casual Themed Concept 120 A Bistro Concept Featuring Authentic International Cuisine 79,000 \$ 35.00
 Quick Service 150 A Mix of 4 to 5 Nationally Branded Concepts with Shared Seating, includes a Free Standing Coffee Shop 220,000 \$ 8.50
 Michael Jordan's Steakhouse 150 A Tenant Leased or Licensed world-class Steakhouse 99,000 \$ 54.00

BARS AND LOUNGES

Number of bars and lounges 4

Specify theme & size of each bar
 Center Bar 80 An inviting, 'where the action is' attraction that is the focal point of the center of the casino
 Lobby Bar 35 An upscale, relaxing lounge; appointed with the central theme of the hotel lobby
 Entertainment Bar 120 A lounge adjacent to the entertainment venue profiling the best in Sports and Entertainment
 Terrace & Pool Bar 360 12 A tropical theme specializing in frozen exotic drinks
 High Limit Lounge 900 30 A convenient escape from the casino floor for our most valued guests



DESCRIPTION OF CASINO AND OTHER PHYSICAL FACILITIES
LEGENDS SUN

COMMENTS

	Square Footage	Seating Capacity	
ENTERTAINMENT VENUES		1	
Number of Entertainment Venues			
Describe and note size of each venue			DESCRIPTION
Entertainment Showroom	36,000		1,200 A Multi-Purpose Showroom with convertible space for Special Events, Concerts, Theatre Shows, or Large Banquets, Venue #2
EVENT VENUES			
Number of Event Venues			*Included in the multi-purpose Entertainment Showroom and or dedicated Convention Space
Describe and note size of each venue			DESCRIPTION
Venue #1	Square Footage	Seating Capacity	
CONVENTION FACILITIES			
Square footage of Convention Space	40,500		Does not include 36,000 sq ft of multi-purpose space available in the Entertainment Showroom
Square footage of Pre Function & Back of House Space	15,300		
Number of Break-out Rooms		8	Averaging 1,000 sq ft each
Capacity of Break-out rooms			
Room #1 - #8	School-room seating	Theater seating	
	50	90	Until otherwise designed, reflects averages for each of the 8 Break-out rooms
SPORTS AND RECREATION FACILITIES			DESCRIPTION
Description of Sports/Recreation Offerings			
Robert Trent Jones Jr 18-Hole Golf Course			Tentatively called LEGENDS NATIONAL GOLF CLUB, semi-private with access allowed to the general public
RETAIL OUTLETS			
Description and size of Retail Outlets	Square Footage		DESCRIPTION
Legends Sun Logo	1,800		Logo Shop featuring an array of Legends Sun logo wear
Tobacco Shop	900		High-end smoke shop featuring a walk-in humidor and wide selection of imported cigars
Hotel Shop	900		Various convenience and sundry items
Jewelry	1,400		High-end jeweler
	<u>5,000</u>		
Retail - Lifestyle Center Shopping	200,000		An appropriate mix of Large Anchor, In-Line, and Restaurant/Bars retail tenants
Total Retail	<u>205,000</u>		
PARKING FACILITIES			
Number of surface parking spaces		2,000	Includes Valet and Employee Parking
Total paved square footage for surface parking	712,000		Include ingress and egress coverage, Porte Cochere
Number of enclosed parking spaces	1,500		Includes entrances
Total square footage for enclosed parking	577,855		Include ingress and egress coverage
Number of valet parking spaces			Included in Surface and Garage figures
Number of employee parking spaces			Included in Surface figures
Number of parking spaces for Recreational Vehicles			None
OTHER FACILITIES	Square Footage	Units	
Residential Component	200,000	250	Residential Units located above the lifestyle retail storefronts

LEGENDS SUN
Supplemental Schedule of Visitation and Spending

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LEGENDS SUN

	2009	2010	2011	2012	2013	2014	2015
DIRECT REVENUES							
<i>Casino, Resort, Golf</i>							
<i>from financial model</i>							
Slot Revenue	\$ -	\$ -	\$ 229,950,000	\$ 239,148,000	\$ 251,105,400	\$ 258,638,562	\$ 266,397,719
Table Games Revenue	-	-	36,682,500	38,149,800	40,057,290	41,259,009	42,496,779
Poker Revenue	-	-	4,106,250	4,270,500	4,484,025	4,618,546	4,757,102
Total Gaming Revenue	-	-	270,738,750	281,568,300	295,646,715	304,516,116	313,651,600
<i>Growth</i>				4.0%	5.0%	3.0%	3.0%
Hotel Revenue	-	-	15,546,324	16,017,463	16,501,357	16,914,792	17,338,030
Food & Beverage Revenue	-	-	26,083,961	27,397,891	29,315,955	30,760,022	31,965,242
Retail/Other Revenue	-	-	10,375,746	10,721,680	11,265,891	11,612,406	11,883,989
Entertainment Revenue	-	-	1,764,000	2,043,468	2,202,319	2,286,479	2,373,124
Convention Services Revenue	-	-	2,824,078	2,966,976	3,177,632	3,338,420	3,473,292
Total Non-Gaming Revenue	-	-	56,594,108	59,147,478	62,463,153	64,912,118	67,033,677
<i>Growth</i>				4.5%	5.6%	3.9%	3.3%
Golf Revenue			2,578,588	2,655,945	2,735,623	2,817,692	2,902,223
Retail & Residential			11,618,500	11,781,520	11,948,655	12,120,014	12,295,707
Gross Revenue	\$ -	\$ -	\$ 341,529,946	\$ 355,153,243	\$ 372,794,147	\$ 384,365,941	\$ 395,883,207
<i>Growth</i>				4.0%	5.0%	3.1%	3.0%

INDIRECT REVENUES

Retail Tenants

from supplemental schedules

	sq ft	\$ / Sq ft					
Junior Anchors	50,000	\$ 175	\$ 8,750,000	\$ 9,144,776	\$ 9,657,412	\$ 10,036,045	\$ 10,364,059
Inline Shops	75,000	300	22,500,000	23,515,138	24,833,344	25,806,974	26,650,437
Restaurant/Bars	75,000	400	30,000,000	31,353,517	33,111,125	34,409,298	35,533,917
Subtotal Retail Stores	200,000	\$ 306	\$ 61,250,000	\$ 64,013,431	\$ 67,601,881	\$ 70,252,317	\$ 72,548,413

TOTAL SPENDING

	\$ 402,779,946	\$ 419,166,674	\$ 440,396,028	\$ 454,618,257	\$ 468,431,620
Spending Non-Gaming	132,041,196	137,598,374	144,749,313	150,102,141	154,780,020

VISITATION AND SPENDING PATTERNS DURING OPERATIONS PHASE OF LOTTERY GAMING FACILITY



LEGENDS SUN

<< Confidential Proprietary Information >>

*Note: Visitation and Spending figures below reflect both Direct and Indirect Spending in the Legends Sun Complex
Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING: 12/16/2010

Unit of Measure	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
RESIDENTS							
Resident population (within 100 miles)							
Number of adult residents	#		2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Residential gaming penetration rate *	%		35%	35%	35%	35%	35%
Market penetration rate**	%		70%	71%	72%	73%	74%
Visits per gaming resident per year	#		3.68	3.70	3.72	3.75	3.80
Total resident gaming visits per year	#		2,073,540	2,114,735	2,156,112	2,203,688	2,263,660
Resident non-gaming visits per year***	#		1,135,714	1,160,385	1,185,325	1,213,231	1,246,882
Total Residential visits per year	#		3,209,254	3,275,120	3,341,437	3,416,919	3,510,542
Residential gaming spend per visit	\$		\$ 83.52	\$ 84.87	\$ 87.08	\$ 87.51	\$ 87.66
Residential gamer non-gaming spend per diem	\$		\$ 16.00	\$ 16.35	\$ 16.87	\$ 17.11	\$ 17.18
Per diem gaming resident	\$		\$ 38.00	\$ 38.76	\$ 39.91	\$ 40.44	\$ 40.57
Per diem non-gaming resident	\$		\$ 173,182,061	\$ 179,472,910	\$ 187,749,872	\$ 192,836,020	\$ 198,423,775
Total Residential Gaming Spend per annum	\$		\$ 76,333,774	\$ 79,546,411	\$ 83,680,410	\$ 86,774,910	\$ 89,479,219
Total Residential Non-Gaming Spend per annum	\$						
TOURISTS (residence more than 100 miles away)							
Tourist gaming visits per year*	#		841,000	866,230	892,217	918,983	946,553
Tourist non-gaming visits per year**	#		168,200	173,246	178,443	183,797	189,311
Total Tourist visits per year	#		1,009,200	1,039,476	1,070,660	1,102,780	1,135,863
Tourist gaming spend per diem	\$		\$ 116.00	\$ 117.86	\$ 120.93	\$ 121.53	\$ 121.73
Tourist gamer non-gaming spend per diem	\$		\$ 50.00	\$ 50.59	\$ 51.67	\$ 52.02	\$ 52.07
Tourist non-gamer spend per diem	\$		\$ 81.20	\$ 82.15	\$ 83.90	\$ 84.47	\$ 84.57
Total Tourist Gaming Spend per annum	\$		\$ 97,556,689	\$ 102,095,390	\$ 107,896,843	\$ 111,680,096	\$ 115,227,825
Total Tourist Non-Gaming Spend per annum	\$		\$ 55,707,422	\$ 58,051,963	\$ 61,068,903	\$ 63,327,231	\$ 65,300,801
TOTAL VISITATION PER YEAR	#		4,218,454	4,314,596	4,412,098	4,519,699	4,646,406
TOTAL GAMING SPEND PER YEAR	\$		270,738,750	281,568,300	295,646,715	304,516,116	313,651,600
TOTAL NON-GAMING SPEND PER YEAR	\$		132,041,196	137,598,374	144,749,313	150,102,141	154,780,020
TOTAL DIRECT & INDIRECT SPEND			<u>402,779,946</u>	<u>419,166,674</u>	<u>440,396,028</u>	<u>454,618,257</u>	<u>468,431,620</u>
Tourist Visitors							
Total number of tourists	%		1,009,200	1,039,476	1,070,660	1,102,780	1,135,863
Leisure tourists	#	85%	857,820	883,555	910,061	937,363	965,484
Business/conference tourists	#	15%	151,380	155,921	160,599	165,417	170,379
Leisure tourists - Please specify top five source markets							
Other Kansas	#	9.0%	77,204	79,520	81,905	84,363	86,894
Oklahoma	#	15.0%	128,673	132,533	136,509	140,604	144,823
Nebraska	#	10.0%	85,782	88,356	91,006	93,736	96,548
Iowa	#	18.0%	154,408	159,040	163,811	168,725	173,787
Missouri	#	27.0%	231,611	238,560	245,716	253,088	260,681
Other	#	21.0%	180,142	185,547	191,113	196,846	202,752
Business/Conference Tourists - Please specify top five source markets							
Other Kansas	#	9.0%	13,624	14,033	14,454	14,888	15,334
Oklahoma	#	15.0%	22,707	23,388	24,090	24,813	25,557
Nebraska	#	10.0%	15,138	15,592	16,060	16,542	17,038
Iowa	#	18.0%	27,248	28,066	28,908	29,775	30,668
Missouri	#	27.0%	40,873	42,099	43,362	44,663	46,002
Other	#	21.0%	31,790	32,743	33,726	34,738	35,780
100.0%							

VISITATION AND SPENDING PATTERNS DURING OPERATIONS PHASE OF LOTTERY GAMING FACILITY



LEGENDS SUN

<< Confidential Proprietary Information >>

*Note: Visitation and Spending figures below reflect both Direct and Indirect Spending in the Legends Sun Complex
Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING: 12/16/2010

	Unit of Measure	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
HOTEL GUESTS								
Number of hotel rooms	#			350	350	350	350	350
Occupancy rate	%			85.0%	86.0%	87.0%	87.5%	88.0%
Visitors per room	#			1.80	1.80	1.80	1.80	1.80
Total hotel guests per year	#			195,458	197,757	200,057	201,206	202,356
Average room rate	\$		\$	120.00	\$ 122.40	\$ 124.85	\$ 127.34	\$ 129.89
Percentage of hotel guests who are residents (within 100 miles)	%			60.0%	60.0%	60.0%	60.0%	60.0%
Percentage of hotel guests who are tourists	%			40.0%	40.0%	40.0%	40.0%	40.0%
Total hotel revenues per year	\$		\$	15,546,324	\$ 16,017,463	\$ 16,501,357	\$ 16,914,792	\$ 17,338,030
Total gaming spend by hotel guests per year	\$		\$	45,346,460	\$ 46,615,975	\$ 48,386,137	\$ 48,903,458	\$ 49,267,276
Total non-gaming non-hotel spend by hotel guests per year	\$		\$	23,805,994	\$ 24,368,707	\$ 25,177,886	\$ 25,494,190	\$ 25,668,862
TOTAL SPEND BY HOTEL GUESTS PER YEAR	\$		\$	84,698,779	\$ 87,002,144	\$ 90,065,380	\$ 91,312,440	\$ 92,274,169
LEISURE HOTEL GUESTS								
Visitors per room	#	60.0%		2.0	2.0	2.0	2.0	2.0
Total leisure guests per year	#			117,275	118,654	120,034	120,724	121,414
Average room rate	\$		\$	120.00	\$ 122.40	\$ 124.85	\$ 127.34	\$ 129.89
Percentage of leisure guests who are residents	%			75.0%	65.0%	65.0%	65.0%	65.0%
Percentage of leisure guests who are tourists	%			25.0%	35.0%	35.0%	35.0%	35.0%
Total leisure hotel revenues per year	\$		\$	9,327,794	\$ 9,610,478	\$ 9,900,814	\$ 10,148,875	\$ 10,402,818
Total gaming spend by leisure guests per year	\$	70.0%	\$	31,742,522	\$ 30,300,384	\$ 31,450,989	\$ 31,787,248	\$ 32,023,729
Total other non-gaming leisure spend by leisure guests per year	\$	70.0%	\$	16,664,196	\$ 13,402,789	\$ 13,847,837	\$ 14,021,804	\$ 14,117,874
TOTAL SPEND BY LEISURE HOTEL GUESTS PER YEAR	\$			57,734,513	53,313,650	55,199,641	55,957,927	56,544,422
BUSINESS HOTEL GUESTS								
Visitors per room	#	40.0%		1.5	1.5	1.5	1.5	1.5
Total business hotel guests per year	#			78,183	79,103	80,023	80,483	80,942
Average room rate	\$		\$	120.000	\$ 122.400	\$ 124.848	\$ 127.345	\$ 129.892
Percentage of business hotel guests who are residents	%			75.0%	75.0%	75.0%	75.0%	75.0%
Percentage of business hotel guests who are tourists	%			25.0%	25.0%	25.0%	25.0%	25.0%
Total business hotel revenues per year	\$		\$	6,218,530	\$ 6,406,985	\$ 6,600,543	\$ 6,765,917	\$ 6,935,212
Total gaming spend by business hotel guests per year	\$		\$	13,603,938	\$ 16,315,591	\$ 16,935,148	\$ 17,116,210	\$ 17,243,547
Total other non-gaming spend by business hotel guests per year	\$		\$	7,141,798	\$ 10,965,918	\$ 11,330,049	\$ 11,472,385	\$ 11,550,988
TOTAL SPEND BY BUSINESS HOTEL GUESTS PER YEAR	\$		\$	26,964,266	\$ 33,688,494	\$ 34,865,739	\$ 35,354,513	\$ 35,729,747

CHANGES IN SPENDING PATTERNS DUE TO LOTTERY GAMING FACILITY DURING OPERATIONS PHASE



LEGENDS SUN

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Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING: 12/16/2010

	2009	2010	2011	2012	2013	2014	2015
Annual Spending by Residents at the Lottery Gaming Facility			\$ 249,515,835	\$ 259,019,321	\$ 271,430,282	\$ 279,610,931	\$ 287,902,994
Total spending by residents per year (Note: distinguish between residents who gamble (Resident Gaming Visitors) and residents who do not gamble (Resident Non-Gaming Visitors))							
Resident Gaming Visitors							
Accommodation	\$		3,906,166	4,024,544	4,146,127	4,250,007	4,356,349
Food & Beverage	\$		14,091,643	14,761,865	15,685,414	16,374,428	16,959,823
Gaming	\$		173,182,061	179,472,910	187,749,872	192,836,020	198,423,775
Retail	\$		10,458,875	10,900,049	11,496,804	11,923,639	12,286,222
Tickets to events, concerts, shows	\$		443,222	513,441	553,354	574,500	596,271
Other spending	\$		4,276,734	4,373,036	4,487,979	4,592,055	4,691,327
TOTAL spending by gaming visitors (residents)	\$	-	206,358,701	214,045,846	224,119,551	230,550,649	237,313,767
Resident Non-Gaming Visitors							
Accommodation	\$		5,081,253	5,235,243	5,393,402	5,528,532	5,666,866
Food & Beverage	\$		18,330,817	19,202,662	20,404,040	21,300,330	22,061,829
Gaming	\$		-	-	-	-	-
Retail	\$		13,605,208	14,179,099	14,955,376	15,510,615	15,982,273
Tickets to events, concerts, shows	\$		576,556	667,899	719,819	747,326	775,646
Other spending	\$		5,563,300	5,688,572	5,838,094	5,973,478	6,102,614
TOTAL spending by non gaming visitors (residents)	\$		43,157,134	44,973,475.41	47,310,730.97	49,060,281.34	50,589,227.25
Total Spending by Residents							
Gaming	\$		173,182,061	10,900,049	11,496,804	11,923,639	12,286,222
Non Gaming	\$		76,333,774	248,119,272	259,933,478	267,687,292	275,616,772
TOTAL SPENDING BY RESIDENTS AT LOTTERY GAMING FACILITY	\$		249,515,835	259,019,321	271,430,282	279,610,931	287,902,994

SOURCES OF EXPENDITURES AT LOTTERY GAMING FACILITY: For the following questions, provide your best estimates, based on your economic models

Percent of Spend that would have occurred within the region*	%		40%	40%	40%	40%	40%
Percent of Spend that would have taken place outside the region**	%		10%	10%	10%	10%	10%
Percent of Spend that comes from new income generated in the region***	%		50%	50%	50%	50%	50%

Tourist Gaming Visitors

Accommodation	\$		4,950,901	5,100,941	5,255,042	5,386,705	5,521,490
Food & Beverage	\$		17,860,566	18,710,045	19,880,604	20,753,901	21,495,864
Gaming	\$		97,556,689	102,095,390	107,896,843	111,680,096	115,227,825
Retail	\$		13,256,186	13,815,355	14,571,717	15,112,712	15,572,271
Tickets to events, concerts, shows	\$		561,766	650,765	701,353	728,155	755,748
Other spending	\$		5,420,581	5,542,640	5,688,326	5,820,237	5,946,060
TOTAL spending by gaming visitors (tourists)	\$		139,606,689	145,915,135	153,993,885	159,481,807	164,519,259

Tourist Non-Gaming Visitors

Accommodation	\$		1,608,003	1,656,735	1,706,785	1,749,548	1,793,325
Food & Beverage	\$		5,800,934	6,076,836	6,457,022	6,740,661	6,981,643
Gaming	\$		-	-	-	-	-
Retail	\$		4,305,477	4,487,090	4,732,749	4,908,459	5,057,719
Tickets to events, concerts, shows	\$		182,456	211,362	227,793	236,497	245,459
Other spending	\$		1,760,551	1,800,194	1,847,512	1,890,355	1,931,221
TOTAL spending by non-gaming visitors (tourists)	\$	-	13,657,422	14,232,217	14,971,861	15,525,520	16,009,367

CHANGES IN SPENDING PATTERNS DUE TO LOTTERY GAMING FACILITY DURING OPERATIONS PHASE



LEGENDS SUN

<< Confidential Proprietary Information >>

Please submit 5-year projections, starting from the date of opening

Unit of Measure

PROJECTED DATE OF OPENING: 12/16/2010

	2009	2010	2011	2012	2013	2014	2015
TOTAL SPENDING BY TOURISTS AT LOTTERY GAMING FACILITY	-	-	-	-	-	-	-
SOURCES OF EXPENDITURES AT LOTTERY GAMING FACILITY: For the following questions, provide your best estimates, based on your economic models							
What proportion of Tourist visitors would not have visited the region if the Lottery Gaming Facility did not exist?	%		65%	65%	65%	65%	65%
What proportion of Tourist visitor spending would not have occurred within the region if the Lottery Gaming Facility did not exist?	%		85%	85%	85%	85%	85%
Please provide your estimate of induced spending by resident visitors to the LGF (import substitution)	\$		31,627,158	32,831,764	34,404,904	35,441,835	36,492,888
Please provide your estimate of direct spending by tourist visitors to the LGF (newly injected spending)	\$		95,858,926	100,164,045	105,679,502	109,458,204	112,911,497
Please provide your estimate of induced spending by tourist visitors to the LGF (newly injected spending to the region but not at the LGF)	\$		20,641,035	21,568,044	22,755,672	23,569,329	24,312,917
Please provide your estimate of an appropriate expenditure multiplier for the region	#		1.50	1.50	1.50	1.50	1.50
TOTAL DIRECT, INDIRECT,, AND INDUCED INCREASES IN SPENDING IN THE REGION, PER YEAR (SPEND)	\$		447,132,321	464,967,995	488,063,534	503,213,371	518,291,820
ESTIMATED AGGREGATE PERSONAL INCOME IN THE REGION (API)	\$		97,365,742,006	99,313,056,846	101,299,317,983	103,325,304,343	105,391,810,430
RATIO OF SPEND/API	#		0.46%	0.47%	0.48%	0.49%	0.49%

EMPLOYMENT INFORMATION DURING OPERATIONS' PHASE OF LOTTERY GAMING FACILITY

LEGENDS SUN

Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING:

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Unit of Measure

12/16/2010



	Fiscal Year	2011	2012	2013	2014	2015
No. of FTE Workers employed within the Lottery Gaming Facility	#	1,753	1,776	1,802	1,774	1,797
General and Administrative						
Professionals, Managers, Executives and Technicians	#	84	84	84	84	84
Clerical Workers, Sales and Service Workers	#					
Production and Transport Operators, Laborers and Cleaners	#	241	246	251	247	252
Casino						
Professionals, Managers, Executives and Technicians	#	82	82	82	82	82
Dealers and game supervisors	#	533	543	554	543	554
Clerical Workers, Sales and Hosts	#					
Security and surveillance	#	89	90	92	90	92
Cleaners	#					
Other	#					
Hotel						
Professionals, Managers, Executives and Technicians	#	27	27	27	27	27
Clerical Workers, Sales and Marketing Staff	#					
Room cleaners, housekeeping supervisors	#	94	94	92	88	88
Other	#					
Food and Beverage						
Professionals, Chefs, Managers, Executives and Technicians	#	67	67	67	67	67
Clerical Workers, Sales and Service Workers	#					
Food preparers and servers, Hosting staff, and Cleaners	#	410	415	424	416	421
Other	#					
Other (including convention, entertainment, retail, etc.)						
Professionals, Managers, Executives and Technicians	#	10	10	10	10	10
Clerical Workers, Compliance, Accounting, and Sales	#	30	31	32	32	32
Human Resources	#	27	27	28	27	28
Other	#					
Others (Golf)						
Professionals, Managers, Executives and Technicians	#	12	12	12	12	12
Clerical Workers, Sales and Service Workers	#	23	24	24	25	25
Production and Transport Operators, Laborers and Cleaners	#	23	24	24	25	25
TOTAL EMPLOYED BY THE LGF	#	1,905	1,931	1,958	1,928	1,954
Utilization Rate		92.00%	92.00%	92.00%	92.00%	92.00%
Retail / Residential Employment	#	600	612	624	637	649
Grand Total Employed by Project	#	2,505	2,543	2,583	2,565	2,603
FTE=full time equivalent						

PAYROLL INFORMATION DURING OPERATIONS' PHASE OF LOTTERY GAMING FACILITY

LEGENDS SUN

Please submit 5-year projections, starting from the date of opening

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Unit of Measure



PROJECTED DATE OF OPENING:

12/16/2010

Fiscal Year	2011	2012	2013	2014	2015
Total Payroll of Workers employed within the Lottery Gaming Facility, including cost of paid benefits such as health insurance, unemployment insurance, worker's compensation, retirement.					
General and Administrative					
Professionals, Managers, Executives and Technicians	8,272,936	8,426,603	8,585,487	8,766,990	8,929,975
Clerical Workers, Sales and Service Workers					
Production and Transport Operators, Laborers and Cleaners	9,464,878	9,845,291	10,236,022	10,258,011	10,671,627
Casino					
Professionals, Managers, Executives and Technicians	5,891,890	6,005,968	6,122,362	6,248,609	6,369,654
Dealers and game supervisors	18,441,553	19,156,018	19,890,124	19,929,921	20,700,520
Clerical Workers, Sales and Hosts					
Security and surveillance	3,292,461	3,404,996	3,520,716	3,549,034	3,669,559
Cleaners					
Other					
Hotel					
Professionals, Managers, Executives and Technicians	1,548,243	1,579,666	1,612,415	1,647,501	1,680,759
Clerical Workers, Sales and Marketing Staff					
Room cleaners, housekeeping supervisors	2,910,993	2,948,783	2,957,129	2,897,667	2,943,201
Other					
Food and Beverage					
Professionals, Chefs, Managers, Executives and Technicians	3,480,961	3,549,372	3,618,434	3,692,718	3,765,321
Clerical Workers, Sales and Service Workers					
Food preparers and servers, Hosting staff, and Cleaners	12,545,148	12,944,389	13,451,511	13,473,542	13,900,399
Other					
Other (including convention, entertainment, retail, etc.)					
Professionals, Managers, Executives and Technicians	546,826	557,063	567,829	579,440	590,805
Clerical Workers, Compliance, Accounting, and Sales	1,096,022	1,165,106	1,215,991	1,221,880	1,263,137
Human Resources	1,561,335	1,602,728	1,641,695	1,667,478	1,711,616
Other					
Others (Golf and Retail / Residential)					
Professionals, Managers, Executives and Technicians	166,061	171,043	176,174	181,459	186,903
Clerical Workers, Sales and Service Workers	332,122	342,086	352,348	362,919	373,806
Production and Transport Operators, Laborers and Cleaners	332,122	342,086	352,348	362,919	373,806
TOTAL PAYROLL (INCLUDING BENEFITS) FOR THE LGF	69,883,550	72,041,197	74,300,587	74,840,090	77,131,089
Estimated Payroll for Retail / Residential Employees	22,008,056	22,833,504	23,682,700	24,716,326	25,641,454
Grand Total Project Payroll	91,891,606	94,874,701	97,983,288	99,556,416	102,772,544

LEGENDS SUN

Consolidated Pro-Forma Income and Expenditure Statement for the LGF



Amounts in thousands of dollars

Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING:

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Unit of Measure

12/16/2010

	Fiscal Year	2011	2012	2013	2014	2015
REVENUE (from below)						
Casino	\$ (in 000's)	270,739	281,568	295,647	304,516	313,652
Hotel	\$ (in 000's)	15,546	16,017	16,501	16,915	17,338
Food & Beverage	\$ (in 000's)	26,084	27,398	29,316	30,760	31,965
Convention	\$ (in 000's)	2,824	2,967	3,178	3,338	3,473
Entertainment	\$ (in 000's)	1,764	2,043	2,202	2,286	2,373
Retail	\$ (in 000's)	7,300	7,519	7,895	8,132	8,294
Other	\$ (in 000's)	17,273	17,640	18,055	18,418	18,788
Gross Revenues	\$ (in 000's)	341,530	355,153	372,794	384,366	395,883
less: cost of sales	\$ (in 000's)	11,309	11,654	12,441	13,027	13,508
Gross Margin	\$ (in 000's)	330,221	343,499	360,353	371,339	382,375
DEPARTMENTAL EXPENSES (from below)						
	\$ (in 000's)	191,781	191,935	200,295	205,069	211,290
DEPARTMENTAL INCOME						
	\$ (in 000's)	138,440	151,565	160,059	166,270	171,084
GENERAL AND ADMINISTRATIVE EXPENDITURE						
Advertising and Promotion	\$ (in 000's)	-	-	-	-	-
Bad debt expense	\$ (in 000's)	-	-	-	-	-
Complementary expense (not reported in departments)	\$ (in 000's)	-	-	-	-	-
Depreciation and Amortization (1)	\$ (in 000's)	47,574	48,640	50,131	52,437	54,813
Energy Expense (electricity, gas, etc.)	\$ (in 000's)	5,086	5,294	5,564	5,740	5,915
Management & Licensing Fees	\$ (in 000's)	12,511	13,073	13,825	14,354	14,792
Local / Host Community Allocation	\$ (in 000's)	750	780	819	844	869
Equipment rental or lease	\$ (in 000's)	-	-	-	-	-
Interest expense	\$ (in 000's)	45,224	43,672	41,980	39,654	36,944
Payroll taxes	\$ (in 000's)	999	1,030	1,061	1,072	1,105
Payroll - Employee benefits	\$ (in 000's)	8,374	8,618	8,863	8,962	9,222
Payroll - officers	\$ (in 000's)	5,989	6,109	6,231	6,355	6,483
Payroll - other employees	\$ (in 000's)	6,499	6,761	7,034	7,044	7,329
Rent of Premises	\$ (in 000's)	3,012	3,012	3,165	3,165	3,165
Taxes - Real Estate	\$ (in 000's)	8,000	8,160	8,323	8,490	8,659
Taxes and Licenses - Other	\$ (in 000's)	-	-	-	-	-
Utilities (other than Energy Expenses)	\$ (in 000's)	-	-	-	-	-
Other General and Administrative expenses	\$ (in 000's)	15,017	22,610	23,613	24,365	25,048
TOTAL GENERAL AND ADM. EXPENDITURE	\$ (in 000's)	159,035	167,758	170,610	172,481	174,343
NET INCOME BEFORE FEDERAL INCOME TAX						
	\$ (in 000's)	(20,595)	(16,193)	(10,551)	(6,211)	(3,259)
DEPARTMENTAL INCOME STATEMENTS						
CASINO DEPARTMENT						
REVENUE						
Pit Revenue (including keno, bingo)	\$ (in 000's)	229,950	239,148	251,105	258,639	266,398
Electronic gaming machines	\$ (in 000's)	4,106	4,271	4,484	4,619	4,757
Poker and other non-banked card games	\$ (in 000's)	270,739	281,568	295,647	304,516	313,652
TOTAL REVENUE						
DEPARTMENTAL EXPENSES						
Bad debt expenses	\$ (in 000's)	49	51	54	55	57
Commissions	\$ (in 000's)	-	-	-	-	-
Complementary expenses	\$ (in 000's)	32,489	33,788	35,478	36,542	37,638
Gaming taxes and licenses	\$ (in 000's)	76,378	79,436	83,411	85,919	88,498
Preferred guest expenses	\$ (in 000's)	-	-	-	-	-
Payroll taxes	\$ (in 000's)	1,412	1,460	1,509	1,519	1,571
Payroll - Employee Benefits	\$ (in 000's)	8,568	8,860	9,160	9,220	9,534
Payroll - Officers	\$ (in 000's)	5,382	5,489	5,599	5,711	5,825
Payroll - Other Employees	\$ (in 000's)	12,265	12,758	13,266	13,278	13,810
Other Departmental Expenses	\$ (in 000's)	20,270	20,755	21,452	22,123	22,795
Preferred guest expenses	\$ (in 000's)	-	-	-	-	-
TOTAL EXPENSES	\$ (in 000's)	156,812	162,597	169,928	174,367	179,728

LEGENDS SUN**Consolidated Pro-Forma Income and Expenditure Statement for the LGF**

Amounts in thousands of dollars

Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING:

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Unit of Measure

12/16/2010

	Fiscal Year	2011	2012	2013	2014	2015
TOTAL CASINO INCOME	\$ (in 000's)	113,927	118,971	125,719	130,149	133,923
HOTEL DEPARTMENT						
REVENUE						
Room Sales	\$ (in 000's)	15,546	16,017	16,501	16,915	17,338
Complementary rooms	\$ (in 000's)	-	-	-	-	-
TOTAL REVENUE	\$ (in 000's)	15,546	16,017	16,501	16,915	17,338
DEPARTMENTAL EXPENSES						
Bad debt expenses	\$ (in 000's)	-	-	-	-	-
Complementary expenses	\$ (in 000's)	-	-	-	-	-
Payroll taxes	\$ (in 000's)	240	244	246	245	249
Payroll - Employee Benefits	\$ (in 000's)	1,218	1,237	1,248	1,242	1,263
Payroll - Officers	\$ (in 000's)	1,224	1,248	1,273	1,299	1,325
Payroll - Other Employees	\$ (in 000's)	1,777	1,799	1,802	1,760	1,787
Other Departmental Expenses	\$ (in 000's)	2,714	2,796	2,881	2,953	3,027
TOTAL EXPENSES	\$ (in 000's)	7,173	7,325	7,450	7,498	7,651
TOTAL HOTEL INCOME	\$ (in 000's)	8,373	8,693	9,051	9,417	9,687
FOOD & BEVERAGE DEPARTMENT						
REVENUE						
Food Sales	\$ (in 000's)	26,084	27,398	29,316	30,760	31,965
Complementary Food Sales	\$ (in 000's)	-	-	-	-	-
TOTAL REVENUE	\$ (in 000's)	26,084	27,398	29,316	30,760	31,965
Cost of sales	\$ (in 000's)	8,865	9,313	9,969	10,465	10,880
GROSS MARGIN	%	66.01%	66.01%	66.00%	65.98%	65.96%
DEPARTMENTAL EXPENSES						
Bad debt expenses	\$ (in 000's)	-	-	-	-	-
Complimentary expenses	\$ (in 000's)	-	-	-	-	-
Payroll taxes	\$ (in 000's)	744	844	873	878	904
Payroll - Employee Benefits	\$ (in 000's)	5,238	5,392	5,581	5,612	5,777
Payroll - Officers	\$ (in 000's)	2,231	2,276	2,322	2,368	2,415
Payroll - Other Employees	\$ (in 000's)	6,320	6,525	6,787	6,792	7,010
Other Departmental Expenses	\$ (in 000's)	1,657	1,740	1,861	1,953	2,029
TOTAL EXPENSES	\$ (in 000's)	16,190	16,776	17,424	17,603	18,135
TOTAL FOOD & BEVERAGE INCOME	\$ (in 000's)	1,029	1,309	1,924	2,692	2,951
CONVENTION DEPARTMENT						
REVENUE						
Total Sales	\$ (in 000's)	2,824	2,967	3,178	3,338	3,473
Complementary Sales	\$ (in 000's)	-	-	-	-	-
TOTAL REVENUE	\$ (in 000's)	2,824	2,967	3,178	3,338	3,473
Cost of sales	\$ (in 000's)	654	687	736	773	804
GROSS MARGIN	%	76.85%	76.85%	76.85%	76.85%	76.85%
DEPARTMENTAL EXPENSES						
Bad debt expenses	\$ (in 000's)	-	-	-	-	-
Complimentary expenses	\$ (in 000's)	-	-	-	-	-
Payroll taxes	\$ (in 000's)	76	87	90	90	93
Payroll - Employee Benefits	\$ (in 000's)	538	554	573	576	593
Payroll - Officers	\$ (in 000's)	229	234	238	243	248
Payroll - Other Employees	\$ (in 000's)	649	670	697	697	719
Other Departmental Expenses	\$ (in 000's)	282	297	318	334	347
TOTAL EXPENSES	\$ (in 000's)	1,775	1,840	1,915	1,940	2,000
TOTAL CONVENTION INCOME	\$ (in 000's)	1,049	1,127	1,263	1,399	1,474
ENTERTAINMENT DEPARTMENT						
REVENUE						
Total Sales	\$ (in 000's)	1,764	2,043	2,202	2,286	2,373
Complementary Sales	\$ (in 000's)	-	-	-	-	-

LEGENDS SUN

Consolidated Pro-Forma Income and Expenditure Statement for the LGF



Amounts in thousands of dollars

Please submit 5-year projections, starting from the date of opening

PROJECTED DATE OF OPENING:

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Unit of Measure

12/16/2010

	Fiscal Year	2011	2012	2013	2014	2015
TOTAL REVENUE	\$ (in 000's)	1,764	2,043	2,202	2,286	2,373
DEPARTMENTAL EXPENSES						
Bad debt expenses	\$ (in 000's)	-	-	-	-	-
Complimentary expenses	\$ (in 000's)	-	-	-	-	-
Payroll taxes	\$ (in 000's)	24	27	28	29	30
Payroll - Employee Benefits	\$ (in 000's)	105	116	122	123	128
Payroll - Officers	\$ (in 000's)	119	121	124	126	129
Payroll - Other Employees	\$ (in 000's)	187	217	231	232	244
Other Departmental Expenses	\$ (in 000's)	1,121	1,299	1,400	1,453	1,508
TOTAL EXPENSES	\$ (in 000's)	1,556	1,780	1,904	1,963	2,038
TOTAL ENTERTAINMENT INCOME	\$ (in 000's)	208	264	298	324	335
RETAIL REVENUE						
Total Sales	\$ (in 000's)	7,300	7,519	7,895	8,132	8,294
Complementary Sales	\$ (in 000's)	-	-	-	-	-
TOTAL REVENUE	\$ (in 000's)	7,300	7,519	7,895	8,132	8,294
Cost of sales	\$ (in 000's)	1,606	1,654	1,737	1,789	1,825
GROSS MARGIN	%	78.00%	78.00%	78.00%	78.00%	78.00%
DEPARTMENTAL EXPENSES						
Bad debt expenses	\$ (in 000's)	-	-	-	-	-
Complimentary expenses	\$ (in 000's)	-	-	-	-	-
Payroll taxes	\$ (in 000's)	65	67	69	70	72
Payroll - Employee Benefits	\$ (in 000's)	325	334	344	347	356
Payroll - Officers	\$ (in 000's)	299	305	311	317	323
Payroll - Other Employees	\$ (in 000's)	519	536	555	558	573
Other Departmental Expenses	\$ (in 000's)	365	376	395	407	415
TOTAL EXPENSES	\$ (in 000's)	1,573	1,617	1,674	1,698	1,739
TOTAL RETAIL INCOME	\$ (in 000's)	4,121	4,248	4,484	4,645	4,731
OTHER DEPARTMENTAL INCOME (Golf/Retail/Residential)						
REVENUE						
Total Sales	\$ (in 000's)	14,195	14,435	14,682	14,935	15,195
Complementary Sales	\$ (in 000's)	-	-	-	-	-
TOTAL REVENUE	\$ (in 000's)	14,195	14,435	14,682	14,935	15,195
Cost of sales	\$ (in 000's)	184	189	195	201	207
GROSS MARGIN	%	98.71%	98.69%	98.67%	98.66%	98.64%
DEPARTMENTAL EXPENSES						
Bad debt expenses	\$ (in 000's)	-	-	-	-	-
Complimentary expenses	\$ (in 000's)	-	-	-	-	-
Payroll taxes	\$ (in 000's)	83	86	88	91	93
Payroll - Employee Benefits	\$ (in 000's)	166	171	176	181	187
Payroll - Officers	\$ (in 000's)	116	120	123	127	131
Payroll - Other Employees	\$ (in 000's)	465	479	493	508	523
Other Departmental Expenses	\$ (in 000's)	5,872	5,999	6,128	6,260	6,395
TOTAL EXPENSES	\$ (in 000's)	6,702	6,854	7,009	7,167	7,329
TOTAL OTHER DEPARTMENTAL INCOME	\$ (in 000's)	7,308	7,392	7,478	7,567	7,659

(1) - Depreciation and Amortization includes buildings and FF&E.

CONSTRUCTION PHASE INFORMATION DURING OPERATIONS PHASE OF LOTTERY GAMING FACILITY



<< Confidential Proprietary Information >>

LEGENDS SUN
 Please submit 5-year projections, starting from the date of opening
 Months from Issuance of License to Opening of Permanent Facility
 Months from Issuance of License to Opening of Temporary Facility

25 (approximately)

N/A

	Fiscal Year	2008	2009	2010	2011	2012	2013			
Development Investment										
Fixed asset investment										
Buildings			78,928,680	279,838,047						
Land			-	-						
Land improvements, excluding landscaping			35,157,439	28,765,177						
Landscaping			-	5,966,538						
Soft Costs, i.e. engineering, architectural, development fees			31,081,690	25,430,474						
Financing costs			16,899,641	33,799,283						
Public sector infrastructure			5,710,519	-						
Rolling stock			-	1,000,000						
Furniture, Fixtures and Equipment			-	97,587,502						
Floor and Wall Treatments			-	-						
Gaming equipment			-	38,037,416						
Others										
TOTAL INVESTMENT			167,777,969	510,424,437	-					
Other (Non-Construction / Fixed Asset Costs)				88,919,273	Working Capital, Privilege Fee, Development Fees, Pre-Opening Expenses					
TOTAL PROJECT COST				\$ 767,121,679						
Source of Funds for Investment										
Percent each year from:										
Construction Loan										
Debt			61.2%	61.2%						
Working Capital from Parent Company			38.8%	38.8%	Legends Sun assumes 'Working Capital' is defined as Equity Contribution from Owner					
Sale of Equity			none	none						
Other (please explain)										
Add the following figures on a Quarterly basis		2008-IV	2009-I	2009-II	2009-III	2009-IV	2010-I	2010-II	2010-III	2010-IV
Development Employment Data										
Construction Employment										
Average Wage per employee ¹				2,253	2,385	2,385	2,385	2,518	2,650	2,650
Total construction payroll ²				\$ 17,08	\$ 17,08	\$ 17,08	\$ 17,08	\$ 17,08	\$ 17,08	\$ 17,08
Average Benefits per employee ³				\$ 28,014,950	\$ 29,988,854	\$ 29,988,854	\$ 29,336,922	\$ 31,310,826	\$ 33,320,949	\$ 33,320,949
Other expenses per employee				\$ 8,404,485	\$ 8,996,656	\$ 8,996,656	\$ 8,801,077	\$ 9,393,248	\$ 9,996,285	\$ 9,996,285
Cost of materials from region										
Cost of materials from outside of region										
Other Development Expenses										
¹ 95% of Construction Wages per Employee in \$/hr. Total Direct Construction Wages / 2650 Construction Workers / 365 days / 8 hr day										
² \$/HR * # of Employees * 8 hours/day * days in quarter										
³ 30% Benefits										



Legends Sun Casino
PUBLIC SECTOR IMPACTS OF LGF

<< Confidential Proprietary Information >>

	2009	2010	2011	2012	2013	2014	2015
Population Growth							
# of Construction Employees who will be new residents to the area	83.5	194.8	0.0	0.0	0.0	0.0	0.0
LGF Employees	5.0	245.0	10.0	16.3	12.5	16.3	16.3
Construction + LGF Employees	88.5	439.8	10.0	16.3	12.5	16.3	16.3
Cumulative New Residents	88.5	528.3	538.3	554.5	567.0	583.3	599.5
Infrastructure Costs							
Roads/Streets Improvements	\$ 10,896,000						
% Paid by Developer	100%						
% Paid by Public Sector	0%						
Water/Sewer Improvements	\$ 2,856,000						
% Paid by Developer	100%						
% Paid by Public Sector	0%						
Storm Drains	\$ 1,312,500						
% Paid by Developer	100%						
% Paid by Public Sector	0%						
Law Enforcement Building, New or Improved	\$ -						
% Paid by Developer	%						
% Paid by Public Sector	%						
Fire Station, New or Improved	\$ -						
% Paid by Developer	%						
% Paid by Public Sector	%						
Operating Costs							
School System							
# of Additional K-12 students	22.3	110.8	2.5	4.1	3.2	4.1	4.1
Estimated number of additional K-12 teachers	-	2.0	-	-	-	-	-
K-12 support staff	-	1.0	-	-	-	-	-
Add salary cost-teachers	\$ -	\$ 150,700	\$ -	\$ -	\$ -	\$ -	\$ -
Add salary cost-support staff	\$ -	\$ 48,460	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated number of additional classrooms needed	1.0	5.0	-	-	-	-	-
Estimated add'l sq. footage of ancillary K-12 needed (gyms, cafeterias, etc.)							
Estimated cost of additional rolling stock							
Law Enforcement							
Estimated # of add'l personnel							
Uniform	-	1.0	-	-	-	-	-
Non-Uniform	-	-	-	-	-	-	-
Estimated salary/benefits							
Uniform	\$ -	\$ 74,015	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Uniform	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated add'l non-salary expense (services/supplies)							
Estimated add'l rolling stock expense							
Estimated add'l capital outlay expense (computers, equipment)							
Fire Protection							
Estimated # of add'l personnel							
Uniform	-	-	-	-	-	-	-
Non-Uniform	-	-	-	-	-	-	-

30% of 2,650 construction workers will work in 2009 with 10.5% coming from outside the region. In 2010, the balance of construction workers will complete the job and 10% of them will come from outside the region. 2% of 2500 LGF employees will work in 2009 on site with 10% coming from outside the region. In 2010, the balance of LGF employees will work with 10% coming from outside the region. In 2011 onward, the LGF will net about 16 employees annually from outside

All formulas written to examine incremental additions to each system

4.1 21% of new residents have children who are in K-12
 - One new teacher for every 50 students
 - One support staff for every 100 students
 - Average salary for a teacher is \$69,970 in 2007
 - Average salary for support staff is \$45,000 in 2007
 - One new classroom for every 22 students
 N/A
 N/A
 - Average 2.50 police officers per 1,000 residents
 - Assumed 0.75 support needed per 1,000 residents
 - Average salary for a police patrol officer is \$68,730 in 2007
 - Assumed salary for a police support personnel is \$50,000 in 2007
 N/A
 N/A
 N/A
 - Interview with Assistant Fire Chief Duke when original feasibility was prepared showed no additional fire or ambulatory personnel needed

Legends Sun Casino
PUBLIC SECTOR IMPACTS OF LGF



<< Confidential Proprietary Information >>

	2009	2010	2011	2012	2013	2014	2015
Estimated salary/benefits Uniform	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Uniform	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated add't non-salary expense (services/supplies)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated add't rolling stock expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated add't capital outlay expense (computers, equipment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ambulance Service							
Estimated # of add't personnel	# -	-	-	-	-	-	-
Uniform	-	-	-	-	-	-	-
Non-Uniform	-	-	-	-	-	-	-
Estimated salary/benefits Uniform	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Uniform	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated add't non-salary expense (services/supplies)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated add't rolling stock expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated add't capital outlay expense (computers, equipment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Given the fire and ambulatory facilities already in place for Legends and the Kansas Speedway, Legends Sun agrees with Assistant Fire Chief Duke and believes no additional facilities or employees are needed.
N/A

N/A
N/A
N/A

Interview with Assistant Fire Chief Duke when original feasibility was prepared showed no additional fire or ambulatory personnel needed

Public Sector Revenue

	2009	2010	2011	2012	2013	2014	2015
Change in Ad Valorem Tax (Property Tax)	\$ -	\$ -	\$ -	\$ 163,356	\$ 163,356	\$ 166,623	\$ 169,956
State	\$ -	\$ -	\$ -	\$ 3,245,664	\$ 3,310,577	\$ 3,376,789	\$ 3,444,325
County	\$ -	\$ -	\$ -	\$ 4,440,300	\$ 4,529,106	\$ 4,619,688	\$ 4,712,082
City	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and Use Tax	\$ -	\$ -	\$ 5,202,966	\$ 5,356,594	\$ 5,554,071	\$ 5,717,295	\$ 5,865,262
State	\$ -	\$ -	\$ 981,692	\$ 1,010,678	\$ 1,047,938	\$ 1,078,735	\$ 1,106,653
County	\$ -	\$ -	\$ 1,227,115	\$ 1,263,348	\$ 1,309,922	\$ 1,348,419	\$ 1,383,317
City	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LGF Gaming Revenue	\$ -	\$ -	\$ 59,562,525	\$ 61,945,026	\$ 65,042,277	\$ 66,893,546	\$ 69,003,352
Exp. Lottery Act Revenue Fund	\$ -	\$ -	\$ 5,414,775	\$ 5,651,366	\$ 5,912,934	\$ 6,090,322	\$ 6,273,032
Problem Gambling Fund	\$ -	\$ -	\$ 4,061,081	\$ 4,223,525	\$ 4,434,701	\$ 4,567,742	\$ 4,704,774
Cities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County	\$ -	\$ -	\$ -	\$ 4,223,525	\$ 4,434,701	\$ 4,567,742	\$ 4,704,774

PLEASE NOTE WHAT YOU CONSIDER TO BE THE TEN MOST IMPORTANT FEATURES OF YOUR PROPOSAL.

<< Confidential Proprietary Information >>

What factors of your proposal are most distinctive in making it more attractive to Kansas and its residents than a "generic" gaming facility that could be developed within this zone?



Please provide descriptions of ten (or fewer) features in 250 words or less for each.

1. A Plan that Works

Legends Sun is a forward-thinking developer with a master plan to develop its 250 acres of ideally situated property adjacent to the Village West tourism district. Drawing on the team's extensive gaming and hospitality expertise and detailed knowledge of the local market, Legends Sun is poised to deliver a project that will be the preeminent tourist destination in the region; one that will offer a premier Las Vegas-style casino experience along with a destination resort with four-star amenities that will appeal to tourists and locals alike. In addition, only the Legends Sun plan will guarantee that the completed development complements and does not compete with existing retail and entertainment venues in Wyandotte County.

2. An Experienced Team

The Legends Sun team of RED Leg Sun LLC ("RED"), Mohegan Resorts Kansas, LLC ("Mohegan Sun") and Olympia Gaming-KC LLC ("Olympia") is the best and strongest team for Wyandotte County and the state of Kansas.

Mohegan Sun has unparalleled experience in running destination gaming outside traditional gaming centers such as Las Vegas and Atlantic City. As one of only two legally authorized gaming operations in New England, Mohegan Sun offers traditional slot machines and table games and is the most profitable gaming operation in the Northeast –out earning all Atlantic City casinos. In addition, through its subsidiary company, Mohegan Sun owns and operates Mohegan Sun at Pocono Downs in northeastern Pennsylvania. This was the first casino to open in Pennsylvania and the Mohegan Sun team worked tirelessly with the newly formed Pennsylvania Gaming Control Board (PGCB) to assist with licensing and regulatory processes.

More than any other developer, RED has the proven experience to build and promote the site for the greatest overall impact, revenue generation and tourism attraction. In the greater Kansas City area alone, RED has completed projects valued at more than \$434 million, and on a nationwide basis, they have projects completed or under development that total more than 16 million square feet and are valued at over \$3.2 billion. RED's stellar reputation in Wyandotte County and throughout the country for building destination retail and entertainment projects is a testament to their dedication, integrity, and commitment to delivering quality developments.

Olympia Gaming brings extensive experience in the development of master-planned residential communities, resort casinos, golf courses and retail shopping centers. Their achievements include the prestigious Southern Highlands Master Planned Community and Golf Club in Las Vegas, named as one of the top courses in the United States.

3. Proven Record of Success

Our projects have met or exceeded all projections – whether in Wyandotte County, Nevada, Connecticut, Pennsylvania or elsewhere. RED's developments always deliver on the promise to complete their projects on time and on budget - attracting top local and national tenants that draw millions of visitors annually. Mohegan Sun is the premier casino operator in the Northeast, attracting approximately 11 million visitors annually. Olympia is a dynamic development company that is recognized as one of the largest developers in Nevada

4. Local Experience

RED has strong, established relationships with the Unified Government of Wyandotte County ("UG"), that will be extremely useful throughout the Legends Sun development and construction process. Together, RED and the UG have worked for many years to identify and hire qualified Wyandotte County residents, to attract and accommodate quality tenants, and to address local and regional transportation issues.

5. Best amenities

Gaming space provided in the Legends Sun plan will be among the largest in the region, offering approximately 2,000 slot machines and 60 table games as well as a 25-table, tournament-style poker room, high-limit gaming salon and Keno lounge. In addition, the Legends Sun plan provides for an impressive blend of amenities including a 350-room, four-star hotel; a 20,000 square foot spa and pool complex; four championship caliber tennis courts; 1,200 seat theatre covering approximately 36,000 square feet; 40,500 square feet of convention space with complete banquet and catering capabilities; approximately 200,000 square feet of retail, dining and entertainment space including the very popular Michael Jordan's Steakhouse; 200,000 square feet of residential space located above retail; and an 18-hole championship caliber golf course designed by Robert Trent Jones, Jr. - a global leader in golf course design and the recipient of numerous awards.

6. Community commitment

The Legends Sun partners are committed to being constructive members of Wyandotte County and have well-documented, positive relationships with area schools, business groups, vendors, neighborhood groups and charities in each of their respective communities. We see the Wyandotte County community as our own and will continue giving back in a myriad of ways, including financial contributions, donations of goods, charitable campaign activities, etc. Legends Sun is committed to giving back to its community in more ways than just tax revenue. Legends Sun has pledged \$6 million for community use by Wyandotte County, plus a minimum \$750,000 annually. Our project has received resounding support from a variety of community groups including the Piper Unified School District, among others.

7. Revenue potential

Initial revenue estimates indicate:

- \$271 million in gross gaming revenues in the first year, of which \$73.1 million will be directed to the city, county and state.
- \$128.2 million for worker compensation and goods to be purchased from local merchants and other local operational expenses.

In addition, Legends Sun will bring complementary retail and entertainment options to maximize non-casino revenues.

8. Job creation

The Legends Sun development will result in impressive economic and employment benefits to Wyandotte County and the State of Kansas. Direct expenditures by visitors to Legends Sun will generate more than 5,200 new jobs in Wyandotte County including 2,500 jobs at the resort, casino, golf course, restaurants and retail shops and 2,715 indirect positions for industries supporting Legends Sun. Direct investment in construction will generate approximately 2,651 construction jobs.

9. Commitment to diversity

Strength comes from diversity, and Legends Sun will support community-based programs that serve a diverse population and enhance community resources. This includes investing in efforts that encourage economic development as well as professional, personal and academic growth.

10. Our core values

Our commitment to being the best means that we are constantly focused on all aspects of what makes the best experience for our employees, guests and the community at large. Our values are focused on:

- Blowing Away the Customer
- Our Commitment to the Community
- Developing Passionate and Dedicated Employees
- Continuously Striving for Perfection
- Bottom Line Performance

SUMMARY OF PROPOSAL DATA

Proposer: Legends Sun Casino

[<< Confidential Proprietary Information >>](#)

Project Description

Unit of Measure

From award of license to opening (in months)	25	(Estimated)
Temporary facility if applicable	NA	
Permanent facility	25	(Estimated)
Total investment in project	\$767M	
Casino square footage	131,000	
No. of hotel rooms	350	
# food and beverage outlets	9	Does not include Ancillary Retail Development
Convention center square footage	40,500	Does not include 36,000 sf event showroom/meeting space
Retail square footage	205,000	
Event/entertainment facility square footage	36,000	
No. of covered parking spaces	1,500	
No. of surface parking spaces	2,000	

1st Full Year of Operation

No. of annual visitors	4,218,454	
% within 100 miles	76.1%	
% of overnight visitors	4.6%	
Annual gross gaming revenue	270,738,750	
Annual hotel occupancy	85.0%	
Annual hotel revenue	15,546,324	
Annual food and beverage revenue	56,084,000	Includes estimated F&B Revenue from Ancillary Retail Development
Net income before federal income taxes	(20,595)	

Employment and Payroll

No. of FTE operating employees-total project	2,505	Includes Retail Development, Does Not Include Construction
Annual operating payroll-total project	91,891,606	Includes Retail Development, Does Not Include Construction

Economic and Fiscal Impacts

Total economic impact-construction	1,017,303,610	Entire Build-out x 1.5 multiplier effect
Total economic impact-operating	3,934,439,399	15 year Payroll and Taxes x 1.5 multiplier effect
Total incremental public sector revenue-construction	NA	
Total incremental public sector costs-construction	NA	
Total incremental public sector revenue-operating	\$ 91,500,179	Includes tax revenues listed on Public Sector worksheet for year 2012
Total incremental public sector costs-operating	NA	

Three Most Important Features

- 1 Proven record of success: Mohegan Sun, Legends at Village West
- 2 Community commitment: \$6 Million upfront and guaranteed \$750K that grows with gaming revenues
- 3 A Plan that works with the best Amenities: Investment of \$767 Million, best location

LOTTERY GAMING FACILITY MANAGEMENT CONTRACT
(Pursuant to the Kansas Expanded Lottery Act)

This LOTTERY GAMING FACILITY MANAGEMENT CONTRACT (the “Agreement”) 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 Kansas Gaming Zone.

This Agreement is entered into bybetween the Kansas Lottery, ~~which is acting~~ on behalf of the State of Kansas, in accordance with the Kansas Expanded Lottery Act, K.S.A. 2007 Supp. 74-8733 through 74-8773, and Leg Sun LLC (“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 the additional non-Lottery Facility Game products and services not owned and operated by the State of Kansas, as more fully set forth in the Manager’s Application for Lottery Gaming Facility Manager.
 - 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 Kansas 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.
 - 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 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, 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. 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 [the twelve month period ending September 30, 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) “Kansas Expanded Lottery Act” means the provisions contained in K.S.A. 2007 Supp. 74-8733 through 74-8773, and amendments thereto which may become effective during this Agreement’s term.
- l) “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.
- m) “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.

- n) "Lottery Gaming Enterprise" means the entertainment enterprise and all facilities and operations associated therewith, including [the a-Lottery Gaming Facility](#) and [the Ancillary Lottery Gaming Facility Operations](#). ~~Operations, as more fully set forth in the Manager's Application for Lottery Gaming Facility Manager.~~
- o) "Lottery Gaming Facility" means that portion of the building 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.
- p) "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 (in which the Kansas Lottery has no financial interest) even if the revenue is generated within the Lottery Gaming Facility or (ii) Promotional Credit(s).
- q) "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.
- r) "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.
- s) "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.
- t) "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.
- u) "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 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.

2. **Date Agreement Becomes Binding.** This Agreement will become effective and binding on the Effective Date; except that the parties agree that Paragraphs 2, 20, 58, 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 have an initial term of ~~terminate~~ fifteen (15) years from~~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 or is terminated as required by law. ;

4. **Commencement Date Deadline.** The Commencement Date will occur no later than thirty-six (36) months following the Effective Date. ~~[INSERT 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:

- 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; or
- c) Any other reason determined by the Executive Director in his sole discretion that adversely impacted Manager’s ability to perform.

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.

6. **Manager’s Representations and Warranties.** Manager represents and warrants to the Kansas Lottery as follows:

- a) Manager is a limited liability company _____duly organized, validly existing and in good standing under the laws of the State of Kansas, _____, and is duly qualified to do business as such in Kansas.
- b) Manager has 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.
- c) Subject to any judicial challenges relating to the constitutionality of the Kansas Expanded Lottery Act and any subsequent judicial challenges regarding the Kansas Lottery's implementation of the Kansas Expanded Lottery Act, and obtaining~~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 effect 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.
- e) Manager has entered into a ground lease with respect~~aequired full title~~ [alternative: the ability to acquire full title] to the premises on which the Lottery Gaming Facility will be located, and Manager's leasehold interest is 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 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 except the litigation against the Kansas Lottery and the Executive Director involving the constitutionality of the Kansas Expanded Lottery Act and other litigation identified in Paragraph 8 below. No revenue bonds, state tax abatement, local tax abatement, tax increment financing or similar financing has or will be used to finance or apply to any part of Manager's Lottery Gaming Enterprise.

- 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. On or before the Effective Date, Manager will execute and its principals have executed the Environmental Compliance Agreement in the form 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).

- 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; or oversight of lost patron monies. 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 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 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, 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 Lottery explicitly retains the power to overrule any action of Manager affecting the gaming operation without prior notice and the Lottery retains full control over all decisions concerning Lottery Gaming Facility Games. No Gray Machines will be permitted at the Lottery Gaming Facility.

- 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, which is the governing body](#)~~county commission [alternative: city governing body]~~ 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 Lottery Gaming Facility, the Kansas Lottery has the authority to take the actions contemplated by applicable statute.
- b) [Subject to any judicial challenges relating to the constitutionality of the Kansas Expanded Lottery Act and any subsequent judicial challenges regarding the Kansas Lottery's implementation of the Kansas Expanded Lottery Act, and obtaining all approvals required by the Kansas Expanded Lottery Act, this Agreement constitutes a valid and binding obligation of the State of Kansas that is fully enforceable in accordance with its terms.](#)
- c) The Executive Director is duly authorized to execute and deliver this [Agreement on behalf of the Kansas Lottery, which is authorized to execute and deliver this Agreement on behalf of the State of Kansas.](#)~~Lottery Gaming Facility Management Contract.~~
- d) 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.

8. **Kansas Expanded Lottery Act Litigation.** Manager acknowledges it

enters into this Agreement with the understanding that the Kansas Expanded Lottery Act's constitutionality under the Kansas Constitution, 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 acknowledges it is aware of the pending cases of [\(a\) State ex rel. Stephen Six v. Kansas Lottery and Ed Van Petten](#), Shawnee County District Court Case No. 07 C 1312, and presently docketed with the Kansas Supreme Court as Case No. 08-99957-S, in which the constitutionality of the Kansas Expanded Lottery Act is under [review, and \(b\) Flunder v. The Kansas Lottery, Shawnee County District Court Case No. 08 C 442, in which the plaintiffs seek injunctive and other relief to keep the defendants from approving and executing management contracts with certain applicants.](#) Manager further acknowledges that other litigation may be commenced in the future challenging the KELA or the Kansas Lottery's implementation pursuant thereto. The Kansas Lottery makes no warranty or representation, either express or implied, regarding the Kansas Expanded Lottery Act's constitutionality or validity, or the implementation pursuant thereto. [Subject to the provisions of Paragraph 63 and Manager's termination rights pursuant to Paragraph 65](#), 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 sentence will be interpreted to restrict or to be prejudicial to any right Manager may have through litigation or other legal means to seek repayment of Manager's privilege fee if the Kansas Expanded Lottery Act is declared unconstitutional.

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.

10. Conditions Precedent to Lottery Gaming Facility Opening. Prior to permitting initial public access to the Lottery Gaming Facility, Manager must:

- 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 local zoning requirements applicable to the Lottery Gaming Facility.
- g) 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. 2007 Supp. 74-8755.
- h) Obtain and maintain all necessary governmental permits and licenses when and as may be required by law.
- i) Be in compliance with all other requirements in this Agreement as and when applicable.

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. The Executive Director and Manager acknowledge and agree that the Lottery Gaming Facility will be operated by the Kansas Lottery in a competitive business market and that the Business Plan must take into account current market and strategic needs as determined by the Executive Director. 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 agree to amend the Business Plan from time to time to promote the Lottery Gaming Facility's competitive position in the market in order to maximize Lottery Gaming Facility Revenues and profits. 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. On at least a monthly basis, the Executive Director's designee (appointed pursuant to

Paragraph 32) and the Manager's general manager will meet and review the Business Plan.

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, which will be based upon and not inconsistent with Manager's Application for Lottery Gaming Facility Manager. 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 completed and the Lottery Facility Games ready for play by the public within that facility no later than thirty-six (36) months following the Effective Date, [INSERT 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 or issue relating to the construction of the Lottery Gaming Facility within thirty (30) days of Manager's request or such shorter period as specified by Manager so as not to delay construction. If the approval is not provided in the time period provided, the request will be deemed denied. Manager will not need to obtain the Executive Director's approval for

expenditures covered by the Manager's contingency budget.

14. **Construction Related to Ancillary Lottery Gaming Facilities**

Operations. Manager will 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**.

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. The 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;
- k) Providing legal support related to the development and construction responsibilities undertaken by Manager; and
- l) Ensuring all required insurance is maintained in force.

16. **Exclusive Use of Lottery Gaming Facility.** 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 [expressly permitted by the Kansas Expanded Lottery Act \(such as the sale, service or consumption of alcohol, liquor, wine, spirits, cereal malt beverages and other intoxicating liquors\)](#) or approved by the Executive Director, which may include beverage service, food service, 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. [Given that the Lottery Facility Games and the floor plan at the Lottery Gaming Facility will likely need to be changed frequently during the term of this Agreement in order to remain competitive, the Executive Director or his designee \(appointed pursuant to Paragraph 32\) must notify Manager of his approval or rejection of any proposed change to the Lottery Facility Games or the floor plan at the Lottery Gaming Facility within five \(5\) business days after the Manager requests such change. If no response is provided, the request will be deemed denied.](#)

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.

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. The Manager shall hire or engage private security personnel approved by the Executive Director to provide security services at the Lottery Gaming Facility. 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.

20. **Privilege Fee Payment.** ~~If No later than thirty (30) days after the Commission approves this Agreement, Manager fails to must~~ pay to the state treasurer of the State of Kansas a privilege fee of \$25 million within thirty (30) days after the Commission approves this Agreement, this Agreement will be void and Manager will forfeit any rights it may have to be a Lottery Gaming Facility Manager under the Kansas Expanded Lottery Act. Any privilege fee paid by Manager [alternative \$5.5 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 within 30 days after the Commission's approval, this Agreement will be void and Manager will forfeit any rights it may have to be a Lottery Gaming Facility Manager under the Kansas Expanded Lottery Act.~~ Once all required approvals for this Agreement are obtained in accordance with the Kansas Expanded Lottery Act, 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. The Executive Director will provide Manager with notice of any meeting of the Kansas Racing and Gaming Commission to consider approval of Manager and this Agreement within ten (10) days of the Executive Director receiving notice of such meeting. 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 Kansas gaming zone prior to transfer of Manager's privilege fee payment to the Expanded Lottery Revenue Fund, the Executive Director will promptly direct the state treasurer to refund, without interest, Manager's privilege fee payment. If the Kansas Expanded Lottery Act, or any portion thereof, is declared unconstitutional by a court of competent jurisdiction before Manager's privilege fee is transferred to the Expanded Lottery Act Revenues Fund, the Executive Director will promptly direct the state treasurer to refund, without interest, Manager's privilege fee payment at Manager's written request.

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 and equipment integral to the operation of the Lottery Facility Game or that affects the results of the Lottery Facility Game by determining a game's prize, chance or consideration, including, including all necessary equipment such as approved tables, felt, dice, cards,

chips, layouts, or intellectual property rights as determined by the Executive Director; provided, however, that any such Lottery Facility Games purchased by Manager on behalf of the State of Kansas may be subject to encumbrances in favor of Manager's lenders.~~Director~~. Manager has no authority under this Agreement to own, purchase or lease any Lottery Facility Games for use in the State of Kansas,; except on behalf of the State of Kansas and through the Kansas Lottery; provided, however, if the parties elect to remove from the Lottery Gaming Facility a Lottery Facility Game that was 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 game 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. ~~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.

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; provided, however, that nothing in this Agreement will restrict Manager from owning, leasing, licensing or controlling the rights to any software that does not affect the elements of consideration, chance or prize with respect to a Lottery Facility Game, including any player tracking software.~~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 must approve all agreements concerning software licensing and ownership affecting the Lottery Facility Games made available to Players at the Lottery Gaming Facility.

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. 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. Manager agrees 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 to be given to anyone in the Lottery Gaming Facility Revenues generated at the Lottery Gaming Facility that are to be remitted daily to the State.

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.**~~ **Manager.** As its sole compensation for the management services for the Lottery Gaming Facility as set out in this Agreement, Manager will be paid the following percentages of the Lottery Gaming Facility Revenues generated at the Lottery Gaming Facility depending upon the applicable annual revenues, as follows: (a) 73% on all annual Lottery Gaming Facility Revenues up to \$475 Million; (b) 70% on all annual Lottery Gaming Facility Revenues above \$475 Million and up to \$600 Million; and (c) 67% on all annual Lottery Gaming Facility Revenues that exceed \$600 Million. ~~year of operation, as follows: (a) 73% during the first partial Fiscal Year of operation, if any, and the first full Fiscal Year thereafter; (b) 72% during the second Fiscal Year of operation; (c) 71% during the third Fiscal Year of operation; (d) 69% during the fourth Fiscal Year of operation; (e) 68% during the fifth Fiscal Year of operation; (f) 65% during the sixth Fiscal Year of operation; and (g) 62% thereafter.~~

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.

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 1.5% ~~two~~ percent of Lottery Gaming Facility Revenues to be paid to the city in which the Lottery Gaming Facility is located (or as otherwise directed by the city pursuant to any revenue sharing arrangement made by the city) and 1.5% percent of Lottery Gaming Facility Revenues to be paid ~~(3%)~~ to the county in which the Lottery Gaming Facility is located. ~~[alternative language for this 3% if not in a city, or if in the southeast or south central zones to comply with K.S.A. 74-8734(h)(15) and (16), or to conform to manager's application if increased from statute.]~~

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:

- a) Manager's share of the Kansas Lottery's 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 subparagraph (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 before making Manager's monthly 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, plus 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.

- 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 will be void, and Manager will 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 it has been advised 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.
- 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 the Kansas Lottery at Racetrack Gaming Facilities and Lottery Gaming Facilities that are part of the central computer system.
- d) The Kansas Lottery shall use reasonable commercial efforts to minimize its expenses that are reimbursable by Manager pursuant to subsection (a) above, which shall include avoiding any unnecessary duplication of activities with those of the Kansas Racing and Gaming Commission.

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);
- c) Maintain the Lottery Gaming Facility and all property and improvements associated with its Ancillary Lottery Gaming Facility Operations in first class condition, ordinary wear and tear excepted, including, without limitation, interior and exterior cleaning, painting and decorating, plumbing, carpentry and such other items that may be commercially reasonable; and
- d) Manage the Lottery Gaming Facility and all of Ancillary Lottery Gaming Facility Operations in a sound, diligent, and prudent manner in accordance with this Agreement.

30. **Prohibitions Applicable to the State.** The Kansas Lottery, acting on behalf of the State of Kansas, agrees by entering into this Agreement that:

- a) Neither the Kansas Lottery nor the State of Kansas will enter into a management contract for more than four (4) lottery gaming facilities or similar facilities in the four gaming zones outlined in the Kansas Expanded Lottery Act 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; 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. 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 will 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. The Kansas Lottery will make such person(s) available to Manager on a 24 hour per day and seven days per week basis to~~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. Manager will make its general manager or other designee available to the Kansas Lottery on a 24 hour per day and seven days per week basis to resolve issues involving the Lottery Gaming Facility.

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 equipment integral to the operation of the Lottery Facility Game or that affects the results of the Lottery Facility Game by determining chance, prize or consideration.~~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) Insurance against loss or damage by fire, lightning, and other casualties, with a uniform standard extended coverage endorsement, 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 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, with limits of not less than \$10,000,000 per accident or occurrence on account of personal injury, including death resulting there from, and \$10,000,000 per accident or occurrence 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.
- d) Business interruption insurance against the perils enumerated in subparagraph (a) and in amounts determined by the Executive Director to be appropriate and commercially reasonable to protect ~~both the Kansas Lottery's and~~ Manager's financial interests in the revenue produced by the Lottery Gaming Facility.
- e) 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.
- f) 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.

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 a named insured, or additional named insured. 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 effect, 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 Company must file with the Executive Director a certificate from 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.

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, with such changes, alterations and modifications as may be desired by Manager and approved by the Executive Director, to the extent that and may use insurance or condemnation proceeds are available to Manager for all such purposes, provided that Manager has maintained insurance required in Paragraph 34. Manager will have no obligation to rebuild the Lottery Gaming Facility if such damage, destruction or condemnation occurs within five (5) years of the end of this Agreement's term. The Kansas Lottery will have no obligation to replace, repair, rebuild or restore the Lottery Gaming Facility.

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 maximize to the greatest extent possible 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 may include information regarding problem gambling as directed by the Executive Director.

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: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 or the Kansas Lottery with any customer data under Manager's control for purposes of a Player's club instituted by the Executive Director; and (c) neither the Executive Director nor the Kansas Lottery 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, or auditing purposes; and the Executive Director ~~and the Kansas Lottery agree~~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.

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. Manager will administer such program at the Lottery Gaming Facility as the Executive Director may provide; provided, however, that any data obtained by the Executive Director or the Kansas Lottery from a Players' tracking system will be used solely for regulatory, security or auditing purposes and not for marketing or other purposes. ~~provide.~~ 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.

41. **Use of Trademarks, Service Marks, and Trade Names.** 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 Lottery Facility Games~~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.

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 ~~obtain~~ meet all necessary authorizations required 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 employment and retention 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 held by any of Manager's employees in accordance with applicable statutes or rules and regulations promulgated pursuant to law. At any time that the Executive Director is required to approve the Key Employees, the Executive Director must act on a request to approve the Key Employees within ten (10) business days of such request, subject to any required background investigations and regulatory approvals. If no response is provided, the approval will be deemed denied. The Executive Director may amend Key Employees list at any time for any reason.

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 and 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 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 discrepancy greater than \$100,000 on any other line item

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.

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. 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.

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. 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.

48. **Bank Accounts.** Manager will establish a special bank account in its name at a Kansas bank approved by the Executive Director with Manager being the only party authorized to draw from this account except upon a default under this Agreement by Manager or any termination of this Agreement at which time the Executive Director will have that authority. This bank account will be used by Manager for all payments. The Executive Director will cause Manager's portion of the Lottery Gaming Facility Revenues to be deposited into this account monthly. With the Executive Director's approval, Manager may establish at the same bank multiple accounts to segregate certain expenses, such as payroll. Manager may pledge, encumber or grant any interest in such bank accounts or the revenues to which Manager is entitled under this Agreement that may be contained therein to its 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 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 unstayed and in effect for a period of 120 consecutive days; or
- e) Manager's failure to perform, keep or fulfill any other covenant, undertakings, obligations or conditions set out in this Agreement 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.
- f) Withdrawal of any approval granted, loss or suspension of any [gaming](#) license 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;~~ or
- g) Manager's financial condition being such that the sum of Manager's debts exceeds the fair market value of Manager's assets.

50. **Remedies on Default.** If an event of default occurs as provided above, the Executive Director may, without prejudice to any other legal or equitable remedy which he may have, give Manager notice of the Kansas Lottery's intention to terminate this Agreement after the expiration of fifteen (15) days from the date of such notice 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 Northeast- Kansas gaming zone without penalty to the Kansas Lottery or further recourse by Manager. 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 (subject to the cure period set forth in Paragraph 23).

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. 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, 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, as well as any maintenance or preventive maintenance programs, schedules and logs, records, inventories of personal and intangible property owned by and equipment purchased on behalf of the Kansas Lottery or to which the State of Kansas Lottery is entitled pursuant to the terms of this Agreement, 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; provided, however, if, at the expiration or 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. 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. 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 operation of the Lottery Facility Games at 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.~~

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, 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. This entire Paragraph 54 does not include any action against the Kansas Lottery or its staff regarding (i) the constitutionality of the Kansas Expanded Lottery Act, ~~(ii) or~~ misconduct by an Indemnified Party that is found to be negligent or criminal, or (iii) criminal.

- b) ~~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.
- c) To hold and save harmless any Indemnified Party from liability for any violation or breach of this Agreement by Manager, its employees, or agents.
- d) 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.
- e) 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. Manager agrees to defend (with counsel selected by 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. Nothing contained in this provision will relieve Manager from responsibility to the Kansas Lottery, as a result of willful misconduct, gross negligence, material breach of this Agreement, or acts outside the scope of Manager's authority under this Agreement on the part of Manager, its agents or employees, and Manager agrees to indemnify any Indemnified Party for damage or loss resulting from said acts. Manager's obligations under this paragraph 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 limits.

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, 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 ~~or 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 undischarged 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. This Agreement is not transferable in bankruptcy without the Executive Director's approval.

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. The Executive Director acknowledges that (a) a joint venture or other business combination or transfer of an equity interest involving Manager and suitable third party or parties is permissible, provided such party or parties receive all approvals required by applicable statute or regulation; (b) Manager may delegate its duties under this Agreement to an affiliate, provided such affiliate receives all approvals required by applicable statute or regulation; and (c) Manager may assign, pledge, encumber or grant any interest in this Agreement as collateral to a lender, which shall have the right to replace Manager on a temporary basis provided such replacement is approved by the Executive Director and obtains all approvals required by applicable statute or regulation.~~regulation.~~

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: Leg Sun LLC
c/o Mohegan Resorts Kansas LLC
1 Mohegan Sun Boulevard
Uncasville, Connecticut 06382
Attn: Jeffrey E. Hartmann
Telephone: 860-862-7171
Facsimile: 860-862-7167

with a copy to:

Michael L. McCann, Esq.
Spencer Fane Britt & Browne LLP
1000 Walnut Street, Suite 1400
Kansas City, MO 64106
Telephone: 816-292-8110
Facsimile: 816-474-3216

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. **Waiver; Amendments.** ~~Each Except as otherwise provided in this paragraph, no amendment,~~ waiver ~~of, or consent as to~~ any provision ~~of~~ 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 shall not be amended unless such amendment is in writing and mutually agreed to by the Executive Director and Manager; provided, however, if any of the following events materially interferes with a party's ability to

perform its obligations under this Agreement or operate the Lottery Gaming Facility as contemplated by the parties, the parties shall negotiate in good faith to amend this Agreement taking into consideration such event: (i) an order or judgment issued by a court of competent jurisdiction declaring the Kansas Expanded Lottery Act unconstitutional or judicially modifying the Kansas Expanded Lottery Act; (ii) the Commission or other agency of the State of Kansas issues additional rules and regulations or modifies any existing rules or regulations affecting the Lottery Gaming Facility; or (iii) the Kansas Expanded Lottery Act is amended or modified by legislative action. 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.

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, final resolution of any material litigation (including the litigation referred to in Paragraph 8 above), strike, lockout, breakdown, accident, order or regulation of or by any governmental authority, 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 claims or court orders restricting Manager's ability to perform so long as such orders, claims or court orders are not on account of any misconduct by Manager. The provisions of this Paragraph 63 notwithstanding, the parties agree the litigation component of the force majeure definition does 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.

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. If at any time, in the reasonable opinion of Manager, an action needs to be taken to protect the life, health, safety or welfare of guests or employees or to protect against a risk of significant financial loss, Manager (or its designees) may take reasonable action without obtaining the approval or consent of the Executive Director (or his designee). If this occurs based on Manager's determination, Manager must immediately notify the Executive Director, who will then make a determination with respect to such action.

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. 2007 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. 2007 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. 2007 Supp. 74-8734(h)(12) or (13) above the amounts provided for in this Agreement;
- c) K.S.A. 2007 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. 2007 Supp. 74-8734(h)(16) above the amounts provided for in this Agreement;

- 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. 2007 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) [K.S.A. 2007 Supp. 74-8734 \(h\)\(19\) or other applicable statute or regulation is amended so as to invalidate Paragraphs 30 or 31 above or a court of competent jurisdiction, after all appropriate appeals are exhausted, invalidates Paragraphs ~~paragraph~~ 30 or 31 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;
- 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; or
- j) If litigation or any other challenge to the constitutionality of the Kansas Expanded Lottery Act or the enforceability of this Agreement remains in question more than 180 days after the Effective Date.

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 [claim of](#) 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), (f) or (g) occur (but with respect to subsection (g), the State's liability for monetary damages will be limited to the dollar amount set forth in Paragraph 31). ~~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 at any time prior to its approval by the Lottery Gaming Facility Review Board. 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. Manager acknowledges and agrees that if it withdraws its application pursuant to this paragraph, this Agreement will be void and Manager will not be permitted to re-apply as a Lottery Gaming Facility Manager in the Northeast Kansas 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. 2007 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.** All actions or approvals within the discretion of Manager or the Executive Director (or their designees) under this Agreement shall be exercised in good faith, using reasonable commercial judgment, and neither party shall act in an unreasonable, arbitrary or capricious manner. Unless a more specific time period is specified elsewhere in this Agreement, in each instance where an approval is required or permitted under this Agreement, the party whose approval is required shall approve or deny a request within thirty (30) days of the request, unless the request is deemed urgent, in which case the party requesting the approval may specify a shorter time period; provided, however, that if a party fails to respond within such time period, the request will be deemed denied. The scope of review for any action governed by the Act for Judicial Review and Civil Enforcement of Agency Actions (K.S.A. 2007 Supp. 77-601 through 77-631) shall be as set forth in K.S.A. 2007 Supp. 77-621. 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.** 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.

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. 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), which has been revised by the parties and is attached as **Exhibit F**, are incorporated in this Agreement as though set out in full.

[\[signature page to follow\]](#)

IN WITNESS WHEREOF, the Kansas Lottery, Executive Director, on behalf of the State of Kansas, Lottery, and Manager have caused this Agreement to be executed in their respective names, all as of the date first above written.

THE KANSAS LOTTERY ON BEHALF
OF THE STATE OF KANSAS

By: _____
Ed Van Petten, Executive Director

LEG SUN LLC

[INSERT NAME]

By: _____
Jeffrey E. Hartmann, Manager

EXHIBIT SCHEDULE

EXHIBIT A – Environmental Compliance and Indemnification Agreement

EXHIBIT B – [LocalCounty](#) Endorsement

EXHIBIT C –Expected Construction Sequence

EXHIBIT D –Key Employees

EXHIBIT E– Financing Commitment Description

EXHIBIT F – DA-146a (revised by the parties)

Exhibit A

Environmental Compliance and Indemnification Agreement

See Attached.

EXHIBIT "A"

**ENVIRONMENTAL COMPLIANCE AND
INDEMNIFICATION AGREEMENT**

**ENVIRONMENTAL COMPLIANCE
AND INDEMNIFICATION AGREEMENT**

THIS ENVIRONMENTAL COMPLIANCE AND INDEMNIFICATION AGREEMENT (the "Environmental Compliance Agreement"), dated as of [insert date], is given by _____ ("Manager"), a [insert type] company having offices at _____, to the **Kansas Lottery**, an agency of the State of Kansas having its principal office at 128 N. Kansas Avenue, Topeka, KS 66603-3638.

RECITALS

WHEREAS, the Manager is the owner of, or is acquiring title to or other interest in, certain real property located _____, State of Kansas and described more fully in Schedule "A" attached and made a part hereof (the "Premises"); and

WHEREAS, the Manager is contracting with the Kansas Lottery to be a Lottery Gaming Facility Manager, as that term is defined in the Kansas Expanded Lottery Act, K.S.A. 2007 Supp. 74-8733 through 74-8773, which will consist of a Lottery Gaming Facility and certain Ancillary Lottery Gaming Facility Operations, as referenced in a Lottery Gaming Facility Management Contract of even date, to which this Environmental Compliance Agreement is attached (collectively referred to as the "Project"); and

WHEREAS, the Lottery Gaming Facility Management Contract contemplates that Manager will construct and maintain the Project in which a certain portion will be used to house a Lottery Gaming Facility, the business of which will be owned and operated by the Kansas Lottery ; and

WHEREAS, the Kansas Lottery is unwilling to consummate the Lottery Gaming Facility Management Contract unless the Manager executes and delivers this Environmental Compliance Agreement to the Kansas Lottery.

NOW, THEREFORE, in consideration of the foregoing and to induce the Kansas Lottery to consummate the Lottery Gaming Facility Management Contract, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Manager covenants and agrees with the Kansas Lottery as follows:

1. **DEFINITIONS.** All capitalized terms used in this Environmental Compliance Agreement and not defined will have the meanings set forth below.

(a) **Environment** means any water, groundwater, water vapor, land (including land surface or subsurface), soil vapor, air, fish, wildlife, biota, and all other natural resources.

(b) **Environmental Laws** mean all federal, state and local environmental, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the Environment and/or governing the use, storage, treatment,

generation, transportation, processing, handling, production or disposal of Hazardous Substances (as defined below) and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

(c) Environmental Permits mean all permits, licenses, approvals, authorizations, consents or registrations required by any applicable Environmental Law in connection with the ownership, use and/or operation of the Premises for the storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances or the sale, transfer or conveyance of the Premises.

(d) Hazardous Substance means any substance, which are not naturally occurring, (i) the presence of which requires investigation or remediation under any Environmental Law; or (ii) which is or becomes defined as a "hazardous waste", "hazardous substance", "toxic substance", "solid waste", pollutant and/or or contaminant under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. section 9601 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. section 6901 *et seq.*), as amended, the Hazardous Materials Transportation Act, as amended (49 U.S.C. Section 1801 *et seq.*), the Clean Air Act (42 U.S.C. Sections 7401, *et seq.*), the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601, *et seq.*), the Clean Water Act, as amended (33 U.S.C. Sections 1251 *et seq.*), the Occupational Safety and Health Act, as amended (29 U.S.C.A. Section 651 *et seq.*), and/or any other applicable Environmental Law or any regulations promulgated under any of the foregoing; or (iii) which is toxic (including, but not limited to, toxic mold), explosive, corrosive, flammable, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, the State of Kansas or any political subdivision thereof; or (iv) the presence of which on the Premises causes or threatens to cause a nuisance upon the Property or to adjacent properties or poses or threatens to pose a hazard to the health or safety of persons on or about the Premises; or (v) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or (vi) which contains polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde foam insulation.

(e) Improvements mean any buildings, structures and other improvements (if any) presently or hereafter located on the Premises.

(f) Indemnitee means the Kansas Lottery, the Kansas Lottery Commission, and the State of Kansas, and their successors and assigns, and their respective officers, directors, employees, agents, representatives, contractors and subcontractors.

(g) Release means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the Environment (including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Hazardous Substance).

2. REPRESENTATIONS AND WARRANTIES: The Manager represents and warrants to the Kansas Lottery that to the best of the Manager's knowledge, information and belief:

(a) Neither the Premises nor any property adjacent to the Premises is being or has been used for the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substance or as a landfill or other solid waste disposal site or for military, manufacturing or industrial purposes or for the storage of petroleum or petroleum based products.

(b) Underground storage tanks are not and have not been located on the Premises, except as set forth in Schedule "B" hereto.

(c) The soil, subsoil, bedrock, soil vapor, surface water and groundwater of the Premises are free of any Hazardous Substances.

(d) There has been no Release nor is there the threat of a Release of any Hazardous Substance on, at or from the Premises, or any property adjacent to or within the immediate vicinity of the Premises which through soil, subsoil, soil vapor, bedrock, surface water or groundwater migration could come to be located on the Premises, and the Manager has not received any form of written notice or inquiry from any federal, state or local governmental agency or authority, any operator, tenant, subtenant, licensee or occupant of the Premises or any property adjacent to or within the immediate vicinity of the Premises or any other person with regard to a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises or any property adjacent to or within the immediate vicinity of the Premises.

(e) All Environmental Permits necessary for the acquisition, construction, equipping, use or operation of the Premises will be obtained and will be in full force and effect.

(f) No event has occurred with respect to the Premises which, with the passage of time or the giving of notice, or both, would constitute a violation of any applicable Environmental Law or non-compliance with any Environmental Permit.

(g) There are no agreements, consent orders, decrees, judgments, notices of violations, demand letters, license or permit conditions or other orders or directives of any federal, state or local court, governmental agency or authority relating to the past, present or future ownership, use, operation, sale, transfer or conveyance of the Premises which require any change in the present condition of the Premises or any work, repairs, construction, containment, clean-up, investigations, studies, removal or other remedial action or capital expenditures with respect to the Premises.

(h) There are no actions, suits, claims or proceedings, pending or threatened, which could cause the incurrence of expenses or costs of any name or description or which seek money damages, injunctive relief, investigations, remedial action or any other remedy that arise out of, relate to or result from (i) a violation or alleged violation of any

applicable Environmental Law or non-compliance or alleged non-compliance with any Environmental Permit, (ii) the presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises or any property adjacent to or within the immediate vicinity of the Premises or (iii) human exposure to any Hazardous Substance of whatever kind to the extent the same arise from the condition of the Premises or the ownership, use, operation, sale, transfer or conveyance thereof.

3. COVENANTS OF MANAGER: The Manager covenants and agrees with the Kansas Lottery as follows:

(a) Except in accordance with Environmental Laws, Manager shall keep, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to keep, the Premises free of all Hazardous Substances and shall not cause or permit the Premises or any part thereof to be used for the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substances.

(b) The Manager shall comply with, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to comply with, all applicable material Environmental Laws, and shall obtain and comply with, and shall cause all operators, tenants, subtenants, licensees, invitees and occupants of the Premises to obtain and comply with, all Environmental Permits.

(c) Except in accordance with Environmental Laws, Manager shall not cause or permit any change to be made in the present or intended use of the Premises which would (i) involve the storage, treatment, generation, transportation, processing, handling, production, disposal or release of any Hazardous Substance or the use of the Premises as a landfill or other solid waste disposal site or for military, manufacturing or industrial purposes, (ii) violate any applicable Environmental Law, (iii) constitute non-compliance with any Environmental Permit, or (iv) increase the risk of a Release of any Hazardous Substance.

(d) The Manager shall promptly provide the Kansas Lottery with a copy of all written notifications which the Manager gives or receives with respect to any past or present Release or the threat of a Release of any Hazardous Substance on, at or from the Premises or any property adjacent to or within the immediate vicinity of the Premises.

(e) To the extent required by applicable Environmental Laws, Manager shall undertake and complete all investigations, studies, sampling and testing and all removal and other remedial actions necessary to contain, remove and clean up all Hazardous Substances that are determined to be present at the Premises in accordance with all applicable Environmental Laws and all Environmental Permits.

(f) The Manager shall at all times, upon reasonable notice, allow the Kansas Lottery and its officers, employees, agents, representatives, contractors and

subcontractors reasonable access to the Premises for the purposes of ascertaining site conditions, including, but not limited to, subsurface conditions. In exercising such right, the Kansas Lottery will use good faith efforts to not unreasonably disturb or disrupt the Premises.

(g) Except as provided in the Lottery Gaming Facility Management Contract, if at any time the Manager obtains credible evidence or information which suggests that potential violation of Environmental Laws or Environmental Permits may exist at the Premises, the Kansas Lottery may require that a full or supplemental environmental investigation and environmental assessment report (including a Phase II environmental investigation) with respect to the Premises of a scope and level of detail satisfactory to the Kansas Lottery to be prepared by an environmental engineer or other qualified person acceptable to the Kansas Lottery, at the Manager's expense. Said investigation may include a physical inspection of the Premises, a visual inspection of any property adjacent to or within the immediate vicinity of the Premises, personnel interviews and a review of all Environmental Permits. If the Kansas Lottery requires, such inspection shall also include a records search and/or subsurface testing for the presence of Hazardous Substances in the soil, subsoil, soil vapor, bedrock, surface water and/or groundwater. If the investigations indicate the presence of any Hazardous Substance or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, the Manager shall promptly undertake and diligently pursue to completion all necessary, appropriate and legally authorized investigative, containment, removal, and other remedial actions, using methods recommended by the engineer or other person who conducted the investigations and acceptable to the appropriate federal, state and local agencies or authorities.

(h) Attached hereto as Schedule "C" is a complete list of all Environmental Permits presently required for the ownership, use or operation of the Premises and the businesses located thereon. The Manager agrees to notify the Kansas Lottery of any additions, deletions, or modifications of any Environmental Permits and the list thereof. Upon written request of the Kansas Lottery, the Manager shall furnish true and complete copies of all Environmental Permits.

4. INDEMNIFICATION PROVISIONS: Except for claims or liabilities arising from the actions or failure to act by any Indemnitee or Indemnitees or their agents (excluding Manager to the extent an agency relationship would be found as a matter of law between Manager and any Indemnitee), Manager covenants and agrees, at its sole cost and expense, to indemnify, protect, defend, and save harmless each and every Indemnitee from and against any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, actions, proceedings, costs, disbursements and/or expenses (including, without limitation, attorneys' and experts' fees for attorneys and experts selected by the Indemnitee, expenses and disbursements) of any kind or nature whatsoever which may at any time be imposed upon, incurred by or asserted or awarded against any Indemnitee relating to, resulting from or arising out of (a) the use of the Premises, during the term of the Lottery Gaming Facility Management Contract, for the storage, treatment, generation, transportation, processing, handling, production or disposal of any Hazardous Substance, except in accordance with

Environmental Laws or Environmental Permits, or as a landfill or other waste disposal site or for military, manufacturing or industrial purposes, (b) the presence or claimed presence of any Hazardous Substance, except in accordance with Environmental Laws or Environmental Permits, or a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, or of any property adjacent to or within the immediate vicinity of the Premises during the term of the Lottery Gaming Facility Management Contract, (c) the failure during the term of the Lottery Gaming Facility Management Contract to promptly undertake and diligently pursue to completion all necessary, appropriate and legally authorized investigative, containment, removal, clean-up and other remedial actions with respect to a Release or the threat of a Release of any Hazardous Substance on, at or from the Premises, (d) human exposure during the term of this Lottery Gaming Facility Management Contract to any Hazardous Substance, except in accordance with Environmental Laws or Environmental Permits, to the extent the same arise from the condition of the Premises or the ownership, use, operation, sale, transfer or conveyance thereof, (e) a violation of any applicable Environmental Law during the term of the Lottery Gaming Facility Management Contract, (f) non-compliance with any Environmental Permit during the term of the Lottery Gaming Facility Management Contract, (g) a material misrepresentation or inaccuracy in any representation or warranty or a material breach of or failure to perform any covenant made by the Manager in this Environmental Compliance Agreement, and (h) the designation by any state or governmental entity, the United States Environmental Protection Agency or any other governmental authority of an Indemnitee as a party responsible or potentially responsible for the remediation of any condition on the Premises (collectively, the "Indemnified Matters").

The liability of the Manager to the Kansas Lottery and each Indemnitee shall be perpetual and shall survive, and shall in no way be limited, abridged, impaired or otherwise affected, by (i) any amendment or modification of any of the Lottery Gaming Facility Management Contract, (ii) the invalidity or unenforceability of any of the terms or provisions of the Lottery Gaming Facility Management Contract, (iii) any applicable statute of limitations, (iv) any investigation or inquiry conducted by or on the behalf of the Kansas Lottery or any other Indemnitee or any information which the Kansas Lottery or any other Indemnitee may have or obtain with respect to the environmental or ecological condition of the Premises, (v) the sale, transfer or conveyance of all or part of the Premises, (vi) the dissolution or liquidation of the Manager, (vii) the release or discharge, in whole or in part, of the Manager in any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceeding, (viii) any other circumstances which might otherwise constitute a legal or equitable release or discharge, in whole or in part, of the Manager under this Environmental Compliance Agreement, (ix) the expiration or termination of the Lottery Gaming Facility Management Contract, or (x) the reconveyance of title to the Premises by the Manager or any other person, whether in accordance with the terms of a lease, by foreclosure or deed in lieu of foreclosure, sale or otherwise.

The indemnification agreement contained herein is wholly independent of and in addition to any indemnification agreement given to the Kansas Lottery or any other Indemnitee, as part of the application of the Kansas Expanded Lottery Act or any other applicable statute or regulation.

5. GOVERNING LAW: This Environmental Compliance Agreement shall be governed by, construed in accordance with and enforceable under the laws of the State of Kansas.

6. COUNTERPARTS: This Environmental Compliance Agreement may be executed in one or more counterparts, each of which shall be deemed an original. Said counterparts shall constitute but one and the same instrument and shall be binding upon each of the undersigned as fully and completely as if all had signed the same instrument.

7. SUCCESSORS AND ASSIGNS: This Environmental Compliance Agreement shall be binding upon the Manager, its successors and assigns, all subsequent owners of the Premises, and their respective successors, assigns, executors, administrators, legal representatives, distributees and fiduciaries and shall inure to the benefit of each Indemnitee.

IN WITNESS WHEREOF, the Manager has caused this Environmental Compliance Agreement to be duly executed as of the day and year first above written.

[insert Manager]

By: _____
Name:
Title:

THE KANSAS LOTTERY

By: _____
Ed Van Petten, Executive Director

State of _____)
County of _____) *ss.*

On the ____ day of _____ in the year 2008, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

State of _____)
County of _____) *ss.*

On the ____ day of _____ in the year 2007 before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

SCHEDULE "A"

(Premises)

A-1

SCHEDULE "B"
(Underground Storage Tanks)

B-1

SCHEDULE "C"
(Environmental Permits)

C-1

EXHIBIT "B"

**ENDORSEMENT BY LOCAL
GOVERNMENT**



Unified Government Clerk's Office

Tom G. Roberts, CMC

Unified Government Clerk

701 North 7th Street, Suite 323
Kansas City, Kansas 66101-3064

Phone: (913) 573-5260
Fax: (913) 573-5005
<http://www.wycokck.org>

STATE OF KANSAS)
COUNTY OF WYANDOTTE))SS
CITY OF KANSAS CITY, KS)

CERTIFICATION

I, Tom G. Roberts, Unified Government Clerk of Wyandotte County/Kansas City, Kansas, do hereby certify that the attached and foregoing is a full, true, and complete copy of Resolution No. R-126-07 of the Unified Government of Wyandotte County/Kansas City, Kansas, and that said resolution was adopted by the Unified Government Commission on the 13th day of December 2007.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said Unified Government this 27th day of December 2007.



Tom G. Roberts, CMC
Unified Government Clerk

RESOLUTION NO. R-126-07

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS:

WHEREAS, Kansas Entertainment, LLC, Leg Sun LLC, and Pinnacle Entertainment Inc. submitted proposals to the Unified Government of Wyandotte County/Kansas City, Kansas for destination tourist gaming facility located in Wyandotte County; and

WHEREAS, the separate applications for change in zoning and for a special use permit has been approved separately for all three proposals; and

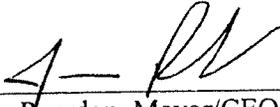
WHEREAS, the Board of Commissioners of the Unified Government of Wyandotte County/Kansas City, Kansas have reviewed all three proposals, considered the supporting documents, reviewed the financial testimony of the consultants hired by all proposing parties and by the Unified Government, conducted public hearings and heard testimony from the interested parties and the citizenry and have otherwise been advised in the facts law relevant to this decision;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, AS FOLLOWS:

1. That the proposals submitted by Kansas Entertainment, LLC, Leg Sun LLC, and Pinnacle Entertainment Inc. are hereby endorsed by the Unified Government subject to and conditioned upon completion and execution of a development agreement that includes the points of agreement stipulated by the parties and that accurately reflects and binds the parties to submit to the State of Kansas the proposal and major points contained in their initial response to the Unified Government's Request for Proposals (RFP) and all subsequent amendments, additions and agreements entered throughout the planning and zoning process and the final review of the response to the RFP, including any best and final stipulations made by the parties through or at the time of the final hearing before the Commission of the Unified Government held on December 13, 2007.

2. That the County Administrator is hereby directed to submit this Resolution No. R-126-07 and supporting documentation including the development agreement to the State of Kansas Lottery Commission and to each proposing party for further consideration and review.

ADOPTED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED
GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS
THIS 13TH DAY OF DECEMBER, 2007.



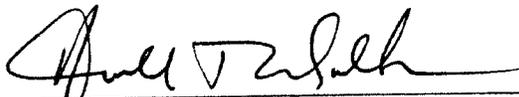
Joe Reardon, Mayor/CEO

ATTEST:



Unified Government Clerk

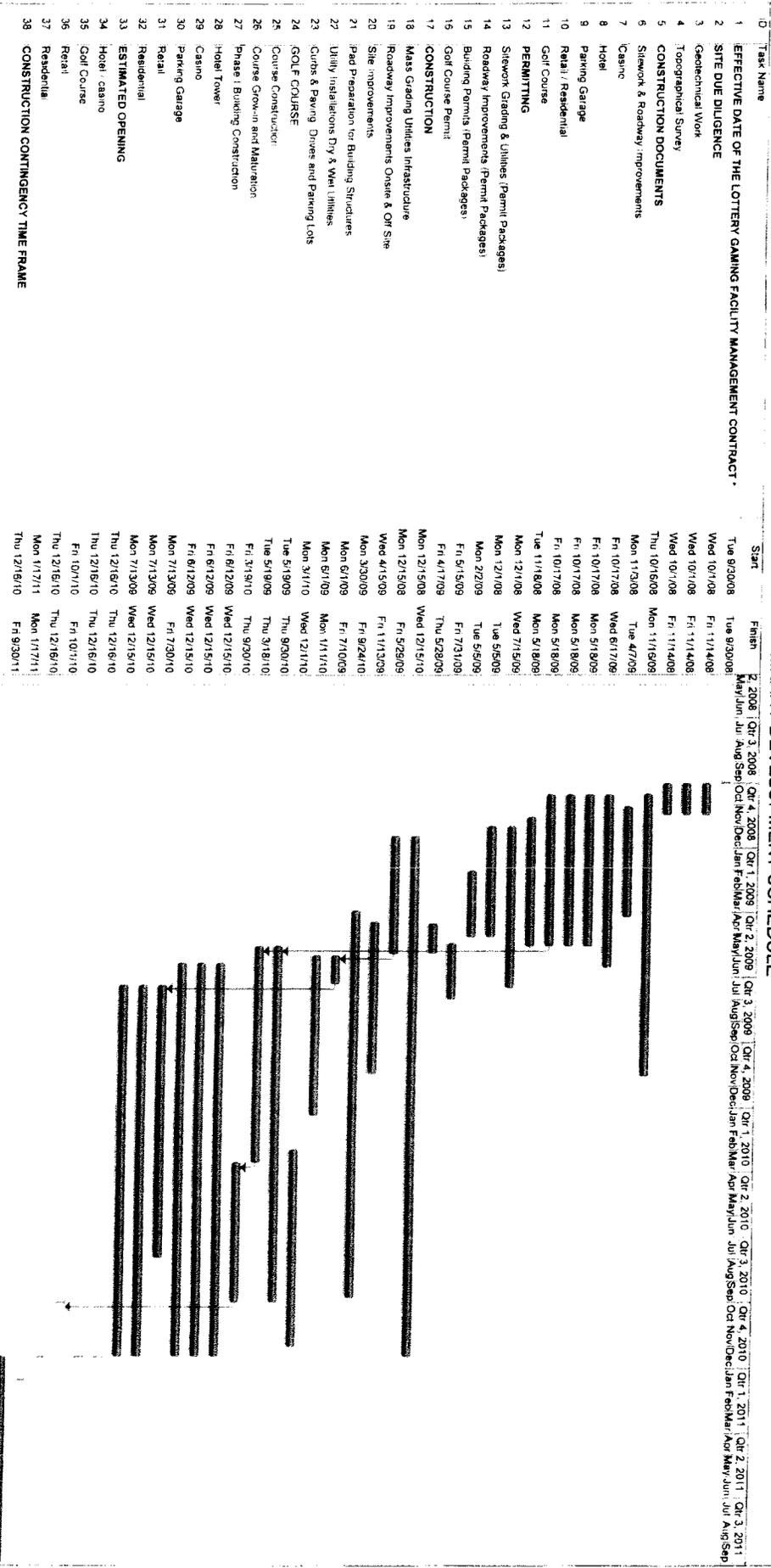
Approved as to form:



Harold T. Walker, Chief Counsel

EXHIBIT "C"
EXPECTED CONSTRUCTION
SEQUENCE

LEGENDS SUN RESORT & CASINO PRELIMINARY DEVELOPMENT SCHEDULE



* BASED ON AN ASSUMED EFFECTIVE DATE OF 9/30/08 AND IS SUBJECT TO ADJUSTMENT BASED ON THE ACTUAL EFFECTIVE DATE OF THE AGREEMENT

EXHIBIT "D"

KEY EMPLOYEES

**Exhibit D
Key Employees**

<u>Position</u>	<u>Department</u>	<u>Reports To</u>
General Manager	Administration	Chairman of Leg Sun, LLC Management Board
Chief Financial Officer (CFO)	Financial Accounting	General Manager
Vice President Resort Operations	Administration	General Manager
Vice President of Marketing	Marketing Administration	General Manager
Vice President of Information Technology	Information Technology	General Manager
Vice President of Gaming	Gaming Administration	General Manager
Vice President of Surveillance	Surveillance	General Manager
Director of Security	Resort Security	Chief Financial Officer
Director of Finance	Financial Accounting	Chief Financial Officer
Director of Human Resources	Human Resources	Chief Financial Officer
Director of Supply Chain	Supply Chain & Distribution	Chief Financial Officer
Director of Food and Beverage	Food and Beverage Administration	VP of Resort Operations
Director of Retail	Retail Administration	VP of Resort Operations
Director of Facilities	Engineering & Facilities Maintenance	VP of Resort Operations
Director of Golf	Golf & Country Club Operations	VP of Resort Operations
Director of Hotel	Hotel Operations	VP of Resort Operations
Director of Slots and Keno	Slot Operations	VP of Gaming
Director of Table Games	Table Games	VP of Gaming
Director of Entertainment	Entertainment	Vice President of Marketing
Director of Advertising & Public Relations	Advertising & Public Relations	Vice President of Marketing
Director of Customer Relationship Marketing	Database Marketing	Vice President of Marketing
Director of Marketing	Resort & Casino Marketing	Vice President of Marketing

EXHIBIT "E"

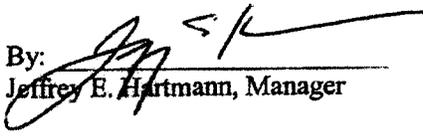
FINANCING COMMITMENT

Exhibit E

Financing Commitment Description

Manager hereby confirms that it is highly confident that it can obtain the financial resources necessary to support the activities by the Management Agreement and the Kansas Expanded Lottery Act by accessing the senior debt markets, the public debt markets or other available sources of capital. To the extent a parent guarantee is legally required for the financing commitment, Manager's parents will work promptly and in good faith to accomplish that.

Leg Sun LLC

By: 

Jeffrey E. Hartmann, Manager

EXHIBIT "F"

DA-146a CONTRACTUAL

ATTACHMENT

State of Kansas
 Department of Administration
 DA-146a (Rev. 1-01)

CONTRACTUAL PROVISIONS ATTACHMENT

Important: This form contains mandatory contract provisions and must be attached to or incorporated in all copies of any contractual agreement. If it is attached to the vendor/contractor's standard contract form, then that form must be altered to contain the following provision:

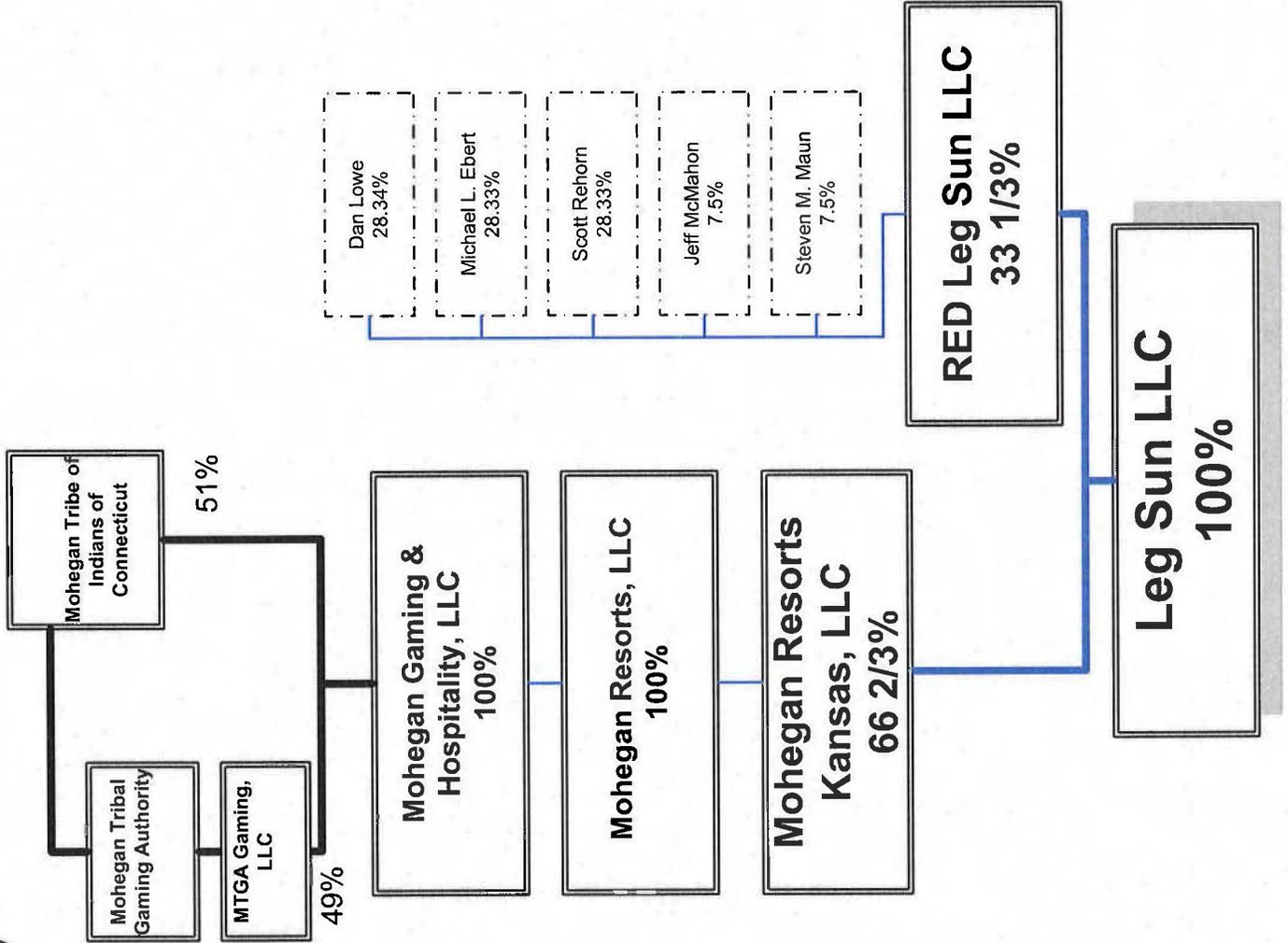
"The Provisions found in Contractual Provisions Attachment (Form DA-146a, Rev. 1-01), which is attached hereto, are hereby incorporated in this contract and made a part thereof."

The parties agree that the following provisions are hereby incorporated into the contract to which it is attached and made a part thereof, said contract being the _____ day of _____, 20_____.

1. **Terms Herein Controlling Provisions:** ~~Except as provided herein,~~ it is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated.
 2. **Agreement With Kansas Law:** All contractual agreements shall be subject to, governed by, and construed according to the laws of the State of Kansas.
 3. **Termination Due To Lack Of Funding Appropriation:** ~~If, in the judgment of the Director of Accounts and Reports, Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year, and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 60 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.~~
 3. **Termination Due To Lack Of Funding Appropriation: Intentionally Omitted.**
 4. **Disclaimer Of Liability:** ~~Neither~~ Except as otherwise provided for in the Lottery Gaming Facility Management Contract, neither the State of Kansas nor any agency thereof shall hold harmless or indemnify any contractor beyond that liability incurred under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).
 5. **Anti-Discrimination Clause:** ~~The contractor agrees~~ will use the best efforts to: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-1111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency ~~of the Kansas Department of Administration;~~; (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency ~~of the Kansas Department of Administration.~~
- Parties to this contract understand that the provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or whose contracts with the contracting state agency cumulatively total \$5,000 or less during the fiscal year of such agency.
6. **Acceptance Of Contract:** This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.
 7. **Arbitration, Damages, Warranties:** ~~Notwithstanding any language to the contrary~~ Except as otherwise provided for in the Lottery Gaming Facility Management Contract, no interpretation shall be allowed to find the State or any agency thereof has agreed to binding arbitration, or the payment of damages or penalties upon the occurrence of a contingency. Further, the State of Kansas shall not agree to pay attorney fees and late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect which attempts to exclude, modify, disclaim or otherwise attempt to limit implied warranties of merchantability and fitness for a particular purpose.
 8. **Representative's Authority To Contract:** By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.
 9. **Responsibility For Taxes:** The State of Kansas shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.
 10. **Insurance:** The State of Kansas shall not be required to purchase, any insurance against loss or damage to any personal property to which this contract relates, nor shall this contract require the State to establish a "self-insurance" fund to protect against any such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the vendor or lessor shall bear the risk of any loss or damage to any personal property in which vendor or lessor holds title.
 11. **Information:** No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to information pursuant to K.S.A. 46-1101 et seq.
 12. **The Eleventh Amendment:** "The Eleventh Amendment is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this contract shall be deemed a waiver of the Eleventh Amendment."

Legends Sun Casino

8/1/2008



LEG SUN LLC
ASSIGNMENT OF OWNERSHIP INTEREST

This Assignment of Ownership Interest (this "Assignment") is made and entered into this 23rd day of June, 2008 ("Effective Date"), by and among **Olympia Gaming – KC, L.L.C.**, a Nevada limited liability company ("Olympia"), **Mohegan Resorts Kansas, LLC**, a Delaware limited liability company ("Mohegan Resorts Kansas"), and **RED Leg Sun LLC**, a Kansas limited liability company ("RED"), as the Members of the Company (defined below), are executing this Assignment to evidence their agreement and consent to the terms hereof.

WHEREAS, Olympia owns a 1/3rd Ownership Interest in Leg Sun LLC, a Kansas limited liability Company (the "Company"); and

WHEREAS, Olympia has agreed to assign, and Mohegan Resorts Kansas has agreed to accept, the Ownership Interest in the Company owned by Olympia (the "Assigned Interest");

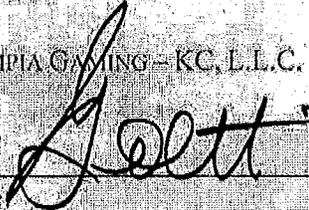
NOW, THEREFORE, for and in consideration of the premises, the mutual covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, do hereby agree as follows:

1. *Defined Terms.* The capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Operating Agreement of the Company.
2. *Assignment of Interest.* Olympia hereby transfers, assigns, conveys and delivers to Mohegan Resorts Kansas all of Olympia's right, title and interest in and to the Assigned Interest, free and clear of all encumbrances.
3. *Acceptance of Interest.* Mohegan Resorts Kansas hereby accepts the foregoing transfer and assignment of the Assigned Interest from Olympia as of the Effective Date, and agrees to be bound by the terms and conditions of the Operating Agreement as relates to the Assigned Interest.
4. *Acknowledgement Concerning Assigned Interest.* As of the Effective Date, both Mohegan Resorts Kansas and RED agree and acknowledge that, except for amounts that have been billed by the Company to Olympia contemporaneously with the execution of this Assignment (which Olympia agrees are valid obligations of Olympia and are not released by this Assignment), (a) Olympia has fully performed each and every obligation of Olympia under the Operating Agreement, (b) Olympia is not in default of any term or provision contained in the Operating Agreement, (c) Olympia has fully satisfied any and all Capital Contributions required of Olympia existing prior to the Effective Date and for and from the Effective Date, and (d) Olympia shall be released and forever discharged from any and all further duties, obligations or responsibilities concerning Capital Contributions or any other obligations of Olympia under the Operating Agreement.
5. *Conflicts.* In the event of any conflict between the terms of this Assignment and any other term or condition contained in the Operating Agreement, the terms and conditions contained in this Assignment shall in all instances govern and control.
6. *Miscellaneous.* This Assignment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Assignment shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns. This Assignment shall be governed by and construed and

WA 968595-3

enforced in accordance with the internal laws of the State of Kansas without regard to principles of conflict of laws.

OLYMPIA GAMING - KC, L.L.C.

By: 
Name:
Title:

MOLLEGAN RESORTS KANSAS, LLC

By: _____
Name:
Title:

RED LEG SUN LLC

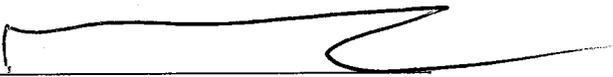
By: 
Name: DAN DOWE
Title: MANAGER

enforced in accordance with the internal laws of the State of Kansas without regard to principles of conflict of laws.

OLYMPIA GAMING – KC, L.L.C.

By: _____
Name:
Title:

MOHEGAN RESORTS KANSAS, LLC

By: 
Name: Mitchell B. Etess
Title: President

RED LEG SUN LLC

By: _____
Name:
Title:

LEG SUN LLC

Unanimous Consent of Managers in Lieu of a Special Meeting

June 23, 2008

The undersigned, being all of the Managers of Leg Sun LLC, a Kansas limited liability company (the "Company"), hereby consents in writing to the following action, such consent to have the same force and effect as a unanimous vote of the Managers at a special meeting duly called and legally held.

1. Acceptance and Resignation and Appointment of Manager.

Resolved, that the Board of Managers hereby accepts the resignation of Garry V. Goett as a Manager of the Company and appoints Philip M. Cahill to fill the vacancy created thereby.

2. Approval of Assignment of Membership Interest.

Whereas, Olympia Gaming – KC, L.L.C. ("Olympia") desires to transfer its Ownership Interest in the Company to Mohegan Resorts Kansas, LLC ("Mohegan Resorts Kansas");

Whereas, the Board of Managers of the Company consents to such transfer;

Now, Therefore, Be It Resolved, that the Board of Managers hereby authorizes, as permitted by Section 11.1 of the Operating Agreement, the transfer of Olympia's Ownership Interest in the Company to Mohegan Resorts Kansas; and

Further Resolved, upon the delivery to the Board of Managers of the Company of the Assignment of Ownership Interest and Acceptance Agreement, in the forms attached hereto, Mohegan Resorts Kansas shall succeed to all of Olympia's rights as a Member of the Company, including, without limitation, Olympia's Units of Financial Rights and Units of Governance Rights, and shall be a Substitute Member with respect to such Ownership Interest.

Jeffrey E. Hartmann, Manager



Dan Lowe, Manager

LEG SUN LLC

Unanimous Consent of Managers in Lieu of a Special Meeting

June 23, 2008

The undersigned, being all of the Managers of Leg Sun LLC, a Kansas limited liability company (the "Company"), hereby consents in writing to the following action, such consent to have the same force and effect as a unanimous vote of the Managers at a special meeting duly called and legally held.

1. Acceptance and Resignation and Appointment of Manager.

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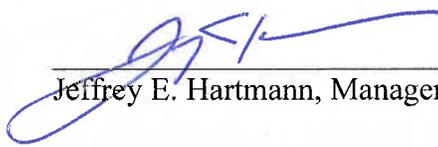
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Whereas, the Board of Managers of the Company consents to such transfer;

Now, Therefore, Be It Resolved, that the Board of Managers hereby authorizes, as permitted by Section 11.1 of the Operating Agreement, the transfer of Olympia's Ownership Interest in the Company to Mohegan Resorts Kansas; and

Further Resolved, upon the delivery to the Board of Managers of the Company of the Assignment of Ownership Interest and Acceptance Agreement, in the forms attached hereto, Mohegan Resorts Kansas shall succeed to all of Olympia's rights as a Member of the Company, including, without limitation, Olympia's Units of Financial Rights and Units of Governance Rights, and shall be a Substitute Member with respect to such Ownership Interest.



Jeffrey E. Hartmann, Manager

Dan Lowe, Manager

Alden - Harrington Funeral Home, Inc.

214 Oak Street
Bonner Springs, Kansas 66012-0281

(913) 422-4074

PROCESSED

2008 AUG -6 P 12: 57



August 5, 2008

Kansas Racing and Gaming Commission
Stephen L. Martino, Executive Director
700 SW Harrison, Suite 420
Topeka, KS 66603-3754

RECEIVED
KANSAS RACING AND
GAMING COMMISSION

I would also like to write in support of expanded gaming in Wyandotte County. Golden's Casino proposal in Edwardsville would of course benefit Kansas, Wyandotte County and also Bonner Springs where I am both a resident and business owner. Hopefully, we can work together to support and assist the proposal that is selected to operate without over burdening them with demands.

Sincerely,

Jeff Harrington
Alden - Harrington Funeral Home



August 1, 2008

Kansas Racing and Gaming Commission
Stephen L. Martino, Executive Director
700 SW Harrison, Suite 420
Topeka , KS 66603 -3754

I am writing this letter to show my support for Golden Casino's proposed Edwardsville location. As a resident of and business owner in Bonner Springs, I am very excited about the prospects of having a world class operation in our community. I strongly believe that of the four proposals, Golden will have the most positive long-term impact on the Bonner Springs community. Opening development South of 1-70 will create more development opportunities as opposed to depleting the already prime real estate located within Village West.

Sincerely,

Bryan Albers
CEO, ABLE Incorporated

Steven J. Miles
15446 Bradford Court
Bonner Springs, KS 66012
August 5, 2008

Stephen L. Martino
Executive Director
Kansas Racing and Gaming Commission
700 SW Harrison, Suite 420
Topeka, KS 66603-3754

Dear Mr. Martino:

I am writing this letter to express support for the proposed Golden Heartland casino in Edwardsville. As a resident of Bonner Springs, and an employee of a company that operates in Bonner Springs, I am excited about the tremendous value and opportunity that the Golden Heartland casino will bring to Edwardsville, Bonner Springs, and the Unified Government of Wyandotte county. The proposed location allows for expanding the appeal of the Village West area while allowing for distribution of attractions on both sides of I-70, which should have a positive impact on accessibility and traffic impact as the area continues to grow.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. J. Miles', written in a cursive style.

Steven J. Miles

The
David
est. 1912
House

August 5, 2008

Kansas Racing and Gaming Commission
Stephen L. Martino, Executive Director
700 SW Harrison, Suite 420
Topeka, KS 66603-3754

I am writing in support for Golden Casino's proposed Edwardsville location. As a resident of and proprietor of a business in Bonner Springs, I am looking forward to having a world class operation in our community. Out of the four proposals, Golden will have the most positive long-term impact on my community and development south of I 70 will create more development opportunities in this community.

Regards



Monica Leibowitz
Proprietor, The David House