

## AGENDA

### KANSAS LOTTERY GAMING FACILITY REVIEW BOARD

1:00 p.m., Tuesday, June 2, 2009

Via telephone conference: 1-887-278-8686 (participant PIN 813463)

#### A. CALL TO ORDER

#### B. APPROVAL OF THE AGENDA

#### C. BOARD ITEMS

1. Discussion, consideration and possible action on retaining Review Board consultants.
  - a. William Eadington, Ph. D., as Review Board consultant performing general consulting.
  - b. Will Cummings, as Review Board consultant performing gaming revenue analysis.
  - c. Meridian Business Advisors, as Review Board consultant performing fiscal impact studies.
  - d. Civic Economics, as Review Board consultant performing economic impact studies.
  - e. Wells Gaming Research, as Review Board consultant performing gaming revenue analysis.
  - f. Union Gaming, as Review Board consultant performing financial suitability and stability reviews.
  - g. Raving Consulting, as Review Board consultant performing ancillary and non-gaming development analysis.
  - h. Construction Cost Systems, as Review Board consultant performing construction cost analysis.

Staff Presentation: Stephen Martino and Jay Hall

Attached: Staff Agenda Memorandum, Consultant proposals

2. Discussion of a Review Board Budget

Staff Presentation: Stephen Martino and Jay Hall

Attached: Review Board budget

#### D. STAFF REPORTS

1. Executive Director
2. Review Board Liaison

E. OTHER MOTIONS

F. ADJOURNMENT

*Kansas Lottery Gaming Facility Review Board*

**STAFF AGENDA MEMORANDUM**

DATE OF MEETING: June 2, 2009

AGENDA ITEM: Discussion, consideration and possible action on retaining Review Board consultants.

PRESENTER: Stephen Martino, Executive Director, and Jay Hall, Review Board Liaison

ISSUE SUMMARY: During the April 24, 2009 meeting, the Review Board directed staff to put together a consultant team to assist the Board in its decision making, consistent with K.S.A. 74-8735 (h).

Prof. Bill Eadington is recommended as a general consultant to the Review Board. Prof. Eadington filled this role for the Board during the review process last year, and has agreed to assist again this year. His proposal materials are attached.

Will Cummings is recommended as a consultant performing gaming revenue analysis for the Review Board. Mr. Cummings filled this role for the Board during the review process last year, and has agreed to assist again this year. His proposal materials are attached.

Meridian Business Advisors is recommended as a consultant performing fiscal impact studies on local and state governments. MBA filled this role for the Board during the review process last year, and has agreed to assist again this year. MBA's proposal materials are attached.

Civic Economics is recommended as a consultant performing economic impact studies. Civic Economics operated as a sub-contractor last year, and has agreed to perform the same work that they performed as a sub-contractor as a primary contractor this year. Civic Economics' proposal materials are attached.

Wells Gaming Research is recommended as a consultant performing gaming revenue analysis for the Review Board. WGR filled this role for the Board during the review process last year, and has agreed to assist again this year. WGR's proposal materials are attached.

During the April 24 meeting, the Board also directed staff to locate potential consultants in three other areas to complete the consulting team.

Union Gaming is recommended as a consultant performing financial suitability and stability reviews. Union Gaming is a consulting firm formed by three former Wall Street gaming analysts. The Union Gaming proposal is attached.

Raving Consulting is recommended as a consultant performing ancillary and non-gaming development analysis. Dennis Raving, the President of Raving Consulting, has over 30 years of experience in the gaming industry. Scott Cooper will be co-consulting on the project. He has extensive casino operation experience. The Raving proposal is attached.

Construction Cost Systems is recommended as a consultant performing construction cost analysis. CCS has done work throughout the United States and the rest of the world on gaming properties and hotels, as well as other structures. The CCS proposal information is attached.

Staff recommends contracting with these eight entities to provide consultation to the Board while reviewing the proposals in the Northeast and South Central Lottery Gaming zones.

**BOARD ACTION REQUESTED/REQUIRED:** Authorize the executive director to contract with, subject to state law and regulations, Prof. Bill Eadington, Will Cummings, Meridian Business Advisors, Civic Economics, Wells Gaming Research, Union Gaming, Raving Consulting and Construction Cost Systems as Review Board consultants.

**WILLIAM R. EADINGTON  
CRYSTAL BAY, NEVADA**

P.O. Box 118  
25 Somers Loop  
Crystal Bay, NV 89402  
775-832-7708  
FAX 775-832-0903  
[eadington@prodigy.net](mailto:eadington@prodigy.net)

May 11, 2009

Mr. Stephen Martino  
Executive Director  
Kansas Racing and Gaming Commission  
700 SW Harrison, Suite 420  
Topeka, KS 66603

**BY E-MAIL**

Dear Mr. Martino,

You have asked for an anticipated budget for consulting services and expenses to be incurred in advising the Review Board and Commission staff in the forthcoming bidding process for allocation of Lottery Gaming Facility licenses in Wyandotte and Sumner Counties in Kansas. The following is the best estimate for my anticipated fees and expenses.

Professional fees (including travel time billed at 50% of full rate):	
231 hours at \$450 per hour:	\$103,950
Travel and related expenses: (3 trips at \$800 per trip):	<u>\$ 2,400</u>
<b>TOTAL ESTIMATED COST:</b>	<b>\$106,350</b>

The key assumptions are as follows:

1. My rate for professional services rendered is \$450 per hour;
2. Work began in May 2009, and will continue through September 2009;
3. A total of three visits to Kansas will be required, each one requiring 20 hours of travel time and an average of 24 hours of professional service effort while on the road;
4. Travel time is billed at one-half my regular professional rate.

The actual professional fees and expenses to be billed would depend on the actual amount of billable time required during this process. Costs incurred are dependent on actual hours worked and expenses incurred.

Please contact me at the above number if there is need of any more information.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Eadington". The signature is written in a cursive style with a large initial "B" and a long, sweeping underline.

William R. Eadington

c.c. Jay Hall

# Cummings Associates

May 12, 2009

*by e-mail*

Stephen Martino  
Executive Director  
Kansas Racing and Gaming Commission  
700 SW Harrison, Suite 420  
Topeka, Kansas 66603

Re: Consulting for KLGf Review Board

Dear Mr. Martino:

Proposal / cost estimate for the current term attached, based on Jay Hall's memo. Per-unit costs essentially the same as last year, fewer zones, fewer applicants, fewer sites, and less overhead, therefore much lower total budget.

Please call if you have any questions or concerns. I appreciate the opportunity to be of assistance.

Sincerely,



Will E. Cummings

enc.

# Cummings Associates

## Proposal

May 12, 2009

*by e-mail*

Stephen Martino  
Executive Director  
Kansas Racing and Gaming Commission  
700 SW Harrison, Suite 420  
Topeka, Kansas 66603

*Re:* Consulting for KLGf Review Board

Dear Mr. Martino:

Cummings Associates (CA) would be pleased to assist you once again in assessing the prospective gaming revenues of the proposed Lottery Gaming Facilities, and in contributing to the other consultants' financial and impact analyses.

I would propose that my involvement be essentially the same as last year, as follows:

1. CA will provide analysis, advice, and reports regarding the following areas:

**1. Preliminary Groundwork**

(Replaces "Gaming Zone Market Potential" in 2008; updates that analysis, but is primarily intended to lay the foundation for the subsequent detailed analysis of each proposal.)

- (a) Kickoff meeting (anticipated to be June 23, in Reno, Nevada) (time and costs included under Task 4 below, "Meetings;")
- (b) Update my existing database regarding the locations, sizes, and (where available) gaming win at current facilities in neighboring states (Missouri, Oklahoma, and Colorado), as well as for the set of most comparable markets elsewhere (most prominently, Iowa). From this data, update my previous estimates for the ratios of residents' spending on slot and table gaming versus population likely most appropriate for new facilities in Kansas. I do not expect these to differ significantly from 2008.
- (c) Update demographic data in my existing Midwest casino models for Kansas and the nearby areas of surrounding states, with particular focus on and greatest detail for the two gaming zones at issue and the metropolitan areas nearest them;

Stephen Martino

May 12, 2009

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(d) Review the above to confirm applicability of (i) existing models and (ii) prior estimates for market potential as inputs to subsequent tasks; if additional research and/or revisions are required, I will accomplish them at no additional charge.

(e) Brief written and verbal report.

Estimated professional time: 40 hours

Estimated prof. fees (not inc. travel costs): \$12,800  
(at 80% of my standard rate)

## 2. Gaming Revenue Analysis of Proposals

(a) Review the relevant portions of each proposal;

(b) Adapt the assumptions presented in each proposal onto common ground so as to develop projections under multiple scenarios for each gaming zone: one for each applicant exactly “as proposed,” and one for each applicant “on common ground” so as to better compare apple to apples. N.B. As much less time will have elapsed between the applicants’ projections (March? 2009) and ours for the LGFRB (June 2009) than in 2008, I do not propose to repeat last year’s duplication of in terms of “as [competition] was” versus “as we see competition today.”

(c) Use gravity models to develop independent revenue projections for each scenario;

(d) Prepare spreadsheet and/or graphic exhibits comparing the alternative proposals;

(e) Written & verbal report.

Estimated prof. time: 20 hours intro & wrapup + 10 hours for each proposal  
+ 10 hours for each site \*

Estimated prof. fees (not inc. travel): \$6,400 + \$3,200/proposal + \$3,200/site  
(at 80% of my standard rate)

\* i.e., 20 hours (\$6,400) for “one-site” proposals, 30 hours (\$9,600) for two sites, etc.

Total for 6 proposals with 9 sites: \$54,400

**3. Contributions to Financial and Economic Impact Analyses of Proposals**

- (a) Review relevant portions of each proposal;
- (b) Identify areas in which I have data and/or insights which would assist the analyses of other consultants and contribute same.

Estimated prof. time:	5 hours for each proposal / 30 total
Estimated prof. fees (not inc. travel): (at 80% of my standard rate)	\$1,600/proposal / \$9,600 total

**4. Meetings etc. (Preliminary Schedule)**

(a) Kickoff (Reno, circa June 23)	30 hours *	\$ 9,600
(b) In-Zone Meetings (June 29-July 2)	40 hours *	\$12,800
(c) Presentations to LGFRB (July 20-23) *	50 hours *	\$16,000
(d) Final Vote (August 24-28)	20 hours *	\$ 6,400
	-----	-----
Total Professional Time / Fees	140 hours *	\$44,800
Travel Expenses (4 trips) ◇		\$ 4,000
		-----
Total Meetings etc.		\$48,800

\* includes travel time; (c) "Presentations" also includes response / rebuttal to applicants' comments on the consultants' reports

◇ fixed rate of \$1,000 per trip; see Attachment B for calculation based on 2008 experience.

- 2. If requested, I will be available for additional meetings and/or presentations at 80% of my standard rates at any time in the future that may be scheduled by mutual agreement.
- 3. CA will deliver draft and final editions of my work products on a schedule to be set by mutual agreement.
- 4. As described in Paragraph 1, I propose to charge the Commission by the hour at 80% of my standard rates, or \$320/hour. CA shall not exceed the total professional fees for each task proposed above without your express consent, nor the corresponding aggregate total:

Stephen Martino  
May 12, 2009  
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1. Preliminary Groundwork	\$ 12,800
2. Gaming Revenue Analysis	54,400 *
3. Contributions to Other Analyses	9,600
4. Meetings etc.	48,800
	-----
Grand Total Not To Be Exceeded:	\$125,600

\* Assumes 6 applicants with 9 sites. Add (subtract) \$3,200 per applicant and/or site.

5. In addition to professional fees, expenses incurred on your behalf shall be billed at cost, as described in Attachment A. I do not currently anticipate any such expenses other than travel, which I shall bill to you at the flat rate of \$1,000 per trip as described above. Other proposed terms and conditions of this engagement are also described in Attachment A.

6. This agreement may be terminated by any party, by means of ten (10) days' written notice, provided that such termination may not, without the mutual consent of both parties, waive the obligations described herein. This agreement may also be terminated immediately if any party is found unsuitable for a gaming license in any jurisdiction.

This proposal will remain in effect until June 15, 2009. If it meets with your approval, please let me know, and initiate whatever steps may be required to implement the project.

I would of course be pleased to sign a contract that is substantially the same as last year's, updated with respect to tasks, deadlines and costs as outlined above.

I look forward to working with you again.

Sincerely,



Will E. Cummings

# Cummings Associates

## Appendix A

### Standard Terms of Engagement

May, 2009

1. Charges for professional time are based upon actual hours expended at standard rates. These rates are as follows:

Principal (WC)	US\$400.00 per hour
Associates	US\$100.00-\$400.00 per hour

It is our policy to bill for professional time spent in travel at the above rates for the scheduled duration of commercial transportation as listed in official timetables. It is also our policy to charge a minimum of ten hours of professional time (US\$4,000.00 for a principal) for any day spent out of our offices. Minimum fees or deposits for other portions of an engagement may also be required.

2. Out-of-pocket expenses, including travel, lodging, telephone, postage, copying, and computer time/data services, are billed as incurred.
3. Our invoices for professional time and expenses are payable upon receipt. The client's payment of these invoices shall not be contingent upon the outcome of the engagement or any portion thereof.
4. All proprietary data which the client provides and all discussions of the client's business are treated as confidential and shall not be divulged to any other party without the client's consent. Upon request, we shall return any proprietary materials supplied to us in the course of our work. However, the analytical techniques, computer software, intellectual property, and general industry data that we have developed or collected shall remain our exclusive property.
5. No document we have issued, or any portion thereof, may be used until we have consented, in writing, to its use as contemplated by the client. The first and subsequent drafts of any documents containing or based upon our material must be submitted to us, along with any accompanying material, for approval prior to publication or dissemination. Such approval shall not be unreasonably withheld.
6. In the course of our work, we may develop forward-looking projections. It is understood that some assumptions employed in developing such projections will inevitably not

materialize, and unanticipated events and circumstances will occur; the actual results achieved over the projection period will therefore vary from our projections, and such variations may be material. Our reports will contain a statement to this effect.

7. We shall have no responsibility to update our reports for events and circumstances occurring after the date of our reports.

Attachment B: WEC Travel Expenses for KS LGFRB in 2008  
With Proposal for 2009

		cash:		charges:			
		US\$	Cdn\$	US\$	Cdn\$	US\$ Total	
<b>Kansas, etc. June 2-7, 2008 (KSLGFRB)</b>						Exchange Rate:	1.00
Airfare	NWA			640.50		640.50	
change fee	NWA			25.00			
Cab	June 2			42.00		42.00	
Cab	June 7	45.00				45.00	
Rental Car	Alamo			560.13			
Fuel	thrice			109.57		109.57	
Tolls	many	7.70				7.70	
Hotel	Ramada / Topeka	4.00				4.00	
Hotel	Hol Inn / Miami OK	2.00		102.69		104.69	
Hotel	Hyatt / Wichita	2.00		383.42		385.42	
Meals	many	12.84		109.80		122.64	
Other						0.00	
Totals		73.54	0.00	1,973.11	0.00	<b>1,461.52</b>	
		73.54 cash					

<b>S Kansas. July 8-11, 2008 (KSLGFRB)</b>						Exchange Rate:	1.00
Airfare	UA			480.50		480.50	
Tolls		3.50				3.50	
Cab	to Logan			42.00		42.00	
Cab	return	45.00				45.00	
Hotels	(tips only)	6.00				6.00	
Meals				73.28		73.28	
Other						0.00	
Totals		54.50	0.00	595.78	0.00	<b>650.28</b>	
		54.50 cash					

<b>Topeka. July 23-26, 2008 (KSLGFRB)</b>						Exchange Rate:	1.00
Airfare	UA			524.00		524.00	
Rental Car	Alamo			298.77		298.77	
Gas				43.44		43.44	
Tolls		5.00				5.00	
Cab	to Logan			42.00		42.00	
Cab	return	45.00				45.00	
Hotel	(tips only)	6.00				6.00	
Meals		15.43		25.33		40.76	
Other						0.00	
Totals		71.43	0.00	933.54	0.00	<b>1,004.97</b>	
		71.43 cash					

Attachment B: WEC Travel Expenses for KS LGFRB in 2008  
With Proposal for 2009

	cash:		charges:		
	US\$	Cdn\$	US\$	Cdn\$	US\$ Total
<b>Dodge City. July 30-Aug 1, 2008 (KSLGFRB)</b>			Exchange Rate:		1.00
Airfare			720.00		720.00
Bag Fees			30.00		30.00
Rental Car			140.10		140.10
Gas			63.03		63.03
Cab			42.00		42.00
Cab					45.00
Hotel	45.00				45.00
Hotel					4.00
Meals	4.00				4.00
Meals			46.23		46.23
Other					0.00
	-----	-----	-----	-----	-----
Totals	49.00	0.00	1,041.36	0.00	<b>1,090.36</b>
	-----				
	49.00 cash				

<b>KCK, Aug 12-15, 2008 (KSLGFRB)</b>			Exchange Rate:		1.00
Airfare			644.00		644.00
Rental Car			248.31		248.31
Gas					0.00
Cab			42.00		42.00
Cab					47.00
Hotel	47.00				47.00
Hotel					6.00
Meals	6.00				6.00
Meals	2.82		97.63		100.45
Other					0.00
	-----	-----	-----	-----	-----
Totals	55.82	0.00	1,031.94	0.00	<b>1,087.76</b>
	-----				
	55.82 cash				

<b>Topeka, Aug 19-22, 2008 (KSLGFRB)</b>			Exchange Rate:		1.00
Airfare			564.00		564.00
Cab			42.00		42.00
Cab					45.00
Hotel	45.00				45.00
Rental Car			241.22		241.22
Fuel			19.38		19.38
Hotel					6.00
Meals	6.00				6.00
Meals	2.63		101.52		104.15
Other					0.00
	-----	-----	-----	-----	-----
Totals	53.63	0.00	968.12	0.00	<b>1,021.75</b>
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Reimburse WEC:	53.63 cash				

Attachment B: WEC Travel Expenses for KS LGFRB in 2008  
With Proposal for 2009

		cash:	charges:		
		US\$	Cdn\$	US\$	Cdn\$ US\$ Total
<b>Topeka. Sep 2-4, 2008 (KSLGFRB)</b>					Exchange Rate: 1.00
Airfare	DL			442.00	442.00
Cab	to Logan			42.00	42.00
Cab	return	54.00			54.00
Rental Car	Alamo			93.65	93.65
Fuel				20.00	20.00
Hotel	(tips only)	6.00			6.00
Meals				88.78	88.78
Other					0.00
<b>Totals</b>		60.00	0.00	686.43	0.00 <b>746.43</b>
Reimburse WEC:		60.00	cash		

<b>Topeka. Sep 18-19, 2008 (KSLGFRB)</b>					Exchange Rate: 1.00
Airfare	USAir			368.50	368.50
revisions	USAir			330.02	330.02
bag fees	USAir			30.00	30.00
Cab	to Logan			42.00	42.00
Cab	return	51.00			51.00
Rental Car	Avis			189.08	189.08
Fuel				26.35	26.35
Hotel	(tips only)	4.00			4.00
Meals		3.05		52.27	55.32
Other					0.00
<b>Totals</b>		58.05	0.00	1,038.22	0.00 <b>1,096.27</b>
Reimburse WEC:		58.05	cash		

<b>Totals for 8 Trips:</b>	<b>475.97 total</b>	<b>Total Billable:</b>	<b>8,159.34</b>
Compare: Billed to KS at Fixed Rates			\$7,536.00
Net (+/-)			(\$623.34)

Average Actual Spending per trip in 2008	\$1,019.92
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Propose to bill Kansas in 2009:	\$1,000.00
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May 19, 2009

Mr. Jay Hall  
Kansas Racing and Gaming Commission  
700 SW Harrison, Suite 420  
Topeka, Kansas 66603

Re: Revised Proposal

Dear Mr. Hall:

I have revised our proposal of May 5, 2008 regarding the review of gaming proposals for the northwest and south central zones. Meridian Business Advisors is tasked with estimating the fiscal impact (revenue and costs) of the casino developments on local governments, specifically cities, counties and school districts.

It is our understanding that there are now two proposals at two locations in the northwest zone and three proposals at six locations in the south central zone. It is also our understanding that our scope of work will be the same as that for the 2008 hearings, and that the deliverables to the KRGC and the Review Board will be the same as in 2008.

Our fee estimate below assumes no on-site interviews with local government service providers and assumes that service cost estimates will be based on the service levels in place in the summer of 2008.

Below are the estimated fee and expenses for the review and findings of the casino development proposals.

**TOTAL PROFESSIONAL FEE:** **\$75,750**

Expenses:

Assume 3 trips to Kansas for C. Evart and 2 for E. Larmore

Air Fare	\$ 2,750
Car Rental	500
Food	1,260
Airport Parking	300

Assume hosting a lunch for consultants, June 23 200

**TOTAL EXPENSES** **\$ 5,010**

We look forward to working with you again. Please call should you have questions.

Sincerely,

Candace Evart  
President

cc: Stephen Martino  
William Eadington, Ph.D.

**TO:** Jay Hall  
**ORGANIZATION:** Kansas Racing and Gaming Commission  
**FROM:** Dan Houston  
**RE:** Cost Proposal for 2009 Lottery Gaming Facility Analyses  
**DATE:** May 8, 2009

Civic Economics is pleased to present the Kansas Racing and Gaming Commission and the Lottery Gaming Facility Review Board with this proposal to provide professional services related to Lottery Gaming Facility management proposals.

Total professional fees, travel fees, and expenses will total **\$63,350.00** for a scope of work substantially identical to our previous work in Kansas. Task-based professional fees have been adjusted upward somewhat from 2008 to reflect our prior experience and our current billing rates.

The following table summarizes fees and expenses included in this proposal:

<b>CIVIC ECONOMICS FEE AND EXPENSE PROPOSAL</b>		
Task-based Fees	\$ 31,500	Includes complete economic impact analyses and non-gaming amenity analysis market for all proposals and locations
Appearance Fees	\$ 26,400	Includes daily fees and travel time for appearance and participation at mandatory meetings (\$1200/day/person)
Expenses	\$ 5,450	Includes air fare, auto expenses, meals, and miscellaneous, as well as Reno accommodations
<b>Grand Total</b>	<b>\$ 63,350</b>	<b>Firm, fixed cost proposal</b>

Should the Commission or the Board have any questions about this proposal, please do not hesitate to contact me at your convenience. Matt and I are gratified to have been invited back to Kansas for this important and challenging project and look forward to returning to Kansas.



# *Wells Gaming Research*

May 14, 2009

Mr. Stephen Martino  
Executive Director  
Kansas Racing and Gaming Commission  
700 SW Harrison, Suite 420  
Topeka, Kansas 66603

Dear Mr. Martino:

Thank you for the opportunity to work with you and the Kansas Lottery Gaming Facility Review Board (Client) in the review and analysis of the 2009 Casino Manager Applications for the Northeast and South Central Gaming Zones of Kansas.

## **Scope of Work & Research Methodology**

WGR's research methodology for the Kansas Casino Market Study includes developing and customizing proprietary gravity models for each of six applicants and for the nine proposed casino locations. Included are three applicants with one location each in the Northeast Zone (Wyandotte County, KS), and three applicants with a combined total of six potential development sites located in the South Central Zone (Sumner County, KS).

WGR will use as much of the work done in 2008 as is appropriate to economize on time and expenses. In addition, WGR will:

- Thoroughly review each application including the financial and market data templates to insure that the relevant data needed to accurately model each proposed project is included.
- Obtained the size and scope data for applicants' proposed casinos from the applications, templates, and presentations made by the managers.
- Attend the meetings scheduled by Client to hear applicants' presentations, present our reports, respond to the applicants' rebuttals, and answer Client's questions.
- Review and analyze the impact of elimination of loss limits in Missouri and adjust Missouri casinos' competitive impacts accordingly.
- Review and analyze the impact of the current recession on gaming revenues and visitation in Kansas City, Missouri casinos. This information will be taken into consideration as we prepare the revenue projections for each proposed development site.
- Review and modify, if necessary, the parameters of the trade areas used for each gaming zone.

## Kansas Lottery Gaming Facility Review Board – 2009 Project

- Utilize the population data obtained for WGR's 2008 work. It will be satisfactory for this project because it includes both total and adult population estimates at the census tract level of detail for 2000 through 2012.
- Complete a thorough review of the existing and proposed competition to be used in updating the gravity model assumptions.
- Incorporate the casino gaming capacities and amenities for existing casinos, expansions, and proposed/planned casinos located within a 150-mile radius of the two gaming zones into the respective gravity models.
- Visit several new and expanded Oklahoma casinos to gain the information necessary to update the assumptions used in WGR's gravity models.

### **Baseline Case**

WGR will use the 2008 status quo statistics to develop a baseline case for each gaming zone. Current gaming revenues will be projected for each gaming zone (gaming revenues as they existed before any new casinos or expansions were built).

### **Scenarios**

In addition to the baseline cases, WGR will develop two scenarios for each of the proposed nine locations to forecast gaming revenues:

**Scenario-1** will include projected gaming revenues for each proposed Kansas Lottery Casino facility as if it were the only new casino to be built.

**Scenario-2** will include **Scenario-1** plus all planned new casinos and expansions for the gaming zone.

One Mid-Case projection will be prepared for Scenario-1. Scenario-1 is necessary for WGR to use in preparing the flow of gaming revenues and casino visits to and from Kansas and adjoining states for use by Civic Economics in their analysis of Economic Impacts.

Three gaming revenue projections (Low, Mid, and High Cases) will be developed for Scenario-2 for the 2008 through 2012 period. Scenario-2 will be presented with inflation and compared to applicants' projection on an apples-to-apples basis.

WGR prefers to project three cases per scenario to show a reasonable casino gaming revenue range for each proposed gaming facility. Feedback from Client through Dr. Eadington indicated that Client would like to see tighter ranges from Low to Mid to High than those prepared by WGR for the 2008 Kansas assignment. WGR will reduce the range of these projections from an estimated 95% confidence interval to an estimated 66% confidence interval.

WGR also received feedback from Client through Dr. Eadington that Client would like to see more information about how WGR's models work. WGR will find a way to show a bit more without disclosing what we consider to be proprietary modeling methods.

## Kansas Lottery Gaming Facility Review Board – 2009 Project

### **Reporting**

WGR will compile detailed reports for each gaming zone, prepare summary PowerPoint presentations, and present final report and PowerPoint presentations at the appointed times and places in Kansas.

### **Background**

By way of background, WGR has developed custom, proprietary, gravity models for use in estimating gaming revenues at casinos, as well as for evaluating the impacts of increased competition on those revenues. WGR's gravity modeling methodology has proven to be a flexible and effective tool for estimating gaming revenues for casino projects where the interplay with existing and/or proposed competing casinos could affect future gaming revenues.

The concept of gravity modeling is not new to the business world. William J. Reilly first advanced the concept of a gravity model in 1931 in his book entitled *Law of Retail Gravitation*. Gravity models use the principal of Isaac Newton's law of gravity, wherein the attraction between two objects is proportional to their mass, and is inversely proportional to the square of their respective distances. Newton's law of gravity dealt with planets, the amount of gravitational force that they exert on each other, and the effects that the forces of gravity have on their trajectory. This concept of gravitational force, or pull, can be applied to various types of problems, including business, retail, and traffic. Reilly applied the concept to retail shopping center trade area and customer attraction analysis.

### **Budget for WGR's services as defined in this proposal**

Evaluate Six Manager Applications at \$10,000 Each.....	\$60,000
Evaluate Three Additional Locations in South Central, \$1,000 Each.....	\$3,000
Respond to Six Rebuttals at \$1,000 Each.....	\$6,000
<b>Total Consulting Fee Budget.....</b>	<b>\$69,000</b>

Travel expenses at \$800 per person per trip to Kansas including airfare, food, and rental car. This price assumes that travel can be booked in advance and that Client will provide hotel rooms.

Trip 1 for In-Zone Meetings 1 Person – Susan Gossi.....	\$800
Trip 2 for WGR's Presentation 2 People – Richard Wells and Susan Gossi....	\$1,600
Trip 3 for Decision Making 1 Person – Richard Wells.....	\$800
<b>Total Budget for Travel Expenses.....</b>	<b>\$3,200</b>

Should the scope of work need to be expanded beyond the work defined in this update, WGR will perform the additional work at its customary hourly billing rates of \$295 for Richard Wells, \$150 for Senior Analysts, \$100 for Analysts, and \$50 for Staff Support.

WGR will bill monthly for this project in four equal installments of \$17,250 during June, July, August, and September 2009. Travel expenses will be billed after the trips have been completed for this project. Payment will be due on a net, 30-day basis.

## Kansas Lottery Gaming Facility Review Board – 2009 Project

### Consultant Presentations

The proposed trip for consultant presentations during the July 20-23, 2009 period is too aggressive for WGR for two reasons.

1. The final scope of each project will not be known until the end of June when manager contracts are finalized. If there are any changes in scope, it will require redoing WGR's revenue projections and supporting work related thereto.
2. Richard Wells will be out of the country from June 26 through July 9, 2009. While WGR's staff will be working on the project during his absence, pushing this meeting back to mid-August 2009 would work much better.

Attached is an information package for Wells Gaming Research.

Thank you for the opportunity to once again work with the Kansas Lottery Gaming Facility Review Board. We really appreciate your business.

Best regards,



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## **Union Gaming Group - biographies**

### **Bill Lerner**

Lerner has spent 13 years on Wall Street in sell side research. Most recently, Managing Director and Senior Gaming & Lodging analyst at Deutsche Bank Securities—the only gaming analyst team based in Las Vegas. This followed ten years at Prudential Securities and Deutsche Morgan Grenfell. Lerner has been recognized by Institutional Investor as part of its “All American Research Team” and Wall Street Journal’s “Best of the Street.” Lerner frequently appears in national, international and local media, including Wall Street Journal, Barron’s, New York Times, Financial Times, USA Today, CNBC, Bloomberg TV, Business Week, Forbes, South China Morning Post, Macau Daily Times, Daily Yomiuri, Las Vegas Review Journal, Las Vegas Sun, and NPR. Lerner has been asked to present to domestic and international governments, corporate boards, gaming company management programs, trade organizations, executive MBA programs and gaming interests annually in the US, Europe and Asia. He lives in Las Vegas with his wife and three children.

### **Rich Moriarty**

Moriarty has spent 12 years on Wall Street in institutional equity sales. Most recently, Director, Institutional Client Group, at Deutsche Bank Securities in its North American Headquarters, New York City. This followed nine years at Lehman Brothers Inc., now Barclays Capital, and Susquehanna International Group. At Deutsche Bank, Moriarty managed a team responsible for institutional coverage for some of the world’s largest hedge funds, mutual funds, and sovereign wealth funds, including: Government of Singapore Investment Corporation, Morgan Stanley Investment Management, Och-Ziff Capital Management, and T Rowe Price. Moriarty has led several landmark equity and equity-linked transactions in the gaming space, notably: Wynn Resorts, Boyd Gaming, Melco-Crown, Shuffle Master Incorporated, and Sociedade de Jogos de Macau. In 2008, Moriarty was recognized in Institutional Investor’s annual poll for “Best Sales - Gaming and Lodging.”

### **Grant Govertsen**

Govertsen has spent five years on Wall Street as a gaming analyst. While supporting research coverage in Deutsche Bank’s gaming platform with Lerner, he has recently expanded his coverage universe to become lead analyst of the Lifestyle Brands / Leisure Products sector. Prior to joining Deutsche Bank, Govertsen worked at several boutique economic consulting firms where he had primary responsibility for feasibility and market studies related to gaming and real estate developments. He began his career with Coopers & Lybrand’s Financial Advisory Services group with a focus on securities litigation support. Govertsen lives in Las Vegas.



27 January 2009

# Gaming Hit & Run Analysis

## LV Strip income statement key data points and takeaways F08

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### LV Strip income statement analysis FY08

The Nevada Gaming Control Board recently published detailed financials for the Las Vegas Strip for the year ending June 2008. We have compiled this information and other historical data into an aggregated snapshot of the combined income statements and balance sheets for 40 properties on the Strip, breaking out key takeaways such as: gaming revenue mix shift, EBITDA margin and EBITDA ROIC.

#### Revenue mix and growth

As LV Strip resorts have evolved since the opening of The Mirage in 1989, the percentage of revenues derived from gaming activities has declined significantly, from 58% in FY90, to 40% in FY08 (Figure 3). Given that this data does not capture the back half of calendar 2008, we think gaming revenues could account for more than 40% of total revs in F09 given ongoing notable discounting on rooms (rooms rev accounted for 26% of total revs in F08). Looking at revenue growth trends in FY08, non-gaming grew at a rate of 2%, compared to a decline of 3% for gaming revenues. Total revenues were flat y/y. Over the past 18 years, gaming revenues have grown at a solid 6% CAGR since FY90. Concurrently, non-gaming revenues have bested gaming revenues by 400bps, with a 10% CAGR (Figure 4).

#### EBITDA margins show decline

We estimate that total Strip EBITDA has grown from \$838m in FY90, to \$3.9bn in FY08, or a CAGR of 9% (Figure 5). However, this is a decline of 8% y/y, or only the third decline since FY90 (notably, FY02 was down 31% due to the effects of 9/11). Over the same 18-year period EBITDA margins have improved to 25% (+300 bps), which we attribute to numerous pre-recession factors like higher room rates (ADR), gaming efficiencies (cashless slots, back-of-house systems), conversion of loss leaders into profit centers, and economies resulting from growth and operator consolidation. That said, EBITDA margins were down 200bps in FY08 (Figure 6) and we would expect further deterioration in FY09 – a function of a weak consumer as well as new supply.

#### EBITDA ROICs – down and likely to get worse

EBITDA ROICs were generally on an upswing since the 9% registered in FY02, then peaking at 15% in FY06 before declining to 14% in FY07 and to 10% in FY08 (Figure 7). With a negative outlook on the gaming consumer, as well as significant new supply where returns might not even meet the cost of capital, we suspect EBITDA ROICs over the next several years might well be in the mid-to-high single digit range. This would clearly be below the 12.5%, which we believe is the minimum acceptable EBITDA return hurdle in a more normalized credit / economic environment (see 'Logjam in the Desert' from 31 July 2008). Given that we are in a highly abnormal credit / economic environment, it is no wonder that numerous projects already under construction have been halted pending macro improvement. We also believe that this environment, in conjunction with potentially negative ROIs at new resorts, is likely to lead to additional asset sales or M&A activity in order to improve liquidity or keep leverage in check (by way of example, MGM's sale of TI to Phil Ruffin).

### Market Update

Companies featured			
<b>Las Vegas Sands (LVS.N),USD5.96</b>			
	2007A	2008E	2009E
EPS (USD)	0.87	0.25	0.31
P/E (x)	114.0	24.3	19.3
EV/EBITDA (x)	54.5	9.7	9.7
<b>MGM (MGM.N),USD9.40</b>			
	2007A	2008E	2009E
EPS (USD)	2.13	1.34	0.84
P/E (x)	36.9	7.0	11.2
EV/EBITDA (x)	12.9	6.5	6.6
<b>Wynn Resorts Ltd. (WYNN.OQ),USD34.26</b>			
	2007A	2008E	2009E
EPS (USD)	2.42	2.99	2.06
P/E (x)	47.0	11.4	16.6
EV/EBITDA (x)	20.2	9.0	7.9

Deutsche Bank Securities Inc.

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Independent, third-party research (IR) on certain companies covered by DBSI's research is available to customers of DBSI in the United States at no cost. Customers can access IR at <http://gm.db.com/IndependentResearch> or by calling 1-877-208-6300. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1.

**Figure 1: LV Strip income statement, FY90 – FY08**

<b>Fiscal Years end June (\$000,000's)</b>	<b>FY90</b>	<b>FY91</b>	<b>FY92</b>	<b>FY93</b>	<b>FY94</b>	<b>FY95</b>	<b>FY96</b>	<b>FY97</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>
LV Strip income statement, FY90 – FY07																			
Gaming	2,279	2,617	2,531	2,681	3,189	3,516	3,630	3,650	3,718	4,128	4,684	4,616	4,248	4,491	4,910	5,283	6,041	6,491	6,266
% total revs	58%	58%	57%	57%	55%	54%	53%	52%	50%	48%	46%	44%	43%	43%	42%	41%	40%	41%	40%
Rooms	662	761	776	822	1,048	1,283	1,391	1,536	1,619	1,901	2,380	2,649	2,391	2,545	2,971	3,367	3,849	4,082	4,070
% total revs	17%	17%	17%	18%	20%	20%	20%	22%	22%	22%	23%	25%	24%	24%	25%	26%	26%	26%	26%
Food	441	506	514	531	659	730	753	775	849	1,028	1,258	1,354	1,336	1,429	1,630	1,818	2,146	2,179	2,321
% total revs	11%	11%	12%	11%	11%	11%	11%	11%	11%	12%	12%	13%	14%	14%	14%	14%	14%	14%	15%
Beverage	238	255	247	253	291	317	324	332	355	413	500	532	528	568	639	701	823	890	826
% total revs	6%	6%	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	6%	6%	5%
Other	319	393	396	421	590	691	768	795	887	1,115	1,373	1,420	1,379	1,416	1,560	1,737	2,079	2,181	2,311
% total revs	8%	9%	9%	9%	10%	11%	11%	11%	12%	13%	13%	13%	14%	14%	13%	13%	14%	14%	15%
<b>Total revenues</b>	<b>3,939</b>	<b>4,532</b>	<b>4,464</b>	<b>4,707</b>	<b>5,778</b>	<b>6,538</b>	<b>6,866</b>	<b>7,087</b>	<b>7,398</b>	<b>8,585</b>	<b>10,196</b>	<b>10,570</b>	<b>9,882</b>	<b>10,449</b>	<b>11,708</b>	<b>12,906</b>	<b>14,937</b>	<b>15,823</b>	<b>15,794</b>
Total revenue growth	15%	-2%	5%	23%	13%	5%	3%	4%	4%	16%	19%	4%	-7%	6%	12%	10%	16%	6%	0%
Income (loss)	1,582	1,751	1,806	1,931	2,326	2,585	2,804	2,857	2,850	3,341	4,097	4,420	4,024	4,434	5,181	5,777	6,500	6,850	6,859
Total G&A Expenses	1,224	1,438	1,409	1,338	1,715	1,821	1,830	1,951	2,048	2,802	3,912	4,032	4,269	3,921	4,155	4,625	5,251	5,189	6,149
<b>Net Income before taxes</b>	<b>358</b>	<b>313</b>	<b>397</b>	<b>594</b>	<b>610</b>	<b>765</b>	<b>974</b>	<b>906</b>	<b>803</b>	<b>538</b>	<b>185</b>	<b>388</b>	<b>-245</b>	<b>514</b>	<b>1,026</b>	<b>1,152</b>	<b>1,249</b>	<b>1,661</b>	<b>709</b>
<b>EBITDA*</b>	<b>848</b>	<b>914</b>	<b>993</b>	<b>1,087</b>	<b>1,258</b>	<b>1,473</b>	<b>1,656</b>	<b>1,594</b>	<b>1,615</b>	<b>1,730</b>	<b>1,911</b>	<b>2,442</b>	<b>1,675</b>	<b>2,360</b>	<b>2,929</b>	<b>3,200</b>	<b>3,855</b>	<b>4,233</b>	<b>3,897</b>
% growth	8%	9%	10%	16%	16%	17%	12%	-4%	1%	7%	10%	28%	-31%	41%	24%	9%	20%	10%	-8%
<b>EBITDA Margin *</b>	<b>22%</b>	<b>20%</b>	<b>22%</b>	<b>23%</b>	<b>22%</b>	<b>23%</b>	<b>24%</b>	<b>22%</b>	<b>22%</b>	<b>20%</b>	<b>19%</b>	<b>23%</b>	<b>17%</b>	<b>23%</b>	<b>25%</b>	<b>25%</b>	<b>26%</b>	<b>27%</b>	<b>25%</b>
<b>EBITDA ROIC ***</b>	<b>21%</b>	<b>23%</b>	<b>26%</b>	<b>30%</b>	<b>28%</b>	<b>25%</b>	<b>25%</b>	<b>22%</b>	<b>20%</b>	<b>17%</b>	<b>13%</b>	<b>13%</b>	<b>9%</b>	<b>13%</b>	<b>15%</b>	<b>14%</b>	<b>15%</b>	<b>14%</b>	<b>10%</b>

Source: Nevada Gaming Control Board, Deutsche Bank

**Figure 2: LV Strip balance sheet, FY90 – FY08**

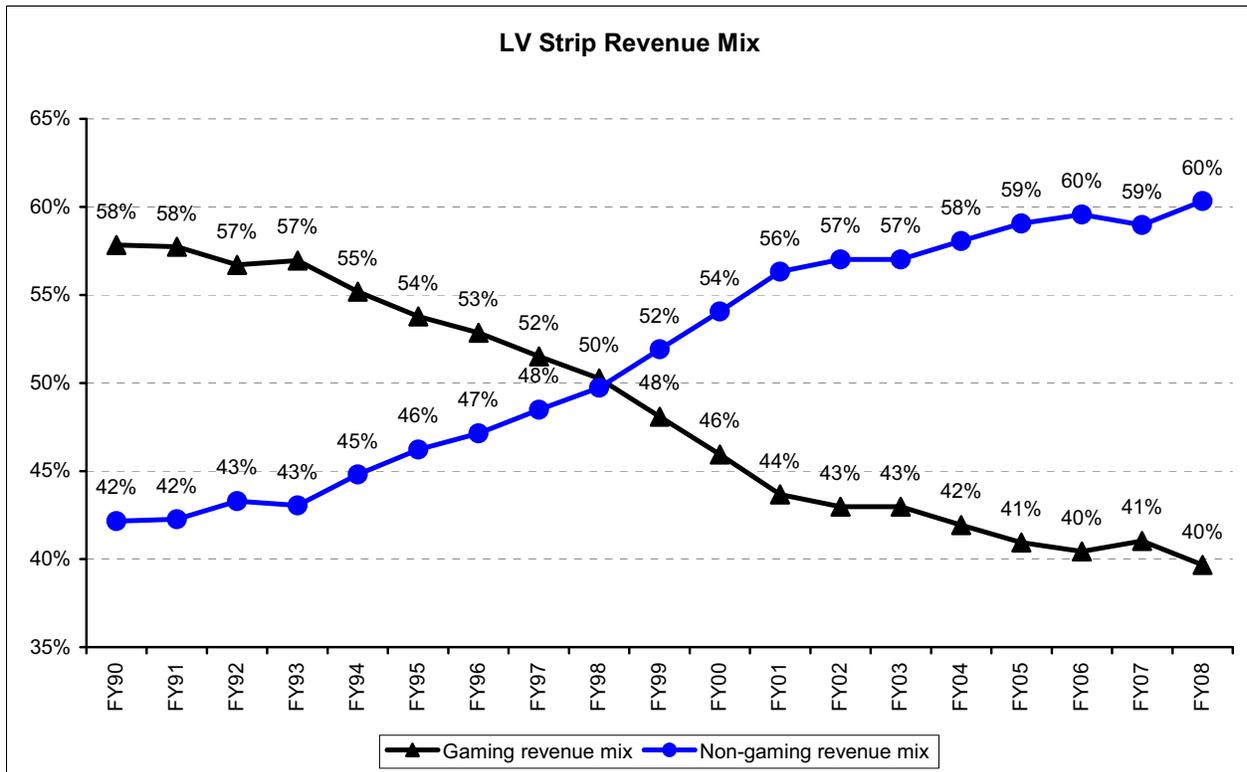
Fiscal Years end June (\$000,000's)	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
<b>ASSETS</b>																			
<b>Current Assets</b>																			
Cash	409	283	244	271	312	275	534	322	431	406	449	469	754	552	1,140	1,637	1,458	2,510	702
<b>Receivables</b>																			
Casino	167	151	144	155	205	265	281	317	303	294	324	355	212	218	195	287	324	369	405
Trade	57	49	48	43	65	62	86	89	104	156	218	197	173	174	226	257	314	345	383
Sundry	155	273	223	202	167	290	371	454	395	482	597	611	114	135	144	161	121	137	150
Notes	6	5	2	5	95	8	3	7	17	4	2	2	1	0	17	71	-743	2	5
Prepaid Expenses	54	50	54	59	81	90	97	101	107	174	157	140	140	147	171	195	199	196	206
Other Current Assets	69	68	88	91	281	193	224	390	97	186	873	831	1,565	2,412	2,296	2,051	487	600	5,617
<b>Total Current Assets</b>	<b>917</b>	<b>880</b>	<b>803</b>	<b>826</b>	<b>1,207</b>	<b>1,183</b>	<b>1,597</b>	<b>1,681</b>	<b>1,454</b>	<b>1,701</b>	<b>2,621</b>	<b>2,605</b>	<b>2,959</b>	<b>3,638</b>	<b>4,189</b>	<b>4,660</b>	<b>2,161</b>	<b>4,160</b>	<b>7,467</b>
<b>Fixed Assets</b>																			
Land	590	587	580	540	708	663	941	829	916	1,203	4,094	4,128	4,153	4,173	4,354	4,877	10,119	10,330	11,950
Land improvements	87	122	118	114	122	112	111	129	121	184	257	263	226	202	223	410	1,954	403	371
Buildings and Improvements	2,217	2,310	2,312	2,101	3,421	3,629	4,018	4,527	5,693	7,748	9,309	9,472	9,213	9,527	9,709	11,013	10,286	11,960	13,268
Furniture and Equipment	753	779	675	617	1,046	1,196	990	946	1,107	1,883	1,981	1,955	1,719	1,563	1,672	2,272	2,277	2,052	2,720
Lease Improvements	77	61	44	44	57	46	64	51	125	121	42	176	191	195	181	164	125	118	45
Construction in progress	277	147	93	172	125	183	273	652	424	448	268	223	272	307	887	1,544	1,242	2,207	2,098
<b>Total Fixed Assets</b>	<b>4,001</b>	<b>4,005</b>	<b>3,821</b>	<b>3,588</b>	<b>5,480</b>	<b>5,829</b>	<b>6,397</b>	<b>7,134</b>	<b>8,386</b>	<b>11,587</b>	<b>15,951</b>	<b>16,217</b>	<b>15,773</b>	<b>15,967</b>	<b>17,027</b>	<b>20,280</b>	<b>26,002</b>	<b>27,071</b>	<b>30,452</b>
Other Assets	161	28	277	48	341	711	465	617	607	1,104	1,254	1,333	1,412	1,045	1,541	2,233	4,417	5,093	11,354
<b>Total Assets</b>	<b>5,079</b>	<b>4,913</b>	<b>4,902</b>	<b>4,462</b>	<b>7,028</b>	<b>7,723</b>	<b>8,458</b>	<b>9,431</b>	<b>10,447</b>	<b>14,392</b>	<b>19,827</b>	<b>20,154</b>	<b>20,144</b>	<b>20,649</b>	<b>22,757</b>	<b>27,173</b>	<b>32,581</b>	<b>36,323</b>	<b>49,274</b>

	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>LIABILITIES &amp; CAPITAL</b>																				
<b>Current Liabilities</b>																				
Accounts Payable - Trade	89	97	92	88	125	134	153	165	140	210	169	161	152	170	183	242	668	247	277	
Accounts Payable - Other	54	40	36	33	220	55	109	124	247	838	285	95	55	47	33	-78	2,526	1,631	-75	
Current Portion of Long-Term Debt	311	343	385	399	125	152	198	323	47	45	460	471	191	22	32	16	116	271	224	
Accrued Expenses	223	239	251	254	341	365	409	484	461	506	593	596	614	1,867	1,992	2,473	1,950	1,895	959	
Other Current Liabilities	408	363	242	254	718	791	752	513	891	884	439	466	170	84	-60	-463	-749	20	4,300	
<b>Total Current Liabilities</b>	<b>1,085</b>	<b>1,082</b>	<b>1,006</b>	<b>1,029</b>	<b>1,529</b>	<b>1,498</b>	<b>1,622</b>	<b>1,609</b>	<b>1,786</b>	<b>2,483</b>	<b>1,946</b>	<b>1,789</b>	<b>1,182</b>	<b>2,190</b>	<b>2,181</b>	<b>2,190</b>	<b>4,510</b>	<b>4,064</b>	<b>5,685</b>	
<b>Long-Term Debt</b>																				
Mortgages	1,021	997	1,002	458	645	455	406	264	159	462	503	469	1,289	955	1,188	1,662	1,803	2,008	7,404	
Debentures & Bonds	302	143	139	237	200	200	300	300	393	810	812	813	322	343	282	284	413	284	366	
Notes	421	413	682	486	769	925	736	624	617	211	141	596	676	1,063	1,098	2,500	2,894	4,444	6,112	
Contracts	22	8	10	6	7	4	5	19	20	18	17	27	42	37	16	2	3	1	1	
Other	10	-36	79	-29	724	120	156	326	506	3,823	5,782	4,893	4,630	3,736	3,546	3,312	4,765	5,080	8,272	
<b>Total Long-Term Debt</b>	<b>1,776</b>	<b>1,525</b>	<b>1,911</b>	<b>1,159</b>	<b>2,345</b>	<b>1,704</b>	<b>1,604</b>	<b>1,533</b>	<b>1,695</b>	<b>5,324</b>	<b>7,255</b>	<b>6,798</b>	<b>6,959</b>	<b>6,133</b>	<b>6,131</b>	<b>7,758</b>	<b>9,879</b>	<b>11,816</b>	<b>22,155</b>	
Other Liabilities	330	279	401	300	323	671	407	439	611	839	1,933	1,821	2,015	1,451	1,935	1,624	992	636	3,122	
<b>Total Liabilities</b>	<b>3,191</b>	<b>2,886</b>	<b>3,318</b>	<b>2,487</b>	<b>4,197</b>	<b>3,873</b>	<b>3,632</b>	<b>3,581</b>	<b>4,092</b>	<b>8,646</b>	<b>11,133</b>	<b>10,408</b>	<b>10,166</b>	<b>9,774</b>	<b>10,246</b>	<b>11,572</b>	<b>15,382</b>	<b>16,516</b>	<b>30,962</b>	
<b>Capital</b>																				
Owners Capital Accounts	99	115	122	69	46	44	36	345	344	623	1,012	919	721	683	535	2,807	2,887	2,848	3,509	
Capital Stock & Other Capital	725	1,096	802	609	1,235	2,146	2,605	2,742	2,728	2,730	5,161	5,474	5,637	5,586	5,364	7,179	7,320	7,847	9,151	
Retained Earnings	1,064	817	659	1,297	1,549	1,661	2,185	2,763	3,282	2,392	2,520	3,354	3,629	4,606	6,612	5,615	6,992	9,112	5,652	
<b>Total Capital</b>	<b>1,888</b>	<b>2,028</b>	<b>1,584</b>	<b>1,975</b>	<b>2,830</b>	<b>3,850</b>	<b>4,826</b>	<b>5,850</b>	<b>6,355</b>	<b>5,745</b>	<b>8,694</b>	<b>9,746</b>	<b>9,988</b>	<b>10,876</b>	<b>12,511</b>	<b>15,601</b>	<b>17,199</b>	<b>19,807</b>	<b>18,312</b>	
<b>Total Liabilities &amp; Capital</b>	<b>5,079</b>	<b>4,913</b>	<b>4,902</b>	<b>4,462</b>	<b>7,028</b>	<b>7,723</b>	<b>8,458</b>	<b>9,431</b>	<b>10,447</b>	<b>14,392</b>	<b>19,827</b>	<b>20,154</b>	<b>20,144</b>	<b>20,649</b>	<b>22,757</b>	<b>27,173</b>	<b>32,581</b>	<b>36,323</b>	<b>49,274</b>	
<b>Invested Capital *</b>	<b>3,994</b>	<b>3,913</b>	<b>3,864</b>	<b>3,665</b>	<b>4,466</b>	<b>5,862</b>	<b>6,531</b>	<b>7,329</b>	<b>8,242</b>	<b>10,285</b>	<b>14,895</b>	<b>18,123</b>	<b>18,663</b>	<b>18,711</b>	<b>19,518</b>	<b>22,780</b>	<b>26,527</b>	<b>30,165</b>	<b>37,924</b>	

\* Deutsche Bank estimate

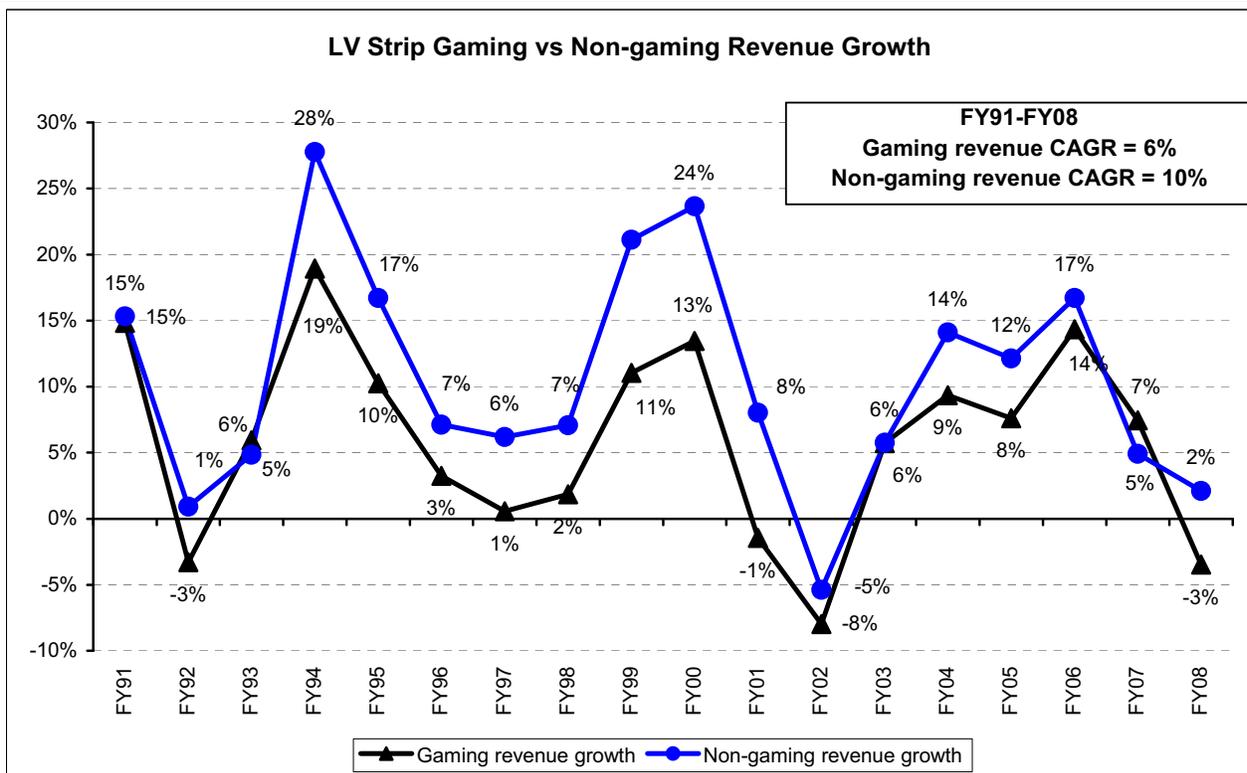
Source: Nevada Gaming Control Board, Deutsche Bank

**Figure 3: LV Strip Gaming vs Non-gaming Revenue Mix, FY90-FY08**



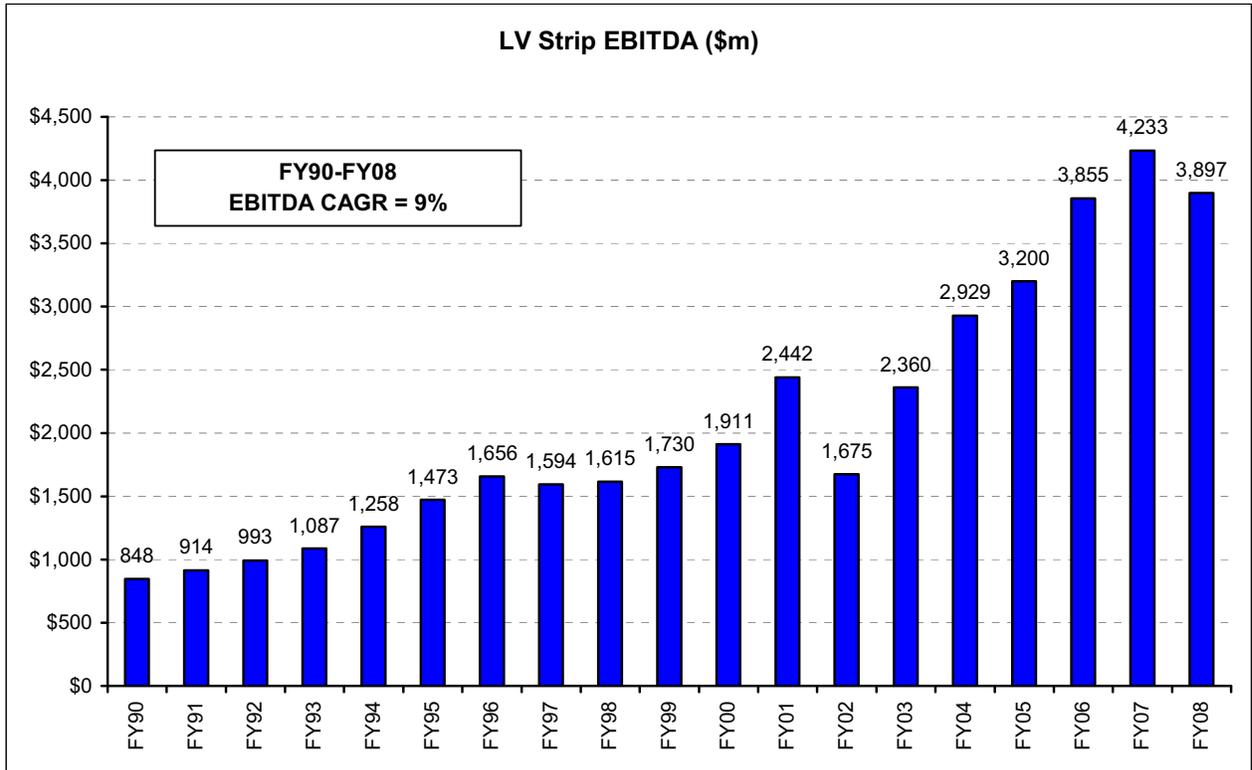
Source: Nevada Gaming Control Board, Deutsche Bank

**Figure 4: LV Strip Gaming vs Non-gaming Revenue Growth, FY91-FY08**



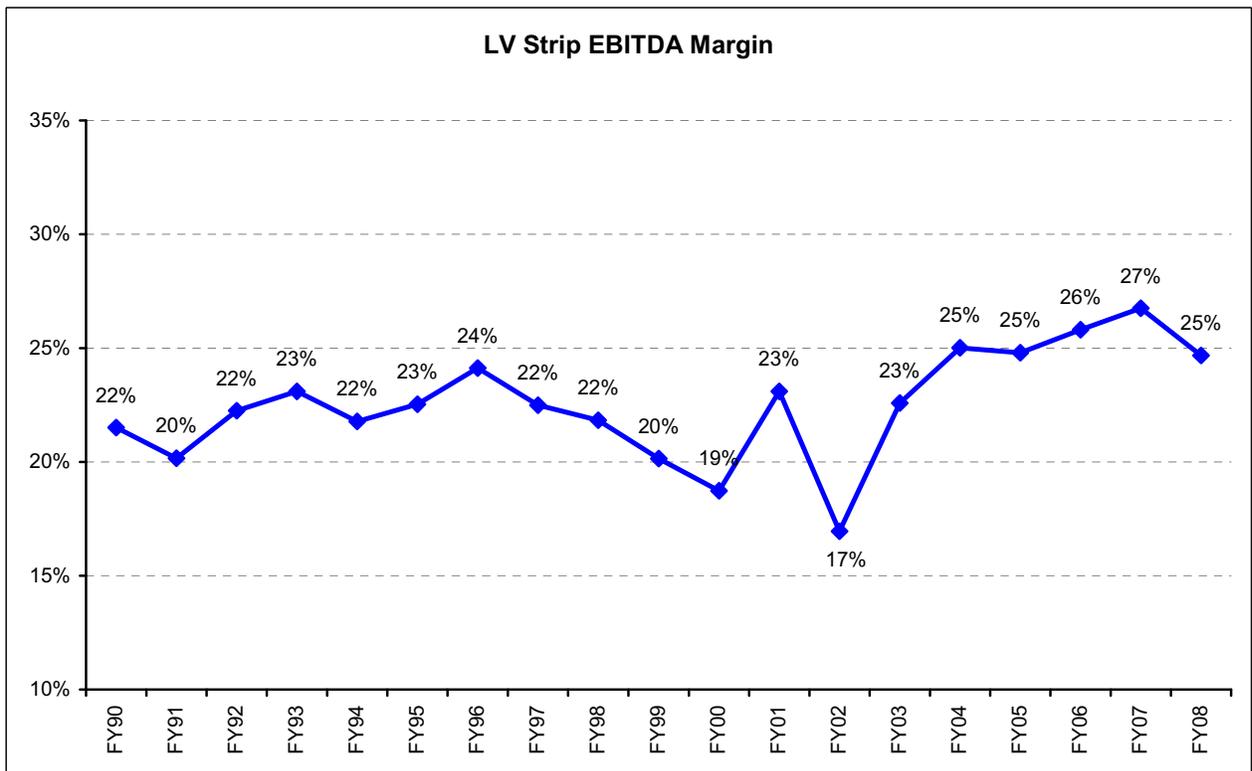
Source: Nevada Gaming Control Board, Deutsche Bank

**Figure 5: LV Strip EBITDA (\$m), FY90-FY08**

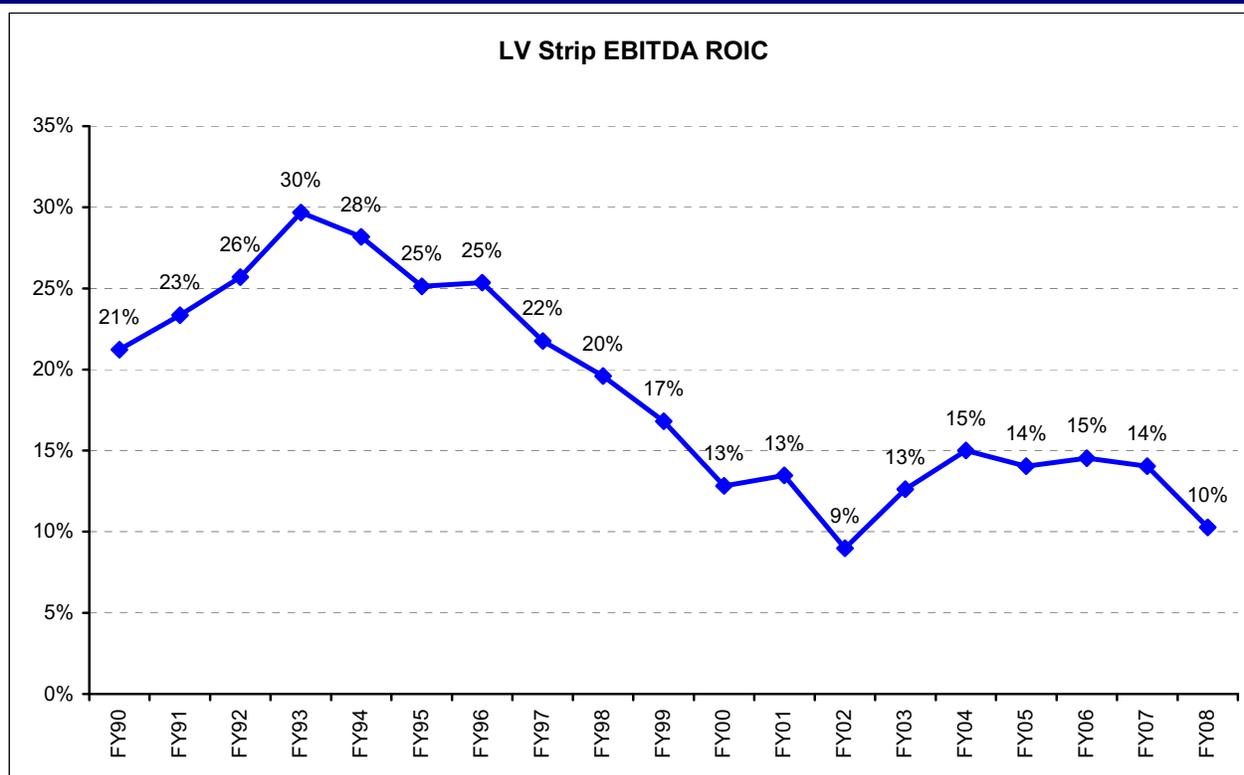


Source: Nevada Gaming Control Board, Deutsche Bank

**Figure 6: LV Strip EBITDA margin, FY90-FY08**



Source: Nevada Gaming Control Board, Deutsche Bank

**Figure 7: LV Strip EBITDA ROIC, FY90-FY08**

Source: Nevada Gaming Control Board, Deutsche Bank

Companies with exposure to the Las Vegas Strip include: Las Vegas Sands (LVS), MGM MIRAGE (MGM), Wynn Resorts (WYNN), Riviera Holdings (RIV-NR), Harrah's Entertainment.

## Valuation and risks

We employ an EV/EBITDA-based valuation methodology for each of the gaming operator stocks under our coverage discussed in this bulletin. We select what we deem to be an appropriate multiple on our forward earnings estimates based on our assessment of relative growth rates and competitive position.

Risks to investing include general economic weakness affecting casino visitation, increasingly competitive environments, legislative risks including the potential for higher tax rates, and the potential for gaming expansion in neighboring states.

# Appendix 1

## Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Las Vegas Sands	LVS.N	5.96 (USD) 23 Jan 09	2,17
MGM	MGM.N	9.40 (USD) 23 Jan 09	1,2,6,7,8
Wynn Resorts Ltd.	WYNN.OQ	34.26 (USD) 23 Jan 09	1,2,6,7,8,14,15

\*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

## Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See "Important Disclosures Required by Non-US Regulators" and Explanatory Notes.

1. Within the past year, Deutsche Bank and/or its affiliate(s) has managed or co-managed a public or private offering for this company, for which it received fees.
2. Deutsche Bank and/or its affiliate(s) makes a market in securities issued by this company.
6. Deutsche Bank and/or its affiliate(s) owns one percent or more of any class of common equity securities of this company calculated under computational methods required by US law.
7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.
8. Deutsche Bank and/or its affiliate(s) expects to receive, or intends to seek, compensation for investment banking services from this company in the next three months.
14. Deutsche Bank and/or its affiliate(s) has received non-investment banking related compensation from this company within the past year.
15. This company has been a client of Deutsche Bank Securities Inc. within the past year, during which time it received non-investment banking securities-related services.

## Important Disclosures Required by Non-U.S. Regulators

Please also refer to disclosures in the "Important Disclosures Required by US Regulators" and the Explanatory Notes.

1. Within the past year, Deutsche Bank and/or its affiliate(s) has managed or co-managed a public or private offering for this company, for which it received fees.
2. Deutsche Bank and/or its affiliate(s) makes a market in securities issued by this company.
6. Deutsche Bank and/or its affiliate(s) owns one percent or more of any class of common equity securities of this company calculated under computational methods required by US law.
7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.
17. Deutsche Bank and or/its affiliate(s) has a significant Non-Equity financial interest (this can include Bonds, Convertible Bonds, Credit Derivatives and Traded Loans) where the aggregate net exposure to the following issuer(s), or issuer(s) group, is more than 25m Euros.

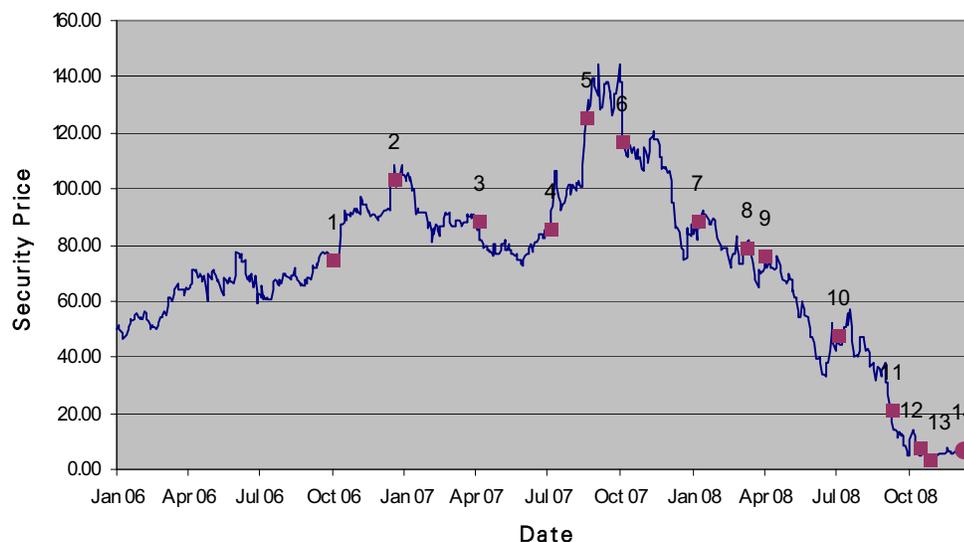
**For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr>.**

## Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst about the subject issuers and the securities of those issuers. In addition, the undersigned lead analyst has not and will not receive any compensation for providing a specific recommendation or view in this report. Bill Lerner

### Historical recommendations and target price: Las Vegas Sands (LVS.N)

(as of 1/23/2009)



#### Previous Recommendations

Strong Buy  
Buy  
Market Perform  
Underperform  
Not Rated  
Suspended Rating

#### Current Recommendations

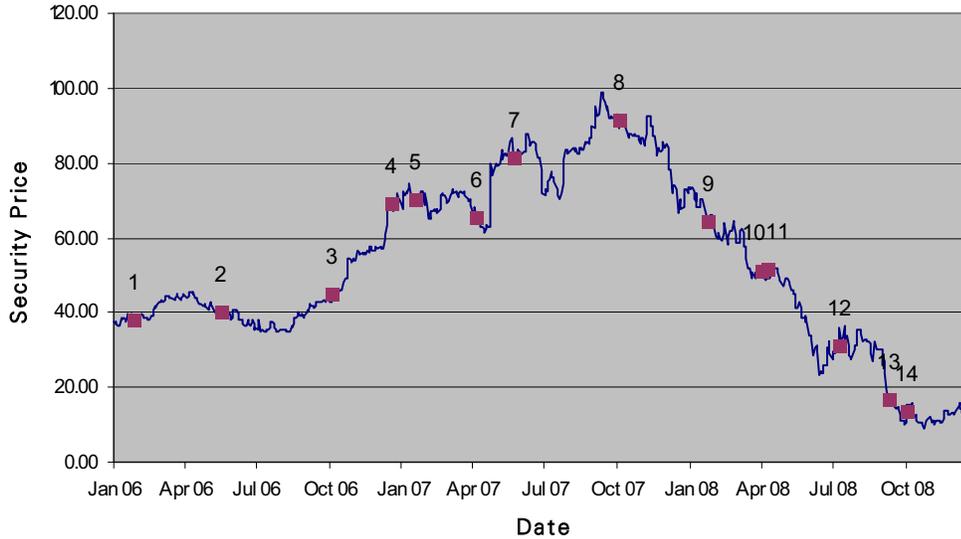
Buy  
Hold  
Sell  
Not Rated  
Suspended Rating

\*New Recommendation Structure as of September 9, 2002

1.	10/30/2006:	Buy, Target Price Change USD85.00	8.	4/7/2008:	Buy, Target Price Change USD108.00
2.	1/16/2007:	Buy, Target Price Change USD119.00	9.	5/1/2008:	Buy, Target Price Change USD94.00
3.	5/3/2007:	Buy, Target Price Change USD117.00	10.	7/31/2008:	Buy, Target Price Change USD71.00
4.	8/2/2007:	Buy, Target Price Change USD114.00	11.	10/7/2008:	Buy, Target Price Change USD29.00
5.	9/17/2007:	Buy, Target Price Change USD130.00	12.	11/11/2008:	Buy, Target Price Change USD10.00
6.	11/2/2007:	Buy, Target Price Change USD120.00	13.	11/25/2008:	Buy, Target Price Change USD9.00
7.	2/5/2008:	Buy, Target Price Change USD114.00	14.	1/7/2009:	Downgrade to Hold, USD9.00

**Historical recommendations and target price: MGM (MGM.N)**

(as of 1/23/2009)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*New Recommendation Structure as of September 9, 2002

1. 2/24/2006:	Buy, Target Price Change USD52.00	8. 10/31/2007:	Buy, Target Price Change USD106.00
2. 6/15/2006:	Buy, Target Price Change USD57.00	9. 2/21/2008:	Buy, Target Price Change USD95.00
3. 11/3/2006:	Buy, Target Price Change USD55.00	10. 4/29/2008:	Buy, Target Price Change USD81.00
4. 1/16/2007:	Buy, Target Price Change USD78.00	11. 5/7/2008:	Buy, Target Price Change USD74.00
5. 2/14/2007:	Buy, Target Price Change USD80.00	12. 8/5/2008:	Buy, Target Price Change USD60.00
6. 5/3/2007:	Buy, Target Price Change USD78.00	13. 10/7/2008:	Buy, Target Price Change USD24.00
7. 6/22/2007:	Buy, Target Price Change USD104.00	14. 10/30/2008:	Buy, Target Price Change USD21.00

**Historical recommendations and target price: Wynn Resorts Ltd. (WYNN.OQ)**

(as of 1/23/2009)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*New Recommendation Structure as of September 9, 2002

1. 3/6/2006:	Buy, Target Price Change USD85.00	9. 4/29/2008:	Buy, Target Price Change USD162.00
2. 6/15/2006:	Buy, Target Price Change USD92.00	10. 5/2/2008:	Buy, Target Price Change USD160.00
3. 1/16/2007:	Buy, Target Price Change USD122.00	11. 7/25/2008:	Buy, Target Price Change USD138.00
4. 2/28/2007:	Buy, Target Price Change USD120.00	12. 10/7/2008:	Buy, Target Price Change USD83.00
5. 8/7/2007:	Buy, Target Price Change USD123.00	13. 10/14/2008:	Buy, Target Price Change USD81.00
6. 10/1/2007:	Buy, Target Price Change USD173.00	14. 10/31/2008:	Buy, Target Price Change USD87.00
7. 10/31/2007:	Buy, Target Price Change USD175.00	15. 11/17/2008:	Buy, Target Price Change USD84.00
8. 2/13/2008:	Buy, Target Price Change USD166.00		

**Equity rating key** **Equity rating dispersion and banking relationships**

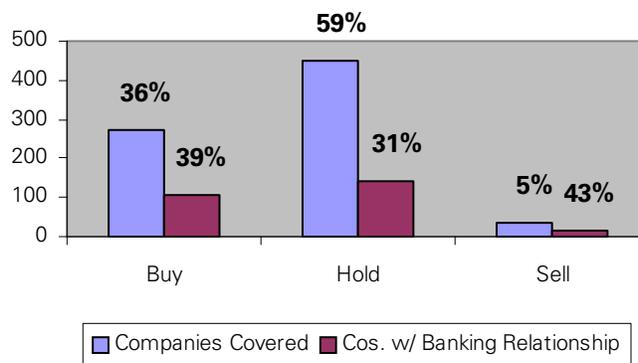
**Buy:** Based on a current 12- month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield ) , we recommend that investors buy the stock.

**Sell:** Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock

**Hold:** We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

**Notes:**

- Newly issued research recommendations and target prices always supersede previously published research.
- Ratings definitions prior to 27 January, 2007 were:
  - Buy: Expected total return (including dividends) of 10% or more over a 12-month period
  - Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
  - Sell: Expected total return (including dividends) of -10% or worse over a 12-month period



North American Universe

## Regulatory Disclosures

### 1. Important Additional Conflict Disclosures

Aside from within this report, important conflict disclosures can also be found at <https://gm.db.com/equities> under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

### 2. Short-Term Trade Ideas

Deutsche Bank equity research analysts sometimes have shorter-term trade ideas (known as SOLAR ideas) that are consistent or inconsistent with Deutsche Bank's existing longer term ratings. These trade ideas can be found at the SOLAR link at <http://gm.db.com>.

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**EU countries:** Disclosures relating to our obligations under MiFiD can be found at <http://globalmarkets.db.com/riskdisclosures>.

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UNION GAMING ANALYTICS, LLC

May \_\_\_, 2009

[Kansas Lottery Gaming Facility Review Board]  
[Address]  
[City, State Zip]

Re: Consultant Services

This agreement (this "Agreement") confirms that Union Gaming Analytics, LLC ("Union") has been engaged by [Kansas Lottery Gaming Facility Review Board] (the "Board") to act as special financial consultant to the Board in connection with the Board's review of the material and information (the "Applications") submitted by applicants (the "Applicants") for Kansas gaming licenses.

1. Services: In connection with the Board's consideration of the Applications, Union will consult with the Board to assist the Board's review of the Applications, as follows: (i) providing analysis on the going-forward financial viability of the Applicants and the ability of the Applicants to secure financing for their respective casino developments and (ii) traveling to and participating in meetings, hearings and presentations as follows: one meeting in either Reno or Las Vegas, Nevada and three meetings in Kansas. The services described in this section are referred to herein as the "Services."

2. Cooperation.

(a) The Board will timely furnish Union with all current and historical materials and information regarding the Applications which the Board believes are relevant to the Applications and the Applicants to permit Union to conduct the Services and such other and further materials and information which Union, in its reasonable opinion, requests and believes may be necessary to complete the Services (all such information so furnished being the "Information").

(b) The Board agrees and acknowledges that Union: (i) will use and rely solely on the Information and information available from generally recognized public sources in performing the Services without having independently verified the same and (ii) does not assume responsibility for the preparation, accuracy or completeness of the Information or any other such information.

3. Accuracy of Information. Union may rely, without independent verification, on the accuracy and completeness of the Information. The Board shall advise Union promptly of the occurrence of any event or any other change which could reasonably be expected to result in the Information containing any untrue statement of material fact or omission of any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

4. Use of Advice, Name, etc.

(a) Union's advice is solely for the use and information of the Board, and is only to be used in considering the matters to which this Agreement relates. Such advice may not be relied upon by any other person and may not be used or relied upon for any other purpose.

(b) No advice provided by Union may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without Union's prior written consent.

(c) The Board acknowledges that Union will act as an independent contractor hereunder, and that Union's responsibility to the Board is solely contractual in nature and that Union does not owe the Board, or any other person or entity, any fiduciary or similar duty as a result of its engagement hereunder or otherwise. Union and the Indemnified Persons (as defined in Schedule A hereto) shall not be deemed agents or fiduciaries of the Board and will not have the authority to legally bind any of the foregoing.

5. Compensation. In payment for the Services, the Board agrees to pay or cause to be paid to Union in cash a fee of \$500 per hour. Union estimates the total fee for the Services (the "Fee") to be \$74,000, as represented in the table below. The Board agrees and acknowledges that the estimates provided in this section are for planning and budgeting purposes only and that the Fee may differ from the estimates.

Service	Estimated Hours	Estimated Fee
Design applicant matrix to collect relevant financial data which will be used in the formation of analysis	24 hours	\$12,000
Review and summary of each applicant's financial matrix	10 hours for each of 6 matrices	\$30,000
Attendance of two Union representatives at Reno or Las Vegas, Nevada meeting and three trips of one Union representative to Kansas to attend hearings and make presentations to the Board	16 hours in Nevada and 48 hours in Kansas for a total of 64 hours	\$32,000

The Board shall pay a non-refundable cash retainer equal to \$37,000 upon execution of this Agreement, which retainer shall be credited toward the Fee. The Fee shall be paid immediately upon the presentation of Union's final findings to the Board.

The Board acknowledges that in light of Union's substantial experience and knowledge, the uncertain nature of the time and effort that may be expended by Union in fulfilling its duties hereunder, the opportunity cost associated with undertaking this engagement, and the "market rate" for professionals of Union's stature in the market generally, the fee arrangement hereunder is just, reasonable and fairly compensates Union for the Services.

6. Expenses. In addition to the Fee, the Board will reimburse Union, promptly upon receipt of an invoice therefor, for all out-of-pocket expenses incurred by Union in connection with the engagement hereunder, including travel expenses. Union currently estimates that the travel expenses will be approximately \$3,000 in the aggregate. This information is provided as an estimate only.

7. Termination. Union's engagement hereunder will commence upon the execution of this Agreement by the parties hereto, and will continue until terminated by either Union or the Board on five

days written notice to the other party. Upon any termination of this Agreement, the Board shall immediately pay or cause to be paid to Union any accrued but unpaid fees hereunder, and shall reimburse Union for any unreimbursed expenses. Upon any termination of this Agreement, the rights and obligations of the parties hereunder shall terminate, except for the obligations set forth in Sections 2-8, 10-15, and Schedule A hereto.

8. Indemnification. As further consideration under this Agreement, the Board shall indemnify and hold harmless the Indemnified Persons (as defined in Schedule A) in accordance with Schedule A hereto. The terms and provisions of Schedule A are incorporated by reference herein, constitute a part hereof, and shall survive any termination or expiration of this Agreement.

9. Exclusivity. The Board agrees that it will not engage any other person to perform the Services. It is understood and agreed that Union's client, in connection with the Applications, is the Board, and Union will in no circumstance be deemed to be an advisor to or have any obligation to any other party.

10. No Assurances. By signing this Agreement, the Board expressly acknowledges that Union does not guarantee, warrant or otherwise provide assurance that the Applicants will be able to secure financing, successfully implement any plans or achieve any other result.

11. Construction and Governing Law. This agreement and any dispute, claim or controversy directly or indirectly relating to or arising out of this Agreement, including, but not limited to: (i) the termination or validity of this Agreement, (ii) any alleged breach of this Agreement or (iii) the engagement contemplated by this Agreement (any of the foregoing, a "Claim") shall be governed by, and construed in accordance with, the laws of the State of Nevada, without regard to principles of conflicts of law. The parties unconditionally and irrevocably agree further to, in connection with a Claim, submit to the exclusive jurisdiction of the appropriate court in Las Vegas, Nevada.

12. Payments. All payments to be made to Union hereunder shall be made in cash via wire transfer to an account designated by Union at the times set forth in Section 5. No fee paid or payable to Union or any of its affiliates under this Agreement shall be credited against any other fee paid or payable to Union except as expressly stated herein.

13. Announcements. The Board agrees that Union may describe the engagement set forth in this Agreement in any form of media or in Union's marketing materials, stating Union's role and using the Board's name and logo in connection therewith.

14. Notices. Notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be mailed or delivered (a) if to the Board, at the address set forth above, Attn: \_\_\_\_\_, and (b) if to Union, at the offices of Kummer Kaempfer Bonner Renshaw & Ferrario at 3800 Howard Hughes Parkway, Seventh Floor, Las Vegas, Nevada 89169, Attention: Michael J. Bonner.

15. Miscellaneous. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and may not be amended or modified except in writing signed by each party hereto. This Agreement may not be assigned by either party hereto without the prior written consent of the other, to be given in the sole discretion of the party from whom such consent is being requested. Any attempted assignment of this Agreement made without such consent shall be void and of no effect, at the option of the non-assigning party. This Agreement is solely for the benefit of the Board and Union and no other person shall acquire or have any rights under or by virtue of this Agreement. If any provision hereof shall be held by a court of competent jurisdiction to be invalid, void or unenforceable in any

respect, or against public policy, such determination shall not affect such provision in any other respect nor any other provision hereof. The Board and Union shall endeavor in good faith negotiations to replace the invalid, void or unenforceable provisions. Headings used herein are for convenience of reference only and shall not affect the interpretation or construction of this Agreement. This Agreement may be executed in facsimile counterparts, each of which will be deemed to be an original and all of which together will be deemed to be one and the same document.

Please sign and return this letter to the undersigned to indicate your acceptance of, and agreement to, the terms set forth herein, whereupon this letter and your acceptance shall constitute a binding agreement by and between the Board and Union as of the date first above written.

Sincerely,

**UNION GAMING ANALYTICS, LLC**

By: Union Gaming Group, LLC

Its: Manager

By: \_\_\_\_\_

Its: \_\_\_\_\_

Accepted and Agreed:

**[KANSAS LOTTERY GAMING FACILITY REVIEW BOARD]**

By: \_\_\_\_\_

Its: \_\_\_\_\_

## SCHEDULE A

Reference is hereby made to the engagement letter attached hereto (as amended from time to time in accordance with the terms thereof, the “Agreement”) among Union and the Board (each as defined in the Agreement). Unless otherwise noted, all capitalized terms used herein shall have the meanings set forth in the Agreement.

As further consideration under the Agreement, the Board agrees to indemnify and hold harmless Union and its affiliates, and each of their respective officers, directors, managers, members, partners, employees and agents, and any other persons controlling Union or any of its affiliates (collectively, “Indemnified Persons”), to the fullest extent lawful, from and against any claims, liabilities, losses, damages and expenses (or any action, claim, suit or proceeding (an “Action”) in respect thereof), as incurred, related to or arising out of or in connection with Union’s services (whether occurring before, at or after the date hereof) under the Agreement, the Applications or any Indemnified Person’s role in connection therewith, whether or not resulting from an Indemnified Person’s negligence (“Losses”), provided, however, that the Board shall not be responsible for any Losses to the extent such Losses are determined, by a final, non-appealable judgment by a court or arbitral tribunal, to have resulted solely from Union’s gross negligence or willful misconduct.

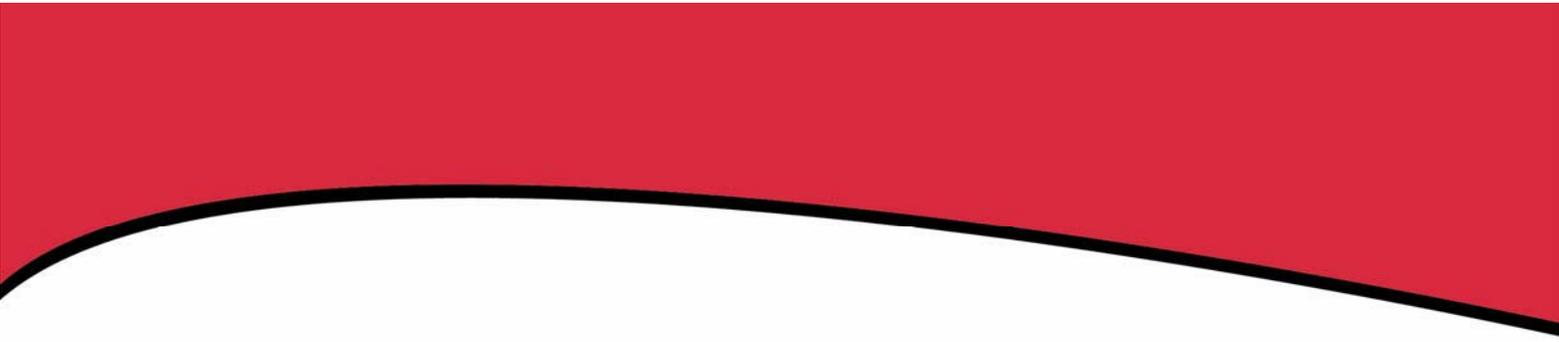
The Board agrees that no Indemnified Person shall have any liability to the Board for any Losses, except to the extent such Losses are determined, by a final, non-appealable judgment by a court or arbitral tribunal, to have resulted solely from Union’s gross negligence or willful misconduct.

The Board agrees that it will not settle or compromise or consent to the entry of any judgment in, or otherwise seek to terminate any pending or threatened Action in respect of which indemnification or contribution may be sought hereunder (whether or not any Indemnified Person is a party to such Action) unless Union has given its prior written consent, or the settlement, compromise, consent or termination (i) includes an express unconditional release of such Indemnified Person from all Losses arising out of such Action and (ii) does not include any admission of fault on the part of any Indemnified Person.

If, for any reason (other than the gross negligence or willful misconduct of an Indemnified Person as provided above) the foregoing indemnity is judicially determined to be unavailable to an Indemnified Person for any reason or insufficient to hold any Indemnified Person harmless, then the Board agrees to contribute to any such Losses in such proportion as is appropriate to reflect the relative benefits received or proposed to be received by the State of Kansas on the one hand and by Union on the other, from the approval of the Applications, if allocation on that basis is not permitted under applicable law, in such proportion as is appropriate to reflect not only the relative benefits received by the State of Kansas on the one hand and Union on the other, but also the relative fault of the Board and Union, as well as any relevant equitable considerations. Notwithstanding the provisions hereof, the aggregate contribution of all Indemnified Persons to all Losses shall not exceed the amount of fees actually received by Union with respect to the services rendered pursuant to the Agreement. Relative benefits to the State of Kansas, on the one hand, and to Union, on the other hand, shall be deemed to be in the same proportion as (i) the total value the approval of the Applications bear to (ii) all fees actually received by Union in connection with the Agreement. Notwithstanding the provisions hereof, the aggregate contribution of all Indemnified Persons to all Losses shall not exceed the amount of fees actually received by Union with respect to the services rendered pursuant to the Agreement.

The Board agrees to reimburse the Indemnified Persons for all expenses (including, without limitation, fees and expenses of counsel) as they are incurred in connection with investigating, preparing, defending or settling any Action for which indemnification or contribution has or is reasonably likely to be sought by the Indemnified Person, whether or not in connection with litigation in which any Indemnified Person is a named party; provided that if any such reimbursement is determined by a final, non-appealable judgment by a court or arbitral tribunal, to have resulted solely from Union's gross negligence or willful misconduct, such Indemnified Person shall promptly repay such amount to the Board. If any of Union's professional personnel appears as witness, is deposed or is otherwise involved in the defense of any Action against Union or the Board, the Board will pay Union (i) with respect to each day that such person appears as a witness or is deposed and/or (ii) with respect to each day that such person is involved in the preparation therefor, (a) a fee of \$4,000 per day for each such person with respect to each appearance as a witness or a deponent and (b) at a rate of \$400 per hour with respect to each hour of preparation for any such appearance, said fee(s) reflecting the reasonable value of the services of such personnel that would otherwise be available to Union during the time engaged in such testimony or preparation for such testimony. The Board will reimburse Union for all reasonable out-of-pocket expenses incurred by Union by reason of any of its personnel being involved in any such Action.

The indemnity, contribution and expense reimbursement obligations set forth herein (i) shall be in addition to any liability the Board may have to any Indemnified Person at common law or otherwise, (ii) shall survive the expiration or termination of the Agreement or completion of Union's services hereunder, (iii) shall apply to any modification of Union's engagement, (iv) shall remain operative and in full force and effect regardless of any investigation made by or on behalf of Union or any other Indemnified Person, and (v) shall inure to the benefit of any successor or assign of any Indemnified Person.



# **Raving Consulting Company Proposal for Kansas Lottery Gaming Facility Review Board**

Prepared by

**Raving**  
Consulting Co.

Dennis Conrad  
President and Chief Strategist  
775-329-7864  
dennis@ravingconsulting.com



**Whatever You Need. The Best You Can Get.**

## **OVERVIEW**

This proposal is being submitted at the request of Stephen Martino of the Kansas Racing and Gaming Commission, acting on behalf of the Kansas Lottery Gaming Facility Review Board. Raving Consulting Company is proposing consulting services for the assessment and analysis of the amenity packages and ancillary services for the five casino development bid proposals for the Northeast and South Central zones in Kansas. Following is the proposed methodology that Raving would utilize to determine the bidders' respective adherence to the ancillary and nongaming development as it relates to and supports the State of Kansas' major objectives as outlined in Senate Bill 66. That is: 1) To maximize revenues for the State, 2) To promote tourism and 3) The project must serve the overall best interest of the State of Kansas.

**CONSULTING APPROACH**

Raving proposes to provide these consulting services through the use of two executives with vast experience in the casino industry:

1. Dennis Conrad, President and Chief Strategist, Raving Consulting Company (see bio) – project oversight and direction, attendance and full involvement at all formal meetings of assembled consulting group and project bidders.
2. Scott Cooper, independent gaming development consultant (see bio) – project lead consultant responsible for all fact gathering, reports and matrix development as it relates to Raving’s proposed involvement in this process. Will attend all consultant meetings that have been described to Raving.

As Raving reviews the various applicants' submissions, it will evaluate how each of the applicants' proposals has considered the ancillary nongaming development as it relates to the State's objectives as outlined in Senate Bill 66. It will then develop a set of core standardized metrics to "grade" the proposals. Raving's assessment will include, but is not limited to, the following considerations:

1. Breadth and scope of market.

Based on the given demographic information and after a visit to the proposed sites, a side by side comparison will be completed to determine how effectively each applicant has matched the customer base to their planned development. Careful consideration will be given to assure that the proposed development will favorably relate to the income levels of the customer base. An analysis will be made to determine how the proposal components will meet the demand of market area offerings. Demographic information in each of the applicant's submissions relating to concentric circles will be expanded to include consideration of the actual road/highway drive routes customers travel to visit each site. Further, an assessment will be made to determine the likelihood of the applicant to deliver proposed gaming revenue based on the scope of ancillary and nongaming development.

2. How does the project create and promote tourism?

Each project will be measured on how their proposed development uniquely adds to the already existing tourism mix. Does the proposed development add the right "mix" of amenities to drive visitation from outside the locals market? How does each proposed development differentiate itself, if any, from other regional destinations/attractions, particularly those in neighboring states? What enticements, if any, do the proposals offer to achieve an incremental spend by customers traveling from outer markets?

3. Jobs creation.

Will the proposed project amenities result in a maximization of the employment potential? The Raving analysis will carefully consider departmental staffing as compared to the expected revenue of the proposed ancillary development. Does the proposed project enhance the employment potential as each amenity is added, not just as additional expense, but also to further the overall service component?

4. How does the ancillary nongaming development translate into maximizing gaming revenues?

An assessment will be made for each proposal to determine how effective the ancillary nongaming development will be in maximizing gaming revenue. This will be accomplished by comparing the amenities available in each respective proposal and how likely that these amenities will translate into gaming revenue. A review will also be made to estimate the impact that these developments will have, if any, on existing businesses.

**PROPOSED CONSULTING FEES**

Raving has estimated the consulting fees for this project based on the anticipated number of consulting days to be provided (plus expenses) by Raving on the following fee schedule:

- Dennis Conrad -- \$2,000 per consulting day
- Scott Cooper -- \$1,800 per consulting day
- Collaborative days -- \$2,500 per consulting day

Dennis Conrad Estimated Consulting Days

- 1 Day (All-consultant meeting in Reno)
- 4 Days (In zone meetings)
- 3 Days (Consultant presentations)
- 2 Days (Final vote)

**10 Total Days**

Scott Cooper Estimated Consulting Days

- 1 Day (All-consultant meeting in Reno)
- 15 Days (Evaluate proposals – 3 days each)
- 5 Days (Comparison, summarization, development of consultant report)
- 4 Days (In zone meetings)
- 3 Days (Consultant presentations)
- 2 Days (Final Vote)

**30 Total Days**

Estimated Collaboration Days

- 2 Days (Progress reports, coordination, review, discussion, etc.)

Consulting Days Fee Summary

\$20,000	Dennis Conrad Consulting Days
\$54,000	Scott Cooper Consulting Days
<u>\$ 5,000</u>	<u>Collaboration Days</u>
\$79,000	Total Consulting Days Fee

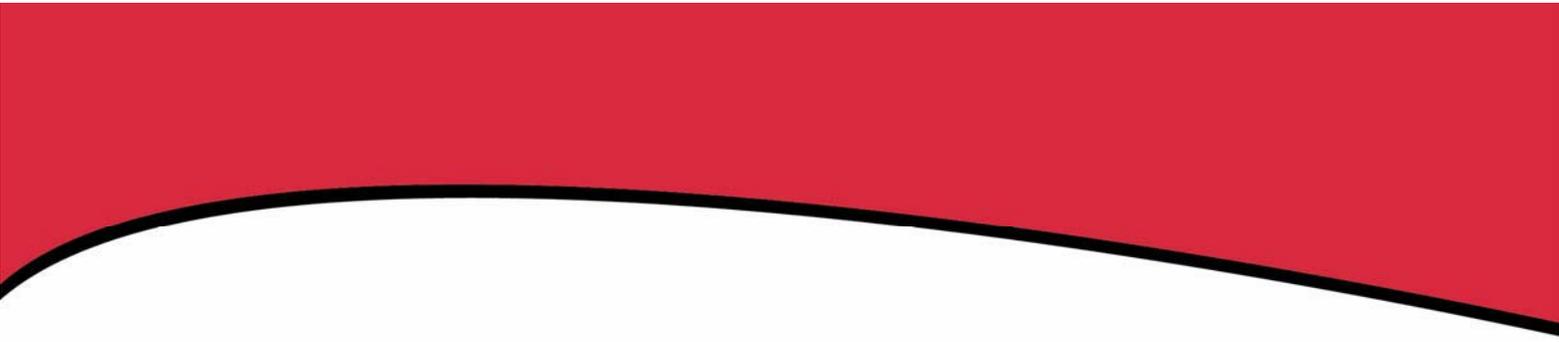
Expenses

- Airfares estimated at \$500 per roundtrip
- Rooms expense estimated at \$100 per day
- Meals per diem estimated at \$75 per day
- Car rental estimated at \$60 per day

\$1,500	Dennis Conrad airfare (3 trips)
\$2,000	Scott Cooper airfare (4 trips)
\$ 100	Scott Cooper room (Reno trip)
\$ 750	Dennis Conrad Meals
\$ 900	Scott Cooper Meals
<u>\$ 540</u>	<u>Total car rental</u>
\$5,790	Total Expenses

Total Proposed Fees

\$79,000	Total Consulting Days Fee
<u>\$ 5,790</u>	<u>Expenses</u>
<b>\$84,790</b>	<b>Total</b>



# **Supplemental Information for Kansas Lottery Gaming Facility Review Board**

Prepared by

**Raving**  
Consulting Co.

Dennis Conrad  
President and Chief Strategist  
775-329-7864  
dennis@ravingconsulting.com



**Whatever You Need. The Best You Can Get.**

## **Raving Consulting Company Company Bio**

Raving Consulting Company was founded in 1998 by its owner, president and chief strategist, Dennis Conrad. It quickly became the leading marketing consulting company in the gaming industry by following the simple mantra of “Find out what your customers want, then give it to them!” Raving has worked with over 200 casino companies worldwide and trained over 10,000 gaming executives and frontline employees in its industry leading and insider savvy gaming conferences and seminars.

Raving’s business model can be broken roughly into the following components:

- Raving Client Services – project and retainer marketing consulting services for casino clients (marketing assessments, marketing plan development, onsite marketing operation, promotion development, competitive assessments, players club implementation or redesign, etc.)
- Raving Learning – gaming conferences (Casino Marketing, Raving’s Indian Gaming National Marketing Conference, Raving’s Cutting Edge Table Games Conference and Raving’s Cutting Edge Player Development: Building a Better Host Department), subscription services (Raving Solutions Newsletter, Raving Flash Report and Raving Email Newsletter) as well as a number of books, periodicals, manuals, videos and handbooks.

- Raving Service – developed by former casino owner Steve Browne based on his experience of creating a “customer worship” casino operation, Raving Service has developed and implemented more full scale casino customer service programs than any other company in gaming. Raving Service offerings include program development, assessments, motivational seminars and numerous other customer service programs.
- Raving Partners – access marketing services for quality gaming consultants and vendors to the gaming industry. Raving identifies “best of breed” companies that offer significant value to casino clients and helps to promote their services in a variety of ways.

Raving does over half of its business with tribal casinos and is most proud of its work and reputation there, as well as what it has helped tribes accomplish through better and more guest focused casino marketing. Each year, in partnership with Native American Casino Magazine, Raving presents the Barona/VCAT Award For Excellence In Indian Gaming Marketing to one very deserving tribal casino.

Raving has created a strong and unique brand in the gaming industry that is best summed up by the following phrases: “Tell it like it is.” “Incredible network.” “Indian gaming insiders.” “Out of the box innovators.” “Educators and mentors.” “Marketing difference-makers.” “Best of breed partners.” “One stop solution shopping.” “Best speakers, best topics, straight talk.”

Raving is headquartered in Reno, Nevada, with satellite offices in Las Vegas. It has 10 employees, over 20 associates and partners and a number of trusted project consultants.

**DENNIS J. CONRAD, PRESIDENT AND CHIEF STRATEGIST, RAVING  
CONSULTING COMPANY**

**EXPERIENCE**

- Bachelor of Arts Degree, Stanford University, 1974
- 35 years of gaming industry experience
- Senior executive with Harrah's Entertainment, Inc. and Circus Circus Enterprises / Mandalay Resort Group
- Acknowledged gaming marketing expert
- International speaker at numerous gaming conferences and trade shows
- Author of two books on casino marketing ("Conrad's Corners" and "Conrad on Casino Marketing")
- Marketing columnist for major gaming trade publication, Casino Journal and Native American Casino magazine
- Consultant for numerous gaming projects in the United States, Canada, Panama, Denmark, Australia, South Africa, Slovenia, England, France and Bulgaria.
- Owner and President of Raving Consulting Company for 11 years

**PROFESSIONAL NETWORK**

- Senior executives at most major commercial casino companies
- Senior tribal leaders and casino executives at many major tribal casino organizations in the United States
- A number of senior executives at financial institutions specializing in services and loans to casino companies
- Senior executives at numerous casino management companies
- Hundreds of General Managers, Chief Financial Officers' and Department Heads at numerous casinos
- Numerous other consultants, advisors and gaming industry insiders, each with their own additional professional networks

**CAPABILITIES**

- Marketing consulting
- Strategic analysis
- Gaming operational review
- Access marketing services to gaming vendors
- Development of qualified gaming industry senior-level contacts

**SCOTT COOPER**

*16 Orleans Road \* Rancho Mirage, CA 92270*

*760- 880-1127 (cell) \* 760- 770-0786 (home)*

*[scottcooper777@aol.com](mailto:scottcooper777@aol.com) & informational website [www.scottcooper777.com](http://www.scottcooper777.com)*

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**GAMING EXECUTIVE**

General Manager \* COO \* Start-Ups & Expansions \* Operations Expertise

With 26 years of executive leadership experience in the gaming industry, background includes opening nine casino properties in more than six jurisdictions. Specific area of expertise includes start-ups, expansion projects, and in growing property revenue market share percentage.

**Career Highlights**

- Specific area of expertise involves growth/development projects. I have personally opened 9 start-up operations in 6 jurisdictions, the most of any gaming executive. Each start-up involved hands on leadership, including the creation/execution of the business plan, hiring/training the management team, development of the IC's, and working with local governments and state regulatory agencies. Additionally, for all of these start-ups, personally directed the initial and ongoing marketing effort, including the demographic analysis, branding, developed direct mail programs, and media placement.
- For every jurisdiction in which I have worked, have always achieved the market leading combination of improved market share revenue growth with the highest operating margin % of the competing properties.
- Have held the Corporate COO position for 2 second tier gaming companies. Left both positions for family considerations, the last due to the fact that I missed all my (now a 12 year- old) daughter's soccer games one season due to extensive coast-to coast travel.
- Have provided executive leadership to a single location employing 2K to Corporate oversight of 4K in 4 locations.
- While serving as the Executive Vice President of Corporate Operations for Player's International, my responsibilities included personally opening four casino properties, in Illinois, Louisiana, Nevada and Missouri.

**Professional Gaming Experience**

Agua Caliente Casino Resort & Spa  
**General Manager**

Rancho Mirage, California  
**February 2006 – December 2008**

- Served as the Chief Executive for this market leading operation in the Palm Springs, California area. Recruited for my experience in development, the resort saw a \$300 million expansion open in April, 2008. The new property has 340 rooms, 1,400 gaming devices, 38 table games, live poker, extensive Food & Beverage outlets, spa, convention / meeting space, 1300 employees and a 2,000-seat entertainment venue.

Hyatt Gaming Management, Grand Victoria  
**General Manager**

Rising Sun, Indiana  
**June 2004 - February 2006**

- Ran all operations as the Chief Executive for this operation that included 1,400 gaming devices, 35 tables games, live poker, hotel, an on-site golf course and meeting/entertainment space. In this position, I was responsible for the management of a team of 1,100 professionals.

Delaware North Companies  
**Corporate V.P of Gaming Operations (COO)**

Wheeling, WV & Buffalo, NY  
**April 2001- June 2004**

- Was responsible for a \$125M expansion project at the company's Wheeling WV property. In addition, duties included the opening the first 3 racinos in the state of New York. With an effective tax rate of 78%, cost management was a critical component, as all three facilities had a marketing budget of 4%, yet still turned a profit.

**Consultant**

**November 1997 - April 2001**

- Worked with several groups that were attempting to purchase properties in Las Vegas. Also, worked on an Indian start up project in upstate New York as well as other projects in Texas and Colorado.

Player's International

Las Vegas, Nevada

**Executive V.P. of Corporate Operations (COO) Oct. 1992 – Nov. 1996**

- Provided corporate leadership for a \$400 million company, with a portfolio of four properties and over 4,000 team members. Assisted with ongoing property expansions while providing property management with planning, budgeting, operations, etc. I was personally responsible for the opening all 4 company properties located in Illinois, Louisiana, Nevada and Missouri. Company sold to Harrahs.

Empress Casino

Joliet, Illinois

**Senior Director of Administration**

**April 1991 - October 1992**

- One of two individuals recruited to head up this new Riverboat project. My duties included the management and operation of all non-gaming departments. This projects' success paved the way for substantial growth in the Riverboat industry

Westward Ho Casino

Las Vegas, Nevada

**Director of Operations / Comptroller**

**1982 - March 1991**

**Education**

Graduate of Arizona State University

### *Who Are We?*

Construction Cost Systems, Inc., (CCS) is an independent consulting firm specializing in the preparation of construction cost estimates at all phases of design. Among the largest cost estimating firms in the United States, CCS has been providing owners and industry professionals with detailed, objective information that represents the scope, complexity and quality anticipated for their projects since 1979.

### *What Do We Do?*

CCS' full-time staff of cost professionals provides clients with an objective perspective of their project's scope of work and cost. Detailed cost estimates are useful decision-making tools and serve as benchmarks for validating project budgets as designs evolve. In addition to providing detailed cost estimates at all levels of design, our services also include:

- ◆ Program Phase Parametric Cost Estimating and Modeling
- ◆ Scheduling
- ◆ Life Cycle Costing
- ◆ Change Order Analysis
- ◆ Value Engineering
- ◆ Claims Evaluation / Litigation
- ◆ Bid Evaluation

### *What Makes Us Different?*

CCS is fundamentally different from other firms that offer cost estimating services due to our unique combination of:

- ◆ **Cost Expertise**  
With over twenty years of successful operation in cost management, our experience includes thousands of projects. This volume of projects exposes our cost managers to a wide range of cost and risk issues. As a result, we have developed a solid core competence in all aspects of project cost management.
- ◆ **In-House Capability in All Cost Management Disciplines Using State-of-the-Art Technology**
- ◆ **Objectivity**  
CCS is focused solely on time and cost issues and does not provide project design or construction services. Because of this, we are able to remain truly objective throughout the design and construction process.
- ◆ **Ability to Develop Detailed Estimates at Programming Stage**

### *What is the Benefit of Our Involvement?*

CCS provides objective, detailed cost estimates at all phases of design, which helps you maximize the value of your projects and allows you more time to focus on design. CCS' team of cost professionals provide you with:

- ◆ Accuracy
- ◆ Objectivity
- ◆ Detailed cost estimates that can be customized to several formats
- ◆ Full-service team of cost professionals in all construction disciplines
- ◆ Experience in all project types
- ◆ Results

# Who Are We?

Construction Cost Systems, Inc., (CCS), is an independent consulting firm specializing in the preparation of construction cost estimates at all phases of design for projects both nationally and internationally.

CCS provides industry professionals with detailed, objective information that represents the scope, complexity and quality anticipated for their projects. We are dedicated to working with our clients to identify their needs and help them achieve their project goals.

Scope control is the key to any successful construction project, and timely cost estimates are useful decision-making tools that serve as benchmarks to validate budgets

as designs evolve. Our role as an independent cost consultant allows the owner, architect and other team

members to function more productively and effectively in their own roles.

CCS brings a diverse knowledge base to any project team. Our full-time staff of cost professionals has experience working on projects of all types and sizes and is comprised of Certified Cost Engineers, Certified Professional Estimators, schedulers, and quantity surveyors.

With specialists in all major construction disciplines including architectural, structural, civil, mechanical and electrical, we give design teams time to focus on what they do best. . . design.

## How Can the CCS Team Benefit Your Project?

- ◆ Accuracy . . . our bid vs. estimate results provide a proven track record of our ability to keep up with the ever changing marketplace
- ◆ Ability . . . our full service team addresses your entire project with in-house professionals focused on all project disciplines: Architectural, Structural, Civil, Mechanical, and Electrical
- ◆ Objectivity . . . as an independent cost consultant, we provide you with an objective perspective of your project's scope of work and its cost
- ◆ Current Time Estimates . . . CCS' estimates reflect the realities of your project: location, building systems, and quality, and incorporate logistic and intangible issues

As an expert, we provide you with peace of mind

The logo consists of the letters 'C', 'C', and 'S' in a white serif font, each enclosed in a dark blue square. The squares are arranged horizontally and separated by thin white vertical lines.

# What Do We Do?

## COST ESTIMATING

We provide clients with an objective perspective of a project's scope of work and cost. Although many firms base their cost estimates on historical data, CCS' estimates reflect the actual building systems and location of specific projects. Our estimates are presented in formats that are clear and understandable to both construction experienced and non-construction experienced clients.

## PARAMETRIC COST MODELING

CCS' parametric cost model is a program that was developed in 1983 to establish realistic budgets at the early stages of a project, prior to the development of drawings or concepts. Our model can be utilized as a decision-making tool to evaluate different building systems and the cost impact they have on the overall project cost. It also helps establish a baseline for the project budget and scope.

## SCHEDULING

CCS works with the design team and the owner to develop a realistic schedule that identifies all activities relative to design and major construction components. Our schedules also address key milestones, the approval process for long lead items, shop drawings, and other logistic constraints.

## CHANGE ORDER ANALYSIS

CCS has an established process for addressing the major

criteria associated with change orders. Our process includes quantifying and validating the scope and price of the change order, applying prices to the quantities, and evaluating non-quantifiable judgment items that will affect working conditions. Our professional staff has extensive experience in change order analysis. This experience has helped us perfect the tools and processes needed to accurately and efficiently evaluate the validity of construction change orders.

## LIFE CYCLE COSTING

CCS works with design teams to analyze various schemes to determine the most cost efficient course for a project, both initially and for over the life of a project. Life cycle costing addresses material selection, energy, space utilization, future expansion and systems design issues that should maximize the efficiency of a project's design.

## VALUE ENGINEERING

CCS provides value engineering services as early as possible in the design process to enable the design team to evaluate building systems, project quality and manage the scope of the project. Our approach involves breaking down the design of a project into functional performance elements, with costs and benefits assigned to each element to determine it's value to the overall project.



# What's Our Approach?

CCS has established standard methods of operation that include formalized production processes and procedures, documentation and communication. We follow this philosophy when gathering information such as project logistics, scope, material price quotations, labor rates and productivity factors. To assure a proper audit trail, we have developed a variety of forms to aid in the process of information gathering, documentation and quality control.

## Identification of Project Requirements

Because it is important for a project to be properly researched prior to commencement of the estimating process, CCS utilizes a Project Briefing Checklist as a framework for information gathering when performing initial project reviews. This document is an essential part of our process that ensures a detailed, thorough estimate will be created.

Estimates are prepared using computer systems that are flexible in terms of presentation and format. We have standardized our approach to the planning, organizing and management of cost estimating projects. Our process begins by discussing the project scope with the design team to define and understand key parameters and goals, as well as determine project-staffing needs.

## Project Briefing

Utilizing CCS Project Briefing checklist, a more in-depth project briefing is conducted with the design team, where each building system is discussed and documented. Our technical staff prepares detailed quantity take-offs organized by major building systems such as foundations, slab-on-grade, exterior walls, roofing, and structural systems.

Factors such as high cost, large quantities, tangible and intangible issues, and special items requiring quotations from contractors and suppliers are identified.

## Quantity Take-offs

Quantities for all disciplines (architectural, structural, mechanical, electrical and civil) are documented utilizing computerized digitizers and standard quantity measurement tools. These quantities are documented electronically on project take-off sheets and include dimensions, location notes, notes to estimator, and additional detailed backup.

Quantities are summarized and transferred into final estimate formats by specific building systems or trades.

After quantity take-offs are completed and checked, a separate price reflecting the labor and material components for each line item in the estimate is developed based on specific project location.

# What's Our Approach?

## Price Quotations

CCS obtains and documents price quotations from contractors, sub-contractors and suppliers who have previous experience with similar projects, as well as from various published trade publications.

CCS philosophy on pricing is to obtain actual market information and then temper it with our experience and various reference materials. Our cost managers also review issues such as constructability, site access, contractual constraints, and phasing to produce an estimate that is as real world as possible.

## Quality Control

To assure that no major errors have gone undetected, bulk quantities are compared against quantities in the estimates, and these values are then documented on Bulk Check forms. A principal or senior project manager conducts peer reviews, verifying prices and documenting other comments on Peer Review forms. CCS also utilizes project control quantities to review the ratio of various building systems to the project area. These control quantities help focus the team on reasons for cost differences and identify areas that have the most potential for value engineering..

To further ensure that all parties have a clear understanding of a project as it progresses, all telephone conversations

regarding the project are documented to maintain a record of what was discussed. All team members agree upon any comments and or changes before they are incorporated into the final report.

## Deliverables

Once the process described above is complete, the estimate is then submitted to the client, who then has the opportunity to make comments that can be incorporated into the next submittal. CCS diligently follows this process for all estimates at all stages of design completion (conceptual, schematic, design development, working drawing, contract documents, post contracts).

Deliverables are established in contract negotiations prior to notice-to-proceed, and services are performed in accordance with all applicable state, federal, and local laws, rules and regulations. Estimates can be produced in parameter cost model, conceptual, schematic, design development and construction document stages of design, and can be prepared in standard format, CSI or customized formats to meet specific project needs.

Depending on what our clients prefer, we can deliver our estimates in hard copy format and or electronically in Microsoft Excel format.

# Project Experience

With over 50 years in the industry, CCS has been involved in projects across the nation and around the globe including: Asia, Europe, the Middle East, South America and Africa. Our associates typically develop cost estimates for over 100 projects a year, giving our firm experience in virtually all project types, from airports to zoos. Our project experience includes:

Aviation	- Education
Biotechnology	laboratories
Child Care facilities	landscaping
Communication Centers	libraries
Community Centers	Manufacturing
Convention Centers	Medical Office Buildings
Correctional - Criminal Justice	Mixed-use facilities
Courthouses	Municipal Government
Cultural	Museums
Distribution Plants	Office Buildings
Embassies	Parking Structures
Entertainment	Parks - Outdoor Public Areas
Environmental	Performing Arts
Federal facilities	Pharmaceutical
Air Force, COE, O, SA, PS, Aviation, SPS, A	Police Stations - Law Enforcement
Financial Institutions	Public Works
Fire Stations	Recreation - Sports
Food Services - Dining	Religious
Green Building Design E&E	Retail - Commercial
Healthcare	Senior Environments
High Rises	Stadiums - Sports Centers
Higher Education	Theaters
Hospitality Hotels	Transportation
Housing	Village Halls
Industrial	Warehouses
Infrastructure	Zoological
International	

# *Construction Cost Systems, Inc.*

## *MBE Certifications*

**Construction Cost Systems, Inc.** is certified as a minority business enterprise (MBE) with various states and agencies:

- **Florida**  
City of Orlando  
Florida Minority Supplier Development Council
- **Illinois**  
Chicago Housing Authority  
Chicago Minority Business Development Council, Inc.  
City of Chicago  
County of Cook  
Department of Central Management Services (CMS) – Minority and Small Business  
Metropolitan Water Reclamation District of Greater Chicago
- **Indiana**  
Indiana Minority Supplier Development Council
- **Maryland / District of Columbia**  
Charles County, Maryland  
Maryland / District of Columbia Minority Supplier Development Council, Inc.  
Metropolitan Washington Airports Authority (LDBE)  
Prince George's County, Maryland
- **State of Missouri**
- **Greater New England Minority Supplier Development Council**  
Serving the states of CT, MA, ME, NH, RI, and VT
- **State of New York**
- **North Carolina / South Carolina**  
Carolinas Minority Supplier Business Councils, Inc.  
North Carolina Hub Zone (Minority Status)
- **Rocky Mountain Minority Supplier Development Council**  
Serving the states of CO, NM, UT, and WY
- **Texas**  
Dallas County Hospital District, Parkland Health & Hospital System  
Dallas / Fort Worth Minority Supplier Business Council, Inc.  
DFW Airport Minority Business Council  
North Central Texas Regional Certification Agency  
South Central Texas Regional Certification Agency
- **Commonwealth of Virginia**  
City of Richmond, VA  
Virginia Department of Minority Business Enterprise – SwaM (small and minority business)
- **State of Wisconsin**





Objectively  
Managing  
Building Costs

May 13, 2009

Mr. Jay Hall  
**Kansas Racing & Gaming Commission**  
700 SW Harrison, Suite 500  
Topeka, Kansas 66603

Via Electronic Transmission- [jay.hall@krgc.ks.gov](mailto:jay.hall@krgc.ks.gov)

**RE: New gaming facilities in Wichita & Kansas City, Kansas**

**PROJECT SCOPE**

**Provide feasibility study level estimates for each of two (2) facilities. Both having three (3) design options which need to be estimated for anticipated construction value. Each facility is anticipated to be 200,000 GSF.**

Dear Jay,

It was a pleasure speaking with you the other day, and as discussed we have prepared a fee proposal outlining the services that we would anticipate providing for these two (2) facilities, in addition to providing back-up material outlining our prior experience and detail to which we prepare estimates at this early stage.

For this project, we anticipate using our Parametric Cost Model. CCS developed this system some years ago, and find that our clients, specifically owners, like the detail and breakdown it provides them, at the earliest of design stages. Utilizing this system will allow you to evaluate which program areas are actually costing (on a cost / square footage basis) the most. This can then be modified quickly and efficiently to allow you to analyze various programs (in this case three options per facility) to see which works best for you.

I am pleased to confirm our proposal for the referenced Project to provide the following services:

- **Prepare one (1) Programmatic estimate for each of three (3) design options at the two (2) facilities. These estimates will evaluate all trades utilizing the CCS Parametric Cost Model presented in Unifomat system's format:**

Kansas City facility (three design options).....	\$9,100.00
Wichita facility (three design options).....	\$9,100.00

- Varied breakdowns outside of that described above..... N/A
- Review time with other independent estimating companies/CM's or Contractors ..... N/A

*Mechanical, electrical, plumbing and structural disciplines will be estimated on a cost per square foot basis. Architectural and civil disciplines will be estimated in detail as provided by **Kansas Racing & Gaming Commission.***

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Oakbrook Terrace,  
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Objectively  
Managing  
Building Costs

**Kansas Racing & Gaming Commission  
Feasibility Study for two gaming facilities  
Page 2 of 3**

CCS will not be responsible for costs incurred in the event that the Project needs to be redesigned because of budget issues prior to bid. If after bidding the Project comes in over budget, we would take responsibility for assisting the design team in whatever is necessary to bring the Project back within the budget.

**Fees include the following:**

- Draft estimate submittal for review and submittal of a final estimate incorporating Design team review comments.

**Meetings:**

- **Parametric Cost Model Estimate Phase** – one (1) full-day meeting with one (1) member of the CCS team to present findings on all six (6) design options.
- **Additional Meetings** – If required, additional meetings will be billed at \$130.00 per hour. Full day minimum charge for meetings held outside the Chicago metropolitan area.

**Reimbursables will be billed at cost and include the following & are assumed to have a not to exceed cost of:.....\$1000.00**

- Document Reproduction
- Travel and Hotel
- Messenger Service
- Overnight Delivery
- Teleconferencing
- Per Diem

**Fees exclude the following:**

- Estimates other than as listed above.
- Meetings other than as listed above.
- Value engineering
- Change order review

If any/all of these services are requested, they will be proposed as additional services to the current contract.

Informational needs at each estimate stage are as follows:

**Pre-schematic / Programmatic Phase** (one (1) set of half-size drawings; one (1) set of full size drawings; one (1) electronic PDF version of drawings)

- Design Narrative
- Program
- CCS Parameter Briefing

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**Estimate Schedule for each of the two (2) facilities**

- Receipt of all information relating to the Project.
- **Ten (10)** business days to prepare the draft estimate.
- Draft estimate issue to Client. *(1 copy unbound)*
- **Five (5)** business days to incorporate Design Team changes and/or comments into the estimate.
- **Final Estimate.** *(in electronic format, unless a hard copy is required, in which case one hard copy will be sent)*

These fees are fixed for the period of six (6) months from the date of this proposal to the beginning of the first phase of estimating services requested of Construction Cost Systems, Inc. In the event that the Project is put on-hold, either before or during the course of the contract for more than six (6) months, these fees will be adjusted according to annual published inflation rates.

Signature of an authorized representative below indicates acceptance of this proposal.

Thank you for your consideration and for the opportunity to propose service on this Project.

Respectfully submitted,



Clive Bransby  
Principal  
**CONSTRUCTION COST SYSTEMS, INC.**  
CB/wb  
Feasibility Study for two Gaming Facilities – 5-13-09

**ACCEPTED BY: NAME OF CLIENT**

\_\_\_\_\_  
Authorized Representative as Guarantor's Signature:

\_\_\_\_\_  
Printed Name:

\_\_\_\_\_  
Title:

\_\_\_\_\_  
Date:

*Kansas Lottery Gaming Facility Review Board*

**STAFF AGENDA MEMORANDUM**

DATE OF MEETING: June 2, 2009

AGENDA ITEM: Discussion of a Review Board Budget

PRESENTER: Stephen Martino, Executive Director, and Jay Hall, Review Board Liaison

ISSUE SUMMARY: The Kansas Racing and Gaming Commission is charged with providing the Lottery Gaming Facility Review Board with support staff and maintaining the Review Board budget. An assessment on applicants to be Lottery Gaming Facility managers finances the board's operations.

The current budget – based on projections of staff time, Review Board compensation, consulting expenses, travel, and meeting and office overhead – comes to \$999,995.

Staff would recommend assessing each applicant \$200,000 as its pro rata share of expenses. For each applicant with more than one proposed site, staff would recommend an additional assessment of \$5,000 per site to cover the expense of additional gaming revenue studies.

The board would be encouraged to reserve the right to make additional assessments at a later date should unanticipated expenses occur during the review process. Likewise, any unspent remaining balance will be refunded to the applicants on an equal basis.

BOARD ACTION REQUESTED/REQUIRED: Endorse an assessment of \$200,000 per Lottery Gaming Facility applicant and an additional assessment of \$5,000 for each additional site proposed by an applicant.

Proposed Lottery Gaming Facility Review Budget  
May 28, 2009

**Salaries**

Staff	\$ 212,344
LGFRB	67,200
<b>Total Salaries</b>	<b>\$ 279,544</b>

**Travel** \$ 17,951

**Contractual**

Consultants	\$ 613,650
Meeting and office overhead	51,850
Investigative related expenses	35,000
<b>Total Contractual</b>	<b>\$ 700,500</b>

**Commodities** \$ 2,000

**TOTAL EXPENDITURES** \$ 999,995