



March 19, 2013

Response to Request for Proposal

PART I

TECHNICAL REPLY

ITN #859

Prepared for Office of Legislative Services

I. EXECUTIVE SUMMARY

Gaming Market Advisors ("GMA") is pleased to present the following proposal to the Florida Legislature. The GMA consulting team, who have provided consulting services to the hospitality and tourism industries since 2005, understands the gaming industry, both the positives and negatives, and those which are actual and perceived of. The GMA consulting team has considerable experience in understanding the various inputs needed to develop a successful gaming and tourism strategy. The consulting team's experience in public policy, working with the governments of Singapore, Russia, the State of Pennsylvania, Native American tribes, and other governing bodies enables it to understand the challenges that government policy makers face and the narrow course that those policy makers must often walk in developing sound gaming legislation.

Any expansion of gaming must not only yield substantial income streams to government, but must deliver on the promise made to host communities in the form of jobs, wages and total output. Gaming must be legislated and developed in a manner that maintains steady income streams to government, sustains the industry for the long term and enhances the communities in which they operate. Equally as important, any legislation that is enacted must be done with a goal to grow tourism and work in harmony with host communities.

In developing public policy and evaluating various development strategies, consideration must be given to the return that developers can expect as well. GMA has worked for more than half of the gaming industry's largest developers and understands the conditions under which legislation must be designed to attract the greatest capital investment. Equally as important is a consideration of the impact that legislation expanding gaming can have on existing operators. GMA's experience leads it to have the ability to fine tune recommendations to ensure that the state will attract the necessary investment and operators; and protect existing stakeholders, which will therefore meet the tax revenue, job growth and overall economic goals of any proposed legislation.

GMA believes that the appropriate consulting team is one that has the ability to answer all of the concerns proposed by the Florida Legislature. Moreover, it is essential that the team enter any research project without preconceived beliefs or biases. They cannot be pro-gaming or opposed to gaming expansion.

The five primary members of the GMA consulting team will provide an unbiased approach to its analysis. This group is comprised of two experts from the gaming

industry with experience in operations, development and marketing. It also includes two economists with doctoral degrees focusing on tourism development: one is the Associate Dean at the Rosen College of Hospitality Management, University of Central Florida and the other a consultant with years of experience advising governments on gaming and hospitality strategy. The fifth consultant is an academic who is the former Associate Dean of the University of Las Vegas' Singapore campus who advises governments and private companies on tourism related development strategies. This diverse team has in-depth experience working on projects together and mutual respect for each other's experience, education and knowledge.

The Technical Proposal starts by describing the capabilities of each member of the Consulting Team, their education, research accomplishments and areas of expertise. It then describes recent projects that the consulting team completed. Included are two sample reports that illustrate the depth of analysis that GMA provides.

This Technical Proposal includes a detailed Project Plan that addresses each of the issues outlined in the Scope of Services. GMA has addressed each requirement stipulated within the Scope of Services and has proposed a sound methodology to achieve them.

The five members of the consulting team thank the Florida Legislature for the opportunity to respond to its Invitation To Negotiate and submit this Technical Proposal.



II. ORGANIZATIONAL BACKGROUND, EXPERIENCE AND CAPABILITIES

Gaming Market Advisors, LLC ("GMA" or "Respondent") is a hospitality research and consulting firm that focuses on the gaming industry. Founded in 2005, GMA provides clients with market feasibility studies, economic impact studies, primary research, due diligence, operations analysis, business and marketing plans, and player reward program design. The principals and associates of GMA have hands-on experience in nearly all aspects of the gaming industry including domestic and international operations, project development, marketing expertise, and detailed market analysis. GMA is very familiar with the US gaming industry and the gaming markets of the southeast United States, in particular.

II.A. THE CONSULTING TEAM

GMA has assembled a consulting team that is experienced in academic research, economics, public policy and casino feasibility analysis. Below are brief vitae of the GMA consulting team.

ANDREW M. KLEBANOW

Andrew Klebanow is a Principal at Gaming Market Advisors, LLC and will serve as project leader for this engagement. Mr. Klebanow has worked in the hospitality industry since 1975 and in the fields of marketing and business planning since 1991. Andrew earned a Bachelor of Arts degree at New York University and a Masters Degree in Marketing from Cornell University's School of Hotel Administration.

In addition to his role at GMA, Mr. Klebanow is a periodic lecturer at Cornell University's School of Hotel Administration, the University of Nevada Las Vegas and the University of Nevada Reno's School of Continuing Education. He has contributed academic papers to the Cornell University Hotel and Restaurant Quarterly and the UNLV Hospitality Journal. Most recently he co-authored "Food & Beverage Operations in Casino Environments," a teaching module for Hospitality Management Learning Modules

Mr. Klebanow has authored over 80 articles in Indian Gaming Magazine and had articles published in Global Gaming Business Magazine, In Asian Gaming Magazine, and the online publication, Urbino.net. In addition to academia, Mr. Klebanow is a periodic lecturer at gaming industry conferences. Most recently, he spoke at G2E Asia 2012 on the future of the Manila gaming market; in 2011 on trends in the Korean gaming market and in 2010 on the topic of tiered player reward programs.



Prior to forming Gaming Market Advisors, Mr. Klebanow was Vice President of Marketing at Sam's Town Hotel and Gambling Hall, where he oversaw the repositioning of the 22-year-old gaming property and the re-branding of its player rewards program.

From 1996 to 1999, Klebanow was Vice President of Marketing for Santa Fe Gaming Corporation where he oversaw the marketing efforts for the Santa Fe Hotel and Casino in Las Vegas and the Pioneer Hotel and Gambling Hall in Laughlin NV. During his tenure at Santa Fe Gaming his team repositioned both casinos' player rewards programs to better meet the needs of the business. He also served as Vice President and General Manager of the Santa Fe Hotel and Casino.

Prior Mr. Klebanow was Director of Marketing for Alliance Gaming Corporation where he conducted the initial market research, consumer testing and marketing plan development for Gamblers Bonus, the industry's first cardless slot club for the company's Nevada slot route division. Gamblers Bonus was the first player tracking system that allowed customers to redeem bonus points for game credits at the machine.

From 1991-1993, Mr. Klebanow was Director of Marketing at Sahara Gaming Corporation's Hacienda Hotel and Casino and Director of Marketing and Planning for the parent company's Development Group.

STEVEN M. GALLAWAY

Steve Gallaway, a Principal of GMA has had a life-long exposure to the gaming industry with the past ten years focusing on consulting in the gaming industry. During his career, he has had hands-on experience in operations management, organizational development, business development, process improvement, contract negotiations, customer service training and employee development. Today, Mr. Gallaway is known throughout the gaming industry for his knowledge of both domestic and international markets. Among other honors, Steve is a leader with Gerson Lehrman Group Councils, as such providing dozens of domestic and international investment firms with advice on gaming markets and gaming investments.

Mr. Gallaway, a former Senior Vice President of The Innovation Group, has completed over 200 feasibility studies with a strong focus in Native American gaming operations, public bond transactions, and international gaming developments. Steve has worked with over 50 Native American Tribes from California to Florida.



Internationally, Mr. Gallaway has worked on more than 50 projects in Western and Eastern Europe, Asia, the Bahamas, the Caribbean, Canada, and Mexico. The depth of his experience in Mexico prompted an invitation to speak at the G2E (Global Gaming Expo) to discuss the future of gaming in Mexico. Other experience in gaming consulting includes an extensive amount of primary research, operational reviews, completing due diligence for clients on potential gaming acquisitions, and assisting casinos in analyzing and maximizing the utility of their player database.

Mr. Gallaway is a periodic lecturer at the University of Nevada, Reno's School of Continuing Education, where he teaches a course on casino feasibility analysis. He also contributes articles to Global Gaming Business Magazine.

SCOTT FISHER, PH.D.

Dr. Fisher has broad economic expertise which makes him very adept with a wide range of analytical tools. He has performed feasibility studies, market analyses and economic impact assessments for casinos, hotels, theme parks, airports, arenas and convention facilities for clients in both the public and private sector throughout the world. He frequently prepares operational audits of existing casinos and hotels for the purpose of consulting on departmental inefficiencies. He also performs various asset valuations to evaluate potential property sales, purchases and litigation processes. To determine the ultimate viability of a new property, Dr. Fisher's analyses typically require the preparation of complex, detailed operating pro formas.

Yet another of Dr. Fisher's responsibilities is the generation of the economic impact studies. He has provided socioeconomic impact analyses for casino and resort developments throughout the U.S., including direct, indirect, induced and fiscal impacts, as well as impacts on schools, fire, police service and schools as a result of population growth to staff the resorts as well as increased traffic and tourists visiting the property. Additionally, he has performed a broad variety of demand and operating analyses for gaming, resort, and entertainment facility projects worldwide.

Dr. Fisher's sound approach and precise nature of his reports have enabled them to be used to successfully finance major resort developments worldwide, to determine economic impacts and to determine whether projects are not feasible. Along with Deutsche Bank and Societe Generale, he presented to potential syndicate banks to successfully secure financing for the \$1.1 billion Wynn Resorts development in Macau.



Additionally, Dr. Fisher analyzed the socioeconomic impact of the development of a tribal gaming facility in Madera, CA, including construction and operating impacts for the subject property, as well as impacts on existing competitors as well as social costs relating to public services. He also analyzed the gaming revenue potential for five potential sites for a slot facility development in Massachusetts for the Clairvest Group, taking into consideration the potential competitive risk of development by other operators in the state. Clairvest ultimately did not pursue a Massachusetts license, based in part on the report's results.

In addition to his work with GMA, Dr. Fisher is President of the consulting firm Leisure Dynamics Research, LLC. Prior to founding Leisure Dynamics Research, Dr. Fisher was Managing Director at The Innovation Group, a consulting firm focused on the leisure and gaming industry. Dr. Fisher has a Ph. D. in Economics from Tulane University with a focus on International Trade, Industrial Organization and Public Finance and an MBA from the Freeman School of Business at Tulane University with a concentration in Finance. Concurrent with the Ph.D. program, Dr. Fisher was an instructor of Public Finance, Law and Economics, Microeconomics and Macroeconomics, and was employed by Oakland Econometrics as a research analyst, where he performed economic analyses for the public and private sector.

TADAYUKI HARA, PH.D, MPS, MBA, MS

Tadayuki (Tad) Hara is Associate Dean, Associate Professor and Senior Research Fellow at the Rosen College of Hospitality Management, School of Central Florida. Prior to his role as Associate Dean, Tad served as the Rosen College's Interim Director of Finance (2011-2012), Interim Associate Dean (2008-2010) and Associate Professor and Senior Research Fellow, Dick Pope Sr. Institute (2005-present).

Preceding his roles at the Rosen College, Mr. Hara was a Visiting Assistant Professor at Cornell University's School of Hotel Administration (2004-2005), Lausanne Hotel School (2008) and Waseda University, Japan (2009-present).

Tad Hara spent 17 years in corporate finance and investment banking field in various assignments in the world, mainly in real estate, hospitality and energy-related projects before switching to academics. He holds masters degrees in Hotel Administration (Cornell University), in Regional Science (Cornell University), in management (MBA, University of Glamorgan, U.K.) and a PhD (Cornell University). He taught courses of "tourism industry analysis" in which he utilizes Input-Output/Social Accounting Matrix

modeling and the Tourism Satellite Accounts concepts at School of Hotel Administration, Cornell University.

Mr. Hara has authored 30 peer-reviewed academic publications including an "Introduction to Quantitative Tourism Industry Analysis," a technical textbook on the Input-Output, Social Accounting Matrix, Computable General Equilibrium Modeling and Tourism Satellite Accounts. He also authored 39 peer-reviewed academic paper presentations. Mr. Hara is a foremost specialist on developing analytical tools that measure the economic/social costs and benefits of tourism projects on their host communities.

JONATHAN GALAVIZ

Jonathan Galaviz is an economist and senior advisor to both governments and Fortune 500 companies in Asia and the United States. He currently serves as the Managing Director at Galaviz & Company LLC, a strategic advisory firm that advises clients on business development, global economic analysis, and international joint venture strategies. He sits on various company and non-profit boards.

Mr. Galaviz frequently appears on the BBC, CNBC, and Bloomberg TV as a commentator on general economic trends. He has also provided analysis for the Associated Press, AFP, Financial Times, Wall Street Journal, USA Today, International Herald Tribune, Straits-Times of Singapore, the Macau Daily Times and has written several leading articles for various magazines.

Some of his past clients have included firms such as the Bank of Tokyo-Mitsubishi UFJ, Goldman Sachs (U.S. and Asia), CapitaLand, Deutsche Bank, Caesars Entertainment, Station Casinos (Fertitta Gaming), eSun/Lai Sun, Keppel Land, Lend Lease (Australia) and several private equity / venture capital funds.

In the late 1990's Mr. Galaviz began his first job at the U.S. Senate, co-assigned to the office of U.S. Senator Peter Dominici (R-New Mexico) and the U.S. Senate Sergeant at Arms Office in Washington DC as a paid-staffer focusing on legislative analysis and constituent relations.

He later became employed as a Consulting Manager at Whittman-Hart, a 4,000 person-consulting firm at the time. He was based at its San Francisco office where he consulted to leading technology start-up firms in Silicon Valley on strategies for growth and joint ventures; the firm later became marchFIRST.



In 2001 Mr. Galaviz was then recruited to work for Mandalay Resort Group (now MGM Resorts International) in Las Vegas, NV as a Senior Project Analyst focused on technology strategy, international market analysis, and business forecasting. From 2002 until today, Mr. Galaviz has been a leading independent advisor to the most senior levels of management in corporations and government.

For most of 2011 he served as Interim Head of Campus at the University of Nevada, Las Vegas (Singapore campus). He was asked to temporarily leave the private sector to lead a turnaround of the campus, which was suffering from poor financial and operational conditions. In early 2012 he was widely credited in the Singapore and Las Vegas press for successfully stabilizing and enhancing the financial condition of the campus; he returned to the private sector after his work at UNLV was complete.

Mr. Galaviz holds an MBA from the Saïd Business School of Oxford University (England), Hertford College. He studied finance at the Faculty of Business at the National University of Singapore (NUS) in 1997 as an exchange student during his undergraduate years.

He is a member of the Royal Economic Society, National Association for Business Economics, American Economic Association, Economists for Peace and Security, and the Association for Social Economics. He is currently the volunteer President of The Economic Club of Las Vegas.



II. B. SUMMARY OF PROJECTS

SOUTH FLORIDA CASINOS: TAX IMPACT ANALYSIS, NOVEMBER, 2011

To understand the impact of additional casino development in South Florida, in the form of three integrated casino resorts, under a variety of gaming tax scenarios, the South Florida Casino Coalition engaged Gaming Market Advisors in 2011 to conduct a Casino Tax Impact Study. GMA prepared a series of scenario analyses in order to forecast the impact on market gaming revenues and South Florida casinos' performance in particular, given a variety of development and gaming tax scenarios. These scenarios are summarized below.

Baseline Scenario

The Baseline or As-Is Scenario forecasted gaming revenues and taxes under current rates assuming that the Legislature did not pass a bill allowing for the introduction of integrated casino resorts.

Primary Scenario: No Parity

The Primary Scenario – No Parity Model assumed that three integrated casino resorts ("ICR") were built. This scenario assumed one ICR in Fort Lauderdale and two ICRs in downtown Miami with those resort casinos paying a 10.0% tax rate while the existing South Florida casinos continued to pay a 35.0% tax. Under this scenario, the current \$108 million minimum tax guarantee paid by the existing South Florida casinos would stay in place. This scenario also assumed that the gaming revenue sharing agreement between South Florida Indian casino operators and the state is terminated upon passage of the legislation and the state will only receive 12.5% of gaming revenue from Seminole casinos outside of Miami-Dade and Broward counties and none from Indian gaming within those counties.

Secondary Scenario: Tax Parity Only

The Secondary Scenario – Tax Parity Only Model assumed that both the three proposed resort casino developments and the existing South Florida casinos paid the same tax rate of 10.0%. In this scenario, the proposed resort casinos would again offer a full complement of gaming products (tables and electronic games) while the South Florida casinos would continue to be limited to electronic gaming and poker only. It also assumed that the guaranteed gaming revenue sharing with the Indian casinos in South

Florida is terminated and only those Indian casinos outside of Miami-Dade and Broward counties continued to share the 12.5% of their gaming revenues with the state.

Third Scenario: Full Parity Games and Taxes

The Third Scenario – Full Parity Games and Taxes assumed that the proposed ICRs and the existing South Florida casinos all paid an equal tax of 10.0% and the South Florida casinos were allowed to offer the same mix of table games that the proposed integrated resort casinos will offer. It also assumed that the guaranteed gaming revenue sharing with the Indian casinos in South Florida is terminated and only those Indian casinos outside of Miami-Dade and Broward counties continued to share the 12.5% of their gaming revenues with the state.

Summary of Findings

Based on the evaluated scenarios, GMA prepared estimates of gaming taxes that will be paid to the State of Florida from the various casino constituents.

As can be seen in the following table, the scenario that would yield the greatest levels of tax revenue from gaming operations is the *as is* scenario. Simple math is the reason for this. When one takes away the Seminole tax contributions, which approximates 12.5% of their revenue, a large percentage of the 35% taxable gaming revenue of the Pari-Mutuels and replace it with 10% of gaming revenue from the resort casinos, there simply is not enough growth generated by the new resort casinos to supplant the lost revenue from the Pari-Mutuels and New Resort Casinos. In addition, should the Seminoles stop paying their share of gaming revenues upon passage of the bill, and assuming that it takes four years for the resort casinos to open, this would be an additional \$500 million of lost tax revenue to the state.

The following tables summarize the results of the analysis.

Projected Gaming Tax Revenue to State of Florida (Excluding non Broward Seminole Casinos)				
	Pari-Mutuels	Native American	New Resort Casinos	TOTAL
TTM 2011	\$ 130,328,269	\$ 123,376,825	\$ -	\$ 253,705,095
2016 Base Case	\$ 180,472,696	\$ 131,693,292	\$ -	\$ 312,165,988
Scenario 1: No Parity	\$ 108,000,000	\$ -	\$ 144,193,867	\$ 252,193,867
Scenario 2: Parity on Tax Rate	\$ 31,056,231	\$ -	\$ 142,034,237	\$ 173,090,468
Scenario 3: Full Parity	\$ 36,399,139	\$ -	\$ 138,993,315	\$ 175,392,455
Source: Gaming Market Advisors				



Potential Lost Seminole Revenue From Passage of Legislation					
	2012	2013	2014	2015	TOTAL
Seminole Broward Tax Contribution	\$ 123,376,825	\$ 125,844,362	\$ 128,361,249	\$ 130,928,474	\$ 508,510,910
Source: Gaming Market Advisors					

SOCIOECONOMIC IMPACT ASSESSMENT OF CASINO RESORT DEVELOPMENT AND OPERATION IN MADERA, CALIFORNIA FOR THE NORTH FORK RANCHERIA

Dr. Fisher performed an assessment of the economic impact of casino resort development of a tribal casino, off historic tribal lands, in a competitive northern California gaming market. The analysis considered the direct, indirect and induced impacts from construction and operations in terms of spending, earnings, jobs and taxes, based on several alternative development scales. Additionally the assessment calculated the potential impacts in terms of incremental costs for schools, police, fire and other social costs, as attributable to potential population and tourism growth. During the course of the analysis we also projected the impacts to existing tribal gaming facilities in the region in terms of revenues and employment.

We did not encounter any problems in the analysis other than significant community opposition to the development, particularly from tribes operating competitive facilities in the region, though this had no bearing on our ability to produce the report.

DESCRIPTION, EVALUATION AND DUE DILIGENCE FOR INTEGRATED ENTERTAINMENT ZONE, VLADIVOSTOK, RUSSIA, MAY 2012

In 2012, GMA was engaged by Nash Dom Primorye, the development arm of the Primorsky Krai government, to prepare a thorough examination of its integrated development zone near Vladivostok, Russia. The GMA Consulting Team evaluated the feasibility of the entertainment zone, and identified regional feeder markets in Northern China, South Korea, Japan and Northeast Russia that would serve as primary sources of demand for the entertainment zone. GMA then forecasted gaming revenues from those feeder markets.

GMA was then tasked with conducting Due Diligence for possible casino-resort development candidates and prepare a summary report that would answer basic questions from interested gaming companies. (A copy of that report is submitted as part of this Technical Reply.)

GMA was faced with numerous challenges, not the least of which was determining whether cultural sensitivities would diminish demand for a gaming-resort development

located in Russia from nearby countries. To answer this, the GMA Consulting Team visited key feeder markets in Northeast China, spoke to tourism officials, hotel operators and travel agency operators to understand each market's opinion of Northeast Russia as a gaming-resort destination. What was learned was that, despite different languages, cultures and closed borders, there was a long and close relationship between residents of northeast China and eastern Russia. The results of this were factored into GMA forecasting models.

The report has been widely read by casino developers and today forms the foundation for the Request for Concept package issued by the Primorsky Krai government. It represents GMA's ability to address a wide variety of issues, even for developments in the farthest regions of the world and to apply sound financial modeling to estimate gaming revenues from a wide variety of demand segments, whether they be local day-trip gamers from surrounding provinces, visitors coming by rail from Northeast China or via air from South Korea and Japan.

II. C. SAMPLE OF RESPONDENT'S WORK-PRODUCT

GMA attached a copy of the Assessment of the Entertainment Zone in Vladivostok, Russia and an Economic Impact Study for the Kansas City Motor Speedway Casino as examples of its work product.

II. D. REFERENCES

References can be found in Attachment D of this Technical Reply.

PROJECT PLAN AND METHODOLOGY

In preparing this Project Plan and Methodology, GMA followed the numerical order presented within 7.0: Scope of Services.

A ASSESSMENT OF THE FLORIDA GAMING INDUSTRY AND ITS ECONOMIC EFFECTS

In the initial portion of the assessment, GMA will provide an overall assessment of gambling in the United States. With the Consulting Team's extensive knowledge of the industry and its practices, GMA will describe these activities in terms of popularity, profitability, regulatory considerations, and cost mitigation, including not only industries currently operating in Florida but also gambling activities evident elsewhere, such as table games, internet poker, destination resort casinos and sports betting (Part A: 1a.).

The consulting team will also provide a general description of how jurisdictions manage and regulate gambling in their regions. This analysis will cover three variations of regulatory agency, including gambling regulatory agency oversight, multi-agency oversight and the use of local and state commissions. The Consulting Team will draw upon its industry knowledge to explain how each agency handles their authorizing and revocation mechanisms and taxation schemes (Part A: 1bi.-ii.). This section of the assessment will also explain the trends and best practices in governance and regulation of gambling activities (Part A: 1c.). Additionally, utilizing several examples, GMA will explain how gambling is used as a primary public funding source in many jurisdictions. The Consulting Team will provide a comparison of states' reliance on and uses of gambling as a public funding source (Part A: 1di.).

GMA will discuss the reliability and predictability of gambling revenues in each jurisdiction and the associated direct and indirect costs to each state (Part A: 1dii.-iii.). In this section of the document, GMA will also draw upon its extensive experience with gambling compacts, providing a general description and several social, criminal, personal, short and long-term fiscal examples (Part A: 1ei.-ii.).

Having completed numerous studies in Florida, GMA will be able to provide a thorough economic assessment of the structure and performance of Florida's existing gaming industry. This analysis will include an analysis of gaming subsectors and their size and economic importance and a description of the direct, indirect, and induced components of the economic and fiscal impact of each of the subsectors (Part A: 2a.-b.). The impacts associated with facility construction would be distinguished from impacts associated

with ongoing operation of the facility (Part A: 2b.). This assessment will provide changes in these impacts over time until the present day, as well as a historical view and future projection of changes (Part A: 2c.).

TIMELINE

GMA will complete each requested item listed under Subpart A and deliver it to the Florida Legislature on or before July 1, 2013.

PART B: ASSESSMENT OF POTENTIAL CHANGES AND ECONOMIC EFFECTS

To forecast future gaming revenues for each possible scenario, GMA will conduct a gaming market assessment. The assessment will quantify potential gaming revenue levels, future growth for the region, and anticipated future economic impact on subject casinos in each scenario. This analysis will quantify revenue levels for two markets: the local market and tourism market. When combined, these two markets' revenue levels will project total gaming revenue levels for the state. Additionally, GMA will evaluate the impact of new market entrants by conducting a cannibalization analysis. The cannibalization analysis will illustrate expected market growth, expected revenue distribution and cannibalization of casino gaming revenue, given new market entrants, in each scenario.

LOCAL MARKET

To complete Part B of Phase I, GMA will first examine and quantify the local gaming market. For this examination, GMA will construct a series of gravity models. A gravity model is a business forecasting model based on Newton's Universal Law of Gravitation. Newton's Law of Gravitation simply states that every particle in the universe attracts every other particle with a force that is directly proportional to the product of their masses and inversely proportional to the square of the distance between them.

For commercial purposes, the theory can generally be applied as follows: if one has two equally sized commercial establishments (for example a retail store), then an individual that lives in the middle of the two establishments will be equally attracted to each. Should one of the commercial establishments be twice the size (which in theory doubles its attractiveness factor) then the larger of the two establishments will have twice the attraction. Or, should both establishments be the same size, and an individual resides half the distance to one versus the other, then that individual, in theory, will be four times (two squared) as attracted to the closer establishment.

Through a number of modifications, Newton's Law of Gravitation can be applied to forecasting gaming revenues for casinos. While a casino twice the size of another may not have twice the attraction of another, it does have some constant increased factor of attraction. In terms of distance, squaring the distance is not necessarily always the right approach. Typically, the power to which the distance is taken varies from a factor 1.5 to 2.5. The reason for this is that the actual distance between two locations will have a dissimilar impact on different communities throughout North America. This is primarily attributable to varying traffic patterns and geographical barriers between different communities which can result in significant changes in drive time. For example, for an individual living in rural Texas, traveling 100 miles to reach a business may not be perceived as a barrier as it would likely take less than 1 ½ hours to reach. For someone living in the middle of New York, 100 miles could take up to three hours due to traffic congestion, while someone living close to Lake Okeechobee or the Everglades might need to take a circuitous route to get to a gaming destination.

By researching historical revenue levels at each of the casino properties within the competitive set, researching the number of gaming positions provided at each current facility, visiting each facility to understand its relative aesthetic attractiveness (including a consideration of non-gaming amenities), and utilizing gaming factors from proprietary and public sources, the model can be calibrated to current market conditions. In each scenario, the Consulting Team will describe the inputs, calculations that estimate fiscal impacts and calculations the model uses to account for cannibalization against other sectors of the economy, including other potential expansions of gaming (Part B: 3a.-c.).

Additionally, the Consulting Team will provide supporting tables, illustrating the factors, calculations and inputs used in each scenario. These descriptions and tables will explain the local gaming revenue generation variation in each scenario, as each scenario will require different gaming factors and inputs. This will allow the Legislature to understand the fiscal impact estimates and their sources of variation in each scenario.

The model will first be calibrated to current market conditions, detailing local gaming revenues that accrue to each location within the competitive region. This is referred to as the Base model. Then the model will factor in changes in the demographic composition of the region and grown to 2017, forecasting local gaming revenues for that year. Finally, the model will be adjusted for each scenario, evaluating local gaming revenue potential in each.

The State of Florida's tourism industry will also be examined, as visitors from outside of the local market will also contribute to gaming revenue generation. To begin, GMA will evaluate how the State of Florida's tourism market looks today. Then, GMA will evaluate similar jurisdictions and how the introduction of gaming induced tourism in the region affects overall demand. Specifically, GMA will utilize the impact of integrated resorts in Singapore as an example of gaming market influence, as its tourism market is very similar to the State of Florida.

Singapore is a large city that had an established tourism and commercial base before the introduction of gaming. With the introduction of gaming through the integrated resorts, GMA can review how those integrated resorts grew tourism in the city and whether/how it positively or negatively impacted the hospitality sector. Other empirical examples that GMA may draw upon would include New Orleans, Detroit, and Manila. In each scenario, GMA will include estimates of total spending and net economic impact (which recognizes reduced spending at other Florida businesses because visitor and resident spending has now flowed to gaming activities) for gaming as well as the change in demand associated with each of the following sources:

- The current visitors who would have come to Florida in the absence of expanded gaming activities, but would choose to spend more during their visit, or extend the length of their visit, if additional casino gaming were available;
- Floridians who now gamble out of state or in Native American casinos who would instead opt to gamble in Florida, if additional local gaming activities were available; and
- Floridians who now do not gamble but would participate if additional gaming activities were easily available.
- Visitors who plan a visit to Florida rather than an alternative destination to the availability of gaming there.
- Visitors who would choose not to visit Florida due to the presence of gaming activities.

(Part B: 4. a.-e.)

This analysis will yield projected gaming revenue generation from the tourism market. In order to understand the differences in expected revenue generation, GMA will view this market under a series of different scenarios, further explained in the following section.

ADJUSTMENTS TO MODEL PER JURISDICTION/SCENARIO

GMA will make further adjustments to the model based on the list of scenarios provided by the Legislature (as illustrated below) and as specific requests arise from the Legislature. It may be necessary to increase the number of gaming positions at one or more properties, move or create a particular potential casino location or eliminate one or more properties. This is an iterative process that will allow the Legislature to better understand the impact that new casinos will have on the state's gaming environment and to more accurately forecast gaming revenues for potential casino sites. For each scenario, GMA will be able to evaluate whether and how estimates would change if the scenario were implemented in combination with other scenarios (Part B: 6.).

Also, these adjustments will allow GMA to determine the suitable quantity, sizing and locations of gaming facilities. By utilizing the gaming market assessment and cannibalization analysis, GMA will be able to determine an ideal gaming environment in which new net economic activity is maximized and cannibalization is avoided in existing gaming sectors (Part B: 2a.).

The following list illustrates the scenarios that would be evaluated in the assessment.

- a. Renewal of the Seminole Tribe's exclusive authorization to conduct banked card games on Indian lands, as defined in the Indian Gaming Regulatory Act.
- b. Granting the Seminole Tribe exclusive authorization to offer table games on Indian lands as defined in the Indian Gaming Regulatory Act.
- c. Regulating, prohibiting, restricting, and/or taxing simulated casino-style gambling at Internet sweepstakes cafes, arcade amusement centers, or truck stops.
- d. Modifying or repealing live racing requirements for pari-mutuel facilities, including evaluation of impacts on purses and awards.
 - i. Thoroughbred racing.
 - ii. Harness racing.
 - iii. Quarter horse racing.
 - iv. Greyhound racing.
- v. Jai alai.
- e. Changing tax rates for Class III games at pari-mutuel facilities.
- f. Adjusting restrictions on the number and operation of slot machines at pari-mutuel facilities in Miami-Dade and Broward counties.
- g. Authorizing pari-mutuel facilities in countries other than Miami-Dade and Broward to offer slot machines.
- h. Authorizing pari-mutuel facilities to conduct table games or other Class III games.

- i. Authorizing a limited number of casino/resort complexes in Miami Dade and/or Broward counties.
- j. Authorizing a limited number of casino/resort complexes around the State.
(Part B: 1a.-j.)

ECONOMIC IMPACT ANALYSIS

GMA will evaluate each scenario with an Economic Impact Study. This study would measure the effects of a new casino on each potential surrounding community. To complete this portion of the engagement GMA will employ the Input-Output/Social Accounting Matrix Model ("I-O/SAM") to determine each scenario's economic impact. The Input-Output economic model depicts how the total output of each industry in an economy depends on inter-industry demands and final demands by putting transactions in a matrix framework.

A casino project has significant effects on other industries in its trade area. The I-O/SAM model measures those effects by using a series of multipliers. These multipliers consider all aspects of the Input-Output framework, including what inputs and outputs will come from the subject region. GMA will calculate the effects on Total Output; Wages; Number of Jobs generated; Indirect Business Taxes generated; and Overall Tax Revenues generated. Analyses will be prepared for both the Construction Phase and Operational Phase in each scenario.

TAX REGIMES

With the completion of the gaming market assessment, GMA will focus on determining appropriate gaming tax rates for the state. In performing this analysis, GMA will focus on determining tax rates that will maximize revenue generation for the state, but also generate the returns that developers will expect to receive for their investment in gaming activities. This proper balance will encourage development in the region and benefit all parties involved. Gaming revenue generation is maximized in an economic environment that is attractive to developers, as quality operators and gaming options are necessary to achieve the highest level of gaming revenue and gaming tax revenue.

To complete this analysis, GMA will evaluate three alternative tax regimes. In the first regime, GMA will explore a tax system where all non-lottery gaming activities are taxed at rates corresponding to current pari-mutuel tax rates (Part B: 2bi.). In the second regime, GMA will explore a tax system in which all non-lottery gaming activities are taxed at national averages for their respective subsectors (Part B: 2bii.). In the third

regime, GMA will explore a tax system in which all non-lottery gaming activities are taxed at a rate that would maximize state revenues (Part B: 2biii.).

With an understanding of appropriate tax rates, GMA will evaluate economies of leveraging equity and profits as sources for public funding of education, transportation, underwriting risks associated with a catastrophic hurricane event in Florida and other public funding needs (Part B: 2c.). By utilizing industry knowledge and analyzing other similar jurisdictions, GMA will determine what scheme Florida should employ. In this analysis, GMA will also evaluate how other similar jurisdictions have dealt with natural disasters, e.g. hurricanes. This analysis will explain how the natural disaster affected the region's gaming economy and the average time each gaming jurisdiction took to recover. This evaluation should help the State of Florida understand a potential natural disaster's impact on the region and gaming economy.

SOCIAL COSTS

For each of the scenarios the consulting team will analyze will provide for estimates of changes in income levels, tourism levels and changes in gaming expenditures and visitation patterns by the local population. With increased demand and additional tourism could come some negative social externalities. There is a wealth of literature regarding the social impacts of gaming, such as problem and pathological gaming-related behavior, bankruptcy, various forms of criminal activity and the need for increased emergency service personnel. GMA will summarize the findings of the literature we research and quantify, where possible, the authors' conclusions where some semblance of a consensus is drawn regarding cause, effect and ratios or percentages on the different issues. We will then consider each of the demand scenarios in terms of tourism volumes, income changes, population changes, employment changes, casino visitation changes, etc., based on what we determine to have a gaming/social impact correlation, in order to determine for each scenario what the potential social impacts in Florida may be (Part B: 5.).

TIMELINE

GMA will complete each requested item listed under Subpart B and deliver it to the Florida Legislature on or before October 1, 2013.

Integrated Entertainment Zone Assessment
Vladivostok, Primorsky Krai
Russia

March 2012

Prepared for:
Nash Dom Primorye
Vladivostok, Russia

Prepared by:
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I. EXECUTIVE SUMMARY

Nash Dom Primorye has been awarded the contract by the Government of Primorsky Krai ("Primorye"), a region of the Russian Federation, to facilitate the development of an Integrated Entertainment Zone ("IEZ") located in Artem and within close proximity to Vladivostok, Primorye's capital and largest city. Primorye is one of four regions in Russia in which casino gaming development has been authorized based on federal legislation passed in 2007 (law number 244-FZ or "244-FZ"). Subsequent to the passage of 244-FZ a site for Primorye's Integrated Entertainment Zone, was identified. The IEZ's location was identified by Vladimir Putin himself and developed under the direction of Primorye regional government. The IEZ is strategically located and is expected to produce significant levels of gaming and tourism revenue due to its proximity to northeast Asian countries where casino gaming is limited.

244-FZ restricts casino development to parcels of land within the IEZ. A total of twenty-one parcels of land make up the IEZ; however, not all are designated for casino development.

Gaming Market Advisors and Galaviz & Company were retained by Nash Dom Primorye to assist them in developing a Request for Concept process and to successfully attract international operators who will bid on the available licenses. The goal of Nash Dom Primorye and the Primorye government is to ensure a fair and equitable process that will result in the maximum economic benefit to the people of Primorye.

The purpose of this report is to 1) evaluate the Integrated Entertainment Zone, 2) identify the key feeder markets, 3) determine the IEZ's total gaming revenue potential and 4) provide potential bidders with sufficient information regarding the IEZ so that they can present suitable development concepts to the Primorye government.

SUMMARY OF GAMING REVENUE POTENTIAL

Demand for gaming entertainment will come from a number of markets including both domestic and international visitors. The domestic market will consist of the local population that lives within a reasonable driving distance of the proposed IEZ and the segment of the domestic population that lives outside of this region but can also be expected to visit the IEZ. In addition, foreign visitation can be expected from cities lying within a reasonable travel distance. These will include cities in Northeast China, South Korea, and Japan. As part of its analysis, the Consulting Team evaluated each of these key markets, quantified their size and gaming potential, and estimated capture rates and gaming revenues that would be derived from each market. The tables below summarize the results of this analysis.

In Year 3 of Phase 1, the IEZ is expected to generate USD\$1.1 billion (32.1 RUB) in gaming revenue. \$618 million (18 billion RUB) will come from mass market gamers and additional \$500 million (14.6 billion RUB) will come from so-called VIP play, primarily high-end Asian gamers whose preferred game is baccarat.

Vladivostok Market Summary; Current Environment (USD)					
Market	Gamer Visits		Gaming Revenue		
	Mass Market	VIP Market	Mass Market	VIP Market	Total
Local	1,185,385	N/A	\$ 75,422,396	N/A	\$ 75,422,396
Tourist	59,951	N/A	\$ 16,210,150	N/A	\$ 16,210,150
Induced Russian	29,183	58	\$ 7,752,649	\$ 1,368,115	\$ 9,120,764
Induced Chinese	247,755	247,755	\$ 274,466,023	\$ 406,233,600	\$ 680,699,623
Induced Korean	654,488	654,488	\$ 197,202,514	\$ 49,300,629	\$ 246,503,143
Induced Japan	363,759	3,674	\$ 117,478,414	\$ 39,159,471	\$ 156,637,885
Total	2,540,520	905,975	\$ 688,532,145	\$ 496,061,814	\$ 1,184,593,960
Source: GMA					

Vladivostok Market Summary; Current Environment (RUB)					
Market	Gamer Visits		Gaming Revenue		
	Mass Market	VIP Market	Mass Market	VIP Market	Total
Local	1,185,385	N/A	2,202,137,869	N/A	2,202,137,869
Tourist	59,951	N/A	473,294,234	N/A	473,294,234
Induced Russian	29,183	58	226,357,197	39,945,388	266,302,584
Induced Chinese	247,755	247,755	8,013,694,248	11,860,964,912	19,874,659,160
Induced Korean	654,488	654,488	5,757,800,683	1,439,450,171	7,197,250,854
Induced Japan	363,759	3,674	3,430,064,234	1,143,354,745	4,573,418,978
Total	2,540,520	905,975	20,103,348,463	14,483,715,215	34,587,063,678
Source: GMA					

As the IEZ matures and additional development components are added, gaming revenue will grow. Within ten years the various markets are expected to generate a total of USD\$5.2 billion (151.8 billion RUB) in gaming revenue with the mass market generating \$2.6 billion (75.9 billion RUB) and the VIP market generating a near equal amount. These figures assume that the relationship with China continues to improve and access between the two countries is at least as open as between China and Macau. These revenue figures exclude all non-gaming revenues such as hotel, food & beverage, retail and other related revenues.

Vladivostok Market Summary; Market Potential 10 Years Mature (USD)					
Market	Gamer Visits		Gaming Revenue		
	Mass Market	VIP Market	Mass Market	VIP Market	Total
Local	2,924,492	N/A	252,973,527	N/A	252,973,527
Tourist	149,630	N/A	42,354,900	N/A	42,354,900
Induced Russian	139,718	280	52,713,430	9,302,370	62,015,800
Induced Chinese	1,405,528	1,405,528	1,136,545,833	2,289,033,538	3,425,579,371
Induced Korean	2,590,894	2,590,894	793,104,730	198,276,182	991,380,912
Induced Japan	1,029,642	10,400	328,552,731	103,517,577	432,070,308
Total	8,239,904	4,007,102	2,606,245,151	2,600,129,667	5,206,374,818
Source: GMA					

Vladivostok Market Summary; Market Potential 10 Years Mature (RUB)					
Market	Gamer Visits		Gaming Revenue		
	Mass Market	VIP Market	Mass Market	VIP Market	Total
Local	2,924,492	N/A	7,386,169,257	N/A	7,386,169,257
Tourist	149,630	N/A	1,236,652,957	N/A	1,236,652,957
Induced Russian	139,718	280	1,539,095,101	271,605,018	1,810,700,119
Induced Chinese	1,405,528	1,405,528	33,184,183,304	66,833,827,822	100,018,011,127
Induced Korean	2,590,894	2,590,894	23,156,596,044	5,789,148,996	28,945,745,040
Induced Japan	1,029,642	10,400	9,592,885,508	3,197,628,503	12,790,514,011
Total	8,239,904	4,007,102	76,095,582,172	76,092,210,339	152,187,792,511
Source: GMA					

II. ENGAGEMENT OVERVIEW

Nash Dom Primorye ("Nash Dom") has been contracted by the Government of Primorsky Krai ("Primorye"), a region of the Russian Federation, to facilitate the development of an Integrated Entertainment Zone ("IEZ") located in Artem and within close proximity to Vladivostok, Primorye's capital and largest city. Gaming Market Advisors ("GMA" or "Consulting Team") was retained by Nash Dom Primorye to identify the key market segments and quantify the opportunity for potential investors.

The purpose of this report is to 1) evaluate the Integrated Entertainment Zone, 2) identify the key feeder markets, 3) determine the IEZ's total gaming revenue potential and 4) provide potential bidders with sufficient information regarding the IEZ so that they can present suitable development concepts to the Primorye government.

The IEZ will need to attract international gaming operators that focus on Asian markets to be successful, and Nash Dom therefore requested that GMA prepare much of the due diligence that investors will need. This work was completed to assist Galaviz & Company, which was retained by Nash Dom, in its endeavor to effectively communicate the opportunity with interested parties through a Request for Concepts ("RFC") process.

METHODOLOGY

RESEARCH

The research presented in this report was compiled by GMA's Consulting Team, which conducted research in Primorye as well as in the major feeder markets identified in this report. This included a comprehensive review of existing and proposed casino gaming facilities in East Asia. While Macau and Singapore are the two largest gaming destinations in the region and the world, GMA's comprehensive research also included an examination of facilities that were closer to the IEZ and smaller markets located in both Northeast and Southeast Asia that attract gamers from the same targeted geographic markets and/or are planning on expanding.

A review of tourism to Primorye was also conducted. While historic levels of visitation are relatively low in Primorye, in part due to historical travel restrictions, it can be expected that the IEZ would induce visitation as the facilities would market directly to cities in neighboring countries. Accordingly, research was conducted in the potential source markets, and consisted of studying the population, income levels, economic conditions and prospects, current gaming options, existing transportation alternatives, visa requirements, and current gaming options.



Similarly, research within the local market was conducted to define the adult population that could reasonably make a day-trip to the IEZ given income levels, transportation alternatives, and the infrastructure that will be in place upon opening. Each of these potential sources of revenue, the local day-trip market, tourist market, and opportunity for induced visitation were forecasted in order to estimate the visitation and gross gaming revenue that could be expected at the IEZ.

SITE VISIT

To complete this engagement, the Consulting Team conducted a series of site visits to the market area. The Consulting Team visited the site in Artem; assessed the progress at the development sites; evaluated improvements in transportation infrastructure including construction of the new terminal at Vladivostok Airport, highway improvements and additions to the rail network. The Consulting Team also met with representatives of Nash Dom Primorye; the Vladivostok Airport Authority and the Department of International Cooperation and Tourism and other members of the Primorye Administration.

The Consulting Team visited each of the key cities that are expected to make up the primary feeder markets for gaming demand at the IEZ. These included the cities of Harbin, Shenyang and Beijing. For each of these, the Consulting Team evaluated air, rail and highway infrastructure; met with tourism officials and hospitality professionals to better understand cultural attitudes towards Russia and to better gauge the likelihood that gamers from these regions would visit the IEZ for gaming entertainment.

The Consulting Team also visited the casinos that currently serve gamers in the region including those in South Korea. Macau, Malaysia and Singapore were excluded from these site visits since the Consulting Team had visited those markets less than three months earlier as part of other assignments.

ANALYSIS

With the site visits and research completed, the Consulting Team quantified gaming revenues from those jurisdictions and the percent that is currently being generated from gamers within the target markets. GMA then determined the share of gross market gaming revenues that will likely be captured by the IEZ. GMA then prepared estimates of gaming revenues for Year 3 and Year 10, the point at which the market is expected to be fully mature.

III. MARKET ANALYSIS

The supporting legislation, transportation infrastructure, and demographics of the target customer bases are integral elements to the success of the IEZ. This section of the report provides background information on these and other, critical elements that will factor into the IEZ's performance.

LOCATION

The proposed IEZ is located in Artem, just outside Vladivostok, in Primorye, Russia. Vladivostok is the region's largest city and capital, and nearby Artem hosts an international airport that will serve the IEZ. Vladivostok is located in southeastern Russia, and as a warm-water port was historically of strategic military importance. During Soviet times permission from the government was necessary to visit the city, and as such tourism to the city was very limited, which impeded hotel development.

Substantial investments in transportation and tourism infrastructure are currently under way and include a new runway and airport terminal; improvements in roadways and bridges; and two new hotels, all of which will be completed in 2012. Upon completion, the Russian federal government will have invested nearly \$20 billion (584.0 billion RUB) into Vladivostok's infrastructure, upgrades of buildings, and construction of an international university.

Within 150 kilometers, the catchment area from which day-trips can reasonably be expected, the population largely lies inside Russia. Within 600 kilometers, roughly the distance of a one-hour flight, are parts of China and North Korea. Within a two-hour flight are other parts of China, South Korea, and Japan. Several cities within this area already have flights to and from Vladivostok, and as such are potential sources of increased visitation once the IEZ establishes operations, markets, and attracts a customer base.

Map Illustrating Vladivostok's Location



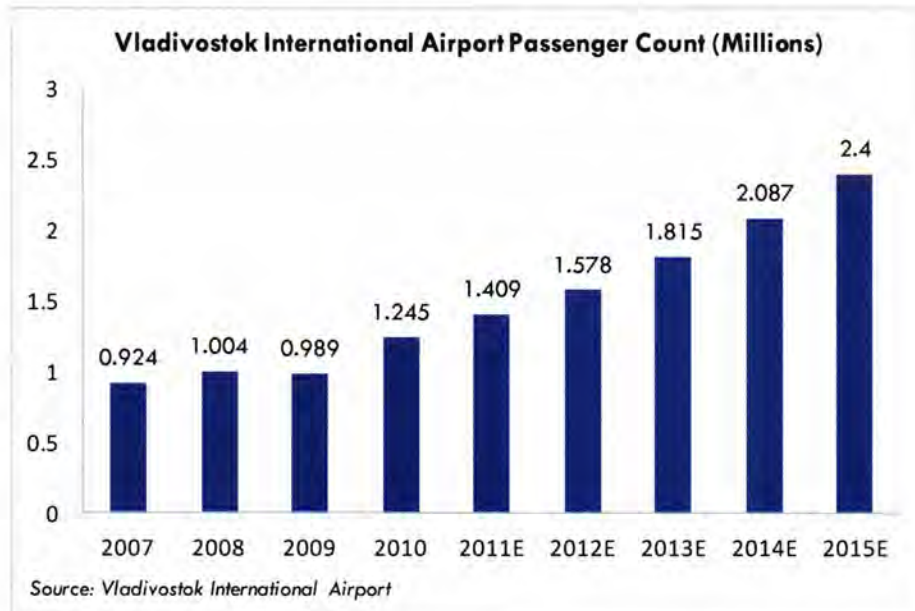
ACCESS

Primorye has undertaken major infrastructure improvements in the last several years with an emphasis on the area in and around Vladivostok. These include a new airport terminal and several bridges and roadways. In addition, the city is the terminus of the Trans-Siberian Railroad.

AIRPORT

The Vladivostok International Airport has accommodated approximately 1 million passengers annually over its recent history. The airport has been challenged by its dated terminal building and a high cost structure. A new ownership structure has led to an estimated \$190 million (5.5

billion RUB) investment in new facilities. Furthermore, the high cost structure has been rationalized and fees associated with airline landing and gate fees are now competitive and comparable for all airlines. The following table shows the recent growth in air travel, with an estimated 1.4 million passengers in 2011, and estimated growth in passengers as the airport continues to develop.



A modern airport terminal is expected to open in June of 2012. Additional improvements include a new 3.5 kilometer runway, which is already in use and can accommodate aircraft up to a Boeing 747. The original runway will also be extended and improved, such that the airport will offer two 3.5 kilometer runways that meet international standards for operating under extreme weather conditions.

10.9 hectares were dedicated to the new 47,535 square meter airport terminal that will include a dedicated rail link to the City of Vladivostok and parking for up to 1,000 cars, not including separate parking areas for airport employees and VIP customers, and circulation for vehicles. The airport terminal will be considered Level C by the International Air Transportation Association ("IATA") standards. The IATA Level C standards require a good level of service described as having stable passenger flows, acceptable delays, and a reasonable level of comfort. Level C standards also provide for minimum amounts of space for check-in, waiting, baggage claim, inspection, and circulatory areas. Levels of service can range from A (excellent) to F (unacceptable) at various times such that, when at full capacity, the airport is designed to achieve Level C. Prior to reaching capacity, it is likely that adequate staffing levels will enable the Vladivostok Airport to achieve high levels of service.

The airport will have a capacity of 1,340 passengers per hour and a maximum annual capacity of 4.5 million. Estimates forecasted by Sheremetyevo International Airport, a partner in the Vladivostok Airport, and its consultants indicate that traffic will increase from 1.4 million passengers in 2011 to 2.1 million passengers in 2012 and 2.4 million passengers in 2015. It is estimated that 23% of passenger movements will be connections (transfers).

The master plan includes the opportunity to expand the airport terminal on either end to further increase capacity. In the near term, the existing ticketing and baggage claim can handle additional capacity, such that an expansion will only require additional gates.

Exterior Picture of new Vladivostok International Airport



The four floor terminal includes three areas above ground. A large hall on the main floor will include an area for outbound passengers as well as passengers exiting the baggage claim area. At one end of the terminal will be a covered connection to the railway (this connection is covered with wood in the following picture). Departing passengers will be able to check baggage and get boarding passes on this floor, and arriving passengers will find the baggage claim. Departing passengers will take the escalators or elevators to the second floor, which will have security as well as border control and customs for international passengers. The waiting area will include restaurants, duty free shops, and seating areas for the four gates, two of which will have two jetways for larger aircraft. The third floor will keep arriving passengers from international destinations separate for border control, before those passengers proceed to the first floor to gather luggage and go through customs.

Interior Picture of Vladivostok International Airport



Current airlift at the airport is characterized by seasonal service in some cases and/or service on selected days of the week. Russian cities with direct service currently include Moscow, Khabarovsk, Yuzhno-Sakhalinsk, Novosibirsk, Petropavlovsk-Kamchatsky, Abakan, St. Petersburg, and Kavaleroovo. International cities include Seoul, Busan, Harbin, Beijing, Tokyo, Hong Kong, Ho Chi Minh City, Singapore and Tashkent. Overall 15 cities currently have flights to Vladivostok Airport, which serves as a gateway to East Asia for passengers from Russia.

Until now service to several Chinese cities was governed by a bi-lateral agreement that dictated fourteen flights a week can be offered between any two cities. Currently there are several available opportunities to increase service between Vladivostok and Beijing and Harbin. Shenyang, where service previously existed, could also add flights. Service to South Korea includes Seoul, where flights are governed by a bi-lateral agreement where airlines agree to increases in capacity. Busan currently has one flight weekly but will increase to two flights this year. Finally, all flights between Russia and Japan currently go to Moscow. While no landing slots will be provided for flights between Tokyo-Narita and Vladivostok International Airport, per the current agreement, current flights are scheduled as charter flights in order to work around the regulatory hurdles. A new Japanese discount carrier is currently trying to establish regular service.

This fall, Vladivostok Air plans on expanding service from Vladivostok to Singapore, via continuing service through Hong Kong, and to Bangkok, via continuing service through Seoul. In addition, direct service to Denpasar (Bali, Indonesia) will be added to the schedule. With the 51% share purchase of Vladivostok Air by Aeroflot nearly complete, the expectation is that Vladivostok Air will have greater access to airplanes and therefore more potential for increasing the number of routes which it operates. Should this occur, it could increase airlift from other airlines as well where bilateral agreements are necessary, such as with South Korea.

The airport staff is pursuing airlines to expand service at the new airport terminal. This expansion will be based in part on the ability of the airport to offer improved connecting service in the new terminal, but any expansion will offer terminating service in Vladivostok as well.

According to news reports released in February of 2012, Vladivostok International Airport will have open skies status starting in June of 2012. (A detailed discussion of Open Skies Agreement follows this section.) This will allow foreign carriers to offer service to Vladivostok without bilateral agreements. Air travel experts indicated that this will attract new carriers and passengers. Sheremetyevo Airport CEO, Mikhail Vasilenko, indicated that Korean Air and S7 Airlines are interested in adding service between Vladivostok and Tokyo.¹

As a regional destination, the airport is accessible from a number of nearby locales. The following diagram shows this access for nearby Russian cities including Khabarovsk and Yuzhno-Sakhalinsk and nearby foreign cities such as Harbin and Seoul.



¹ (Borodina, 2012)

IMPACT OF THE OPEN SKIES AGREEMENT AND NEW TERMINAL

Until now, the international air terminal at Vladivostok Airport struggled to process inbound and outbound passengers. Disembarking passengers had to be shuttled to the terminal via buses. Once inside the terminal, passengers were forced to stand in a small waiting area as they passed through Russian Immigration, limiting the number of people that could be processed at any given time. A small and inadequate baggage and customs inspection area also limited the terminal's ability to process more than one flight at a time. The new terminal, equipped with modern jet-ways and larger passenger processing facilities, will eliminate these choke points and allow Vladivostok Airport ("VVO") to handle larger planes arriving at the same time. The new terminal is scheduled to be fully operational by June of 2012.

Until 2012, air transport into VVO from other countries was governed by bi-lateral agreements between the Russian Federation and those countries that fly into Vladivostok. These bi-lateral agreements dictated the maximum number of flights per week that a foreign carrier could fly into VVO and most had further capacity restrictions such as aircraft size and number of seats. These agreements prevented non-Russian airlines from increasing capacity to meet consumer demand.

In February of 2012 the Russian Ministry of Transport of the Russian Federation entered into an Open Skies Agreement. An Open Skies Agreement is a multinational sacrifice of air sovereignty that permits non-military passenger and cargo flights to fly over almost the full territory of each signatory state.²

An Open Skies Agreement provides for nine freedoms of air and the levels of freedom determine what another country's airlines may or may not do. The nine levels are defined as follows:

1. To fly across the territory of either state without landing.
2. To land in either state for non-traffic purposes, e.g. refueling without boarding or disembarking passengers.
3. To land in the territory of the first state and disembark passengers coming from the home state of the airline.

² http://en.wikipedia.org/wiki/Open_skies#Bilateral_Air_Transport_Agreement



4. To land in the territory of the first state and board passengers travelling to the home state of the airline.
5. To land in the territory of the first state and board passengers travelling on to a third state where the passengers disembark, e.g. a scheduled flight from the Harbin to Hong Kong could pick up traffic in Vladivostok and take all to Hong Kong (sometimes termed *beyond rights*).
6. To transport passengers moving between two other states via the home state of the airline, e.g. a scheduled flight on an American airline from the United Kingdom lands in the U.S. and then goes on to Canada on the same aircraft.
7. To transport passengers between the territory of the granting state and any third state without going through the home state of the airline, e.g. a scheduled flight on an American airline from the UK to Canada that does not connect to or extend any service to/from the U.S..
8. To transport cabotage (defined as goods of passengers) traffic between two points in the territory of the granting state on a service that originates or terminates in the home state of the foreign carrier or (in connection with the so-called Seventh Freedom) outside the territory of the granting state (also known as *consecutive cabotage*), e.g. an American airline flies from the U.S., lands passengers in London and then boards passengers to fly to Manchester.
9. To transport cabotage traffic of the granting state on a service performed entirely within the territory of the granting state (also known as *stand-alone cabotage*), e.g. a British airline operates a service in Australia between Perth and Sydney).

The Open Skies Agreement that the Russian Federation entered into allows foreign flag air carriers to fly into and out of Vladivostok Airport through the fourth level of freedom and it is the intent of Vladivostok Airport leadership to advance to the fifth level of freedom. This fifth level would essentially allow VVO to serve as an international hub.

BENEFITS OF OPEN SKIES AGREEMENTS

An Open Skies Agreement has a number of benefits. It allows for the expansion of passenger and cargo flights by eliminating government interference in commercial airline decisions about routes, capacity and pricing. This frees carriers to provide more affordable, convenient and efficient air service to consumers, promoting increased travel and trade and ultimately spurs economic growth.³

³ Open Skies Partnerships, U.S. Department of State, Bureau of Public Affairs, 3/29/11

The impact of the Open Skies Agreement on VVO, coupled with the new air terminal is expected to be profound. The new terminal will remove the constraints on the airport's ability to handle multiple flights at one time. Choke points when passengers disembark planes and board buses to the terminals, the queues at immigration and the small baggage claim area will be eliminated once airlines begin to use the new terminal. The Open Skies Agreement will allow airlines to increase the number of flights and the number of seats into VVO to meet demand. Combined, passenger traffic is expected to increase dramatically. The number of passengers traveling through VVO (1.2 million passengers in 2010 and 1.4 million in 2011) is expected to increase to 1.85 million in 2012 and eventually to 5 million passengers per year.⁴

ROADWAYS

The roadway infrastructure in Primorsky, and particularly in the area around the IEZ, is in the midst of a major improvement project. The following map shows the southern peninsula in Primorye with Vladivostok at its southern end. The roadway shown predominately in orange on the western side of the peninsula has been widened and improved, and now offers up to three lanes in each direction on a divided highway between Artem and just north of Vladivostok. This improvement has greatly improved traffic along this north-south corridor.

Next, the roadway shown in purple and pink spans the bay to the west of the peninsula, which it crosses and then, turning south, will include a bridge (currently 50% complete) to Russkiy Island and its new international university. The two major bridges along this roadway are complete and the road is expected to be completely open by June 2012. The roadway will provide an alternative for access from the airport in Artem as well as the cities located northwest of the peninsula. In addition, the north-south infrastructure serving the eastern part of the peninsula will also be invaluable to alleviating traffic congestion.

The final major, salient improvement is the dotted purple roadway running along the eastern edge of the peninsula. This roadway provides the main access to the IEZ, which lies at the northern end of the peninsula and currently runs over and around a number of natural features; automobiles therefore cannot travel at high speeds. Plans call to widen the roadway (A188) and straighten it out in certain areas so that automobiles can travel more quickly. With the new roadway, the drive to the airport will be approximately 16 kilometers and reduce the driving time from the airport to the IEZ to between 15 and 20 minutes.

⁴ <http://atwonline.com/airports-routes/news/vladivostok-airport-adopt-open-skies-june-0212>

Construction on this section of the roadway is expected to begin in June 2012 as they finish the M80 into Vladivostok. This section of the roadway is expected to be completed in 2014.

For those mass market members who will take a coach from China to the IEZ, the drive time once through immigration and in Russia is approximately 2.5 to 3.0 hours.

Major Roadway Map for Vladivostok and IEZ



RAIL ACCESS

Eastern Russia has a relatively comprehensive rail system, as illustrated in the following map. However, rail service is a relatively inexpensive alternative that can lead to long travel times when compared to driving or flying. As gaming trips tend to be short, the travel times required for rail travel may put it out of favor for these trips and the rail may not become a major source of patronage to the IEZ. The exception to this would be the connectivity with China. Although the VIP segment is not expected to take the rail, there are a number of cities in China that border Russia and those that would be considered mass market could be expected to utilize the rail service. In addition, some of the mass market from cities such as Harbin and Changchun could be expected to utilize the rail service as well. Those utilizing the train from the IEZ to China would board the train in nearby Artem and take an approximate 179km ride to Pogranichny, Russia, a town that borders China. This train ride takes approximately 2 hours. In Pogranichny, passengers would then clear customs and change trains to the Chinese rail. The train ride from Suifenhe (which is just on the other side of the border from Pogranichny) ranges from about 5 hours for the nearby cities of Mudanjiang and Jixi to approximately 10 hours to Harbin and 13 ½ hours for Changchun. A trip length of 12 hours for the mass market would be considered within range for a Chinese gambler.

Travel Times by Train to Suifenhe, China

Departure City	Distance (KM)	Travel Time
Jixi	202	5:00
Ning'an	225	4:42
Shangzhi	407	7:35
Qitahe	425	8:21
Antu	559	12:03
Dunhua	632	13:18
Fuyu	650	12:10
Suihua	673	11:04
Yushu	727	13:26
Jiaohe	745	15:32
Changchun	794	13:25
Jilin	842	17:09
Yushu Village	858	13:30
Little Yushu	905	14:10

The following two maps illustrate first the train infrastructure in Primorye, with the route to Pogranichny from the IEZ highlighted, and then second, the rail infrastructure in northern China applicable to this project.

Map of Rail System in Primorye



Map of Rail System in Northern China



ACCESS SUMMARY

The improvements to the infrastructure at the airport will make it a comfortable and easy transfer point for passengers to navigate. The new structure will offer modern amenities and will dramatically improve waiting times and the overall experience for travelers. Increases in airlift capacity are already planned and it is likely that more flights could be scheduled either through contracts with operators of facilities in the IEZ or through an increase in demand by people that wish to visit the IEZ. The road network will make the IEZ as convenient from the airport as any similar development in East Asia. In addition, the improvements to the roadway network will make the IEZ easily accessible from Vladivostok as well as other parts of Primorye. Finally, due to established rail networks in Russia and China, visitation via rail will be possible and could be expected to be utilized by the mass market.

CLIMATE

Vladivostok lies along the Golden Horn Bay at the southern end of Russia's east coast. The city experiences seasonal weather patterns characterized as being comparatively dry and having a low amount of precipitation when compared to other cities at similar latitudes. Winter typically starts in November and runs through March and features temperatures below freezing along with snow precipitation. The spring and fall seasons feature moderate temperatures. Warmer temperatures from June through August encourage popular summer activities, as average temperatures are at their highest. In fact, the highest recorded temperature is 87 Fahrenheit, or 31 degrees Celsius has been recorded in each of these months over the past 21 years. The relatively warm temperatures make Vladivostok and the surrounding area a popular destination for Russians living in the eastern part of the country who seek a warm vacation spot.

Vladivostok Climate														
	Unit	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average temperature over 21 years	°C	5	-12	-9	-2	5	10	13	18	20	16	8	-1	-9
Average high temperature over 21 years	°C	8	-9	-6	1	8	13	16	20	22	18	11	2	-6
Average low temperature over 21 years	°C	2	-16	-12	-4	2	7	11	16	18	13	6	-4	-12
Average precipitation over 109 years	cm	72.3	1	1.3	2.3	4.3	6.6	9.1	10.7	14.7	12.2	5.6	3	1.5
Average dew point over 20 years	°C	-1	-19	-17	-9	-2	4	11	16	17	11	1	-8	-16
Source: weatherreports.com														



TOURISM

Over the past five calendar years, Russian citizens have consistently been the source of about 85% of all tourist arrivals in Primorye. Russian tourist arrivals grew at a compounded annual growth rate ("CAGR") of 9.9% to reach 732,000 in 2011, up from 455,800 arrivals in 2007. Reportedly there is seasonal visitation from Russians seeking Vladivostok's relatively warm summers. Business tourists are also included in the domestic forecast, and which likely also includes Russians traveling within Primorye.

Conversely, foreign arrivals comprised approximately 15% of all arrivals between 2007 and 2011. Data is provided for foreign leisure arrivals and those traveling for all other purposes, which likely includes business, government, and visiting friends and family,. While those traveling for all other purposes make up an increasing share of foreign arrivals, both groups have grown over the last five years. In fact, total foreign arrivals have grown at an 8.6% CAGR over the past five years, as the slower growth of foreign leisure arrivals growth at 3.8% was offset by 22.4% growth in those traveling for all other purposes. Foreign and domestic arrivals have grown at a combined 9.7% CAGR over the last five years, as is shown in the following table, without any significant investments in tourism infrastructure.

Primorsky Tourist Arrivals by Country of Origin						
Country	2007	2008	2009	2010	2011	CAGR
Foreign Leisure						
China	50,349	49,647	38,102	43,671	60,985	3.9%
Japan	5,529	4,814	3,496	4,167	3,188	-10.4%
South Korea	6,991	7,808	4,935	8,123	7,578	1.6%
North Korea	24	2	6	11		
USA	2,484	1,775	2,456	4,272	3,730	8.5%
Canada	492	505	528	1,686	1,812	29.8%
Australia	321	385	298	698	1,246	31.2%
Great Britain	461	737	366	791	805	11.8%
Taiwan	586	112	108	184	339	-10.4%
Vietnam	379	329	236	352		
Other countries	766	1,065	2,421	3,816	2,731	28.9%
Total Foreign Leisure Arrivals	68,382	67,179	52,952	67,771	82,414	3.8%
Other Foreign Arrivals	17,018	11,721	58,948	60,189	46,786	22.4%
Total Foreign Arrivals	85,400	78,900	111,900	127,960	129,200	8.6%
Russian Citizens	455,800	529,900	614,900	786,040	732,000	9.9%
Total	541,200	608,800	726,800	914,000	861,200	9.7%

Source: Primorsky Territory Department for International Cooperation and Tourism; Federal State Statistics Bureau

The next table shows the foreign arrivals by mode of transportation. Over the recent history, it appears that auto crossings have gained popularity at the expense of rail transit. Overall, travel by land, including auto, bus, and rail, appears to be used by about two-thirds of all travelers. These arrivals are all along the northeastern part of China's border with Russia and the vast

majority appears to be Chinese tourists. Air travel has increased marginally, potentially due to capacity constraints at the airport, and could likely increase once the new airport terminal is open and service increases.

Primorsky Foreign Arrivals by Mode of Transportation ¹					
Mode of Transportation	2007	2008	2009	2010	2011 ²
Railroad					
Pogranichny railroad CP	26,080	27,773	11,697	10,123	20,187
Auto					
Pogranichny auto CP	7,315	4,057	12,752	12,496	6,933
Poltavka CP	4,092	4,406	2,142	10,306	2,134
Kraskino CP	9,830	11,479	9,613	6,419	13,793
Turiy Rog CP	1,305	962	458	440	852
Markovo CP	0	0	0	46	36
Sea					
Zarubino seaport	0	955	237	59	0
Vladivostok seaport	5,153	4,377	6,309	8,193	0
Air					
Vladivostok International Airport	14,769	13,170	9,738	19,787	1,764
Total	68,544	67,179	52,946	67,869	45,699
Source: PRIMSTAT, FSB Border Services Agency, Primorsky Territory Department for International Cooperation and Tourism					
1) Starting in 2011, FSB changed its reporting methodology					
2) Data for China includes only visa-free leisure tourism					

HOTEL PERFORMANCE

The following table shows the performance of hotels in Primorye with some details on Vladivostok. Between 2007 and 2010, the majority of the decline in the number of hotel rooms occurred in Vladivostok. Demand as reflected in the number of guests has increased while the number of hotels and available rooms in Vladivostok have both declined, leading to improved occupancy figures. Hotels in Vladivostok appear to be larger, on average, than hotels in other parts of Primorye. These hotels are able to utilize the extra capacity, as the city is home to roughly half of the number of hotel rooms but attracts approximately two-thirds of all guests.

Vladivostok is home to several of Primorye's highest rated hotel properties. The one four-star property in Primorye, Hotel Hyundai, is centrally located in Vladivostok. In addition, five of the province's eight three-star hotels are located in Vladivostok: Primorye Hotel, Versailles, Rous Resort, Slavyanskaya Hotel, and Vlad Motor Inn.

Primorsky Hotel Statistics					
	2007	2008	2009	2010	CAGR
Primorsky					
# Hotels/Motels	98	61	75	84	
including:					
4*	1	1	1	1	
3*	5	9	8	8	
2*	8	3	3	3	
1*	2	1	1	-	
Not rated	82	47	62	72	
# Hotel rooms	3,802	3,647	3,391	3,552	
Occupancy rate	30%	40%	30%	30%	
Number of persons, 000:	360.6	358.2	411.4	517.8	12.8%
Russian citizens	279.2	282	325.4	425.7	15.1%
CIS countries citizens	8.1	9.2	4	11.4	12.1%
Other	73.3	67	82	80.7	3.3%
Number of persons, 000: ¹	360.5	358.2	411.4	517.9	12.8%
Leisure/vacation	98.8	107.1	124.6	144	13.4%
Work/professional	191.5	227.6	219.2	254.2	9.9%
Health/recreation	0.1	0	0.5	0	
Education/vocational training	50.5	
Other	33.9	23.5	67.1	69.2	26.9%
Vladivostok					
# Hotels/Motels	33	25	18	19	
# Hotel rooms	2,078	1,971	1,785	1,798	-4.7%
Number of persons, 000:	214	247	297	349	17.7%
Occupancy rate	30%	30%	40%	40%	
Vladivostok Share of:					
# Hotels/Motels	34%	41%	24%	23%	
# Hotel rooms	55%	54%	53%	51%	
Number of persons, 000:	59%	69%	72%	67%	
Source: PRIMSTAT					
1) Not all respondents provided details in 2007					

HOTEL CONSTRUCTION

The existing hotel inventory in Vladivostok is not only dated but employs its own rating system. In all cases, it appears that ratings would be still lower if based on internationally recognized standards. Two new Hyatt hotels are under construction in the city, with a planned completion date later this year.

The first of these hotels is the Golden Horn Hyatt, which is being built along Svetlanskaya Street and within walking distance of the center of town. The Golden Horn Hyatt will include 222 total rooms in a 17-floor, 35,000 square meter building. This will include 187 standard rooms,

including three with access for disabled persons, and 35 rooms comprising suites and apartments. The facility will also boast eight food and beverage options including terrace dining, restaurants, and bars and lounges. The facility will also have 860 square meters of convention and meeting space, a business center, and a fitness center. A rendering of the complete hotel is located below:

Hyatt Golden Horn



The Hyatt Burny Hotel is also located near central Vladivostok but will be positioned towards leisure travelers. Upon completion later this year, the 16 floor hotel will boast 218 rooms, including 77 deluxe rooms, suites, and apartments. Located along a peninsula, one of the property's four food and beverage outlets will be located on the 14th floor and feature panoramic views of Amursky Bay. While the meeting space will be more limited, a large fitness center and spa will have capacity for 170 people. A rendering of the completed property is shown below.

Hyatt Burny Hotel



CURRENCY TRANSFERS

During its research, GMA interviewed representatives of several Russian financial institutions. While no specific regulations were shared with the Consulting Team, the team was informed that regulations regarding currency transfers into Russia were recently revised. The outcome was to specifically target illegal activities and create a regulatory environment comparable to other major economies. Overall, restrictions are not targeted towards vacation and leisure expenditures and the government encourages the flow to currency in and out of Russia providing they adhere to international anti-fraud regulations.

CONSTRUCTION

There are many major construction companies located in Primorsky. The following table illustrates the five largest in terms of numbers of people employed.

Major Construction Companies in Primorsky Krai		
Company Name	Number Employed	Location
Spassktsement OJSC	2144	Spassk
Tikhooceanskaya Mostostroitel'naya Kompaniya	932	Ussuryisk
Investstroy LLC	460	Ussuryisk
Strojtrest #8 OJSC	450	Vladivostok
Dalenergozapsremont OJSC	432	Vladivostok
Source: GMA		

FOREIGN WORKERS

Companies operating in Russia may use foreign labor for projects. While there are not specific limits on the number of foreign workers that a company can use, companies must first obtain permission from the government. The following summarizes the process for Upper Management and non-management.

UPPER MANAGEMENT

Senior managers may enter Russia as highly qualified specialists (HQS) if their wages exceed 2 million rubles per year or approximately \$67,000 USD. Clearance of an invitation to enter and work permit processing takes place in Moscow in the FMS. This process usually takes six to eight weeks after signing the employment contract. To obtain these documents, one must have a translation of the passport, certified by an Apostille at the consulate (usually a two to three week process), a copy of a person's diploma, resume, job duties, a letter of appointment, and a photo. The time to sign the employment contract often takes time as the documents first come from a foreign employee and then must be translated into Russian, processed, and then retranslated back to the foreign employee's native language.

NON UPPER-MANAGEMENT

In order for foreign laborers that do not qualify as Upper Management to enter and work in Russia, it is first necessary for the organization to get formal permission to hire foreign workers. This is a long process which usually begins a year before the planned entry of foreign workers. Companies are required to know exactly what positions, in what quantities and from which countries workers will be engaged. Once a company has a permit then the application for the

work visas begins. The procedure of registration from that point depends on in which country the foreign worker(s) live and if it is a visa or visa-free regime of entry.

NON GAMING TAX RATES

The following is a discussion of taxes that expected to be paid in the form of value added taxes ("VAT"), import duties and corporate and personal income taxes for those doing business in Vladivostok.

The Russian Federation tax system includes taxes and fees on three levels: federal, regional and local. Sales taxes payable by consumers was abolished on January 1st, 2004 by Article 4 of the Federal Law #148-FZ on amendments to Part Two to the RF Tax Code, and to Article 20 of the Law "on the tax system framework in the Russian Federation", dated November, 27th, 2011.

SPECIAL TAX REGIME

Taxpayers operating in service industries (retail, catering, hotel services) can transfer to special tax regimes imposed by the RF Tax Code. According to the Article 18, Part One of the RF Tax Code # 146-FZ, dated July 31st, 1998, (as amended on December 3rd, 2011), the special tax regimes may provide a special procedure for determining the elements of taxation as well as exemption from the obligation to pay certain taxes and fees. One of the special tax regimes is the simplified tax system. The simplified tax system is applied by companies and individual entrepreneurs, along with other regimes of taxation covered by the Russian Federation taxes and fees legislation (Article 346.11, Part two of the RF Tax Code, # 117-FZ, dated August 5th, 2000 (as amended on December 6th, 2011)). The right for transfer to the simplified tax system is realized in accordance with the Article 346.12 of the RF Tax Code:

- a. By the companies with price-to book value and intangible assets less than or equal to 100 million rubles.
- b. By the companies with an average of 100 or less employees.

The company can transfer to the simplified tax system in case if the nine months period of the year when the company applies for the transfer to the simplified taxation system, is resulted with incomes of no more than 45 million rubles. Application of the simplified taxation system stipulates the company's exemption from the corporate profits tax, the corporate property tax, and for the individual entrepreneurs – an exemption from the individual income tax (for the incomes from the business activity), individual property tax (for the property used for the business activity).

Companies and individual entrepreneurs using the simplified taxation system are not considered to be the VAT taxpayers (except for import) and are not exempted from a tax agent's obligations, and from other taxes and fees stipulated by the legislation. According to the RF Tax Code Article 346, the simplified taxation system is stipulated for the following fees: 6% in case of incomes or 15% of profit taxation.

IMPORT DUTY

Import customs duty fees are systemized in the Code, in accordance with the uniform commodity nomenclature of the Customs Union international economic activity, and defined by the common customs tariff of the Customs Union (Decision of the Customs Union Commission of the Eurasia Economic Community # 850, dated November 18th, 2011, as revised on January 25th, 2012).

The following charts summarize much of that discussed above in addition to other taxes imposed in the Russian Federation and Primorsky Krai.

Federal Corporate Income Taxes and Fees		
Tax Code	Subjects of taxation	Rates
(part 2 chapter 25 Article 246-333 of the RF Tax Code, # 117-FZ, dated August 05 th , 2000, as revised on December 06 th , 2011)	1. Income of Russian companies, including foreign companies, operating in Russian Federation through the permanent representation	20%
Assessment of profit: Article 247 RF Tax Code	2. Income of use, maintenance or rental (freight) of vessels, aircrafts or other moving vehicles or containers (including trailers and ancillary equipment required for transportation) for international transportation.	10%
Taxation base calculation: Article 315 RF Tax Code	3. Income of foreign organizations not related to the Russia-based operation through the permanent representations	20%
	4. Income as dividends from Russian and foreign organizations	9%
Tax rates: RF Tax Code Article 284	5. Income as dividends from Russian companies by foreign organizations	15%
RF Tax Code Article 284	6. Income of Russian organizations in the form of dividends under certain conditions	0%
Source: Information provided by Nash Dom Primorye in conjunction with Primorye Administration		



Value Added Tax (VAT) and Excise Taxes Summary

Tax Code	Subjects of taxation	Rates
VAT	Sale of goods operation (works, services, property rights) in Russian Federation (RF Tax Code Article 146), including transfer without charge for own use.	0% - export (Article 164 RF TC),
(part 2 chapter 21 Article 143-177 of the RF Tax Code, # 117-FZ, dated August 05th, 2000 as revised on December 06th, 2011)	Construction and assembly work for own use	10% - per lists, stipulated by the items 1 and 2, Article 164; 18% per other goods (works, services, property rights)
	Importation on the territory of the Russian Federation	Item 3 Article 164 RF TC
Excise Taxes	Excise goods cost list (RF Tax Code Article 181)	Rates as per types of excised goods, in the period from January 01st, 2012 to December 31st, 2014, are defined by the Article 193 of RF TC
(part 2 chapter 22 Article 179-205 RF Tax Code, #117-FZ, dated August 05th, 2000, as revised on December 06th, 2011)		

Source: Information provided by Nash Dom Primorye in conjunction with Primorye Administration



Other Federal Taxes		
Tax Code	Subjects of taxation	Rates
Personal Income Tax (part 2 chapter 23 Article 207-233 RF TC)	Total income for the calendar year (Article 209 of the RF TC)	13%
	Cost of any winnings in competitions, games and other activities aimed to the goods, works and services advertising, in the amount of more than 4000 rubles	35%
	Interest income on bank deposits in excess of the amount calculated on the basis of the current refinancing rate of the Central Bank of Russia, during the period for which the interest on ruble deposits accrued (and 9% per annum for deposits in foreign currency)	35%
	The amounts of savings on interest in obtaining loans (credit) funds in excess of established limits	35%
	Dividend yield from the interest in the activities of Russian companies, and received by the non- tax residents of the Russian Federation	15%
	Income earned by the individuals- non - tax residents of the Russian Federation (except for income as dividends from the interest in the activities of Russian organizations in respect of which the rate of 15% is set)	30%
State Duty (part 2 chapter 25.3 Article 333.16 - 333.42 of the RF TC)	Performance of any legal action, issuance of documents	Differentiated with respect to the kind of action or document
Other Federal taxes and fees	Fee for the right of use of fauna and water biological resources (Article 25.1 of the RF TC, Statement #45, dated July 26th, 2007); Water tax (Article 25.2 of the RF TC, the RF Water Code, #74-FZ, dated June 03 rd , 2006, RF Mineral Replacement Tax (Article 26 of the RF TC, RF Government Statement #249, dated April 28 th , 2003); Pollution Fee (RF Law #7-FZ, dated January 10 th , 2002, RF Government Statement #632, dated August, 28 th , Insurance Fee for compulsory social insurance against industrial accidents and occupational illnesses;	

Source: Information provided by Nash Dom Primorye in conjunction with Primorye Administration



Primorsky Krai Regional Taxes

Tax Code	Subjects of Taxation	Rates
Assets Tax (Article 381 of the RF TC, item of the Primorsky Krai Law #82-KZ "On the corporate property tax", dated November 28, 2003 (as revised on February 08th, 2012))	Fixed Assets	2.2% of the average annual net book value of the property
Transport tax (Article 28 of the RF TC)	Vehicles	Tax rates vary depending on the type of vehicle
Land Tax (part 2 Article 389 of the RF TC) Tax rates: Article 394 of the RF TC	Land cadastral value	The tax rate is set by local authorities Average rate in Primorsky Krai- 1.14%. No less than 0.3% No more than 1.5% for other land plots
4. Property Tax (Law #2003-1 "On individual property tax", dated December 09th, 1991, as revised on July 27th, 2010.	Cost of buildings, premises, other facilities (residential / nonresidential) Up to 300 000 rubles From 300 000 rubles to 500 000 rubles > 500 000 rubles	(residential / nonresidential) 0.10% 0.2% / 0.3% 0.3% / 2.0%

Source: Information provided by Nash Dom Primorye in conjunction with Primorye Administration



IV. DESCRIPTION OF GAMING ZONE

The Integrated Entertainment Zone ("IEZ") will feature several attractions at its seaside location showcasing the natural beauty of Primorye. While casino gaming will be an economic catalyst for the development, the inclusion of trade and exhibition space, water sports, a beach, a yacht club, and golf will help to attract both domestic and foreign patrons to the hotels and guest villas that will serve customers. The array of amenities combined with the natural beauty and seaside location will create a compelling value proposition.

GAMING LEGISLATION

On January 1, 2007, federal legislation (Law number 244-FZ) took effect, regulating casino gaming in one of four locations within Russia. As of July 1, 2009, existing gaming operations were required to relocate to one of the four regions shown on the following map. In January 2010, a casino was opened at the Sea of Azov location. It is the only property operating as of this report.

The Primorye IEZ is not expected to compete with other permissible zones as they are geographically distant.



The legislation enables slot machines, table games, and sports betting for people age 18 and over. There are no restrictions on hours of operations, the number of gaming positions, wager or loss limits, or admittances (other than age). The tax rates are shown in the following table.

IEZ Gaming Tax Rates		
	USD	RUB
Slots	\$250/ Slot/ Month	7,500 RUB/ Slot/ Month
Tables	\$4,167/ Table/ Month	125,000 RUB/ Table/ Month
Race and Sportsbook		
Per Bookmaker Office	\$4,167 per month	125,000 RUB per month
Per Betting Point	\$234 per month	7,000 RUB per month
Source: Information provided by Nash Dom Primorye in conjunction with Primorye Administration		

The tax rates for the Primorye IEZ, essentially device fees, are considered to be very competitive with gaming jurisdictions in neighboring Asian countries such as South Korea.

Japan, South Korea and Taiwan are each considering the development of new, large-scale casino resorts consistent with what has become known as the "Singapore model." Singapore instituted a fairly low tax rate with the expectation of attracting developers willing to provide massive capital investment. It succeeded in doing so. The low tax rates included in the Russian legislation will allow casino-resort operators, on a cost basis, to build facilities, market to customers, pay commissions to junket operators, and institute reward programs that are competitive with other existing and potentially emerging jurisdictions that target gamers in the region.



INTEGRATED ENTERTAINMENT ZONE LOCATION AND TOPOGRAPHY

Within Primorye, the designated area for the IEZ is in Artem, a city located about 52 kilometers north of the region's capital and largest city, Vladivostok. Artem is formerly an industrial and mining hub that now hosts the international airport that serves the region, shown in the following map with the blue and white airplane emblem. The IEZ is outlined in red and marked by the number 1. To reach the IEZ from the airport, one would exit the airport and travel north, through the city of Artem, and south along the yellow roadway which extends to Vladivostok. Currently, the road network requires a motorist to travel through the city of Artem, but a new roadway (marked in red) is part of a broader infrastructure improvement plan that will alleviate congestion in the city and region. This improvement plan is currently being implemented and is discussed in the Infrastructure section of this report.



The ocean-side location is known as Cape Turtle and includes Turtle Lake, a freshwater lake located adjacent to the beach. A former seasonal camp is located adjacent to IEZ land which is otherwise forest land. The following picture shows the beach, lake, and the seasonal camp.

Overhead Picture of Gaming Zone



Aside from the coastal location, the dramatic changes in elevation within the IEZ will allow for dramatic views of the lake, ocean, and forested areas.

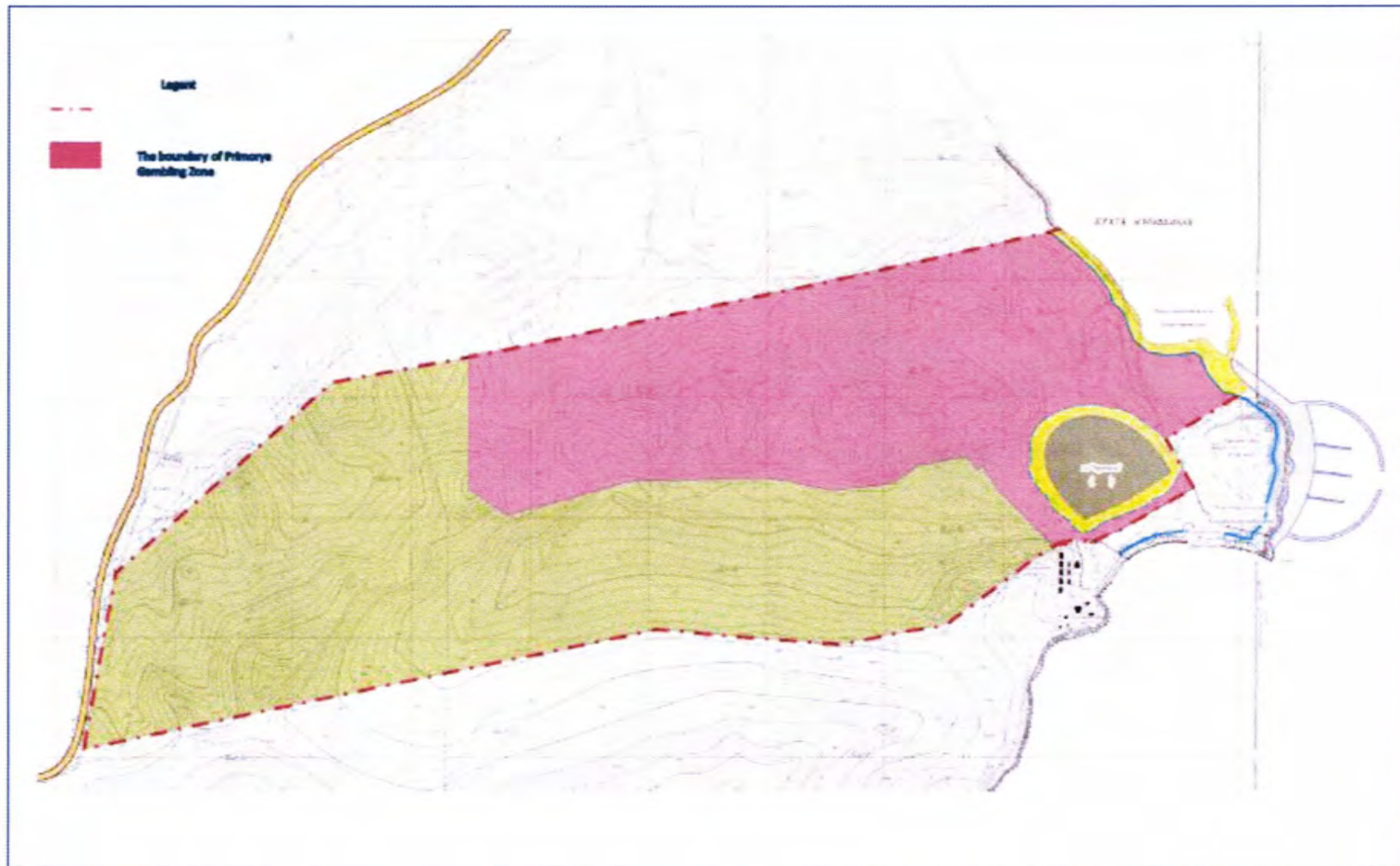
The next picture shows the land extending out to Cape Turtle and the elevation of the land to the north (left) extending out to the Cape, the centrally located valley, and the elevation gain again to the south of the valley. Once developed, the IEZ will showcase the natural beauty for which Primorye is known while offering convenient and accessible modern lodging and amenities. This will represent a substantial improvement in the region's tourism product and the lodging inventory in particular, as many current seaside resorts are dated, seasonal structures that have a limited number of units and fail to meet high demand during peak summer months.

View of Gaming Zone and Cape Turtle



The following diagram shows the borders of the gaming zone along with the topography of the landscape. While the topography is characterized by elevation gains that are dramatic in terms of suitability, Nash Dom Primorye's development team has created a master plan that capitalizes on the benefits of the topography with designated areas suitable for development. This will be highlighted in the following section.

Map of Integrated Entertainment Zone Highlighting Topography



INTEGRATED ENTERTAINMENT ZONE MASTER PLAN

The map on page 40 shows the master plan for the IEZ. Administrative and utility areas are closest to the roadway and away from the coastline, which is reserved for a hotel and water park, a marina, and recreational use at the beach. Also closest to the road is an area reserved for a trade, exhibition, sports, and entertainment facility that is expected to host meetings, conventions, trade shows, and sporting events and drive hotel room demand. The first phase of the development is located along the roadway going towards the lake and flanked by Sites 9 through 11 and 16 through 21. All of these sites are designated for casino resorts. The second phase, one which could be developed immediately if a developer was so inclined, includes site 2, 4 through 7, and 12 through 15. Site 13, which is on the hillside with a view towards the valley, lake, and ocean, is planned for villas that will represent one of the premium lodging opportunities within the IEZ. The other sites in this phase will be used for casino resorts or hotel resorts.

As there is no limit on the number of licenses, the land as set forth under the federal law is the only constraint on the number of casino developments. While numerous sites above are listed for casinos, this means that they are zoned for gaming. In other words, developers could potentially acquire several subleases on the sites to support their overall master plan. For example, a developer may choose to combine sites 20 and 21 for one integrated resort. In this case the minimum requirements would remain the sum of 20 and 21, as required in the chart on the following page. The layout of the proposed resort, however, would be flexible. The Primorye government wants to ensure that the land is developed judiciously, allowing the market to prove itself. As demand allows, the issuance of additional subleases, within the specified zone, could be expected. The land currently slated for casino development lends itself nicely to a total of six casino resorts.

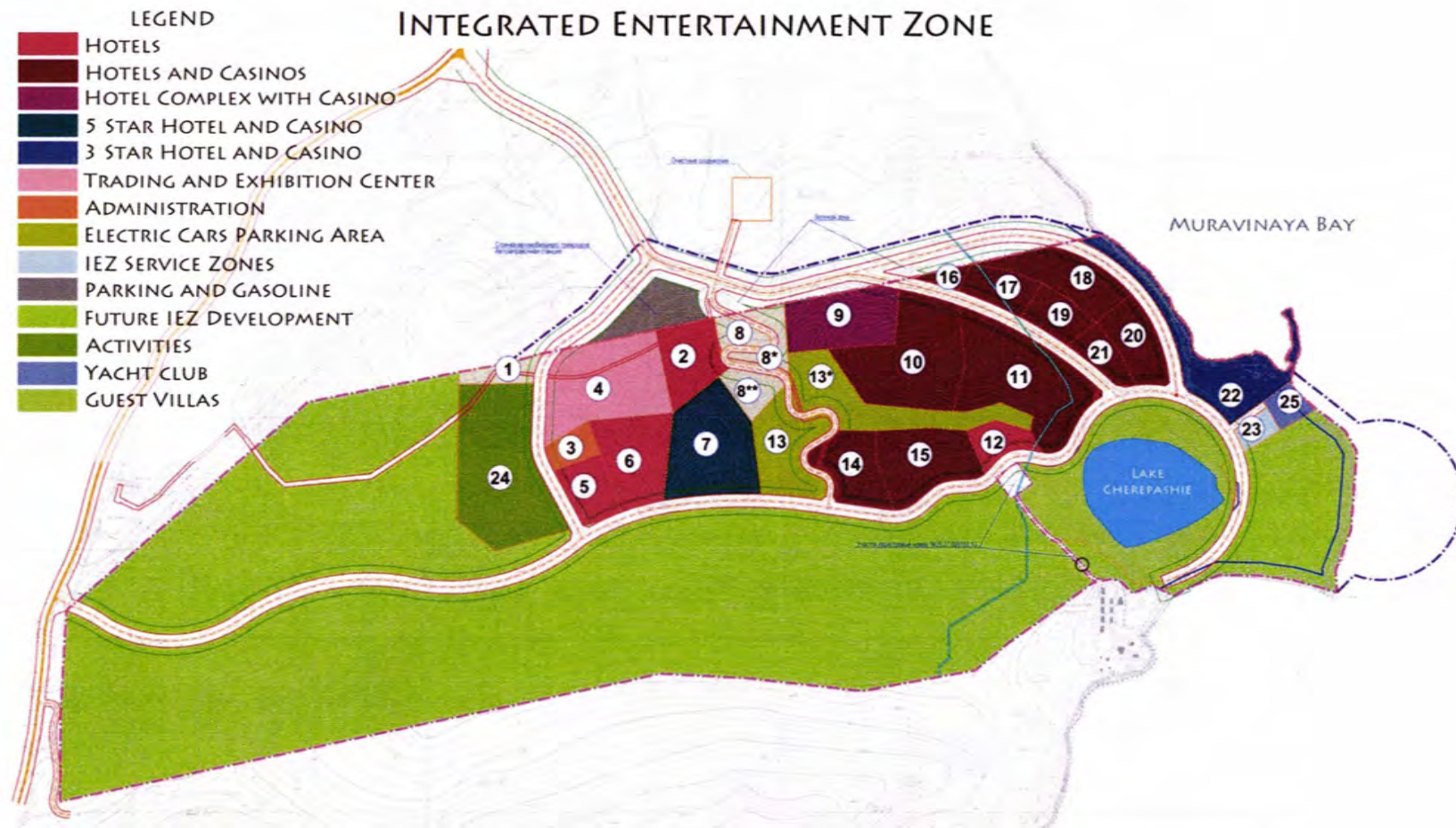
In addition to the land with defined plots, there are an additional 300 hectares (illustrated in light green on the following map) for future development. The use of this land has yet to be determined. Some have contemplated the construction of a golf course, which would lend itself nicely to resort developments that attract South Koreans, Chinese and Japanese. The legal status of the land is that it is designated for the gaming zone but still zoned forest land. However, the Federal Department of Forestry has agreed to allow the land to be rezoned once a use is defined.

The ultimate layout of the integrated resorts and plot usage is unknown at this time. This will ultimately be decided by three primary factors: 1) the concepts put forth by developers in the RFC process being overseen by Galaviz & Company, 2) the bilateral cooperation of the Russian and Chinese governments which will indirectly allow the IEZ to flourish and 3) the continued desire of the Primorsky Krai and Russian federal governments to see Vladivostok transform into an international destination for both business and leisure.

On the following page can be found a detailed map of the IEZ, illustrating the various plots and their uses. Following this is a summary chart of the sizes, uses and minimum requirements for each of the plots of land that is available.



INTEGRATED ENTERTAINMENT ZONE MAP



Integrated Entertainment Zone Building Site Summary				
Site #	Site area (ha)	Site Area (acres)	Description of Intended Use	Minimum Investment (\$MM)
2	6.09	15.0	3 Star Hotel *	\$76.0
4	14.09	34.8	Trading- Exhibition Center	\$187.7
5	4.19	10.4	4 Star Hotel *	\$58.6
6	8.45	20.9	4 Star Hotel *	\$105.8
7	12.62	31.2	5 Star Hotel and Casino	\$136.2
9	9.05	22.4	Hotel Complex With Casino	\$30.0
10	15.44	38.2	4 Star Hotel and Casino	\$133.2
11	16.20	40.0	5 Star Hotel and Casino	\$214.8
12	2.95	7.3	4 Star Hotel *	\$39.0
13	18.72	46.3	Guest Villas (10 buildings))	\$24.3
14	6.31	15.6	3 Star Hotel and Casino	\$58.0
15	8.96	22.1	3 Star Hotel and Casino	\$75.5
16	1.03	2.5	5 Star Hotel and Casino	\$54.9
17	3.67	9.1	4 Star Hotel and Casino	\$115.5
18	7.03	17.4	3 Star Hotel and Casino	\$37.1
19	3.46	8.5	4 Star Hotel and Casino	\$58.9
20	5.32	13.1	4 Star Hotel and Casino	\$102.0
21	2.77	6.8	5 Star Hotel and Casino	\$151.6
22	11.58	28.6	3 Star Hotel and Casino	\$43.7
23	1.57	3.9	Electric Cars Parking Area	N/A
24	19.70	48.7	Activities	N/A
25	1.93	4.8	Yacht club	\$14.4
* Possibility Exists to Develop Casino				
Note: Sites 1, 3 and 8 not listed above are IEZ Service Zones (Administration, Utilities, etc.)				
Source: Nash Dom Primorye/ Gaming Market Advisors				

The following pictures show the progress made at the IEZ as of June, 2012⁵. Roadways have been cleared and are being prepared to be paved, utilities are being installed, and Site 9 is under development.

⁵ While the report is dated March 2012, new pictures were added in June 2012 to provide current information as available.

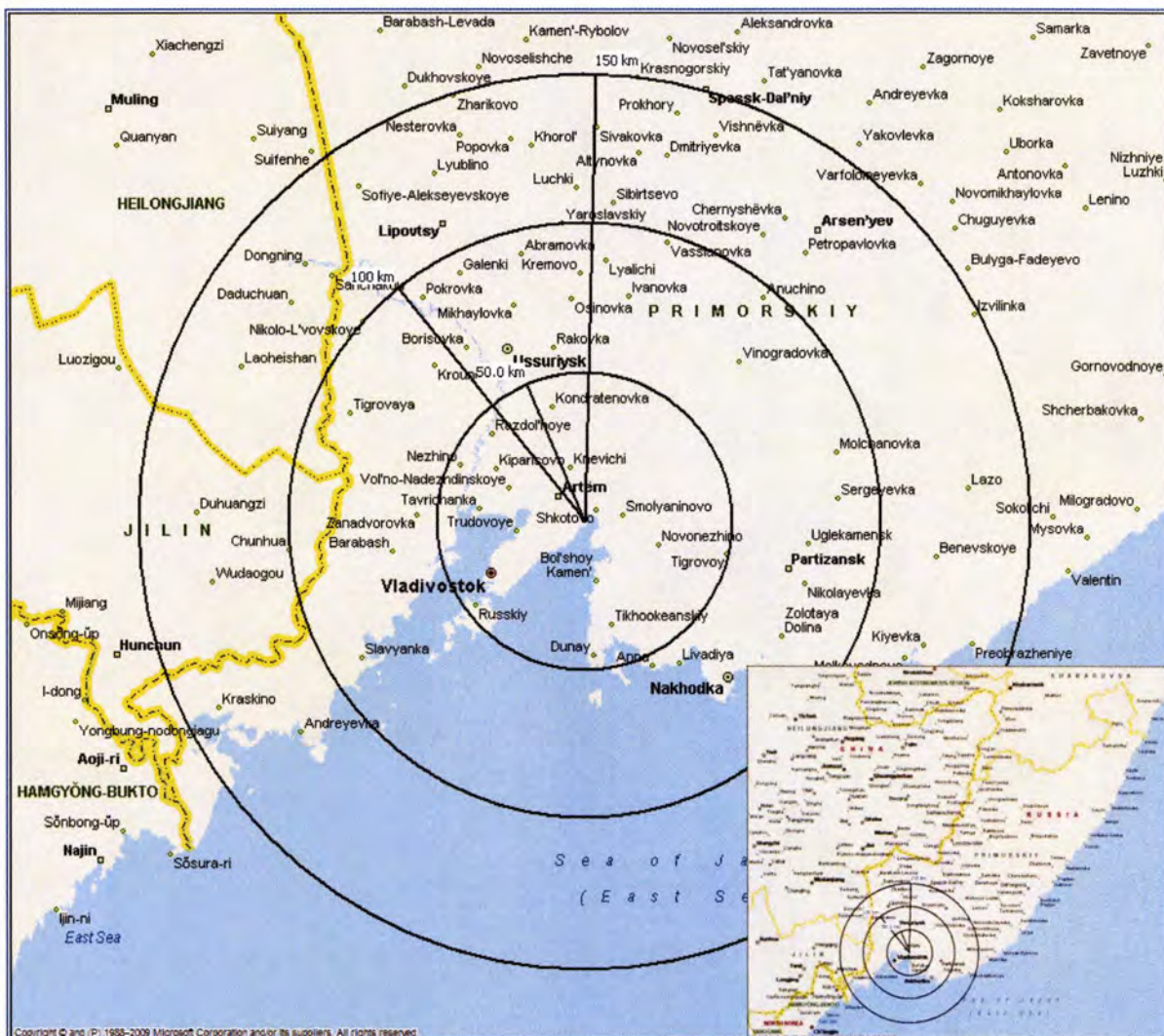


V. EVALUATION OF KEY DEMAND SEGMENTS

Demand for gaming entertainment will come from a number of markets including both domestic and international visitors. The domestic market in Russia will consist of the local population that lives within a reasonable driving distance of the proposed IEZ and the segment of the domestic population that lives outside of this region but can reasonably be expected to visit the IEZ. In addition, foreign visitation can be expected from cities lying within a reasonable travel distance. This will include cities in China, South Korea, and Japan. Leisure visitation from impoverished North Korea is minimal and it is not considered to be a reasonable target market. These future markets of the IEZ are detailed in this section of the report.

LOCAL DAY-TRIP MARKET

The local day-trip market will include adults who can reasonably undertake a day-trip to the proposed IEZ. This is typically defined as a maximum of a two-hour drive in each direction, which with a developed transportation network and good access, is typically up to a 150 kilometer radius from the IEZ. This broad guideline is typically adjusted for less developed transportation networks, natural features that prohibit access, and competition. The following map shows the 150-kilometer ring around the IEZ's location, which includes the southern part of Primorye.



POPULATION

The population of regions within Primorye is shown in the following table. Overall, Russia's population is declining due to a number of factors including a net migration from the country and a low birth rate. Primorye appears to be following this trend. However, there is also a trend towards immigration to specific urban centers, most notably Vladivostok and Ussuriysk, which are both within the market catchment area, and Dalnegorsk. All but two of the rural area populations declined between 2009 and 2010.

Based on the Central Intelligence Agency's World Factbook, GMA estimates that 80.4% of the Russian population is age 18 or over.

Primorye Krai Total Population				
	2008	2009	2010	CAGR
Total per the territory	1,991,918	1,976,662	1,959,394	-0.8%
Urban population	1,500,599	1,496,412	1,490,845	-0.3%
Rural population	491,319	480,250	468,549	-2.3%
Urban Districts				
Arseniyev	57,664	57,198	56,901	-0.7%
Artyom	111,863	112,078	112,208	0.2%
Bolshoi Kamen	39,240	39,971	40,528	1.6%
Vladivostok	605,307	612,119	617,548	1.0%
Dalnegorsk	47,721	47,009	191,930	100.5%
Dalnerechensk	32,084	31,418	30,870	-1.9%
Lesozavodsk	50,465	47,985	45,297	-5.3%
Nakhodka	168,501	164,568	161,060	-2.2%
Partizansk	49,599	48,293	46,825	-2.8%
Spassk-Dalniy	45,629	44,847	44,189	-1.6%
Ussurisk	180,644	182,651	184,245	1.0%
Fokino	33,839	32,984	32,144	-2.5%
Municipal Districts				
Anuchinsky	15,832	15,240	14,511	-4.3%
Dalnerechensky	13,131	12,271	11,402	-6.8%
Kavalerovskiy	28,567	27,220	25,894	-4.8%
Kirovsky	23,249	22,281	21,256	-4.4%
Krasnoarmeysky	20,383	19,447	18,578	-4.5%
Lazovsky	16,393	15,313	14,296	-6.6%
Mikhajlovsky	36,987	35,908	34,512	-3.4%
Nadezhdinsky	39,036	39,327	39,219	0.2%
Oktyabrskiy	31,240	30,874	30,189	-1.7%
Olginsky	11,703	11,246	10,751	-4.2%
Partizansky	29,651	30,047	30,282	1.1%
Pogranichny	25,482	24,560	23,524	-3.9%
Pozharsky	33,106	32,152	31,108	-3.1%
Spassky	30,841	30,748	30,560	-0.5%
Terneysky	14,053	13,297	12,512	-5.6%
Khankajsky	27,297	25,990	24,768	-4.7%
Khasansky	35,827	35,766	35,606	-0.3%
Khorolsky	32,706	31,390	30,363	-3.6%
Chernigovskiy	36,244	35,653	36,207	-0.1%
Chuguyevskiy	25,583	25,423	25,072	-1.0%
Shkotovskiy	25,272	24,924	24,491	-1.6%
Yakovlevskiy	16,779	16,472	16,044	-2.2%
Source: PRIMSTAT				
Note: Some regions may be missing				

EMPLOYMENT

The table on the following page shows the number of registered unemployed people by region in Primorye. Overall, the number of unemployed people is declining, and this is consistent across most regions. This is positive for both the overall economy as well as the prospects of stopping the decline in population. As economic prospects improve they support a higher standard of living, which in-turn typically supports factors that lead to growth in the population. Overall, unemployment in the region is relatively low. As a result, it has become commonplace for contractors and other industries to use labor from China and North Korea as this can save on labor costs.



Primorye Krai Registered Unemployed				
	2008	2009	2010	CAGR
Total per the territory	31,955	37,600	25,718	-10.3%
Urban Districts				
Arseniyev	854	994	700	-9.5%
Artyom	691	747	428	-21.3%
Bolshoj Kamen	648	734	605	-3.4%
Vladivostok	2,885	4,380	2,527	-6.4%
Dalnegorsk	902	1,306	858	-2.5%
Dalnerechensk	600	1,040	623	1.9%
Lesozavodsk	1,029	1,409	895	-6.7%
Nakhodka	1,529	1,540	914	-22.7%
Partizansk	1,472	1,553	930	-20.5%
Spassk-Dalnij	1,192	1,378	666	-25.3%
Ussurijsk	1,085	1,537	1,014	-3.3%
Fokino	691	816	800	7.6%
Municipal Districts				
Anuchinsky	1,181	1,210	787	-18.4%
Dalnerechensky	660	720	394	-22.7%
Kavalеровsky	933	977	650	-16.5%
Kirovsky	623	657	494	-11.0%
Krasnoarmejsky	1,060	1,223	954	-5.1%
Lazovsky	837	839	649	-11.9%
Mikhajlovsky	845	674	457	-26.5%
Nadezhdinsky	594	799	524	-6.1%
Oktyabrsky	606	640	619	1.1%
Olginsky	665	814	666	0.1%
Partizansky	796	1,009	808	0.8%
Pogranichny	363	679	575	25.9%
Pozharsky	1,115	1,224	766	-17.1%
Spassky	1,283	1,247	668	-27.8%
Temejsky	459	469	420	-4.3%
Khankajsky	1,092	1,278	1,057	-1.6%
Khasansky	593	788	511	-7.2%
Khorolsky	1,130	1,015	811	-15.3%
Chemigovsky	604	787	595	-0.7%
Chuguyevsky	1,258	1,024	664	-27.3%
Shkotovsky	667	849	571	-7.5%
Yakovlevsky	1,019	1,244	1,151	6.3%

Source: PRIMSTAT

The next table shows employment in Primorye. In that evaluation, the population is limited to people between the ages of 15 and 72 and further divided into economically active and inactive individuals. The inactive segment likely comprises people who are unable to work, people who have chosen not to work (such as a dependent spouse), and others. The unemployment rate is calculated based on the economically active segment of the population, or the *workforce*. The

workforce has declined over the last three years for which statistics are available. This can be due to a number of factors including the overall decline in the population and/or the global economic trend of declining participation in the workforce. Overall, the official rate of unemployment has been between 7.0% and 10.0% over recent years. In 2010, 976,600 people were employed in Primorye, approximately 49.8% of the total population.

Primorye Krai Economically Active and Inactive Population, Ages 15 - 72					
	Economically active population (thousand persons)	Including		Economically inactive population (thousand persons)	Unemployment rate (%)
		Employed	Unemployed		
2000	1,134.1	994.5	139.6	537.1	12.3
2001	1,104.4	1,008.7	95.8	562.2	8.7
2002	1,070.1	972.9	97.2	581.3	9.1
2003	1,090.4	1,002.3	88.1	558.9	8.1
2004	1,090.2	985.9	104.3	556.8	9.6
2005	1,079.3	992.7	86.6	562.7	8.0
2006	1,054.5	970.0	84.5	580.7	8.0
2007	1,103.7	1,026.0	77.7	525.9	7.0
2008	1,117.4	1,034.0	83.4	504.9	7.5
2009	1,099.5	991.9	107.6	512.9	9.8
2010	1,081.4	976.6	104.8	525.1	9.7

Source: PRIMSTAT

INCOME AND COST OF LIVING

The next table shows the average per capita monthly income in Primorye. By definition this is not the actual salary for an employee, but rather the level of income for all Russians living in Primorye. Between 2008 and 2010, per capita income grew at a compounded annual growth rate ("CAGR") of 16.1%.

Average Monthly Income, per Capita (RUB)		
2008	2009	2010
12,808	15,140	17,264

Source: PRIMSTAT
Note: 2010 data is preliminary

Average Monthly Income, per Capita (USD)		
2008	2009	2010
\$438.67	\$518.54	\$591.29
Source: PRIMSTAT		
Note: 2010 data is preliminary		

The following table compares these incomes to the cost of living in Primorye. Per capita income levels are well above the cost of living in Primorye and are on the rise. In 2010, the most recent period for which information was available, per capita income was 2.6 times the cost of living. In part due to rising incomes and in part due to improved economics for pensioners, the population with income below the cost of living has dropped from 21.7% in 2007 to 16.4% in 2010. This compares to a report from the U.S. Census Bureau that 15.1% of Americans were below the poverty line in 2010.

Standard of Living (RUB)				
	2007	2008	2009	2010
Monthly Cost of Living (per capita)	4,929	5,850	6,382	6,699
Ratio to Income (per capita)	2.2	2.2	2.4	2.6
Population with Income Below Cost of Living	21.7%	21.7%	19.4%	16.4%
Monthly Pension (as a percentage of Cost of Living)	90.6%	96.1%	124.0%	142.9%
Source: PRIMSTAT				
Note: 2010 data is preliminary				

Standard of Living (USD)				
	2007	2008	2009	2010
Monthly Cost of Living (per capita)	\$168.82	\$200.36	\$218.58	\$229.44
Ratio to Income (per capita)	2.2	2.2	2.4	2.6
Population with Income Below Cost of Living	21.7%	21.7%	19.4%	16.4%
Monthly Pension (as a percentage of Cost of Living)	90.6%	96.1%	124.0%	142.9%
Source: PRIMSTAT				
Note: 2010 data is preliminary				

The following table shows the distribution of per capita incomes in Primorye. As can be seen, the entire population living with income below 10,000 rubles is declining; a positive factor as those with per capita income above 10,000 rubles has increased from 40.6% in 2007 of the population to 66.1% in 2010. The increasing level of disposable income is positive for discretionary spending overall, including potential spending on entertainment in the IEZ.

Primorye Krai Per Capita Income Distribution				
	2007	2008	2009	2010
Total Population	100.0%	100.0%	100.0%	100.0%
By Income Segment (in Roubles)				
Up to 2,000	1.9%	1.0%	0.6%	0.4%
Above 2,000 and up to 4,000	12.1%	8.2%	5.8%	4.0%
Above 4,000 and up to 6,000	17.0%	13.6%	10.7%	8.4%
Above 6,000 and up to 8,000	15.7%	14.2%	12.2%	10.5%
Above 8,000 and up to 10,000	12.7%	12.6%	11.6%	10.6%
Above 10,000 and up to 15,000	20.0%	22.1%	22.5%	22.3%
Above 15,000 and up to 25,000	14.6%	18.8%	22.2%	24.8%
Over 25,000	6.0%	9.5%	14.4%	19.0%
Source: PRIMSTAT				
Note: 2010 data is preliminary				

NON-LOCAL RUSSIAN MARKETS

An evaluation of potential regional markets was made based on existing airlift, proximity, current travel patterns, and income levels. Comparisons to visitation patterns in established markets were made to account for the impact that accessibility, inclusive of the distance, time, and expense of traveling to a destination have on appeal and performance.

The following map shows the 600 and 1,200-kilometer radii around the IEZ. These radii include destinations considered to be approximately a one to two-hour flight from the IEZ and, based on empirical evidence, contain the cities likely to yield the most significant form of visitation. The two cities of Khabarovsk and Yuzhno-Sakhalinsk were selected based on the aforementioned criteria and selected demographic information is included in this section of the report.

The selection of these cities is based on GMA's current knowledge of gaming behavior and the assumption that the operators in the IEZ will develop their marketing efforts accordingly. It is likely that some visitation will accrue from other cities within Russia, albeit at a diminished level. If these general assumptions prove to be false, then actual performance can vary. For example, if an operator chose to aggressively market in Petropavlovsk-Kamchatskiy, then increased visitation from that more distant city could broaden the geographic appeal of the IEZ and therefore enhance the projections that will be based on these assumptions.





KHABAROVSK

The city of Khabarovsk is the administrative center of Khabarovsk Krai ("Khabarovsky"), the province that lies north of Primorye. Khabarovsk is also the administrative center of the Far Eastern Federal District of Russia, which includes over 6 million square kilometers of eastern Russia. Khabarovsk is the second largest city in the Federal District, next to Vladivostok, and flights between the two cities appear to follow a regular and relatively frequent schedule and last approximately 1 ½ hours. The Trans-Siberian Railroad also connects the two cities, although the journey is considerably longer in part due to a number of stops located along the way.

Khabarovsk plays a significant role in the economy of the Far Eastern Federal District, largely through its industrial manufacturing industry. Finished goods include aircraft and ship building,

both with some production for military purposes. Other industries include timber and related finished goods, and fishing.

Khabarovsk's population was estimated at 581,203 in 2011, roughly 40% of the population of Khabarovsk. The territory's population is declining, following national trends, although it is unclear as to whether urbanization is leading to a slower decline in the population of Khabarovsk.

Khabarovsk Territory Population				
Region	2002	2010	2011	CAGR
Khabarovsk Territory	1,436,570	1,343,869	1,342,228	-0.8%
Khabarovsk			581,203	
Source: Khabstat				

YUZHNO-SAKHALINSK

Sakhalin Oblast consists of a series of islands located off Russia's east coast and north of Japan. The city of Yuzhno-Sakhalinsk is located at the southern end of Sakhalin, the largest island in the Oblast. Yuzhno-Sakhalinsk is the largest city on the island, and is home to approximately 45% of the Oblast's urban population. Sakhalin is not yet connected to mainland Russia via dedicated infrastructure, although ferries are available and the revival of a tunnel project (partially built in the 1950's) connecting the northern part of the island has been discussed recently. Currently, the airport in Yuzhno-Sakhalinsk has regular service to Vladivostok and is the dominant form of transportation between the two cities. The flight time is approximately 1 hour and 20 minutes. The tunnel project is considered to be unlikely, and if completed, would provide a circuitous and time-consuming alternative to reach Vladivostok.

Major components of Sakhalin's economy include the fishing and energy industries. In fact, several integrated global energy companies operate on Sakhalin including ExxonMobil and Shell. While production appears to be concentrated on the north side of the island, Yuzhno-Sakhalinsk is a hub for the administration of energy operations and the regional economy as a whole.

Sakhalin's population has been in slow decline in recent years, consistent with national trends. The population of urban centers is moderated, likely benefiting from internal migration. Based on the statistics in the following table, Yuzhno-Sakhalinsk currently has a population of approximately 180,000 people.

Sakhalin Territory Population							
Region	2006	2007	2008	2009	2010	2011	CAGR
Sakhalin Territory	526,235	521,206	518,539	514,520	501,269	495,549	-1.2%
Urban	409,131	406,183	404,938	402,229	399,046	396,582	-0.6%
Rural	117,104	115,023	113,601	112,291	102,223	98,967	-3.3%

Source: Sakhalinstat

CHINESE MARKETS

Flights to and from Chinese cities include Beijing and Harbin, which are located in the northeast part of the country and within an approximately two-hour flight radius of Vladivostok Airport. Chinese in this region currently gamble in North Korea, South Korea, and Macau.

Beijing is a large, sprawling city with many modern conveniences. Retail outlets are plentiful and range from traditional street vendors to modern malls and shopping plazas to luxury retail stores. Many prices in these stores appear to mirror those seen in other major cities including most retail goods branded by both international and domestic firms and in chain restaurants. The train station was busy (Chinese New Year was approaching) and appears to still be used extensively. The airport is a half-hour drive from downtown (in average traffic) and is the second busiest airport in the world behind Hartsfield-Jackson Atlanta International Airport. A high-speed railway links the airport to the city.

The Consulting Team also visited Shenyang, likely considered to be a second-tier city (with the first tier likely including Beijing, Shanghai, Shenzhen, and possibly a few other cities). From this perspective, Shenyang continues to modernize, with a new airport terminal and new train stations apparently under construction. Extensive new residential construction includes free standing houses and large apartment buildings. Retail operations were similar to Beijing, albeit with fewer luxury retailers. Auto dealers included Mercedes Benz, Lexus, and Bugati.

Harbin is likely a third-tier city in that it appears to be earlier in its redevelopment than Shenyang. GMA estimated that 100 residential apartment buildings that average 20 stories each are currently under construction. However, the existing train station and airport are not yet undergoing renovations or reconstruction. Retailers, including a luxury retail mall, appear to attract significant business. Being located in the province adjacent to Primorye, Harbin shared some cultural ties with Russia in the form of protected, historic structures observing Russian architecture, the use of Russian at several local businesses, and the observance of shared history at the annual Ice Festival, where both Russian and Chinese flags were flown. Busses leave daily from Harbin for the approximately 11-hour drive to Vladivostok, and one travel agent explained that she and other travel agents also regularly book people for trips to

Macau, adding that approximately 50% of Harbin's adult population had the means to travel to Macau. Interestingly, Harbin's largely domestic tourism is partly driven by its natural attractions, which are similar to Vladivostok (with the exception of the ocean-related attractions).

On aggregate the Chinese population displays an affinity for gaming. This is most readily observed in Macau. High average win figures, even for the mass market, are believed to result from the relatively low cost of living in mainland China and the occasion that gaming represents given its relative inaccessibility. This dynamic overshadows apparently low incomes, particularly when considered in light of the government's efforts to manage its currency's exchange rate.

POPULATION

The population of selected Chinese cities in the northeast provinces, Beijing, and Guangdong Province, is shown in the following table. Harbin, the largest city in Heilongjiang Province, has a population of 10.6 million. The largest cities in Jilin and Liaoning provinces are over 7.5 million people. Beijing has a population of nearly 20 million people, and Guangdong Province has a population of more than 100 million people. The population over age 18 is estimated to be 78.7% of all residents.

2010 Selected Chinese Demographics

	City	Total Population	Area GRP (billion RMB)	GRP per Capita (RMB)	Average Disposable Income (RMB)	% Population over 18
Heilongjiang Province	Harbin	10,635,971	366.59	36,961	17,556.80	
	Daqing	2,904,532	290.00	103,575	20,016	
	Qiqihar	5,681,000	85.26	16,085	13,377	
	Suihua	5,862,000	73.34	12,511	9,468	
	Yichun	1,270,000	20.24	15,921	10,317	
	Hegang	1,120,000	25.10	22,410	12,044	
	Jiamusi	2,552,097	51.25	20,082	12,186	
	Shaungyashan	1,462,626	28.45	22,678	13,235	
	Qitaihe	928,000	30.52	32,888	15,002	
	Jixi	1,862,161	41.95	22,528	13,005	
	Mudanjiang	2,710,000	78.10	28,115	12,806	
Jilin Province	Changchun	7,589,000	332.90	43,866	17,922	
	Jilin	4,300,000	180.06	41,478	16,935.80	
	Siping	3,390,000	78.90	23,222	16,458.96	
	Songyuan	2,900,000	110.28	38,200	16,800	
	Baicheng	2,030,000	44.15	21,758	15,904	
Liaoning Province	Shenyang	7,860,000	501.70	63,667	20,000	According to the Sixth National Census (2010) 74.4% of total PRC population is between the age of 15 and 64
	Tieling	3,051,000	72.21	23,668	13,730	
	Fushun	2,230,000	89.02	40,140	15,303	
	Anshan	4,000,000	191.50	54,714	16,530	
	Yingkou	2,350,000	100.26	42,604	18,055	
	Panjin	1,300,000	92.65	69,066	21,035	
	Fuxin	1,819,339	36.11	19,848	12,711	
	Jinzhou	3,126,463	29.11	9,311	17,375	
	Chaoyang	3,392,000	64.44	18,998	12,961	
	Dalian	6,170,000	515.80	83,599	21,293	
	Beijing	19,600,000	1,377.79	70,295.40	32,903	
	Guangdong Province	104,300,000	4,547.28	43,598	23,879.80	
	PRC	1,347,350,000	39,798.30	25,538.20	19,109	

Source: www.tjcn.org, www.hktdc, and the sixth national census 2010

PRC total excludes the populations of Hong Kong and Macao

INCOME

The following table shows the income per capita levels of rural and urban Chinese residents. Income per capita in urban areas appears to be more than three times that of rural areas. While income per capita may appear to be low it is important to note that the cost of living is significantly lower in China, such that disposable incomes can be quite high. In rural areas, it appears that approximately 25% of the average per capita income is disposable income, over 1,700 RMB (\$278 USD or 8,116 RUB) annually. In urban areas disposable income per capita is nearly 22,000 RMB (nearly \$3,500 USD or 100,000 RUB), approximately 91% of the total.

2011 Chinese Income Levels (RMB)				
	Average Per Capita Net Income	Average Per Capita Disposable Income	Median Per Capita Net Income	Median Per Capita Disposable Income
Rural Residents	6,977	1,756	6,194	
Urban Residents	23,979	21,810	19,118	19,118
Source: National Bureau of Statistics of China				

2011 Chinese Income Levels USD				
	Average Per Capita Net Income	Average Per Capita Disposable Income	Median Per Capita Net Income	Median Per Capita Disposable Income
Rural Residents	1,104	278	981	
Urban Residents	3,796	3,453	3,026	3,026
Source: National Bureau of Statistics of China				

2011 Chinese Income Levels RUB				
	Average Per Capita Net Income	Average Per Capita Disposable Income	Median Per Capita Net Income	Median Per Capita Disposable Income
Rural Residents	32,247	8,116	28,628	
Urban Residents	110,830	100,805	88,362	88,362
Source: National Bureau of Statistics of China				

TOURIST VISAS TO VISIT RUSSIA

Visas are required for Chinese nationals to visit Russia. A tourist visa is issued for leisure travel and requires a passport to be valid for six months. Each stay can be no longer than 90 days. Groups of Chinese nationals between 5 and 100, arranged by tourism companies, do not require visas and can stay in a region for up to 15 days. Travel typically is arranged by bus.

Holders of Hong-Kong passports do not require visas. Currently the federal government is considering the issue of allowing entry for leisure travel to foreigners for up to 72 hours. The following table includes the costs for different types of tourist visas.

Russian Visa for Chinese Nationals (USD)			
	Processing Service		
	Regular 5 Days	Expedited 3 Days	Express 1 Day
Single Entry (Valid for 90 days)	\$50	\$80	\$120
Dual Entry (Valid for 90 days)	\$100	\$130	\$170
Multiple Entry (Valid for one year)	\$150	\$180	\$220
Source: Russian Consulate			

Russian Visa for Chinese Nationals (RUB)			
	Processing Service		
	Regular 5 Days	Expedited 3 Days	Express 1 Day
Single Entry (Valid for 90 days)	1,460	2,336	3,504
Dual Entry (Valid for 90 days)	2,920	3,796	4,964
Multiple Entry (Valid for one year)	4,380	5,256	6,423
Source: Russian Consulate			

The processing time and expense for Chinese passport holders to come to Russia is not considered prohibitive for approximately 50% of the population of the northern Chinese provinces.

SOUTH KOREAN MARKETS

Flights to Vladivostok originate from Seoul and Busan. Gaming options in the two cities currently include foreign-only casinos and the distant High 1 Resort, the only property in the country where Korean passport holders are permitted to play.

Seoul is a world-class city that features many modern conveniences. As the political, economic, and social hub of the country, many global companies have offices here including several large Korean firms that have their headquarters in or near the city, such as Samsung and Hyundai. The Korean economy is strong both in domestic consumption and exports, such that a high standard of living is enjoyed by many Korean citizens. Seoul has two airports, the older Gimpo Airport that is closer to the center of Seoul and largely accommodates domestic flights as well as those from nearby international destinations. The new, main airport for international

departures is Incheon, an international hub that currently hosts flights between Seoul and Vladivostok.

Busan is the smaller, second city within Korea. The city appears to have a lower cost of living when compared to Seoul and reasonably high income levels when compared nationally. The airport in the city is easily accessible, with the exception of high traffic periods, as it is located approximately 5 kilometers from the city center. Flights are available from Busan to Vladivostok and there is an effort to expand that service.

POPULATION

The population of Seoul, approaching 11 million, is approximately 3 times the population of Busan. Approximately 10.3 million of Seoul's 10.7 million residents are Korean citizens, with the balance being foreign residents. Foreign residents are divided into two groups, those with residential registration and those without residential registrations. Just over 65% of the people without residential registrations, for which there are only statistics for 2010, were reportedly Chinese or Chinese-Korean.

Busan is home to approximately 3.6 million Korean citizens and over 50,000 foreign residents. Of the nearly 22,000 foreign citizens without residential registrations, approximately 36% are reportedly Chinese or Chinese-Korean. Combined, Seoul and Busan comprise populations of approximately 14.4 million people, including 13.9 million Korean citizens.

Korean Population Statistics							
	2005	2006	2007	2008	2009	2010	CAGR
Seoul							
Korean Citizens	10,167,344	10,181,166	10,192,710	10,200,827	10,208,302	10,312,545	0.3%
Foreign Citizens (with Residential Registration)	129,660	175,036	229,072	255,207	255,749	262,902	15.2%
Foreign Citizens (without Residential Registration)						162,822	N/A
Total	10,297,004	10,356,202	10,421,782	10,456,034	10,464,051	10,738,269	
Busan							
Korean Citizens	3,638,293	3,611,992	3,587,439	3,564,577	3,543,030	3,567,910	-0.4%
Foreign Citizens (with Residential Registration)	19,547	23,397	27,662	31,499	31,310	32,471	10.7%
Foreign Citizens (without Residential Registration)						21,759	N/A
Total	3,657,840	3,635,389	3,615,101	3,596,076	3,574,340	3,622,140	
Seoul and Busan Combined							
Korean Citizens	13,805,637	13,793,158	13,780,149	13,765,404	13,751,332	13,880,455	0.1%
Foreign Citizens (with Residential Registration)	149,207	198,433	256,734	286,706	287,059	295,373	14.6%
Foreign Citizens (without Residential Registration)						184,581	N/A
Total	13,954,844	13,991,591	14,036,883	14,052,110	14,038,391	14,360,409	
Remainder of Korea							
Korean Citizens	34,976,637	35,198,621	35,488,779	35,774,963	36,021,813	36,635,211	0.9%
Foreign Citizens (with Residential Registration)	336,270	434,057	508,695	567,301	583,577	623,544	13.1%
Foreign Citizens (without Residential Registration)						404,951	N/A
Total	35,312,907	35,632,678	35,997,474	36,342,264	36,605,390	37,663,706	

Source: Republic of Korea, Bureau of Statistics

The adult population is increasing as a percentage of the total South Korean population. In 2000, people age 18 and over made up 76.8% of Seoul and 76.0% of Busan. In 2005, the adult population increased to 79.6% of Seoul and 79.3% of Busan. Between 2000 and 2010, the adult population of Seoul grew at a CAGR of 0.6% while Busan's grew at 0.04%.

Korean Citizen Age Distribution			
	2000	2005	2000-2010 CAGR
Seoul			
0-17	23.2%	20.4%	
18 and older	76.8%	79.6%	0.60%
Busan			
0-17	24.0%	20.7%	
18 and older	76.0%	79.3%	0.04%
Remainder of Korea			
0-17	26.7%	24.1%	
18 and older	73.3%	75.9%	1.65%

Source: Republic of Korea, Bureau of Statistics, GMA

EMPLOYMENT

Unemployment rates in Seoul and Busan have been declining over the last ten years. In 2000, the unemployment rate in Seoul was 5.1%. The unemployment rate declined to 4.8% in 2005 and to 4.7% in 2010. Similarly, in Busan, the unemployment rate declined from 7.1% in 2000 to 4.3% in 2005 and to 3.6% in 2010. The declining unemployment rate is even more impressive given the growing adult population. The dynamic certainly supports the idea that there is growing disposable income and subsequent demand for entertainment that can be met by the IEZ.

Korean Unemployment Rates			
	2000	2005	2010
Seoul	5.1%	4.8%	4.7%
Busan	7.1%	4.3%	3.6%
Nationwide	4.4%	3.7%	3.7%

Source: Republic of Korea, Bureau of Statistics

GROSS REGIONAL DOMESTIC PRODUCT

The gross regional domestic product ("GRDP") of Seoul has grown from approximately 195 quadrillion won in 2003 to 257 quadrillion won in 2009. (174.5 trillion USD to 230.5 trillion USD or 5.1 trillion RUB to 6.7 trillion RUB). The GRDP grew each year between 2003 and 2009 and at a CAGR of 4.7% over the period. Growth in GRDP grew faster than the growth in the

population, with GRDP per capita growing from 19.4 million won in 2003 to 25.7 million won in 2009. (17,397 million USD to 22,984 million USD or 507,951.365 million RUB to 671,081.397 million RUB). GRDP per capita grew each year between 2003 and 2009 and at a CAGR of 4.8%.

GRDP in Busan grew from 43.9 quadrillion won in 2003 to 56.2 quadrillion won in 2008 before declining slightly to 55.9 quadrillion won in 2009. (39,267 million USD to 50,007 million USD or 1,146,480 million RUB to 1,460,088 million RUB). Between 2003 and 2009, Busan's GRDP grew at a CAGR of 4.1%. GRDP per capita in Busan, where the cost of living is lower than Seoul, grew from 12 million won in 2003 to 16 million won in 2009. (10,771 million USD to 14,326 million USD or 314,495 million RUB to 418,282 million RUB). Despite a slight decline in 2009, the GRDP per capita grew at a CAGR of 4.9%. The increase in GRDP per capita is positive for disposable incomes and the IEZ's potential.

South Korean Gross Regional Domestic Product ("GRDP") Statistics (KRW)							
	2003	2004	2005	2006	2007	2008	2009
Seoul							
GRDP (Mil KRW)	194,891,940	198,925,587	208,899,249	220,134,606	236,516,741	248,383,240	257,436,306
Year over year growth		2.1%	5.0%	5.4%	7.4%	5.0%	3.6%
2003-2009 CAGR							4.7%
GRDP per Capita (Mil KRW)	19.43	19.82	20.87	21.97	23.59	24.76	25.67
Year over year growth		2.0%	5.3%	5.3%	7.4%	5.0%	3.7%
2003-2009 CAGR							4.8%
Busan							
GRDP (Mil KRW)	43,854,809	45,984,442	48,068,574	49,433,567	52,679,517	56,182,324	55,850,847
Year over year growth		4.9%	4.5%	2.8%	6.6%	6.6%	-0.6%
2003-2009 CAGR							4.1%
GRDP per Capita (Mil KRW)	12.03	12.70	13.40	13.91	14.94	16.06	16.00
Year over year growth		5.6%	5.5%	3.8%	7.4%	7.5%	-0.4%
2003-2009 CAGR							4.9%
Nationwide							
GRDP (Mil KRW)	772,221,334	829,468,350	869,304,594	912,925,588	983,030,289	1,028,500,488	1,066,083,656
Year over year growth		7.4%	4.8%	5.0%	7.7%	4.6%	3.7%
2003-2009 CAGR							5.5%

Source: Republic of Korea, Bureau of Statistics

South Korean Gross Regional Domestic Product ("GRDP") Statistics (USD)							
	2003	2004	2005	2006	2007	2008	2009
Seoul							
GRDP (Million USD)	\$174,501	\$178,113	\$187,043	\$197,103	\$211,771	\$222,396	\$230,502
Year over year growth		2.1%	5.0%	5.4%	7.4%	5.0%	3.6%
2003-2009 CAGR							4.7%
GRDP per Capita USD	\$17,397	\$17,746	\$18,686	\$19,671	\$21,122	\$22,169	\$22,984
Year over year growth		2.0%	5.3%	5.3%	7.4%	5.0%	3.7%
2003-2009 CAGR							4.8%
Busan							
GRDP (Million USD)	\$39,267	\$41,173	\$43,039	\$44,262	\$47,168	\$50,304	\$50,007
Year over year growth		4.9%	4.5%	2.8%	6.6%	6.6%	-0.6%
2003-2009 CAGR							4.1%
GRDP per Capita (USD)	\$10,771	\$11,371	\$11,998	\$12,455	\$13,377	\$14,380	\$14,326
Year over year growth		5.6%	5.5%	3.8%	7.4%	7.5%	-0.4%
2003-2009 CAGR							4.9%
Nationwide							
GRDP (Mil USD)	\$691,428	\$742,686	\$778,354	\$817,411	\$880,181	\$920,894	\$954,545
Year over year growth		7.4%	4.8%	5.0%	7.7%	4.6%	3.7%
2003-2009 CAGR							5.5%
Source: Republic of Korea, Bureau of Statistics							

South Korean Gross Regional Domestic Product ("GRDP") Statistics (RUB)							
	2003	2004	2005	2006	2007	2008	2009
Seoul							
GRDP (Million RUB)	5,094,989	5,200,439	5,461,176	5,754,898	6,183,170	6,493,392	6,730,063
Year over year growth		2.1%	5.0%	5.4%	7.4%	5.0%	3.6%
2003-2009 CAGR							4.7%
GRDP per Capita RUB	507,951.365	518,146.992	545,596.757	574,353.654	616,704.720	647,291.600	671,081.397
Year over year growth		2.0%	5.3%	5.3%	7.4%	5.0%	3.7%
2003-2009 CAGR							4.8%
Busan							
GRDP (Million RUB)	1,146,480	1,202,154	1,256,639	1,292,324	1,377,181	1,468,754	1,460,088
Year over year growth		4.9%	4.5%	2.8%	6.6%	6.6%	-0.6%
2003-2009 CAGR							4.1%
GRDP per Capita (RUB)	314,495.879	332,011.443	350,311.286	363,644.029	390,570.941	419,850.691	418,282.133
Year over year growth		5.6%	5.5%	3.8%	7.4%	7.5%	-0.4%
2003-2009 CAGR							4.9%
Nationwide							
GRDP (Mil RUB)	20,187,899	21,684,487	22,725,911	23,866,279	25,699,000	26,887,711	27,870,234
Year over year growth		7.4%	4.8%	5.0%	7.7%	4.6%	3.7%
2003-2009 CAGR							5.5%
Source: Republic of Korea, Bureau of Statistics							

TOURIST VISAS TO VISIT RUSSIA

Parameters for tourist visas for South Korean passport holders are shown in the following table. Processing time can range from next business day service to regular service, which can last three days or more (this is assumed to be a maximum of seven business days). Processing costs range from 84,000 won to 372,000 won (\$75 USD to \$333 USD or 2,162.16 RUB to 9,575.28 RUB).

Russia Visa for South Korean Nationals (KRW)		
	Regular	Expedited
	3 Days or More	Next Business Day
Single Entry	₩84,000	₩132,000
Dual Entry	₩150,000	₩204,000
Multiple Entry	₩240,000	₩372,000
Source: Embassy of the Russian Federation in Republic of Korea		

Russia Visa for South Korean Nationals (USD)		
	Regular	Expedited
	3 Days or More	Next Business Day
Single Entry	\$75	\$118
Dual Entry	\$134	\$183
Multiple Entry	\$215	\$333
Source: Embassy of the Russian Federation in Republic of Korea		

Russia Visa for South Korean Nationals (RUB)		
	Regular	Expedited
	3 Days or More	Next Business Day
Single Entry	2,195.98	3,450.83
Dual Entry	3,921.39	5,333.10
Multiple Entry	6,274.23	9,725.06
Source: Embassy of the Russian Federation in Republic of Korea		

JAPANESE MARKET

Japan is currently the fourth largest source of tourism for Primorye. Flight service appears to be both seasonal and intermittent (meaning not daily). This is charter service operated through Tokyo's Narita Airport. Carriers are interested in expanding service and the Open Skies Agreement will make it easier to do so.

Tokyo is one of the largest and most modern cities in the world. It has served as a financial center for both Japan and the region and experienced substantial growth in the second-half of the last century. It is the political, economic, and cultural hub of Japan and its residents enjoy a standard of living on-par with other major global cities.

POPULATION

The city of Tokyo and seven surrounding prefectures are collectively referred to as the National Capital Region ("NCR"). The NCR is home to 43.5 million people, approximately one-third of the entire country's population. Approximately 85% of the NCR population is estimated to be age 18 or over, compared to 84% nationwide. This is high relative to other countries, and the fact that the country is aging is well documented. Demographers point to low birth rates as the main cause. Life expectancy in Japan is among the highest in the world, also contributing to this trend.

Growth in the NCR's population appears to be at the expense of other regions of Japan. This is in part due to migration within the country, as Tokyo is the political and economic hub of the country. Between 2005 and 2010, the Japanese population grew at an anemic 0.05% CAGR. Comparatively, the NCR grew at a 0.51% CAGR while the remainder of the country's population actually declined at a CAGR of 0.19%.

Japanese Population (000)						
	2000	2005	2010	2000-2005 CAGR	2005-2010 CAGR	2010 (Age 18 and Over)
National Capital Region						
Tokyo	12,064	12,577	13,162	0.84%	0.91%	11,355
Kanagawa	8,490	8,792	9,050	0.70%	0.58%	7,633
Yamanashi	888	885	863	-0.07%	-0.51%	720
Saitama	6,938	7,054	7,195	0.33%	0.40%	6,035
Gunma	2,025	2,024	2,008	-0.01%	-0.16%	1,681
Tochigi	2,005	2,017	2,007	0.12%	-0.10%	1,686
Ibaraki	2,986	2,975	2,969	-0.07%	-0.04%	2,479
Chiba	5,926	6,056	6,217	0.43%	0.53%	5,218
Total NCR	41,322	42,380	43,470	0.51%	0.51%	36,807
Remainder of Japan	126,926	127,768	128,056	0.13%	0.05%	70,842
Nationwide	168,248	170,148	171,526	0.22%	0.16%	107,650

Source: Statistics Bureau of Japan, GMA

The aging of the Japanese population is demonstrated in the following population forecasts provided by the Statistics Bureau of Japan. While the total population is declining the population 18 and over will continue to grow until 2015, when the entire population and the adult population both start to decline.

Forecasted Growth in Japanese Population (000)					
	2011	2012	2013	2014	2015
Total Population	126,913	126,605	126,254	125,862	125,430
Growth	-0.89%	-0.24%	-0.28%	-0.31%	-0.34%
Population 18 and Over	105,858	105,926	105,979	105,997	105,980
Growth	-1.66%	0.06%	0.05%	0.02%	-0.02%
Source: Statistics Bureau of Japan, GMA					

EMPLOYMENT AND THE ECONOMY

Although Japan has experienced slow economic growth in recent decades, and even economic contraction in some years, unemployment rates have remained relatively low. In 2010, the most recent year for which data was available, unemployment was 5.1%. This was a relatively high rate in recent history, the third-highest observation since 2000. Overall unemployment is somewhat low compared to many other developed countries recent unemployment rates, where a global economic recession has led to greater unemployment.

Japan has not experienced the economic growth that several other regional countries have enjoyed in recent years. Relatively speaking, Japan was the second largest economy in the world and was comparatively mature. Slow growth has been due to a number of factors including the challenges of a declining population in addition to the unwinding of complex corporate structures that led to sub-optimal results. Most recently, the March 2011 natural disaster has led to aggressive government and central bank policies to support investment. While substantial investments are being made to rebuild the affected areas and diversify the energy supply, the Bank of Japan's efforts to weaken the yen supports growth in exports and opportunities for the domestic economy.



Selected Japan Economic Statistics (JPY)

Year	Unemployment Rate	Laborforce	Change	GDP (Billion Yen)	Change
2000	4.7%	67,660,000		¥504,119	
2001	5.0%	67,520,000	-0.2%	¥493,645	-2.1%
2002	5.4%	66,890,000	-0.9%	¥489,875	-0.8%
2003	5.3%	66,660,000	-0.3%	¥493,748	0.8%
2004	4.7%	66,420,000	-0.4%	¥498,491	1.0%
2005	4.4%	66,500,000	0.1%	¥503,187	0.9%
2006	4.1%	66,570,000	0.1%	¥510,938	1.5%
2007	3.9%	66,690,000	0.2%	¥515,804	1.0%
2008	4.0%	66,500,000	-0.3%	¥492,067	-4.6%
2009	5.1%	66,170,000	-0.5%	¥474,040	-3.7%
2010	5.1%	65,900,000	-0.4%		

Source: Statistics Bureau of Japan

Selected Japan Economic Statistics (USD)

Year	Unemployment Rate	Laborforce	Change	GDP (Billion USD)	Change
2000	4.7%	67,660,000		\$6,208	
2001	5.0%	67,520,000	-0.2%	\$6,079	-2.1%
2002	5.4%	66,890,000	-0.9%	\$6,033	-0.8%
2003	5.3%	66,660,000	-0.3%	\$6,080	0.8%
2004	4.7%	66,420,000	-0.4%	\$6,139	1.0%
2005	4.4%	66,500,000	0.1%	\$6,197	0.9%
2006	4.1%	66,570,000	0.1%	\$6,292	1.5%
2007	3.9%	66,690,000	0.2%	\$6,352	1.0%
2008	4.0%	66,500,000	-0.3%	\$6,060	-4.6%
2009	5.1%	66,170,000	-0.5%	\$5,838	-3.7%
2010	5.1%	65,900,000	-0.4%		

Source: Statistics Bureau of Japan

Selected Japan Economic Statistics (RUB)

Year	Unemployment Rate	Laborforce	Change	GDP (Billion RUB)	Change
2000	4.7%	67,660,000		181,260	
2001	5.0%	67,520,000	-0.2%	177,494	-2.1%
2002	5.4%	66,890,000	-0.9%	176,138	-0.8%
2003	5.3%	66,660,000	-0.3%	177,531	0.8%
2004	4.7%	66,420,000	-0.4%	179,236	1.0%
2005	4.4%	66,500,000	0.1%	180,925	0.9%
2006	4.1%	66,570,000	0.1%	183,711	1.5%
2007	3.9%	66,690,000	0.2%	185,461	1.0%
2008	4.0%	66,500,000	-0.3%	176,926	-4.6%
2009	5.1%	66,170,000	-0.5%	170,445	-3.7%
2010	5.1%	65,900,000	-0.4%		

Source: Statistics Bureau of Japan

INCOME

Japan's income per capita grew between FY 2005 and FY 2007, before declining in FY 2008. Income per capita in the NCR was predictably consistent, with the most notable declines occurring in Tokyo. This could be due to contraction in the financial industry that year, as Tokyo is a global financial hub and this year was particularly challenging in the finance industry. These statistics are shown in the following table for the most recently published period.

Income Per Capita (1000 JPY)				
	FY 2005	FY 2006	FY 2007	FY 2008
National Capital Region				
Tokyo	4,607	4,673	4,589	4,155
Kanagawa	3,221	3,287	3,305	3,198
Yamanashi	2,663	2,715	2,759	2,729
Saitama	2,960	2,988	3,036	2,933
Gunma	2,851	2,873	2,924	2,693
Tochigi	3,118	3,118	3,150	2,917
Ibaraki	2,835	2,905	3,017	2,943
Chiba	2,949	2,959	3,083	2,976
Nationwide	3,016	3,057	3,101	2,916

Source: Statistics Bureau of Japan

Income Per Capita (1000 USD)				
	FY 2005	FY 2006	FY 2007	FY 2008
National Capital Region				
Tokyo	56.7	57.5	56.5	51.2
Kanagawa	39.7	40.5	40.7	39.4
Yamanashi	32.8	33.4	34.0	33.6
Saitama	36.5	36.8	37.4	36.1
Gunma	35.1	35.4	36.0	33.2
Tochigi	38.4	38.4	38.8	35.9
Ibaraki	34.9	35.8	37.2	36.2
Chiba	36.3	36.4	38.0	36.6
Nationwide	37.1	37.6	38.2	35.9

Source: Statistics Bureau of Japan

Income Per Capita (1000 RUB)				
	FY 2005	FY 2006	FY 2007	FY 2008
National Capital Region				
Tokyo	1,656	1,680	1,650	1,494
Kanagawa	1,158	1,182	1,188	1,150
Yamanashi	958	976	992	981
Saitama	1,064	1,074	1,092	1,055
Gunma	1,025	1,033	1,051	968
Tochigi	1,121	1,121	1,133	1,049
Ibaraki	1,019	1,045	1,085	1,058
Chiba	1,060	1,064	1,109	1,070
Nationwide	1,084	1,099	1,115	1,048

Source: Statistics Bureau of Japan

TOURIST VISAS TO VISIT RUSSIA

The following table shows the costs to process a tourist visa for Japanese citizens. With some advance notice, Japanese citizens planning to visit Russia can get a visa processed for free. Processing costs range from 4,000 yen to 24,000 yen (\$49 to \$296 USD or 143 to 8,629 RUB) for processing times and start with as much as five days' notice to one day processing.

Russia Visa for Japanese Nationals For Single or Double Entry (JPY)				
	Processing Time in Business Days			
	10 Days	5 Days	2 Days	1 Day
Single or Double Entry	Free	¥4,000	¥8,000	¥24,000

Source: Embassy of the Russian Federation in Japan

Russia Visa for Japanese Nationals For Single or Double Entry (USD)				
	Processing Time in Business Days			
	10 Days	5 Days	2 Days	1 Day
Single or Double Entry	Free	\$49	\$99	\$296

Source: Embassy of the Russian Federation in Japan

Russia Visa for Japanese Nationals For Single or Double Entry (RUB)				
	Processing Time in Business Days			
	10 Days	5 Days	2 Days	1 Day
Single or Double Entry	Free	1,438	2,876	8,629

Source: Embassy of the Russian Federation in Japan

VI. EAST ASIA GAMING ENVIRONMENT

Casinos targeting regional gamers in Northeast Asia will be the main competitors to the proposed Integrated Entertainment Zone ("IEZ"). Beyond these regional competitors, Singapore and Macau will present various levels of competition and limit the ability of the proposed development to attract more distant players due to a combination of the appeal of convenient access to multiple facilities, facilities featuring a broader scope of amenities, the ability to cater to players with higher gaming budgets, and the comparative distance that some tourists would need to travel to reach the proposed IEZ. Information is provided in this section of the report to highlight the salient elements of relevant markets and demonstrate the opportunity for casino gaming in East Asia.

The following map of the region shows casinos in purple and horse tracks in blue. Casinos exist in nearby North and South Korea and pachinko parlors (approximately 12,000 locations not mapped) and racing are the main gaming alternatives in Japan. Larger Macau and Singapore casino gaming facilities predominately attract guests from Southern China and Southeast Asia and will likely offer limited competition in the near to medium term. Other destinations include Malaysia, Indochina, and the Philippines, all of which are distant and limited in scale such that they will compete to a lesser extent when compared to Macau and Singapore.



SOUTH KOREA

There are 17 casinos located in South Korea, 16 of which only admit players holding foreign passports. Thirteen of these foreign-only casinos are located in three cities, Seoul, Busan, and Jeju. To the south of the mainland, the island of Jeju hosts eight casinos and does not require visas for Chinese tourists, who comprise nearly 25% of all foreign-only casino visitation in the country. Despite this advantage, approximately 72% of the foreign-only facilities' revenue is driven by the three properties located in Seoul while Jeju generates nearly 10%. The table on the following page shows selected statistics for the performance of Korean casinos over the most recent two years for which information has been published.

The three properties in Seoul are three of the largest foreign-only casinos for which statistics are made publicly available. In 2010, two of these facilities, the Paradise Walker Hill and the Seven Luck COEX, each generated in excess of \$200 million in gross gaming revenue.

South Korea Casino Gaming Statistics (USD)											
Casino	Location	2009				2010					
		Visitation	Revenue (\$M) ¹	Revenue/Visit	Visitation	Revenue (\$M) ¹	Revenue/Visit	Table Games	Machine Games	Total Positions ²	Win/Position/Day
Paradise Walker Hill	Seoul	291,538	\$211.5	\$725	368,419	\$236.7	\$642	90	130	850	\$763
Seven Luck COEX	Seoul	283,364	\$177.6	\$627	343,537	\$200.7	\$584	69	121	673	\$817
Seven Luck Hilton	Seoul	709,225	\$142.5	\$201	774,734	\$133.1	\$172	59	131	603	\$605
Subtotal: Seoul		1,284,127	\$531.5	\$414	1,486,690	\$570.5	\$384	218	382	2,126	\$735
Seven Luck Lotte	Busan	161,112	\$45.0	\$279	180,020	\$44.9	\$250	35	80	360	\$342
Paradise Busan	Busan	85,071	\$47.9	\$563	83,947	\$56.4	\$671	35	42	322	\$480
Subtotal: Busan		246,183	\$92.9	\$377	263,967	\$101.3	\$384	70	122	682	\$407
Ramada Plaza Casino	Jeju	17,912	\$8.9	\$499	19,903	\$10.1	\$509	39	22	334	\$83
Paradise Grand Casino	Jeju	23,633	\$13.0	\$552	30,522	\$16.8	\$550	28	62	286	\$161
Shilla Casino	Jeju	215	\$0.0	\$60	13,848	\$3.5	\$253	21	0	168	\$57
Royal Palace Casino	Jeju	10,992	\$10.3	\$940	9,174	\$8.5	\$926	18	15	159	\$146
Lotte Hotel Casino	Jeju	34,576	\$16.2	\$468	33,322	\$16.6	\$498	41	48	376	\$121
L Vegas Casino	Jeju	24,200	\$15.4	\$636	23,091	\$10.7	\$464	27	16	232	\$127
Hyatt Hotel Casino	Jeju	6,786	\$5.5	\$813	5,640	\$4.3	\$769	19	10	162	\$73
Golden Beach Casino	Jeju	3,301	\$1.3	\$403	25,573	\$10.8	\$424	26	24	232	\$128
Subtotal: Jeju		121,615	\$70.8	\$582	161,073	\$81.4	\$505	219	197	1,949	\$114
Golden Gate Casino	Incheon	24,016	\$40.4	\$1,683	29,186	\$51.1	\$1,750	33	33	297	\$471
SM Casino	Kangwon	278	\$0.0	\$147	4,334	\$0.2	\$54	17	40	176	\$4
Inter-burgo Casino	Daegu	21	\$0.0		569	\$0.0	\$84	63	50	554	\$0
Subtotal: Other Markets		24,315	\$40.5	\$1,664	34,089	\$51.4	\$1,506	113	123	1,027	\$137
Subtotal: All Foreign-Only Markets		1,676,240	\$735.7	\$439	1,945,819	\$804.6	\$413	620	824	5,784	\$381
High 1	Kangwon	3,044,972	\$923.0	\$303	3,091,209	\$1,005.5	\$325	132	960	2,016	\$1,366
Total		4,721,212	\$1,658.7	\$351	5,037,028	\$1,810.1	\$359	752	1,784	7,800	\$636

Source: Korea Ministry of Culture, Sports, and Tourism

1) Exchange Rate of 0.0008 USD per Korean Won

2) Ratio of 8 Positions/Table

South Korea Casino Gaming Statistics (RUB)											
2009						2010					
Casino	Location	Visitation	Revenue (RUB M)	Revenue/Visit	Visitation	Revenue (RUB M)	Revenue/Visit	Table Games	Machine Games	Total Positions ¹	Win/Position/Day
Paradise Walker Hill	Seoul	291,538	6,174	21,178	368,419	6,911	18,759	90	130	850	22,276
Seven Luck COEX	Seoul	283,364	5,185	18,298	343,537	5,859	17,055	69	121	673	23,852
Seven Luck Hilton	Seoul	709,225	4,160	5,866	774,734	3,888	5,018	59	131	603	17,663
Subtotal: Seoul		1,284,127	15,520	12,086	1,486,690	16,658	11,205	218	382	2,126	21,467
Seven Luck Lotte	Busan	161,112	1,314	8,153	180,020	1,312	7,287	35	80	360	9,983
Paradise Busan	Busan	85,071	1,399	16,448	83,947	1,646	19,603	35	42	322	14,002
Subtotal: Busan		246,183	2,713	11,019	263,967	2,957	11,204	70	122	682	11,880
Ramada Plaza Casino	Jeju	17,912	261	14,562	19,903	296	14,873	39	22	334	2,428
Paradise Grand Casino	Jeju	23,633	381	16,120	30,522	490	16,049	28	62	286	4,693
Shilla Casino	Jeju	215	0.37	1,738	13,848	102	7,381	21	0	168	1,667
Royal Palace Casino	Jeju	10,992	302	27,449	9,174	248	27,040	18	15	159	4,274
Lotte Hotel Casino	Jeju	34,576	473	13,679	33,322	485	14,541	41	48	376	3,531
L Vegas Casino	Jeju	24,200	450	18,577	23,091	313	13,559	27	16	232	3,697
Hyatt Hotel Casino	Jeju	6,786	161	23,750	5,640	127	22,463	19	10	162	2,143
Golden Beach Casino	Jeju	3,301	39	11,774	25,573	317	12,384	26	24	232	3,740
Subtotal: Jeju		121,615	2,066	16,992	161,073	2,377	14,758	219	197	1,949	3,342
Golden Gate Casino	Incheon	24,016	1,180	49,149	29,186	1,491	51,090	33	33	297	13,755
SM Casino	Kangwon	278	1.2	4,285	4,334	6.87	1,585	17	40	176	107
Inter-burgo Casino	Daegu	21	-0.19		569	1.40	2,463	63	50	554	7
Subtotal: Other Markets		24,315	1,181	48,586	34,089	1,499	43,985	113	123	1,027	4,000
Subtotal: All Foreign-Only Markets		1,676,240	21,480	12,815	1,945,819	23,492	12,073	620	824	5,784	11,127
High 1	Kangwon	3,044,972	26,951	8,851	3,091,209	29,357	9,497	132	960	2,016	39,896
Total		4,721,212	48,431	10,258	5,037,028	52,849	10,492	752	1,784	7,800	18,563

Source: Korea Ministry of Culture, Sports, and Tourism

1) Ratio of 8 Positions/Table

Paradise Walker Hill is run by Paradise Casino, which also operates the Paradise Busan, Golden Gate Casino located within the Hyatt Regency, Paradise Grand, and Lotte Hotel Casino properties. Paradise Walker Hill operates 90 table games and 130 gaming machines, with some of this supply being designated for VIP play. The casino is located within the Walker Hill complex, which includes a 504-room Sheraton Grande and a 252-room W Hotel. Extensive meeting facilities play a role in the property's strategy, and a number of food & beverage and retail outlets are available in a resort-setting that also includes recreational activities. The casino is reasonably maintained although slightly dated and worn. In particular, the slot machines feature older titles but do offer ticket-in, ticket-out convenience. The casino has been subjected to increased competition, in particular with the introduction of the Seven Luck properties, which opened in 2006. This hampered performance as the additional supply was absorbed, but as the following table shows, Paradise Walker Hill has benefited from increasing visitation and revenue over the last two calendar years. However, and possibly due to moving higher level play to the Golden Gate Incheon facility, win per visit was diluted from relatively high levels.

Paradise Walker Hill Operating Statistics (USD)						
	2005	2006	2007	2008	2009	2010
Visitation	322,195	255,119	206,700	198,617	291,538	368,419
Growth		-20.8%	-19.0%	-3.9%	46.8%	26.4%
Revenue (\$M)	\$208.2	\$174.8	\$164.6	\$178.2	\$211.5	\$236.7
Growth		-16.0%	-5.8%	8.2%	18.7%	11.9%
Revenue/Visit	\$646	\$685	\$797	\$897	\$725	\$642
Growth		6.1%	16.2%	12.6%	-19.1%	-11.4%
Source: Korea Ministry of Culture, Sports, and Tourism						
Note: Exchange Rate of 0.0008 USD per Korean Won						

Paradise Walker Hill Operating Statistics (RUB)						
	2005	2006	2007	2008	2009	2010
Visitation	322,195	255,119	206,700	198,617	291,538	368,419
Growth		-20.8%	-19.0%	-3.9%	46.8%	26.4%
Revenue (RUB thousands)	6,077	5,105	4,807	5,202	6,174	6,911
Growth		-16.0%	-5.8%	8.2%	18.7%	11.9%
Revenue/Visit	18,863	20,009	23,256	26,191	21,178	18,759
Growth		6.1%	16.2%	12.6%	-19.1%	-11.4%
Source: Korea Ministry of Culture, Sports, and Tourism						
Note: Exchange Rate of 29,197.4 RUB per USD						

The vast majority of foreign casino visitation takes place at foreign-only casinos, in part due to the remote location of High 1⁶, the only property where Korean citizens are permitted to play. While visitation varies from property to property, with regards to nationality overall, casino visitation is somewhat similar to broader Korean tourism patterns. Busan, which is relatively close to Japan and has frequent direct flights from several Japanese cities, generates a relatively high level of visitation from Japanese clients. Jeju, which does not require visas for visitors from nearby northeastern China, generates a relatively high level of visitation from Chinese tourists. Visitation by Russian passport holders may be significant, as direct flights to Seoul exist from several Russian cities, but it is not specifically identified by the Korean Ministry of Culture, Sports, and Tourism.

2010 Foreign-Only Casino Visitation						
Casino	Location	Japan	China	Taiwan	Other	Total
Paradise Walker Hill	Seoul	70,203	205,620	19,448	73,148	368,419
Seven Luck COEX	Seoul	96,254	74,709	12,293	160,281	343,537
Seven Luck Hilton	Seoul	386,132	165,984	55,244	167,374	774,734
Subtotal: Seoul		552,589	446,313	86,985	400,803	1,486,690
Seven Luck Lotte	Busan	142,912	10,754	2,022	24,332	180,020
Paradise Busan	Busan	39,946	23,830	1	20,170	83,947
Subtotal: Busan		182,858	34,584	2,023	44,502	263,967
Ramada Plaza Casino	Jeju	5,210	13,121	199	1,373	19,903
Paradise Grand Casino	Jeju	20,622	8,760	0	1,140	30,522
Shilla Casino	Jeju	2,980	9,140	155	1,573	13,848
Royal Palace Casino	Jeju	4,880	2,623	432	1,239	9,174
Lotte Hotel Casino	Jeju	11,336	18,738	0	3,248	33,322
L Vegas Casino	Jeju	5,255	13,290	1,422	3,124	23,091
Hyatt Hotel Casino	Jeju	905	3,894	0	841	5,640
Golden Beach Casino	Jeju	4,513	19,516	0	1,544	25,573
Subtotal: Jeju		55,701	89,082	2,208	14,082	161,073
Golden Gate Casino	Incheon	7,626	13,333	451	7,776	29,186
SM Casino	Kangwon	113	1,834	131	2,256	4,334
Inter-burgo Casino	Daegu	106	17	10	436	569
Subtotal: Other Markets		7,845	15,184	592	10,468	34,089
Subtotal: All Foreign-Only Markets		798,993	585,163	91,808	469,855	1,945,819
Source: Korea Ministry of Culture, Sports, and Tourism						

Japan and China combine to generate nearly 1.4 million casino visits in Korea. Taiwan generates approximately 92,000 while all other nations combine to generate nearly 470,000 visits. This implies that no other single nation's citizens generate more than 92,000 visits.

⁶ In its 2010 Annual Report High 1 reported 28,000 of its 3.09 million visitors were from outside Korea.

Based on GMA's knowledge of the foreign-only casinos and discussions with industry participants in Korea, many of the Chinese visitors to South Korean casinos are from northern parts of China. This, combined with the willingness of the Japanese to also visit these properties, is a positive indication that the IEZ will attract foreign visitation.

Comparing casino visitation to total visitation in South Korea, it appears that a significant number of tourists visit casinos. No accurate information is provided on unique casino visitors, and the following table assumes each casino guest visits an average of 1.2 times per trip and that all visits come from tourists rather than foreign residents. Based on this assumption, the casinos have achieved an 18.5% penetration rate of all visitors to South Korea, with higher levels of visitation being driven from Chinese and Japanese visitors. While this penetration rate is comparable to centrally located casinos in other markets, it is likely that the actual penetration rate is lower due to residents that hold foreign passports.

2010 Visitation by Nationality		
	# of Total Visitors	% that gamble
Japan	3,023,009	22.0%
China	1,875,157	26.0%
Taiwan	406,352	18.8%
All Others	3,447,363	11.4%
Total	8,751,881	18.5%
Source: Korea Ministry of Culture, Sports, and Tourism;		
Note: Assumes 1.2 casino visits per trip		

High 1 opened in October 2000 (under the brand Kangwon Land) and is the only casino in Korea legally permitting domestic play. Passports are still required and Korean nationals are permitted to enter 15 days per month to prevent problematic gaming. The property, recently rebranded as the High 1 Resort, is part of an effort to revitalize a remote, mountainous mining town and is up to a four hour drive from Seoul. High 1 Resort offers 664 hotel rooms at two hotel properties in addition to condos and complements its lodging with golf, snow skiing, and other recreational activities in a picturesque setting.

Visitation at High 1 Resort has grown each year since 2005, albeit with slowed growth as operations matured and regional economic growth declined. During this slowdown, the average win per visitor dropped, with total revenue improvements being dependent on higher visitation. In 2010, the casino generated just over \$1 billion (29.2 billion RUB) in win with an average win per visit of \$325 (9,489 RUB).

High 1 Operating Statistics (USD)						
	2005	2006	2007	2008	2009	2010
Visitation	1,881,559	1,793,746	2,451,920	2,914,684	3,044,972	3,091,209
Growth		-4.7%	36.7%	18.9%	4.5%	1.5%
Revenue (\$M)	\$648.2	\$641.7	\$775.9	\$852.8	\$923.0	\$1,005.5
Growth		-1.0%	20.9%	9.9%	8.2%	8.9%
Revenue/Visit	\$344	\$358	\$316	\$293	\$303	\$325
Growth		3.8%	-11.5%	-7.5%	3.6%	7.3%

Source: Korea Ministry of Culture, Sports, and Tourism
Note: Exchange Rate of 0.0008 USD per Korean Won

High 1 Operating Statistics (RUB)						
	2005	2006	2007	2008	2009	2010
Visitation	1,881,559	1,793,746	2,451,920	2,914,684	3,044,972	3,091,209
Growth		-4.7%	36.7%	18.9%	4.5%	1.5%
Revenue (RUB thousands)	18,924	18,735	22,656	24,898	26,951	29,357
Growth		-1.0%	20.9%	9.9%	8.2%	8.9%
Revenue/Visit	10,058	10,445	9,240	8,542	8,851	9,497
Growth		3.8%	-11.5%	-7.5%	3.6%	7.3%

Source: Korea Ministry of Culture, Sports, and Tourism
Note: Exchange Rate of 29.1974 RUB per USD

The following table shows the distribution of annual win at High 1 Resort for the most recently available period. High 1 Resort generated over 95% of its win from its casino floor, with 18% being driven by its VIP tables. Those tables included 16 baccarat tables and 4 blackjack tables and averaged a win per unit per day of nearly \$26,000 (759,132 RUB). Relative to other markets in Asia, slot machines are also popular, attracting 27% of play and a win per unit per day of \$810 (23,650 RUB).

High 1 Resort 2010 Operating Statistics (USD)				
Revenue Stream	Revenue	Percentage	Table/Slot Count	W/U/D
VIP Table	\$189,170,290	18.0%	20	\$25,914
Mass Market Table	\$530,727,757	50.5%	112	\$12,983
Slot	\$283,755,435	27.0%	960	\$810
Other	\$47,292,572	4.5%		

Source: High 1 Resort, Kangwon Land Inc.
Note: W/U/D is win per unit per day, Analysis assumes an exchange rate of 0.0008 USD per Won

High 1 Resort 2010 Operating Statistics (RUB)				
Revenue Stream	Revenue	Percentage	Table/Slot Count	W/U/D
VIP Table	5,523,280,619	18.0%	20	756,614
Mass Market Table	15,495,870,626	50.5%	112	379,058
Slot	8,284,920,929	27.0%	960	23,644
Other	1,380,820,155	4.5%		
Source: High 1 Resort, Kangwon Land Inc.				
Note: W/U/D is win per unit per day, Analysis assumes an exchange rate of 29.1974 RUB per USD				

Interest in the expansion of casino gaming in Korea has existed for some time. Most recently, a group of large casino operators combined efforts with a group commissioned by the Korean Tourism Organization to lead the effort. The operators, almost all of which have an interest in the Macau market, have solicited comments from other industries, the academic community, and politicians as to the role that gaming can play in Korea's continued economic growth. Public comments by powerful industry executives including Steve Wynn and Sheldon Adelson have fueled interest in what is reported to be the addition of up to five casino resorts. The regulatory model could center around what has become known as the 'Singapore model' which would include iconic resorts and possibly entry fees for Korean residents. It should be noted that three or four of these resorts could be located within proximity to Incheon International Airport.

NORTH KOREA

The Emperor Hotel and Casino operates in the Rason Special Economic Zone in the Democratic People's Republic of Korea. It's location within proximity to where Russia (17.5 kilometer border with North Korea), China, and North Korea meet makes it a convenient destination for Chinese players living in the northeast part of the country. In fact, in 2005, the Asia Times reported that the casino's 50,000 annual visitors come from Liaoning, Jilin, and Heilongjiang, the three northeast provinces of China. With no domestic play or visitation from other countries, these players are the only source of revenue for the property. The 150-room hotel is said to offer free rooms to players who spend over \$3,000 (87,592 RUB).

The \$180 million USD (5.26 billion RUB), 120,000 square meter casino was opened in 1999. The property was reported to have temporarily closed due to Chinese concerns over play by government officials and subsequent travel bans. This has been confirmed by tourism professionals in northeast China, who noted that they regularly sent clients to the property.

JAPAN

Japan's gaming market includes pachinko and pachislot parlors, a lottery, and wagering on a number of types of racing including horses, motorcycle, auto, boat, and bicycles. Pachinko and pachislot are most similar to casino gaming and generate approximately \$30 billion (875.9 billion RUB) in revenue while the lottery generates approximately \$11 billion (321.2 billion RUB). In total, racing generates approximately \$57 billion (1.7 trillion RUB), with about 62% coming from horse racing (JRA and NAR combined), as is seen in the following table. Overall, and similar to other markets, wagering on racing has been in a general and broad state of decline in recent years.

Japanese 2010 Racing Statistics					
Type of Racing	Racing Days	Turnover (¥)	Turnover (\$)	Turnover (RUB)	Attendance
JRA	288	¥2,427,565,594,700	\$29,894,742,029	872,848,740,919	6,739,580
NAR	1,466	¥347,796,923,000	\$4,283,014,768	125,052,895,378	4,116,606
Bicycle Racing	2,670	¥679,158,060,200	\$8,363,627,764	244,196,185,275	5,838,084
Motorcycle Racing	483	¥91,862,166,200	\$1,131,255,018	33,029,705,266	1,999,237
Motorboat Racing	4,324	¥896,809,638,800	\$11,043,941,659	322,454,382,192	123,831,100
Grand Total	9,231	¥4,443,192,382,900	\$54,716,581,238	1,597,581,909,030	142,524,607

Source: Japanese Racing Association
 Note: For calendar year, Motorboat Racing includes off-course patrons

Pachinko is believed to have been modeled after an American game, Corinthian, and was created in Japan in the 1920's. The game is similar to pinball but played on a vertical surface with a number of balls in play simultaneously. The player controls the velocity of the balls shooting into the playing area, where the balls trickle through a series of pins and finally into a scoring slot or hole. Higher scores return more balls to players. Pachislot, a variation of the pachinko machines, accepts tokens rather than balls and was modeled after slot machines, and some of the mechanics of the traditional pachinko machine have been incorporated into electronic functions. Overall, the machines feature a high degree of technical sophistication, including lighting and sounds, such that the entertainment value is popular and the machines are successful. Cumulatively, the industry is referred to as pachinko despite the different types of machines.

Avid pachinko players keep abreast of developing technologies and games such that operators must continually replace machines to stay competitive. This limits the useful life of a ¥300,000 to ¥400,000 (approximately \$3,700 - \$4,900 USD or 108,030 – 143,067 RUB) machine to 6 to 9 months in competitive markets and represents a substantial expense for operators. In fact, in some markets capital expenditures for machine product can be as high as 40% of total cash outflow. Win per machine is rumored to average \$17-\$18 (496 - 525 RUB) daily, indicating \$6,570 (191,625 RUB) in annual win per machine and implying that the win in competitive markets is higher.



From a regulatory perspective, gambling organized by private entities is prohibited in Japan. However, pachinko and various types of racing are considered leisure activities and are overseen by various regulatory agencies. The National Police Agency controls pachinko and considers it a "reasonably speculative form of pastime." Rumors circulate that retired police benefit from the third-party transactions required to meet regulatory requirements.

Pachinko is governed by the Act Regulating Adult Entertainment Business, which requires that customers must be over 18 years of age and prohibits 1) giving cash or securities as a prize, 2) repurchasing prizes given to players, 3) taking pachinko balls off the premises, and 4) hosting machines that are too speculative.⁷ A system has been developed to circumvent these restrictions in which balls or tokens can be exchanged for prizes such as cigarettes or electronics, similar to an arcade game but with prizes that adults may want. However, special prizes can also be redeemed and exchanged off-premises for cash. The exchange shop, which is usually adjacent or very close, then sells the prizes back to the pachinko shop.

Daikoku surveys pachinko industry professionals and publishes the following information. Industry professionals interviewed for this report indicated that although the survey does not include all operators, it does include operators of the largest and most successful facilities. Industry professionals in Japan rely on the survey, which includes accurate supply data collected by the police as well as the survey data for a limited number of machines. In 2009, the most recent data that was available, the survey included about 20% of the total machine count. However, based on GMA's experience in the market and discussions with industry professionals, the survey appears to account for approximately half of all machine revenue. The following table includes this data and shows that the Japanese population supports approximately 4.5 million machines.

⁷ Ibizcube Japan Ltd.



Japanese Pachinko Industry Statistics

	2005	2006	2007	2008	2009
DAIKOKU DK-SIS Survey					
Number of Pachinko Machines	330,051	433,772	521,490	604,373	703,921
Number of Pachislot Machines	220,952	271,339	245,243	251,644	265,241
Total Machine Count	551,003	705,111	766,733	856,017	969,162
Pachinko Gross Revenue (hundred million Yen)	¥3,300	¥4,210	¥5,780	¥8,510	¥9,510
Pachislot Gross Revenue (hundred million Yen)	¥3,000	¥3,840	¥3,680	¥2,970	¥2,900
Total Gross Revenue (hundred million Yen)	¥6,300	¥8,050	¥9,460	¥11,480	¥12,410
Pachinko Gross Revenue (millions US\$)	\$4,231	\$5,397	\$7,410	\$10,910	\$12,192
Pachislot Gross Revenue (million US\$)	\$3,846	\$4,923	\$4,718	\$3,808	\$3,718
Total Gross Revenue (million US\$)	\$8,077	\$10,320	\$12,128	\$14,718	\$15,910
Pachinko Gross Revenue (million RUB)	123,534	157,578	216,353	318,544	355,975
Pachislot Gross Revenue (million RUB)	112,293	143,739	137,753	111,184	108,556
Total Gross Revenue (million RUB)	235,827	301,317	354,106	429,727	464,531
Police Data					
Number of Business Establishments	15,165	14,674	13,585	12,937	12,652
Number of Pachinko Machines	2,960,939	2,932,952	2,954,386	3,076,421	3,158,799
Number of Pachislot Machines	1,936,470	2,003,482	2,954,386	3,076,421	3,158,699
Total Machine Count	4,899,198	4,937,381	4,590,577	4,525,515	4,506,250

Source: Daikoku Survey

Note: Conversion rate of 78 Yen/US\$ and 29.1974 RUB-US\$

Nichiyukyo is an organization of industry players, similar to a lobbying group. According to their most recently published statistics, the number of pachinko outlets declined between 2004 and 2008. However, the number of machines did not decline as quickly, such that the total number of machines per outlet increased. In fact, consolidation has long been a trend in the industry and is believed to have continued since 2008.

The following table from the Japan Tourism Bureau demonstrates that overall approximately 4.7% of Japanese tourists participate in gaming during trips abroad. Participation had dipped in 2009. This may have been tied to a broader drop in outbound tourism overall and is possibly tied to a strong yen. In 2010 levels (the most recent period available) levels seemed to recover to 2008 levels, and approximately 782,100 visits abroad included gaming as an activity that was undertaken. Japanese tourists seem to game more where casino gaming is available, such as while visiting East Asia, North America, and Oceania. In contrast, China, Europe, and Russia have lower participation rates. This is likely due to a lack of supply, and the addition of casino gaming in Russia is expected to bring participation rates up significantly, particularly when considered for specific destinations that offer casino gaming. Demographically, it appears to be predominately men that are participating in gaming while abroad. In particular, single men,

who on aggregate likely have fewer time constraints and fewer financial obligations, appear to game at a higher rate.

Outbound Japanese Tourist Participation in Gaming						
All Outbound Tourists						
	2008	2009	2010			
Outbound Trips (M)	15.99	15.45	16.64			
Percent that Game	4.9%	3.6%	4.7%			
Number that Game (000)	783.5	556.2	782.1			
By Destination (Selected Regions)						
	East Asia	China	U.S.A. Mainland	Canada	Oceania	Europe/ Russia
2009	7.9%	1.0%	11.8%	10.3%	7.1%	0.4%
2010	8.3%	1.9%	18.4%	13.8%	4.8%	0.9%
By Demographics (Above Average Groups)						
	All	Male Students	Single Men	Married Men	Middle- Aged Men	Elderly Women
2009	3.6%	6.2%	7.2%	3.1%	5.6%	3.6%
2010	4.7%	N/A	11.5%	5.1%	7.9%	4.9%
Source: Japan Tourism Bureau, JTB Report 2010, JTB Report 2011						

The expansion of casino gaming in Japan has been discussed thoroughly in recent years. Government officials, industrial executives within Japan, and gaming developers from outside the country have all participated in the discussion. While expansion could include multiple facilities located within the country, the prospects of a 'test case' have been advanced due to concerns by some parties. The potential locations of these facilities have included the southern island of Okinawa and the cities of Tokyo and Osaka. While it is possible that the government will move forward at any time, discussions have subsided as the government focuses on the need to rebuild since the March 2011 earthquake and tsunami.

MACAU

Macau is the largest gaming market in the world when measured by revenue. Over the last decade, when a monopoly was ended and competition introduced, this Special Administrative Region of China has experienced substantial investment while the Chinese government has eased travel restrictions for mainland Chinese passport holders. The investments were driven by ending Sociedade de Jogos de Macau's ("SJM") monopoly, which has responded to competition from five new market entrants by also investing in new facilities. Historically facilities were adequate for a much lower level of visitation and revenue driven from a customer base with lower expectations, whereas the new investments have yielded world-class facilities and led to phenomenal growth over the last decade. Macau now hosts 34 casinos that generated an estimated USD\$35.5 billion (1.0 trillion RUB) in gross gaming revenue in 2011,

approximately 3.5 times the entire state of Nevada. Substantial visitation and gaming budgets have overcome a relatively high effective gaming tax rate of 39%.

Gaming Revenues for Macau						
	2007	2008	2009	2010	2011	CAGR
VIP Table	55,762	73,772	79,833	135,648	196,126	28.6%
% of Revenue	67%	68%	67%	72%	70%	
Mass Table	23,669.70	29,349.80	32,974.20	43,965.20	71,741.84	24.8%
% of Revenue	29%	27%	28%	23%	26%	
Slot	3,595	5,653	6,502	8,619	11,425	26.0%
% of Revenue	4%	5%	5%	5%	4%	
Total	83,026.70	108,774.80	119,309.20	188,232.20	279,292.84	27.5%
# of Slots	10,090	12,800	13,505	14,382	15,210	
# of Tables	3,610	4,229	4,442	4,817	5,193	
Total Visitors	26,992,995	22,933,185	21,752,751	24,965,411	28,002,279	0.7%
All revenues are Macanese Patacas in millions						
Source: Gaming Inspection and Coordination Bureau						

Gaming Revenues for Macau (USD)						
	2007	2008	2009	2010	2011	CAGR
VIP Table	\$6,980	\$9,235	\$9,993	\$16,980	\$24,551	28.6%
% of Revenue	67%	68%	67%	72%	70%	
Mass Table	\$2,963	\$3,674	\$4,128	\$5,503	\$8,981	24.8%
% of Revenue	29%	27%	28%	23%	26%	
Slot	\$450	\$708	\$814	\$1,079	\$1,430	26.0%
% of Revenue	4%	5%	5%	5%	4%	
Total	\$10,393	\$13,616	\$14,935	\$23,563	\$34,961	27.5%
# of Slots	10,090	12,800	13,505	14,382	15,210	
# of Tables	3,610	4,229	4,442	4,817	5,193	
Total Visitors	26,992,995	22,933,185	21,752,751	24,965,411	28,002,279	0.7%
All revenues are USD in millions						
Source: Gaming Inspection and Coordination Bureau						

Gaming Revenues for Macau (RUB)						
	2007	2008	2009	2010	2011	CAGR
VIP Table	203,803	269,627	291,779	495,776	716,815	28.6%
% of Revenue	67%	68%	67%	72%	70%	
Mass Table	86,510	107,270	120,516	160,687	262,207	24.8%
% of Revenue	29%	27%	28%	23%	26%	
Slot	13,139	20,661	23,764	31,502	41,757	26.0%
% of Revenue	4%	5%	5%	5%	4%	
Total	303,452	397,558	436,060	687,965	1,020,780	27.5%
# of Slots	10,090	12,800	13,505	14,382	15,210	
# of Tables	3,610	4,229	4,442	4,817	5,193	
Total Visitors	26,992,995	22,933,185	21,752,751	24,965,411	28,002,279	0.7%
All revenues are RUB in millions						
Source: Gaming Inspection and Coordination Bureau						

Approximately 70% of gross gaming revenue accrues on VIP tables. Players at these tables, estimated to be between 1% and 2% of all players, are at times recruited directly by casinos, although more frequently VIP play is organized by junket operators. Junket operators in the Macau market are critical, particularly for VIP players from China. While junket operators make travel arrangements and cater to players, their most important function is in arranging currency transfers, providing credit, and accepting credit risk. Current regulations limiting the ability of Chinese residents to bring currency out of China and the inability of casinos to enforce gambling debts in China have created this role for junket operators. This role will likely exist at the IEZ as well since similar regulations will apply.

Growth in gross gaming revenue in the Macau market has largely been a function of increased gaming budgets, as reflected in the win per visitor in the previous table. Win per visitor has increased from nearly \$400 USD (11,679 RUB) in 2007 to over \$1,200 USD (35,037 RUB) in 2011. This is due to a number of factors including high rates of economic growth and disposable incomes in the region and particularly in China; an increase in hotel rooms and therefore the length of stay for some guests; and an increase in the number of facilities and subsequent marketing efforts.

The following table details 2011 visitation to Macau. In 2011, approximately 89% of the 28 million visitors to Macau came from Mainland China, Hong Kong, and Taiwan. As such, facilities are highly tailored to people of Chinese ethnicity. In fact, the majority of signage and spoken language is Cantonese. Further research shows that only 2.4% of visitors to Macau come from the three northern areas of China: Beijing, Tianjin, and Liaoning. This compares to approximately 48% of all visitation from the provinces lying largely south of Beijing and east of Sichuan. Guangdong, which is adjacent to Macau and has a number of convenient transportation alternatives, generated approximately 29% of all visitation to Macau. The next



closest province, Fujian, contributes 3.3% of all visitation. This is a common feature in many markets, where visitation from nearby regions can be significantly higher (all other things being equal) than more distant markets. This dynamic is responsible for the lower visitation from the northeastern region of China, which presents an opportunity for the IEZ.

2011 Macau Visitation Details		
	Visitor Count	Share of Total
Total Visitation	28,002,279	100.0%
Mainland China	16,162,747	57.7%
Hong Kong	7,582,923	27.1%
Taiwan	1,215,162	4.3%
Sub Total	24,960,832	89.1%
Mainland China Details		
Eastern Provinces ¹	13,403,877	47.9%
Beijing	314,696	1.1%
Tianjin	100,585	0.4%
Liaoning	251,441	0.9%
Other ²	2,092,148	7.5%
Other Target Countries		
Russia	16,512	0.1%
Korea	398,807	1.4%
Japan	396,023	1.4%
Source: Macau SAR Statistics and Census Service		
1) Includes Guangdong, Fujian, Zhejiang, Hunan, Jiangsu, Henan, Sichuan, Shanghai, Chongqing, Hubei, Guangxi, Jiangxi, Anhui, Shanxi, and Shandong		
2) Includes Jilin, Heilongjiang, Inner Mongolia, Shaanxi, Hingxia, Gansu, Xinjiang, Tibet, Qinghai, Yunnan, Guizhou, and Hainan		

Other target markets for the IEZ include Russia, South Korea, and Japan. Russia, the most populous of the three countries, contributes only 0.1% of visitation to Macau. This is possibly due to the fact that the market largely caters to Chinese players and other players from the Far East. For example, whereas baccarat is popular with many Chinese gamers, games with higher levels of volatility, such as roulette, are more popular with Russian gamers. South Korea and Japan each drove nearly 400,000 visits to Macau in 2011, and the three markets combined for nearly 3% of all visitation to Macau in 2011.

SINGAPORE

Legislation approving two casino resorts in Singapore was passed in December of 2004. Following a competitive bidding process, two resorts were approved for specific locations within the city. Resorts World Sentosa ("RWS"), which opened in January of 2010, operates a 500 hectare, \$5.3 billion USD (154.7 billion RUB) resort on Sentosa Island. Operated by Genting International, the resort includes multiple hotels, a Universal Studios theme park, a water park, a marine life park, museums, retail shopping, food and beverage outlets, and a casino.

In April of 2010, Las Vegas Sands Co. opened Marina Bay Sands ("MBS"), a \$5.6 billion USD (163.5 billion RUB) resort on 20.6 hectare in the Marina Bay area. The resort features three 57-story hotels which support the SkyPark; an observation deck that hosts a restaurant and pool; over 111,000 square meters of convention space; 300 luxury retail shops; food & beverage outlets; and a casino.

Passports are required to enter the casino and Singaporeans must pay an entry fee of S\$100 (\$80 USD or 2,336 RUB) for a single entry or S\$2,000 (\$1,598 USD for 46,657 RUB) for an annual membership. These fees are in place to discourage play by Singaporeans, as the government's position on casino development was to stimulate tourism. In fact, the hallmark of the bidding process was the government's requirements for the successful bidder. The government limited the size of each casino to 15,000 square meters, with a minimum of 30% of the floor area designated as smoke free, and a maximum of 2,500 electronic gaming machines. However, the two properties were encouraged to include a number of other amenities, as listed above. The process ensured that one was positioned as a family resort (RWS) and the other, centrally located facility (MBS) be positioned to attract meetings and conventions as well as those traveling for business purposes. The process noted that the government envisioned 'iconic resorts' that ultimately yielded the two largest casinos in the world as measured by investment.

To achieve the desired investment, the Singapore government instituted a competitive tax rate. This reflected a long-term view of the potential for gaming in the city and the benefits that incremental tourism and job creation would have on the economy. The gaming tax rates of 15% on mass market play and 5% on VIP play (defined as a minimum buy-in of S\$100,000 (\$79,913 USD or 2,333,252 RUB)) are effectively higher due to a 7% value added tax. However, compared to an effective tax rate of 39% in Macau, the economics are considered to be favorable.

No junket operators have been licensed in Singapore, so all foreign VIP play is being generated through direct marketing efforts and is largely driven by regional countries including Indonesia as well as Malaysia, which is targeted through aggressive bussing programs. The exception appears to be China, and a number of factors may be leading to this performance. First, the

effect of distance is in part overcome by the relatively large Chinese population, leading to substantial visitation relative to countries that have at most one-fifth that of the population of China. Second, it is important to note that the MBS facility also may drive VIP visitation through its Macau properties, as the economics in Singapore are significantly more favorable for the company. This can be done through its offices in mainland China as well as at the facility. Finally, and most importantly, is that the reported maximum commission rate in Singapore is 1.5%. This is substantial relative to direct marketing efforts in Macau, the main competition for high-budget VIPs, where commission rates on direct play are likely between 1.0% and 1.1%. All of these factors: low tax rates that enable high commission rates, the predominately regional nature of VIP play, and the depth of the Chinese market, are all favorable for the proposed IEZ.

No casino junket operators are currently licensed in Singapore, although reports persist that some are currently operating. It is possible that, if some are licensed, revenue could grow substantially. In fact, some industry experts estimate VIP players to be well below 1%, which is lower than the share in Macau, in part due to the lack of licensed junkets in Singapore. Noting that potential, many believe that when results are made public that Singapore will have generated \$5.5 to \$6 billion USD (160.6 – 175.2 billion RUB) in revenue in 2011, surpassing the Las Vegas Strip and becoming the second largest gaming market in the world in just two years' time.

MALAYSIA

Historically known as Genting Highlands, Resorts World Malaysia ("RWM") is part of a complex ownership structure ultimately controlled by Genting Berhad. The multi-faceted entertainment destination is located on a 2,000 meter mountaintop northeast of Malaysia's capital, Kuala Lumpur. Approximately 60% of Malaysia's 29 million residents are Muslim (according to the Central Intelligence Agency's World Factbook) and are prohibited from gaming in the casino at RWM, which has the country's only casino. RWM is also prohibited from issuing credit, although check cashing is permitted and junket players can wire funds to the property.

The result of several expansions over a 40-year timeframe, RWM includes six hotels offering over 10,000 hotel rooms, approximately 20,000 square meters of casino gaming space, conference and meeting space, a theme park with over 50 attractions, an estimated 170 dining and retail outlets, and other recreational and live entertainment options. The casino includes approximately 3,500 slots and 500 table games. The scale of the facilities and monopoly power within Malaysia helps attract patronage despite drive times of roughly 1 hour from Kuala Lumpur and 2 hours from the airport.

Generally speaking, RWM revenue growth has slowed to approximately 1% since the opening of facilities in Singapore, which also attracts Malaysians, with growth in 2010 having also benefited from an increase in hold on VIP tables. Competitive pressure is also leading to increases in marketing and labor expenses. Overall, taking into consideration the significant additions to supply represented by the Singapore facilities, this performance demonstrates the depth of the regional market. Gross gaming revenue in 2010 was approximately USD\$1.5 billion (43.8 billion RUB) and accounted for approximately 90% of total revenue. EBITDA before management fees (paid to Genting Berhad, the parent company of RWM), was approximately USD\$840 million (24.5 billion RUB) in each of the last two calendar years for which information is available.

Resorts World Malaysia Performance all \$ amounts in (USD) millions (1)		
	2009	2010
VIP Table Revenue	\$424.2	\$451.0
Mass Market Table Revenue	\$707.0	\$720.2
Slot Revenue	\$282.8	\$283.7
Gross Gaming Revenue	\$1,413.9	\$1,455.0
Hotel Revenue	\$132.0	\$135.8
Other Revenue	\$32.0	\$33.0
Total Revenue	\$1,578.0	\$1,623.8
Growth	1.4%	2.9%
EBITDAM (2)	\$841.1	\$838.0
EBITDAM Margin	53.3%	51.6%
Visitors (m)	19.5	
Source: GMA, Oando.com, HSBC		
1) Exchange Rate USD 3.12/MYR		
2) EBITDAM defined as earnings before interest, tax depreciation, amortization and management fees		



Resorts World Malaysia Performance all amounts in RUB millions (1)		
	2009	2010
VIP Table Revenue	12,386	13,168
Mass Market Table Revenue	20,643	21,028
Slot Revenue	8,257	8,283
Gross Gaming Revenue	41,282	42,482
Hotel Revenue	3,854	3,965
Other Revenue	934	964
Total Revenue	46,073	47,411
Growth	1.4%	2.9%
EBITDAM (2)	24,558	24,467
EBITDAM Margin	53.3%	51.6%
Visitors (m)	19.5	
Source: GMA, Oando.com, HSBC		
1) Exchange Rate RUB 29.1974/USD		
2) EBITDAM defined as earnings before interest, tax depreciation, amortization and management fees		

RWM reportedly attracts approximately 19.5 million visitors per year, with roughly 30% being overnight guests. Kuala Lumpur, in particular, is a substantial source of day trips. Significant sources of international visitation historically include Singapore, Indonesia, China, and Thailand, with international guests generating an estimated 30% of gross gaming revenue. Chinese Malaysians living in Kuala Lumpur and Port Klang are also significant sources of patronage and revenue. Historically the minimum buy-in for rolling-chip programs was \$20,000 USD (583,948 RUB), although that may have declined given recent competitive pressure.

Similar to Singapore, these visitation patterns are encouraging for the IEZ. RWM attracts regional gamers that are typically making trips of up to three hours flight time to reach the facilities. IEZ's location in Northeastern Asia is subject to limited regional competition and includes several market opportunities with similar travel criteria.

PHILIPPINES

The Philippine Amusement and Gaming Corporation ("PAGCOR") is the regulator of the gaming industry in the Philippines as well as the operator of 12 casinos. One of PAGCOR's main functions is to distribute money to designated philanthropic causes and to create jobs. As

these goals are not profit-driven, industry experts familiar with other markets generally do not find PAGCOR's operations efficient.

In addition to its own operations, several other facilities are licensed to operate in the country by PAGCOR including the Hyatt facility in Manila, two Thunderbird properties, Resorts World Manila, and Fontana as well as some slot hall facilities in Manila. Due to a number of revenue sharing and operating agreements, and ambiguous financial reporting, gross gaming revenue across the country is difficult to identify.

It should be noted that in several cases the PAGCOR facilities are older and not very well maintained, such that facilities with profit-driven management teams responsible for substantial investments can overshadow the performance of PAGCOR facilities. It is possible that the opening of Resorts World Manila led to the decline in revenue at PAGCOR facilities located in that city, where approximately half of PAGCOR's revenue is historically generated. This, in turn, has led to the decline in gross gaming revenue across all of the firm's facilities as shown in the following table. However, as non-PAGCOR facilities are not included in the reported gross gaming revenue, it is likely that the expansion led to overall growth in the market, and that gross gaming revenue in the Philippines is likely between \$700 and \$900 million USD (20.4 – 26.3 billion RUB).

PAGCOR Gaming Revenue (USD)	
2009	2010
\$524,307,647	\$491,639,482
Source: PAGCOR	
Note: Exchange Rate 0.02259 Dollars to the Peso	

PAGCOR Gaming Revenue (RUB)	
2009	2010
15,308,420,093	14,354,594,612
Source: PAGCOR	
Note: Exchange Rate 29.1974 RUB to USD	

VIP play in the Philippines originates in a number of countries and is highly dependent on the operator. Historically, managers at PAGCOR facilities have indicated that China, Taiwan, and Korea were significant sources of VIP play. Fontana, which is partially owned by a Hong Kong based junket operator, is thought to receive a lot of play originating in China and Hong Kong. The Resorts World facility is likely bringing in clients from markets where Genting has existing relationships including Malaysia and Indonesia. Overall, given the relative quality of facilities in the market and time required to fly to the Philippines from many source markets, it is believed

that the market attracts mostly low to mid-tier VIP play. However, discussions with managers in the market indicates that some high-level VIP play is being attracted to the Philippines. This dynamic, where VIP play is largely based on relationships, is just one of the challenges in estimating revenue within the market.

PAGCOR's partners have broken ground on a project named Entertainment City. Four investor/operators will each invest \$1 billion USD (29.2 billion RUB) over time to build four major casino resorts on reclaimed land in Manila Bay. Three of these facilities are reportedly under construction. While the casino resorts will be built over time, the entire development could present increasing competition for other casinos in the region.

CAMBODIA

The most noted facility in Cambodia is NagaWorld, the only property permitted to operate in the interior of the country. Substantial investments have been made at the property, which has enjoyed some success. Furthermore, its reported performance as a publicly listed company provides a more detailed understanding of the potential for VIP play. While its market is distant from the proposed IEZ, a review of the property can provide some insight into how a property in the IEZ may perform regionally.

Cambodian casinos located along the border also do well, largely based on the foreign population residing nearby. The market features low taxes and low barriers to entry, such that interested parties regularly consider expansion in the market.

NAGAWORLD

NagaWorld is located along the Bassac River in Phnom Penh, the capital city of Cambodia, and operated by NagaCorp, a public firm listed on the Hong Kong stock exchange. The property offers a 506-room hotel, 14 food & beverage outlets, 25,000 square meters of meeting space, a spa, and a casino offering 65 VIP tables, 66 mass market tables, and 1,035 slot machines. Overall, the property features a moderate quality and finish compared to other casino resorts and a high quality finish compared to other hotels in Phnom Penh. The property is located near the city center and approximately 10 kilometers from the airport, although the drive commonly takes about 20 minutes due to traffic congestion.

NagaWorld has an ambitious expansion plan. In addition to the opening of a new 220-room hotel tower and the addition of 300 slot machines as part of the Naga Rock Café, a two-pronged \$369 million (10.8 billion RUB) expansion is being proposed by CEO, founder, and majority shareholder Tan Sri Dr Chen. The NagaCity Walk will add a two-level retail area encompassing a total of 15,800 square meters and a 9,900 square meter garden along the Bassac River. The

second element will be the 97,600 square meter TSCLK complex which will include a hotel tower, gaming floor, retail and convention space, and a parking garage.

The following table summarizes the recent performance at NagaWorld and includes some estimates of table and slot counts for periods where the information was not provided. In 2007-2008, changes in strategy included terminating contracts that outsourced slot operations and facilitated junket arrivals. Since then, operations have steadily improved, with more profitability being derived from operations as revenue levels adjusted. Most recently, in the first half of 2011, growth in gross gaming revenue, other revenue, and earnings before interest, taxes, depreciation, and amortization ("EBITDA") were on pace for a record setting year.



NagaWorld Performance Metrics (USD)							
	2006	2007	2008	2009	2010	1H2010	1H2011
Slot Revenue (\$000)	\$3,100	\$3,100	\$3,100	\$34,298	\$44,888	\$24,300	\$38,800
Slot Count	211	211	211	523	846	683	1,032
WUD				\$180	\$145	\$195	\$207
Table Revenue (\$000)	\$29,400	\$75,400	\$9,800	\$24,566	\$41,517	\$18,900	\$27,900
Table Count	40	45	60	65	66	65	66
WUD	\$2,014	\$4,591	\$447	\$1,035	\$1,723	\$1,598	\$2,323
VIP Table Revenue	\$52,600	\$65,400	\$165,500	\$53,366	\$54,099	\$20,200	\$35,700
VIP Table Count	53	56	58	60	64	64	65
WUD	\$2,719	\$3,200	\$7,818	\$2,437	\$2,316	\$1,734	\$3,018
Gross Gaming Revenue (\$000)	\$85,100	\$143,900	\$178,400	\$112,230	\$140,504	\$63,400	\$102,400
Other Revenue (\$000)	\$300	\$100	\$2,500	\$5,540	\$10,013	\$4,400	\$9,400
Total Revenue (\$000)	\$85,400	\$144,000	\$180,900	\$117,770	\$150,517	\$67,800	\$111,800
EBITDA (\$000)	\$38,100	\$56,900	\$36,700	\$37,889	\$69,100	\$30,100	\$55,500
EBITDA Margin	44.6%	39.5%	20.3%	32.2%	45.9%	44.4%	49.6%
Total VIP Guests	13,115	18,032	15,196	11,368	7,928	3,008	4,027
Average Buy-In	\$22,928	\$22,702	\$29,180	\$34,084	\$65,933	\$63,000	
Win/VIP Guest	\$4,011	\$3,627	\$10,891	\$4,694	\$6,824	\$6,715	\$8,865
VIP Guests by Origin							
Malaysia		7,364	7,871				2,542
China		3,925	2,719				413
Singapore		4,571	3,305				390
Thailand		1,189	286				72
Vietnam		902	1,007				242
Hong Kong							52
Korea							63
Japan							0
Taiwan							35
Myanmar							73
Indonesia							37
Others		81	8				108

Source: Company Filings and Presentations, GMA

Notes: 2008 performance excludes poibos, Slot performance between 2006 and 2008 was contracted for a fixed fee

NagaWorld Performance Metrics (RUB)							
	2006	2007	2008	2009	2010	1H2010	1H2011
Slot Revenue (\$000)	90,512	90,512	90,512	1,001,412	1,310,613	709,497	1,132,859
Slot Count	211	211	211	523	846	683	1,032
WUD				5,246	4,244	5,708	6,031
Table Revenue (\$000)	858,404	2,201,484	286,135	717,263	1,212,188	551,831	814,607
Table Count	40	45	60	65	66	65	66
WUD	58,795	134,033	13,066	30,232	50,319	46,647	67,816
VIP Table Revenue	1,535,783	1,909,510	4,832,170	1,558,148	1,579,550	589,787	1,042,347
VIP Table Count	53	56	58	60	64	64	65
WUD	79,389	93,420	228,256	71,148	67,618	50,634	88,110
Gross Gaming Revenue (\$000)	2,484,699	4,201,506	5,208,816	3,276,824	4,102,351	1,851,115	2,989,814
Other Revenue (\$000)	8,759	2,920	72,994	161,754	292,354	128,469	274,456
Total Revenue (\$000)	2,493,458	4,204,426	5,281,810	3,438,578	4,394,705	1,979,584	3,264,269
EBITDA (\$000)	1,112,421	1,661,332	1,071,545	1,106,260	2,017,540	878,842	1,620,456
EBITDA Margin	44.6%	39.5%	20.3%	32.2%	45.9%	44.4%	49.6%
Total VIP Guests	13,115	18,032	15,196	11,368	7,928	3,008	4,027
Average Buy-In	669,438	662,839	851,980	995,164	1,925,072	1,839,436	
Win/VIP Guest	117,111	105,899	317,989	137,053	199,243	196,061	258,835
VIP Guests by Origin							
Malaysia		7,364	7,871				2,542
China		3,925	2,719				413
Singapore		4,571	3,305				390
Thailand		1,189	286				72
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Others		81	8				108

Source: Company Filings and Presentations, GMA

Notes: 2008 performance excludes paibos, Slot performance between 2006 and 2008 was contracted for a fixed fee

While VIP visitation has declined in recent years, the average buy-in and win per guest has increased such that overall performance for the VIP department has improved. This was part of a rationalization of the department as credit requirements were tightened while junket relationships and commission rates were adjusted. Commission rates now vary, but do go as high as 1.7%. The financial irregularities of these adjustments are seen in the 2008 financial performance above. Communications with NagaCorp's investor relations department indicate that visitation by nation for the VIP department was comparable in 2010, on a percentage basis, to the first half of 2011.

The following table compares VIP check-ins as reported at NagaWorld with international arrivals at Phnom Penh International Airport. Noting that some arrivals may not stay in Phnom Penh, the ratio of the two statistics is a reasonable metric by which to measure the potential development of the VIP market in the region. Prior to making adjustments to its VIP program, VIP arrivals were roughly 3% of all international arrivals. As adjustments to the program have been made, and higher value customers targeted, VIP arrivals as a share of all international arrivals have dropped to roughly 1.3%.

NagaWorld and Phnom Penh International Arrivals					
	2006	2007	2008	2009	2010
Total NagaWorld VIP	13,115	18,032	15,196	11,368	7,928
Phnom Penh International Arrivals	427,389	535,262	570,903	527,745	591,628
VIP/Total	3.07%	3.37%	2.66%	2.15%	1.34%
Source: Company Filings and Presentations, Cambodia Ministry of Tourism, GMA					

The next table shows arrivals for 2010, with VIP arrivals being estimated based on the published distribution during the first six months of 2011. Of the eleven countries reported by management, six attracted a greater ratio than the 1.3% total performance. Malaysia, Singapore, Vietnam, Hong Kong, Myanmar, and Indonesia visitation contributed disproportionately to VIP performance at NagaWorld. Notably, China and Thailand were formerly larger contributors, and while still significant, higher capture rates appear to have occurred in 2007-2008. The more distant and wealthy sources, South Korea, Japan, and Taiwan, did not make as large of a contribution on a percentage basis, likely due to both the higher gaming budgets and subsequent targeting in those nations and also due to the distance a player would need to travel to play at NagaWorld relative to other, competing destinations including those located in South Korea.

2010 Phnom Penh Analysis by Nation			
	Estimated VIP	International Arrivals	Ratio
Malaysia	5,004	47,169	10.6%
China	813	95,643	0.9%
Singapore	768	24,119	3.2%
Thailand	142	24,783	0.6%
Vietnam	476	13,969	3.4%
Hong Kong	102	759	13.5%
Korea	124	50,109	0.2%
Japan	0	22,018	0.0%
Taiwan	69	37,820	0.2%
Myanmar	144	1,436	10.0%
Indonesia	73	4,561	1.6%
Others	213	269,242	0.1%
Total	7,928	591,628	1.3%

Source: Company Filings and Presentations, Company Interview, Ministry of Tourism, GMA

OTHER CAMBODIA CASINOS

Other casinos in Cambodia are located predominately in border areas with a focus on two cities: Poipet, which predominately serves residents of Bangkok; and Bavet, which primarily serves residents of Ho Chi Minh City. In both cases these properties are largely targeted towards those local population centers and do not significantly attract players from a geographically broad area or feature convenient airlift such that they could compete with the proposed IEZ.

VIETNAM

Vietnam's current casino legislation only permits foreign passport holders to enter properties. Many of these properties are located in the Ho Chi Minh City area, with others located along coastal cities that are popular tourist destinations for foreigners. Expansion of casino gaming has been discussed by the government in recent years, and several operators have conducted research in the market. One new facility has opened and one is under construction.

HO CHI MINH CITY

Casinos currently located in Ho Chi Minh City ("HCMC") are located in five-star hotels, offering electronic table games and slot machines. Due to current regulatory restrictions, the HCMC casinos do not advertise and overall are not of a size or scope to compete internationally.

While some do offer a quality experience, overall the casinos in the market are not held in high regard due to a number of factors including the use of electronic table games and the lack of a casino-resort experience.

ROYAL INTERNATIONAL GAMING CLUB

Located in Ha Long, the Royal International Gaming Club is believed to offer 70 slot machines and 18 table games, although additional positions may be available in private gaming rooms. The property is believed to attract significant play from Chinese residents that live relatively close to the border with Vietnam.

DO SON CASINO

The Do Son Casino offers 100 slot machines and seven table games at its facility in Hai Phong, although VIP rooms may offer additional positions. The Do Son Casino was the first to open in Vietnam and was formed as a holding company to Stanley Ho's Sociedade de Turismo e Diversões de Macau ("STDM"). Due to that association, it is believed that the Do Son Casino is able to attract some gamers from China for whom Macau may not be an attractive option.

CROWNE CASINO DA NANG

The new \$160 million (4.7 billion RUB), 1.5 hectare Silver Shores International Resort that includes the Crowne International Casino, opened in late 2009 or early 2010. In mid-2010 the casino space was estimated at approximately 2,800 square meters, but only eight tables, including five baccarat tables, and 34 machines were in use in a portion of the casino floor. There are also several floors with VIP gaming rooms that are integrated into the hotel structure, which opened in mid-2010. The property offers 548 rooms and 52 villas.

MGM HO TRAM

Currently under construction, the MGM Ho Tram is the first phase of what could become a \$4.2 billion USD (122.6 billion RUB) development. Located approximately 127 kilometers southeast of HCMC, the \$380 million (11.1 billion RUB) first phase of the MGM Ho Tram will offer a 541-room hotel, including 65 suites; a 13,600 square meter casino offering 90 table games (55 used for VIP purposes), 480 slot machines, 20 electronic table games offering 640 gaming positions, and private lounges for VIP gaming; 4,500 square meters of meeting and convention space; seven food & beverage options (including a food court), 4,500 square meters of retail space, spa facilities, and recreational activities associated with its oceanfront location. A golf course designed by Greg Norman is also planned, but not financed as part of the development. The second phase will include an additional 559 hotel rooms and complementary amenities.



TAIWAN

In January of 2009 regulatory changes were made to permit casino gaming, pending local referendums, on the outlying islands of Phengu, Kinmen, and Matsu. In Phengu, a local referendum failed in September of 2009. A three-year waiting period before a second referendum can be held will expire in September of this year. Referendums in Kinmen and Matsu have not been held, although discussions have commenced and some research has been conducted. As such, all three islands could potentially hold referendums this year.

Taiwan has created substantial wealth as an exporter of manufactured goods. It is likely that casino resorts in the region could support substantial revenue levels from domestic players and that the subsequent investment and marketing efforts could also attract significant play from abroad, most notably China. However, the designated islands do not have the transportation infrastructure and/or airlift capacity to accommodate an influx of tourists. While it is possible that substantial revenue could be generated in the Taiwan market, the permitted locations present a challenge to achieving that potential.

ANALYSIS AND CONCLUSIONS

It is important to note that some of the statistics reported by various entities may not appear to reconcile. For example, Japan reports that an estimated 782,000 outbound trips included gaming as one activity undertaken on a trip in 2010. In that same year, South Korean casinos reported 799,000 casino visits by Japanese guests. As detailed above, Macau reported 396,000 visits by Japanese tourists in 2011, which was down from 414,000 in 2010. This would bring the apparent total to over 1 million for these two destinations, which does not appear to coincide with the reported statistics.

This can be explained by a number of factors. First, the reporting mechanism in South Korea occurs at casino entrances. If a Japanese tourist makes multiple casino visits during a single trip to South Korea it can artificially emphasize this apparent discrepancy. Furthermore, Japanese residents in South Korea will not report their gaming visits as they were not part of a trip. Foreign residents appear to be a substantial part of the market in South Korea and this can lead to the apparent discrepancy. Add this to the fact that all visitors to Macau do not necessarily gamble and one can quickly see how the statistics reported by various entities are not actually conflicting but can provide a useful guideline.

The following map includes 600 and 1,200-kilometer rings around the IEZ, Macau, and Singapore and demonstrates the exclusivity that the IEZ could enjoy in Northeast Asia. The IEZ has the opportunity to cater to players in this region, which includes parts of China, South Korea, and Japan in addition to Russia. To provide a reasonable alternative to those

destinations, it will be critical to operate marketing campaigns and build resorts that cater to these players.



From IEZ's perspective, each of the competing gaming markets in East Asia can be categorized in one of three segments. The first is immediate regional competition that largely comprises of South Korea but also includes the Emperor Hotel and Casino in North Korea. These properties are somewhat proximate to the target populations and both currently attract substantial visitation from Chinese tourists. In addition, the properties in South Korea are effective at attracting Japanese tourists. Against the existing market, the IEZ will include experienced international operators that will presumably target specific segments of the target markets and make substantial investments in facilities and marketing efforts. This is expected to have a two-pronged effect on the regional market. First, the presence of new, world-class supply in a new market will lead to growth within the existing market. Second, these new properties in the IEZ are expected to create competition that will attract some of the existing revenue in competing markets to these new properties.

The second segment will be more distant casino markets that offer facilities with the scale and scope to attract customers from the targeted markets, namely Singapore and Macau. While these markets currently attract players from the region, convenience and access are the dominate elements when players consider a potential gaming destination. For VIP players using junket operators there is the additional concern of the junkets' incentives. With what are projected to be some of the lowest taxes in the region, and the potential for growth in demand

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from Northeast China, casino and junket operators will be expected to have the proper incentives to bring players to the IEZ. While Singapore and Macau will continue to compete for customers in the region, the focus of those markets will continue to be major Chinese cities from Beijing south. The proximity of the proposed IEZ, assuming targeted building programs, facilities, customer service, and marketing efforts, should enable it to compete for a portion of the gamer visits originating in Northeast China, South Korea, and Japan.

The final segment includes regional destinations in Southeast Asia including Malaysia, Philippines, and the Indochina facilities located in Cambodia and Vietnam. Expansion in these markets is viewed mainly as a competitive response to expansion in Singapore and Macau and as a natural and organic expansion of their businesses given the increasing wealth and demand in the Southeast Asian gaming market. For the most part, these markets do not compete with the larger Singapore and Macau markets because they have traditionally targeted local mass market players, tourists for whom the main purpose of the trip is other than gaming, and low to mid-tier VIP players. The ability for the IEZ to expand their geographic footprint or to attract players with higher gaming budgets will be limited by the presence of Singapore and Macau. Assuming substantial increases in demand within the East Asia marketplace paired with the ongoing absence of capacity constraints in the Singapore and Macau markets, the substantial planned investments in the Vietnamese and Philippine markets are not expected to present substantial competition to the more distant IEZ. While there is substantial growth in the East Asia market, that growth is largely being driven by the Singapore and Macau facilities. Subsequent growth and even expansion of supply in those markets, should a true capacity constraint be encountered, is likely.

Other notable items also exist within the Northeast Asia market. The first is the distinct nature of the targeted markets. While the games and expectations of Russian gamers are the most notably distinct from other parts of Asia, gamers from China, South Korea, and Japan will each have unique preferences in terms of the games that are offered, the observed customs, and the levels of service. This is evident in South Korea, where several facilities tend to attract visitation skewed towards either China or Japan. In addition, service levels in the hospitality industry are notably different in South Korea and Japan and in upscale hotel brands within China are notably higher than those being achieved in most comparable Russian facilities currently. This is a challenge that GMA believes can be overcome, as specific hospitality venues in Russia have managed to achieve levels of service that would be expected. Superior service is more frequently observed in Moscow although the Consulting Team did note high levels of service at specific restaurants within the Vladivostok market. It is likely that with adequate training and oversight, the IEZ can meet these international expectations for service.

Next, the potential expansion of casino gaming in the target markets can present a challenge in attracting gamers from those countries. However, we find that the expansion of casino gaming within certain markets has historically led to greater awareness of casino gaming, greater penetration within the adult population, and an overall expansion within the market. This has been the case in Asia, where expansion in Macau did not have an effect on play in South Korea, and more recently the establishment of two resorts in Singapore that did not cannibalize play in Macau. This is indicative of the unmet demand within Asia and particularly in Northeast Asia, such that convenient alternatives within South Korea and/or Japan will likely have a negligible effect on the establishment of the IEZ. The IEZ will offer a unique entertainment alternative, featuring the natural beauty of the region and cultural exchanges that will make it a unique destination for a portion of gamers' casino visits.



VII. VLADIVOSTOK MARKET PROJECTIONS

Casino gaming will be a central element of the IEZ and, like many other jurisdictions, the increasing popularity of casino gaming across resort developments in East Asia can be a catalyst for broad resort development and subsequent growth in tourism. The IEZ is expected to attract substantial investments, and, in addition to casino gaming, will feature a range of complementary amenities including hotel accommodations, meeting and convention facilities, restaurants, bars, and nightclubs, retail shopping, spas, and recreational activities including golf and water sports along the beach.

The IEZ is expected to appeal to different customer bases for a number of reasons that will be discussed relative to each revenue segment forecasted below. Revenue segments were designed to be mutually exclusive and collectively exhaustive. They include the local market, which consists of people residing within a day trip of the proposed facility, current tourists to the area, and the ability to induce new tourists that would not have visited the area were it not for the development of the IEZ. It is important to note that no major religious objections to gaming were noted in any of the target markets.

GMA assumed operations would start in 2014 and forecasted gross gaming revenue for 2016, assuming two years for the IEZ to build awareness, market, and reach a stabilized operating level. The following projections are based on the current visa restrictions and the impact of the Open Skies Agreement, beginning in June 2012, as discussed earlier in this document. However, the Administration anticipates that the visa requirements for the Chinese will be significantly eased following APEC 2012,⁸ which will dramatically increase the market's potential. The market potential, assuming the easing of these restrictions and other factors, is discussed later in this report.

⁸ Asian Pacific Economic Cooperation Summit 2012



MAJOR ASSUMPTIONS

The IEZ is just starting to be developed, and as such important assumptions need to be made about future development in order to support GMA's forecasts.

- The first casinos are expected to open in the early part of 2014. Projections prepared herein assume at least three quality casino resorts are open by 2015 with a combined investment of \$1 billion USD (29.2 billion RUB).
- Gaming taxes are as described earlier in this report.
- Management teams and/or international gaming operators with experience managing large integrated resorts, focusing on gaming whose the target markets are those discussed within this document, will be the developers and operators of these facilities.
- The IEZ facilities will feature a wide array of amenities including convention and meeting space, food & beverage outlets, spas, retail shopping, and recreational activities.
- Casinos will develop facilities targeted towards the cultural tastes and preferences of each of the identified target markets, including China, South Korea, Russia and Japan.
- Direct and junket marketing efforts will be tailored towards each target market.
- Commission rates within the direct and junket programs will be competitive when compared to other markets targeting the same potential customers.
- The infrastructure improvements that are discussed in this airport will be successfully completed. Many of these improvements are near completion, including the airport (full opening planned for June of 2012), roadway improvements including the roadways and bridges between Vladivostok, Artem, and Russkiy Island.
- Air service will achieve the fifth level of freedom under the Open Skies Agreement and will expand to meet increased demand.
- A reliable system for transfers between the airport, train station, and IEZ facilities will include regular shuttle service and taxis.
- Japan and South Korea do not expand gaming during the projection period.
- Tourism will grow as described in this report.
- Economic growth will continue to substantially outpace inflation.

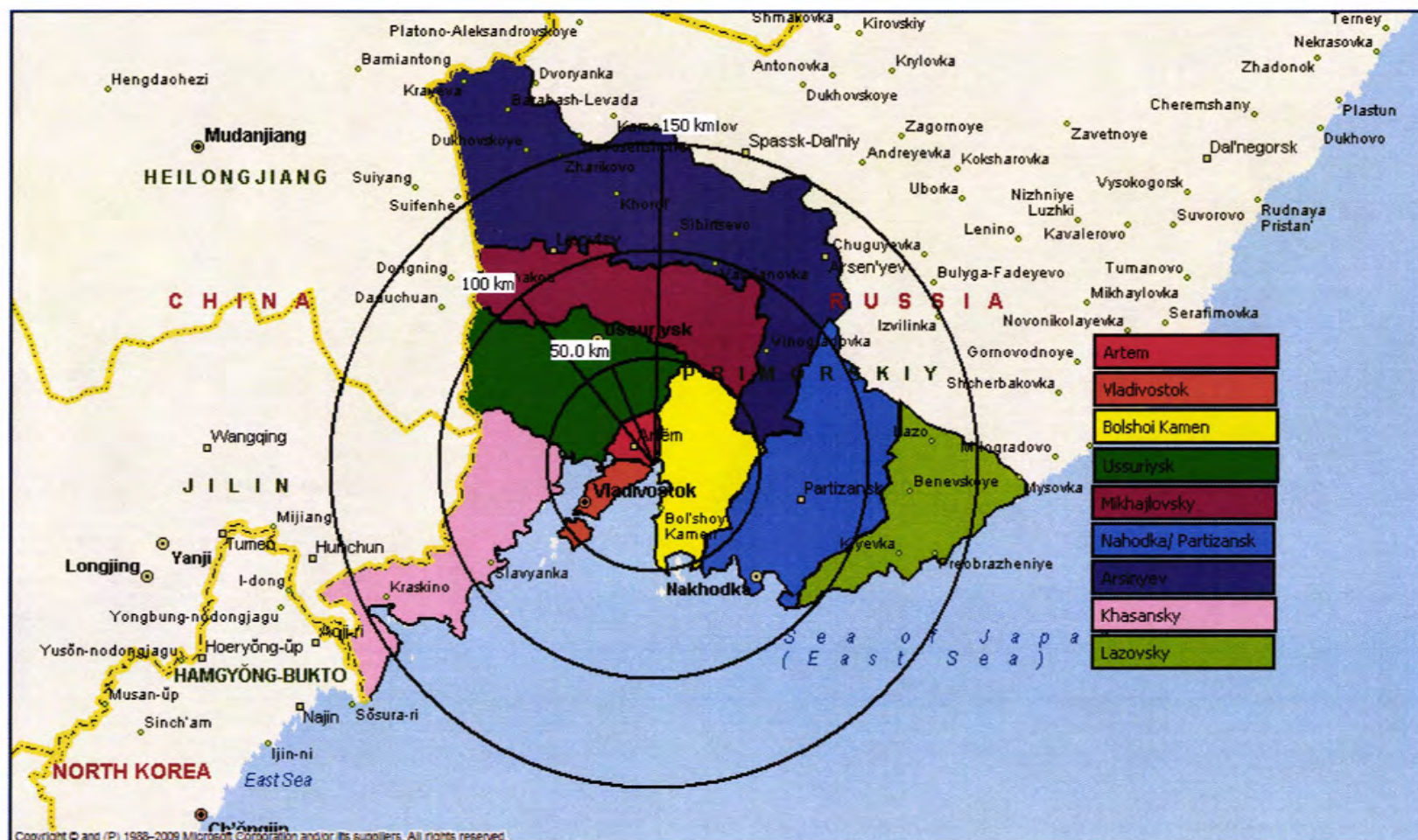
LOCAL DAY-TRIP MARKET

As with all successful gaming jurisdictions, the local day-trip market will make up an important segment of the gaming population. The IEZ will become a new and exciting entertainment alternative for residents in the region. The current entertainment alternatives consist largely of outdoor activities specific to different seasons, a limited number of historic and cultural landmarks, and traditional nighttime alternatives such as restaurants, bars, and clubs that are most comparable to casino gaming.

Some three-season, ocean-side accommodations exist to the south in Shamora, but they are limited not only in their quality but also in number. If residents of the local market wish to go to a casino resort today, extensive travel is necessary. Of the gaming alternatives that do exist, smaller properties that cater to Russian players are operating in some CIS countries located several thousand kilometers from Primorye. For residents in the region, the proposed casino resort will be the most proximate alternative that caters to Russian players.

As experienced in other day-trip markets in many parts of the world, proximity and access are major determinants in forecasting visitation within a local market. GMA evaluated the local market by dividing it into nine market segments based on proximity to the IEZ and the road network available for travel to its attractions. The defined markets are shown in the map on the following page.





The following table shows the urban and rural territories included in each of the defined market areas as well as the population and population growth in each market. Artem and Vladivostok, had a combined population of nearly 730,000 people in 2010, nearly half of the defined market area. This is positive for the IEZ as the proximity of this population and the relative wealth in Vladivostok will support greater revenue levels than would otherwise be expected. Moreover, the Ussuriysk and Nahodka/Partizansk markets include a substantial part of the population, particularly in the main cities, where existing roadway networks provide access to the IEZ. Overall, the aggregate population is not changing substantially, as declining populations in some regions appear to be a function of migration to cities from rural areas.

Local Market Demographics					
Market	2008 Population	2010 Population	CAGR	Regions	
Artem	111,863	112,208	0.2%	Artem	
Vladivostok	605,307	617,548	1.0%	Vladivostok	
Bolshoi Kamen	98,351	97,163	-0.6%	Bolshoi Kamen, Fokino, Shkotovsky	
Ussuriysk	219,680	223,464	0.9%	Ussirisk, Nadezhdinsky	
Mikhajlovsky	68,227	64,701	-2.6%	Mikhajlovsky, Oktyabrsky	
Nahodka/Partizansk	247,751	238,167	-2.0%	Nahodka, Partizansk, Partizansky	
Arsinyev	167,928	161,506	-1.9%	Arsinyev, Anuchinsky, Pogranichny, Khorolsky, Chernigovsky	
Khasansky	35,827	35,606	-0.3%	Khasansky	
Lazovsky	16,393	14,296	-6.6%	Lazovsky	
Total	1,571,327	1,564,659	-0.2%		

Source: PRIMSTAT, GMA

The adult population in the defined market areas will be used to forecast casino visitation and revenue based on their gaming behavior, which is defined for each market area by propensity and frequency. **Propensity** is defined as the percentage of adults that will visit a casino over a year and increases with the number and accessibility of facilities. Propensity typically drops off precipitously as the distance required for a patron to travel increases. Often, this distance can be artificially increased due to internal and external visa restrictions.

Frequency is the average number of times an adult will visit a casino in a 12 month period. Like propensity, frequency is influenced by the number and accessibility of facilities available to any particular player. When facilities are a greater distance, gaming behavior in a region will not be as high as if they were proximate. However, all other things being held constant, such as incomes and cost of living, those individuals will have higher gaming budgets on the occasion they visit a facility, thus offsetting to some degree less frequent visitation. While the model was used to only forecast day trips, it is important to note that more distant guests are more likely to take advantage of lodging, leading to increased overall gaming budgets as well as incremental revenue in the lodging and food & beverage amenities, at a minimum.



The adult population, propensity, and frequency are used to calculate the number of gamer visits generated by each region over a given year. This is based on assumed averages from which any one player may deviate. There are no competing facilities in the local day-trip market, and as such the proposed IEZ is expected to capture all of the visits in the local market.

The adult population was estimated to be 80.4% of the population, consistent with national levels, and was assumed to grow at the recent historical rates noted above. These two factors result in the population estimates shown in the following table. Gaming behavior, as demonstrated through assumptions on propensity and frequency, is based on GMA's observations in other markets with similar dynamics. Assumptions on average win per market area are based on the incomes and cost of living in the region. These assumptions result in an estimated 1.2 million casino visits and \$75.4 million USD (2.2 billion RUB) in gross gaming revenue from the local day-trip market. No VIP play was calculated for the local market.

Estimated Local Market Win (USD)						
Market	Adult Population 2016	Propensity	Frequency	Gamer Visits	Average Win	Total Win
Artem	91,053	30.0%	6.0	163,895	\$60	\$9,833,700
Vladivostok	527,244	26.0%	5.0	685,417	\$68	\$46,608,356
Bolshoi Kamen	75,322	22.0%	4.0	66,283	\$58	\$3,844,414
Ussuriysk	189,110	20.0%	3.5	132,377	\$56	\$7,413,112
Mikhajlovsky	44,364	16.0%	3.0	21,295	\$54	\$1,149,930
Nahodka/Partizansk	170,112	16.0%	3.0	81,654	\$57	\$4,654,278
Arsinyev	115,516	10.0%	2.0	23,103	\$56	\$1,293,768
Khasansky	28,101	14.0%	2.5	9,835	\$55	\$540,925
Lazovsky	7,623	10.0%	2.0	1,525	\$55	\$83,875
Total	1,248,445			1,185,385		\$75,422,358

Source: PRIMSTAT, World Factbook, GMA

Estimated Local Market Win (RUB)						
Market	Adult Population 2016	Propensity	Frequency	Gamer Visits	Average Win	Total Win
Artem	91,053	30.0%	6.0	163,895	1,752	287,118,472
Vladivostok	527,244	26.0%	5.0	685,417	1,985	1,360,842,813
Bolshoi Kamen	75,322	22.0%	4.0	66,283	1,693	112,246,893
Ussuriysk	189,110	20.0%	3.5	132,377	1,635	216,443,596
Mikhajlovsky	44,364	16.0%	3.0	21,295	1,577	33,574,966
Nahodka/Partizansk	170,112	16.0%	3.0	81,654	1,664	135,892,816
Arsinyev	115,516	10.0%	2.0	23,103	1,635	37,774,662
Khasansky	28,101	14.0%	2.5	9,835	1,606	15,793,604
Lazovsky	7,623	10.0%	2.0	1,525	2,198	3,351,532
Total	1,248,445			1,185,385		2,203,039,356

Source: PRIMSTAT, World Factbook, GMA

TOURISM REVENUE

Growth in the number of visitors to Vladivostok was assumed to grow at a relatively conservative CAGR of 11.5%, the rate observed between 2007 and 2009. This is slower than the 17.7% CAGR observed between 2007 and 2010, which was heavily influenced by relatively high growth in 2010. As these visits are part of the existing tourist visitation, no VIP play was assumed to originate from this customer base.

Roadway improvements will make the IEZ between a half-hour and forty-five minute drive from downtown Vladivostok, the closest hotel market in the area. Casino gaming will be an attractive alternative form of entertainment for guests staying in the city and some will make their way to the property. Others will chose to stay at the hotels in the IEZ. Given that half of all visitation to Primorye is for business, (and likely even more so in Vladivostok), and given that there will be new, high quality and branded accommodations at the two new Hyatt hotels, most of the existing tourist base will likely continue to stay in Vladivostok. GMA estimated that only 5% of guests to the city will chose to stay at a hotel in the IEZ.

Gaming behavior among guests staying in Vladivostok is expected to be consistent with those in other comparable markets. It was generally assumed that those traveling on business who choose to stay in the IEZ will have a higher propensity to gamble and will come with a set gaming budget. This is based on the fact that the IEZ will not be the most convenient location in which to stay while conducting business in Vladivostok. For the remainder of tourists staying in Vladivostok, a much lower propensity is assumed. The results are summarized in the following tables.

Gross Gaming Revenue from Tourist Market (USD)						
Guests	Forecasted Guests in 2016	IEZ Capture Rate	Frequency	Gamer Visits	Average Win	Total Win
Vladivostok Guests	636,356	5.0%	1.0	31,818	\$200	\$6,363,600
IEZ Guests	33,492	70.0%	1.2	28,133	\$350	\$9,846,550
Total	669,848			59,951	\$270	\$16,210,150
Source: GMA						

Gross Gaming Revenue from Tourist Market (RUB)						
Guests	Forecasted Guests in 2016	Propensity	Frequency	Gamer Visits	Average Win	Total Win
Vladivostok Guests	636,356	5.0%	1	31,818	5,839	185,800,575
IEZ Guests	33,492	70.0%	1.2	28,133	10,219	287,493,659
Total	669,848			59,951	7,883	473,294,234
Source: GMA						



INCREMENTAL GAMING DEMAND FROM FOREIGNERS

Tourism can be expected to grow due to the presence of the IEZ, as its array of amenities will serve to attract visitation that otherwise would not have occurred. Overall this will be due to the IEZ's positioning as a regional resort destination, but for each potential customer base specific factors will play into the IEZ's ability to compete for their tourism expenditures. It is important to note that even the largest, globally recognized casino gaming markets attract significant portions of their visitation from within a few hours' travel time.

The new airport and the parameters of operating there will be critical to the IEZ's ability to attract casino gamers willing to fly to reach the destination. The infrastructure is largely in place and will offer plenty of additional capacity to serve increased demand. Landing slots at airports in source markets are generally available but in some cases limited (as in the case at Beijing Airport). The recently signed Open Skies Agreement, which will take effect in June of 2012, will make it easier to add additional flights to meet growing demand.

CHINA

The ability to attract Chinese visitors represents the greatest opportunity for Vladivostok, particularly from secondary cities that lie north and east of Beijing. To better understand these markets, the Consulting Team visited a number of cities, examining their transportation infrastructure and economies.

The IEZ's most promising opportunity in the China market will likely be neighboring Heilongjiang Province. Beyond the powerful effect of proximity are the existing cultural ties in Harbin, the largest city in the province and the only city from which flights to Vladivostok exist today. The airport in Harbin is proximate to the city, is easily accessible via an improved roadway network, and the flight is approximately one hour. Daily bus service is also available between Harbin and Vladivostok; the trip is approximately eleven hours, which is not unusual for Chinese tourists and is not considered to be an impediment. Harbin is also experiencing dramatic growth in population, spurred by increased manufacturing, particularly in the middle class and upper class.

Shenyang was also evaluated as a potential source of tourism to the IEZ. Shenyang is in Liaoning Province, which does not border Russia. Flight service between Shenyang and Vladivostok did exist at one point but has been discontinued. In addition, the Consulting Team was not able to book direct rail service using local travel agents. Residents in this area do not have direct flights to Macau, and as such, would likely connect in Beijing or Seoul to reach Macau or Vladivostok. In 2011 more than 250,000 visits to Macau originated in Liaoning

Province. Alternatively, flights from Shenyang to Vladivostok could be added if demand were to grow in light of the Open Skies Agreement.

Beijing is the final market considered in this analysis and is approximately a 2 ½ hour minute flight from Vladivostok. Flights currently operate between the two cities and current agreements allow for increased capacity. This compares to a 3 hour and 40 minute flight time for direct flights between Beijing and Macau, a journey that was made by over 315,000 visitors in 2011. Given that Vladivostok is closer than Macau and will offer a different and unique gaming experience, Vladivostok can be expected to capture a share of gaming dollars from this market.

Macau will continue to compete for Chinese tourists and a few specific reasons should be noted. First, Macau is almost entirely tailored to Chinese tourists. While Cantonese is widely used in Macau, the use of Mandarin is increasing as more tourists from further north visit the city. However, there remain distinct cultural differences between Mandarin and Cantonese speaking people and Mandarins are sometimes frowned upon in Macau. The IEZ's use of Mandarin could help its appeal within the targeted customer base.

The other market dynamic is the Chinese government's management of its tourism industry. Through its visa process, the Chinese government has controlled visitation to Macau, and has also shown a willingness to curb visitation to regions where casino gaming is popular. This has largely been related to government officials' misappropriating government funds to play casino games, and the IEZ will be wise to make a reasonable attempt to stop this from happening. While today Chinese residents can visit Macau up to four times a year, no such visa restrictions exist today between China and Russia.

Other casino gaming options for residents of northeast China include the border casino located in North Korea, which attracts a reported 50,000 visits annually when it is open and operating, and casinos located in South Korea, which attracted nearly 600,000 visits from China in 2010.

Based on interviews, published statistics, and its experience, GMA used income qualifications to evaluate the Chinese market. Published statistics on disposable incomes in rural areas did not indicate that a substantial market opportunity exists in those regions. Although it is likely that not all income is reported, GMA chose to be conservative and not include rural regions in its analysis. For urban areas it was estimated that 50% of the northeastern provinces and 75% of Beijing and Guangdong were income qualified. This is consistent with our discussions with travel agents and our knowledge of the Chinese economy, where Beijing and Guangdong are two of the three top regions in terms of incomes.



GMA considered the reported number of casino visits in Macau and South Korea and its experience in other markets of the region to estimate gaming behavior. Overall the Consulting Team found that the northeast region of China is not deeply penetrated in terms of casino gaming. While this of course is in large part due to a lack of domestic facilities, comparing this region to Guangdong Province indicates that there is an opportunity for the IEZ in the region. Over time similar gaming behavior could be exhibited in northern China and could be driven by the IEZ. However, in the near-term the IEZ will not be comparable in terms of the number of transportation alternatives and their frequency or the number of facilities marketing to and catering to the Chinese population. While GMA recognizes this long-term potential of the IEZ, the forecasts for the initial operations are based on the assumed marketing efforts and targeting and are considered to be conservative. With the introduction of the IEZ, gaming behavior is estimated to increase across northeast China, as the direct marketing of the facilities and partnerships with local tour operators and junkets will lead to growth in the market.

In preparing the estimates in the following table, GMA paid close attention to the percentage of VIP play versus mass market play in Macau that originates in Guangdong Province. These figures were then adjusted down for Northern China to account for the variations in regional GRP (Gross Regional Product) and availability of gaming. As Northern China continues to grow, and assuming the IEZ continues to penetrate the market, the rates below can expect to continue to grow.

Similar to Macau, the VIP market is expected to dominate the IEZ. VIP visitation in Macau is approximately 1% to 2% of all visitation and drives approximately 70% of total revenue. As access to Vladivostok will primarily be by plane initially, and as it will take time for the mass market to familiarize itself with the zone (as advertising casinos in China is illegal,) it is anticipated that similar to Macau, the majority of gaming revenue will be generated by the VIP market segment. Win per visit figures for the VIP segment were based on those experienced in Macau and then decreased to account for changes in relative incomes and to account for the possibility that wealthier players may still reserve their big play for Macau, similar to the challenge that Atlantic City faces in comparison to Las Vegas. Mass market players are expected to make up the remainder of the market and average nearly \$850 USD (24,818 RUB) in win during their trip to the IEZ.

The IEZ is expected to capture a significant number of gamer visits in the market with an emphasis on Harbin. This is due to the proximity and existing transportation alternatives between Harbin and Primorye and the cultural ties that the two regions share. Shaungyashan,

a city near Harbin, is considered to be similar. The capture of the remainder of Heilongjiang Province is expected to be slightly lower as awareness in these outer cities will be more difficult to build. Moving south towards other provinces and Beijing, the capture of guests is assumed to diminish as the proximity and cultural advantages diminish. A small capture of residents of Guangdong Province is assumed based on existing visitation from that region. Overall gaming win is forecasted at approximately \$403 million USD (11.8 billion RUB) from the VIP segment and \$278 million USD (8.1 billion RUB) from the mass market in 2016, which is anticipated to be the third year of gaming operations for the IEZ.

Estimated Win from Targeted China Markets (USD)								
VIP Market	Forecasted Adult Population	Propensity	% VIP	Frequency	Capture Rate	Gamer Trips	Average Win/Trip	Total Win
	2016							
Heilongjiang Province								
Harbin	4,443,573	3.0%	10%	2.0	50.0%	13,331	\$9,000	\$119,976,474
Shaungyashan	611,066	2.0%	10%	1.7	50.0%	1,039	\$6,955	\$7,224,473
Remainder of Province	10,398,637	1.2%	10%	1.3	30.0%	4,867	\$6,545	\$31,853,861
Jilin and Liaoning Provinces	23,190,452	2.3%	10%	1.4	15.0%	11,201	\$7,773	\$87,062,228
Beijing	12,282,945	4.5%	10%	1.5	15.0%	12,436	\$12,273	\$152,629,552
Guangdong Province	65,362,816	10.0%	10%	1.0	0.1%	654	\$11,455	\$7,487,013
TOTAL VIP						43,527		\$406,233,600
Mass Market	Forecasted Adult Population	Propensity	% Mass Market	Frequency	Capture Rate	Gamer Trips	Average Win/Trip	Total Win
	2016							
Heilongjiang Province								
Harbin	4,443,573	3.0%	90%	1.3	50.0%	74,985	\$1,100	\$82,483,826
Shaungyashan	611,066	2.0%	90%	1.0	50.0%	5,225	\$850	\$4,440,926
Remainder of Province	10,398,637	1.2%	90%	1.0	30.0%	33,692	\$800	\$26,953,267
Jilin and Liaoning Provinces	23,190,452	2.3%	90%	1.0	15.0%	72,006	\$950	\$68,406,036
Beijing	12,282,945	4.5%	90%	0.8	15.0%	55,964	\$1,500	\$83,946,254
Guangdong Province	65,362,816	10.0%	90%	1.0	0.1%	5,883	\$1,400	\$8,235,715
TOTAL Mass Market						247,755		\$274,466,023
Source: GMA								

Estimated Win from Targeted China Markets (RUB)								
VIP Market	Forecasted Adult Population 2016	Propensity	% Mass Market	Frequency	Capture Rate	Gamer Trips	Average Win/Trip	Total Win
Heilongjiang Province								
Harbin	4,443,573	3.0%	10%	2.0	50.0%	13,331	262,777	3,503,001,088
Shaungyashan	611,066	2.0%	10%	1.7	50.0%	1,039	215,973	224,355,744
Remainder of Province	10,398,637	1.2%	10%	1.3	30.0%	4,867	172,790	840,894,302
Subtotal of Heilongjiang						19,236		4,568,251,134
Jilin and Liaoning Provinces	23,190,452	2.3%	10%	1.4	15.0%	11,201	223,185	2,499,891,749
Beijing	12,282,945	4.5%	10%	1.5	15.0%	12,436	359,975	4,476,819,437
Guangdong Province	65,362,816	10.0%	10%	1.0	0.1%	654	345,580	225,881,097
TOTAL VIP						43,527		16,339,094,550
Mass Market	Forecasted Adult Population 2016	Propensity	% Mass Market	Frequency	Capture Rate	Gamer Trips	Average Win/Trip	Total Win
Heilongjiang Province								
Harbin	4,443,573	3.0%	90%	1.3	50.0%	74,985	26,278	1,970,438,112
Shaungyashan	611,066	2.0%	90%	1.0	50.0%	5,225	21,898	114,408,958
Remainder of Province	10,398,637	1.2%	90%	1.0	30.0%	33,692	17,518	590,223,988
Subtotal of Heilongjiang						113,901		
Jilin and Liaoning Provinces	23,190,452	2.3%	90%	1.0	15.0%	72,006	22,628	1,629,358,689
Beijing	12,282,945	4.5%	90%	0.8	5.0%	18,655	36,497	680,836,762
Guangdong Province	65,362,816	10.0%	90%	1.0	0.1%	5,883	35,037	206,109,821
TOTAL Mass Market						210,445		5,191,376,331

Source: GMA

SOUTH KOREA

South Korea is currently the largest source of tourism to Vladivostok. Both Seoul and Busan have direct flights to Vladivostok, with an additional flight planned between Busan and Vladivostok to be added later this year. Current gaming options for residents of these two cities include High 1 Resort. The remote resort attracted just over 3 million visits from South Korean citizens in 2010, the most recent year for which information has been published. The resort, which caters to South Koreans, is approximately a 3-hour drive from Seoul and a five hour drive from Busan.

In addition, in 2011 nearly 400,000 visits to Macau originated in South Korea, making Macau the second most popular destination for South Koreans to game. Other options include the Philippines, which historically served the South Korean market, and diminished levels of play at other regional resorts such as NagaWorld and Resorts World Malaysia. More recently Singapore has also become an option, but all of these more distant options are experiencing a relatively small number of players from South Korea. Given the distance and GMA's knowledge of current marketing efforts it is likely that casino visitation is not the primary reason for trips to the host countries although a casino visit may be planned as part of the itinerary.

For visitors from Seoul, the airport in Incheon is about a one-hour drive from Seoul and offers regular service to Vladivostok. If flights were offered from the more convenient Gimpo Airport it could make the short trips that characterize casino gaming visitation easier and more attractive for gamers considering the IEZ as a destination. In Busan, the airport is within close proximity to the city center, making it a convenient alternative. Both Seoul and Busan are just over two hours' flight time from Vladivostok, meaning that it is actually faster for a resident of Busan to go to the IEZ than the domestic High 1 Resort.

The South Korean economy, although challenged recently, is more developed than many other economies in the region. During that development a large middle class has grown, such that no income qualifications were deemed necessary.

The South Korean market was calibrated based on the reported play at High 1 Resort, (which offers a number of amenities in addition to casino gaming in a somewhat remote location), reported visitation to Macau by South Korean passport holders; and GMA's knowledge of South Korean tourism patterns in other casino resort markets. High 1 Resort has driven an increase in gaming behavior despite its remote location.

An incremental increase is expected due to South Koreans' existing familiarity with Vladivostok as a destination, the accessibility challenges that exist for High 1 Resort, and the assumed marketing efforts that will be undertaken in South Korea. Capture rates are initially expected to be moderate due in part to the need to plan a trip in advance, including obtaining a visa, when compared to the ability to visit High 1 Resort. On a comparative basis, however, the entertainment options and the presence of multiple facilities is expected to make the IEZ an attractive alternative to the existing options for people living in South Korea and South Korean citizens in particular.

GMA's forecast of average win is based on the performance at High 1 Resort, taking into account some income growth between now and then and the fact that tourists tend to spend more when on a vacation. The total forecasted revenue from the South Korean market is estimated at \$246.55 million USD (7.2 billion RUB), as is shown in the following table. Based on the performance at High 1 Resort and GMA's analysis, VIP players are assumed to comprise 1% of total visitation and 20% of revenue in the IEZ.

Estimated Win from Targeted South Korean Markets (USD)							
Market	Forecasted Adult Population 2016	Propensity	Frequency	Capture Rate	Gamer Trips	Average Win	Total Win
Korean Nationals							
Seoul	8,644,412	10.0%	4.0	15.0%	518,665	\$400	\$207,465,876
Busan	2,897,406	4.5%	2.5	20.0%	65,192	\$300	\$19,557,491
Remainder of Korea	31,784,706	2.5%	1.6	5.0%	63,569	\$200	\$12,713,882
Foreign Citizens							
Seoul	340,579	16.0%	4.5	5.0%	12,261	\$500	\$6,130,426
Busan	43,384	15.5%	4.2	5.0%	1,412	\$450	\$635,467
Remainder of Korea	822,796	3.1%	1.5	5.0%	1,914	\$400	\$765,710
Total					661,099	\$373	\$246,503,143
Estimated VIP Performance					6,611	\$7,457	\$49,300,629
Mass Market Performance					654,488	\$301	\$197,202,514

Source: GMA

Estimated Win from Targeted South Korean Markets (RUB)							
Market	Forecasted Adult Population 2016	Propensity	Frequency	Capture Rate	Gamer Trips	Average Win	Total Win
Korean Nationals							
Seoul	8,644,412	10.0%	4.0	15.0%	518,665	11,679	6,057,464,171
Busan	2,897,406	4.5%	2.5	20.0%	65,192	8,759	571,027,895
Remainder of Korea	31,784,706	2.5%	1.6	5.0%	63,569	5,839	371,212,311
Foreign Citizens			0.0				
Seoul	340,579	16.0%	4.5	5.0%	12,261	14,599	178,992,488
Busan	43,384	15.5%	4.2	5.0%	1,412	13,139	18,553,988
Remainder of Korea	822,796	3.1%	1.5	5.0%	1,914	11,679	22,356,753
Total					661,099	10,887	7,197,250,854
Estimated VIP Performance					6,611	217,736	1,439,450,171
Mass Market Performance					654,488	8,797	5,757,800,683

Source: GMA

JAPAN

Pachinko is currently the primary gaming option available in Japan. The Japanese also game when abroad, with the most notable interest being in markets where large, integrated casino resorts operate. In 2010, Japanese citizens recorded nearly 800,000 casino visits in South Korea, due primarily to the convenience of the destination rather than a resort experience. In addition, Japanese citizens visited Macau nearly 400,000 times in 2011. The lack of casino resorts in the country will continue to provide an opportunity to attract players from Japan in the mid-term, while no large integrated resort currently caters to Japanese players on the scale being contemplated in the IEZ. Vladivostok is approximately a two hour flight from Tokyo. Current service consists of two flights per week (organized as charters but available for individual ticketing) from Narita and no service from the smaller and more centrally located Haneda airport. Several carriers are in discussions to expand service.

The Japanese market is currently the most underserved of the foreign target markets. Chinese citizens have Macau as a distant alternative that caters to their preferences Japanese citizens'

best alternatives are those facilities in South Korea, which are not developed as resorts but do seem to cater to some Japanese players. While there is some discussion of domestic gaming, it does not appear that any casino gaming facilities will be developed in the near to midterm, preserving this market opportunity for the IEZ. Compared to other cultures, the Japanese population is historically more concerned about safety when traveling abroad. The IEZ and its operators will need to provide certainty to potential customers that the IEZ offers a safe environment.

Japan has one of the most developed economies in the world, and as such, GMA did not employ income qualifications. Existing gaming behavior does not incorporate pachinko parlors but rather notes Japanese casino visitation abroad as reflected in the JTB survey and statistics reported in Korea and Macau. Incremental play is expected to result from the introduction and subsequent marketing of the IEZ which leads to an estimated \$193.8 million USD (5.7 billion RUB) in estimated win. Based on the large middle class and developed nature of the Japanese economy, comparisons to the South Korean dynamic dominated GMA's VIP analysis. It was assumed that 1% of Japanese players qualify for VIP play and they will drive 25% of gross gaming revenue.

Estimated Win from Targeted Japanese Markets (USD)							
Market	Forecasted Adult Population 2016	Propensity	Frequency	Capture Rate	Gamer Trips	Average Win	Total Win
National Capital Region	33,511,493	2.0%	1.5	25.0%	251,336	\$450	\$113,101,290
Remainder of Japan	64,498,658	1.0%	1.2	15.0%	116,098	\$375	\$43,536,594
Total					367,434	\$426	\$156,637,885
Estimated VIP Performance					3,674	\$10,658	\$39,159,471
Mass Market Performance					363,759	\$323	\$117,478,414

Source: GMA

Estimated Win from Targeted Japanese Markets (RUB)							
Market	Forecasted Adult Population 2016	Propensity	Frequency	Capture Rate	Gamer Trips	Average Win	Total Win
National Capital Region	33,511,493	2.0%	1.5	25.0%	251,336	13,139	3,302,263,615
Remainder of Japan	64,498,658	1.0%	1.2	15.0%	116,098	10,949	1,271,155,363
Total					367,434	12,447	4,573,418,978
Estimated VIP Performance					3,674	311,173	1,143,354,745
Mass Market Performance					363,759	9,429	3,430,064,234

Source: GMA

INDUCED RUSSIAN MARKETS

The Khabarovsk and Yuzhno-Sakhalinsk markets were evaluated for their potential as source markets for the proposed IEZ. Both cities are a one-hour and twenty-minute flight time to Vladivostok International Airport, and with regular service the IEZ will be easily accessible. While ground alternatives including rail and automobile (supported by ferries in the case of Yuzhno-Sakhalinsk) are available, the increased travel times will likely make air lift the preferred and dominant mode of transportation. While Khabarovsk has historically served as a hub for Russian airlift in the region, Vladivostok's increasingly competitive role as a hub may also lead potential clients to consider adding Vladivostok to planned vacation itineraries.

Russians accounted for 16,512 visits to Macau in 2011. This likely includes a significant number of visitors that entered the city for employment purposes rather than gaming. Russian citizens also frequent casinos located in CIS countries and in Eastern Europe, which are not convenient locations for regional residents. Based on historical Russian participation in casino gaming, GMA believes that the lack of supply is the current limitation and that the opening of the IEZ will induce a modest level of demand in these more distant markets.

The IEZ and facilities targeting Russian players are assumed to advertise in these regions both in an effort to directly reach potential customers and through travel agents. Gaming behavior within these more distant markets is expected to rise from marginal levels. Estimated gaming behavior is based on GMA's assumptions in the local market and knowledge of comparable situations in other jurisdictions.

The IEZ will be the only gaming destination in the Far East that caters to Russians and will be more convenient for residents of Khabarovsk and Yuzhno-Sakhalinsk than other gaming destinations. Moreover, it will represent a major improvement compared to existing domestic travel options including the existing and popular destinations located in Primorye. As such the IEZ is expected to attract the vast majority of gamer trips in the region. VIP play is assumed to include 0.2% of induced visitors and 10% of induced win based on GMA's knowledge of Russian gamers and comparisons of wealth distribution in Russia and other markets in the region.

Estimated Win from Targeted Russian Markets (USD)							
Market	Forecasted Adult Population 2016	Propensity	Frequency	Capture Rate	Gamer Trips	Average Win	Total Win
Khabarovsk	449,982	5.0%	1.0	99.0%	22,274	\$300	\$6,682,226
Yuzhno-Sakhalinsk	140,753	5.0%	1.0	99.0%	6,967	\$350	\$2,438,537
Total					29,241	\$312	\$9,120,764
Estimated VIP Performance					58	\$23,394	\$1,368,115
Mass Market Performance					29,183	\$266	\$7,752,649
Source: GMA							

Estimated Win from Targeted Russian Markets (RUB)							
Market	Forecasted Adult Population 2016	Propensity	Frequency	Capture Rate	Gamer Trips	Average Win	Total Win
Khabarovsk	449,982	5.0%	1.0	99.0%	22,274	8,759	195,103,636
Yuzhno-Sakhalinsk	140,753	5.0%	1.0	99.0%	6,967	10,219	71,198,948
Total					29,241	9,107	266,302,584
Estimated VIP Performance					58	683,029	39,945,388
Mass Market Performance					29,183	7,757	226,357,197
Source: GMA							

VLADIVOSTOK TOTAL GAMING WIN: BASE CASE

The following table demonstrates the total win from all source markets for 2016, the first year of stabilized operations. Total revenue of \$1.1 billion USD (32.1 billion RUB) is expected to be driven by nearly \$500 million USD (14.6 billion RUB) in VIP play. This market is almost entirely dependent on induced foreign play, which will drive over \$1 billion USD (approximately 34.6 billion RUB) in gross gaming revenue, 91% of the total for the market. The following chart illustrates these figures.

Vladivostok Market Summary; Current Environment (USD)					
Market	Gamer Visits		Gaming Revenue		
	Mass Market	VIP Market	Mass Market	VIP Market	Total
Local	1,185,385	N/A	\$ 75,422,396	N/A	\$ 75,422,396
Tourist	59,951	N/A	\$ 16,210,150	N/A	\$ 16,210,150
Induced Russian	29,183	58	\$ 7,752,649	\$ 1,368,115	\$ 9,120,764
Induced Chinese	247,755	247,755	\$ 274,466,023	\$ 406,233,600	\$ 680,699,623
Induced Korean	654,488	654,488	\$ 197,202,514	\$ 49,300,629	\$ 246,503,143
Induced Japan	363,759	3,674	\$ 117,478,414	\$ 39,159,471	\$ 156,637,885
Total	2,540,520	905,975	\$ 688,532,145	\$ 496,061,814	\$ 1,184,593,960

Vladivostok Market Summary; Current Environment (RUB)					
Market	Gamer Visits		Gaming Revenue		
	Mass Market	VIP Market	Mass Market	VIP Market	Total
Local	1,185,385	N/A	2,202,137,869	N/A	2,202,137,869
Tourist	59,951	N/A	473,294,234	N/A	473,294,234
Induced Russian	29,183	58	226,357,197	39,945,388	266,302,584
Induced Chinese	247,755	247,755	8,013,694,248	11,860,964,912	19,874,659,160
Induced Korean	654,488	654,488	5,757,800,683	1,439,450,171	7,197,250,854
Induced Japan	363,759	3,674	3,430,064,234	1,143,354,745	4,573,418,978
Total	2,540,520	905,975	20,103,348,463	14,483,715,215	34,587,063,678
Source: GMA					

VLADIVOSTOK MARKET POTENTIAL

GMA undertook an additional scenario to demonstrate the market potential of the IEZ. Forecasting the market potential included considering the potential rate of growth of supply in the IEZ, including the number of properties and their positioning, the number of slots, tables, and hotel rooms, as well as other non-gaming amenities. In addition, growth in demand was considered as a function of population and economic growth.

Market potential assumptions included the likely outcome if these factors all developed such that they would maximize the opportunity for the IEZ. In addition, it was assumed that accessibility was as convenient as possible, including visa restrictions and the availability and frequency of flights. From a competitive standpoint, it was assumed that competition in Northeast Asia remains largely as it stands today in terms of the number of facilities and their current scope in terms of targeting. Increase in gaming supply at those facilities would only consist of the necessary additions to meet growth within the current customer base. No changes in tax rates or marketing efforts are included in the market potential forecast.

Successful penetration into target markets is assumed in GMA's forecasted market potential. This includes the assumption that IEZ operators will be able to tailor offerings and facilities to each nationality, and do so without violating social norms or mores of other target markets. Economic growth in those markets is assumed to continue in China and resume to reasonable levels for the more mature South Korean and Japanese markets.

These factors combine to project the best case scenario for the IEZ. GMA reviewed the development of the Macau market when considering the timeframe in which to forecast the IEZ's market potential. The Macau market started operations decades before the market's liberalization in 2002. The first new facility opened in 2004, and in that sense, eight years have passed since its opening. Growth is characterized by a somewhat controlled level of tourism, as Beijing controls the number of mainland Chinese that visit Macau, with more rapid growth in the win per visitor being driven both by economic growth and perhaps increased alternatives for currency transfers. While stabilization and full maturity of the Macau market may be more than two years away, a ramp-up period of ten years was assumed based on the assumption that the IEZ market could naturally grow and not be subject to government intervention or a global economic slowdown such as the one that occurred during Macau's development.

While the market potential estimate assumes that an optimal set of circumstances develop, it is constrained by GMA's knowledge and experience across Asian gaming markets and on other continents. This includes the idea that the vast majority of play will still originate regionally,



similar to the three largest gaming markets on the globe: Macau, Singapore, and Las Vegas. During the ramp-up period, the market will build awareness in the target markets such that its appeal will broaden within this geographic area, and accessibility will be served largely through growth in air lift.

The specific series of changes in assumptions to the model are summarized below:

- Population growth was assumed to continue through 2022.
- Gaming behavior in all markets was assumed to increase. This includes the local day-trip market, where gaming behavior was assumed to be comparable to other markets where the convenience of casino gaming and the scale of the operations are similar. In addition, tourists and markets where tourism is induced were assumed to experience increases in gaming behavior. In China, gaming behavior was assumed to increase to the level observed currently in Guangdong Province, which is adjacent to Macau. Other markets were presumed to experience a similar growth.
- Capture rates were assumed to increase modestly. This is due to the assumption that the IEZ will continue to build awareness and trust within the proposed customer base, but also that other existing East Asian gaming destinations will continue to effectively compete.
- Average win was forecasted to increase by a CAGR of 2% to 4% depending on the market.

Total win is shown in the following table. It shows that under ideal circumstances the gross gaming revenue at the IEZ is estimated to reach \$5.2 billion USD (152.2 billion RUB).

Vladivostok Market Summary; Market Potential 10 Years Mature (USD)					
Market	Gamer Visits		Gaming Revenue		
	Mass Market	VIP Market	Mass Market	VIP Market	Total
Local	2,924,492	N/A	252,973,527	N/A	252,973,527
Tourist	149,630	N/A	42,354,900	N/A	42,354,900
Induced Russian	139,718	280	52,713,430	9,302,370	62,015,800
Induced Chinese	1,405,528	1,405,528	1,136,545,833	2,289,033,538	3,425,579,371
Induced Korean	2,590,894	2,590,894	793,104,730	198,276,182	991,380,912
Induced Japan	1,029,642	10,400	328,552,731	103,517,577	432,070,308
Total	8,239,904	4,007,102	2,606,245,151	2,600,129,667	5,206,374,818
Source: GMA					



Vladivostok Market Summary; Market Potential 10 Years Mature (RUB)

Market	Gamer Visits		Gaming Revenue		
	Mass Market	VIP Market	Mass Market	VIP Market	Total
Local	2,924,492	N/A	7,386,169,257	N/A	7,386,169,257
Tourist	149,630	N/A	1,236,652,957	N/A	1,236,652,957
Induced Russian	139,718	280	1,539,095,101	271,605,018	1,810,700,119
Induced Chinese	1,405,528	1,405,528	33,184,183,304	66,833,827,822	100,018,011,127
Induced Korean	2,590,894	2,590,894	23,156,596,044	5,789,148,996	28,945,745,040
Induced Japan	1,029,642	10,400	9,592,885,508	3,197,628,503	12,790,514,011
Total	8,239,904	4,007,102	76,095,582,172	76,092,210,339	152,187,792,511

Source: GMA



VIII. CONCLUSIONS AND RECOMMENDATIONS

The IEZ's location, enabling legislation, and infrastructure make it an attractive destination to establish casino gaming operations. Based on the assumptions contained in this report, gaming operations are forecasted to generate \$1.1 billion USD (32.1 billion RUB) in the third year of operations and have the potential to generate over \$5.2 billion USD (151.8 billion RUB) if the development within the IEZ, accessibility, and circumstances in target markets are all ideal.

The development of the IEZ is still early, and several assumptions need to be met in order to reach the forecasted revenue levels. The government, Nash Dom, and investors should all coordinate efforts to reach specific goals related to the assumptions and recommendations below. GMA feels strongly that existing operators with experience in the region and operating large casino resorts will increase the likelihood of success.

RECOMMENDATIONS

DEVELOP A SOUND REGULATORY AUTHORITY

Regulatory parameters should be established that give the government, regulatory body, investors, operators, and customers the necessary assurances. The large and illiquid direct investments combined with regulatory requirements in other jurisdictions force branded operators in other East Asian gaming markets to operate businesses with an exceptionally high level of visibility and with no tolerance for corruption. This is evident in Macau where currently several investigations are underway that have garnered interest from Macau authorities but also law enforcement and gaming regulators in the United States and possibly Singapore as well. Unauthorized or unethical activities in any jurisdiction can cause fines, penalties, and even revocation of licenses in unrelated jurisdictions. In order to attract foreign investment and recognized, internationally branded operators that can compete in East Asia, a regulatory authority should be established that is modeled after and will work in conjunction with regulators from other jurisdictions.

PROVIDE AMENITIES AND SERVICE THAT CATER TO TARGET MARKETS

The Russian, Chinese, Korean, and Japanese cultures are distinct from one-another. Many hospitality properties address this challenge by retaining multi-lingual staff, providing signage and literature in familiar languages, and developing amenities and spaces that cater to specific targeted customer bases. In hotels, when targeting business customers the emphasis can be on accommodating linguistic needs, while some leisure hotels may have amenities to meet the

expectations of separate customer segments. This can involve specific layouts and décor for many cultures, with the most publicized being the nuances of catering to Chinese guests.

In addition to cultural preferences will be casino gaming preferences. For example, the High 1 Resort demonstrates that South Koreans drive a higher level of slot play relative to Macau facilities, which cater largely to Chinese players and attract more play at baccarat tables, particularly VIP baccarat tables. While these are generalizations, an attempt to accommodate all of the targeted customer bases could easily fail to meet any customer preferences. Put quite simply, the casino-hotel that tries to be all things to all people winds up being everyone's second choice. In recognition of the challenge of appealing to various cultural and casino gaming preferences, GMA recommends that the facilities target a limited customer base from the targeted segments and tailor facilities to those customers. The IEZ will need a significant number of its front-line staff to speak the languages of the targeted customer bases.

INVITE RECOGNIZED BRANDS TO FOSTER TRUST

The integrity of casino games is a critical element of the gaming experience that can at times be taken for granted in the casino industry. While establishing a regulatory authority and demanding that operators adhere to rules and regulations can help guarantee integrity to players, attracting internationally recognized operators is essential to assuage any feelings of mistrust that players may have to the casino. This was a concern the Consulting Team heard from both tourism officials in China, which could become the largest source market for the proposed gaming operations, as well as from sources within Primorye's Department of International Cooperation and Tourism.

PROVIDE HIGH LEVELS OF CUSTOMER SERVICE

The level of service expected from many cultures in Asia is significantly higher than the levels of service currently provided at the majority of hospitality-based businesses in Russia. This is particularly true of the level of service expected from Japan and South Korean visitors, where greater levels of economic growth and wealth may have enabled customers to demand and ultimately pay for higher levels of service. This is also becoming more evident in China. Outstanding levels of customer service are also a common in the casino industry. Casinos in East Asia and other markets, particularly those in competitive markets, recognize that excellent customer service is an effective way to distinguish their facilities and attract more customers. The IEZ will require a large number of employees that can provide the level of customer service that will be expected.



PROVIDE MULTIPLE MODES OF TRANSPORTATION FOR VISITORS

In addition to more traditional forms of transportation such as taxis and limousines, the IEZ should run a shuttle service that serves the airport, the train station in Artem, and the various facilities in the IEZ that offer lodging. The shuttle should enable customers to easily and inexpensively reach the facilities in the IEZ from these nearby transportation hubs. The shuttle should operate regularly and in a timely fashion such that it is timed with the arrivals of aircraft and trains such that tourists can easily, affordably, and predictably reach the IEZ. In addition a formalized and metered taxi service should also be offered at a taxi stand at the airport.

MAINTAIN COMMON AREAS

Fees should be assessed to cover some common-area maintenance and shared expenses in the IEZ. Potential expenses could include landscaping along streets, maintenance of the waterfront area, sweeping streets, and possibly operating a shuttle service within the IEZ. The shuttle can enable customers to get to the waterfront, gaming and hotel facilities, the convention and meeting center, and other attractions.

FOREIGN CURRENCY EXCHANGE

In most casinos where international currency exchanges are facilitated, players are able to convert currency without paying a commission. This is typically only done for customers as a courtesy, as currency exchange is not the primary business of the casino. This creates goodwill and makes gaming more attractive and convenient for the players. In some instances the casinos limit this service to funds being played in the casino only. This service should be offered in the IEZ.

IX. DISCLAIMER

Gaming Market Advisors has made a best effort to secure accurate information. However, much of the information contained in this report was received from third-parties which Gaming Market Advisors did not validate or verify. Accordingly, Gaming Market Advisors makes no warranty, real or implied, regarding the data contained in this report.

This report also contains projections of future events based upon certain assumptions. Since it is not possible to predict future outcomes with absolute accuracy, these projections should be treated only as estimates of potential future results. Actual results may differ due to unforeseen events. Consequently, Gaming Market Advisors assumes no liability for the accuracy of these projections.



X. APPENDICES

THE GMA CONSULTING TEAM

Gaming Market Advisors provides clients with market feasibility studies, primary research, due diligence, payroll control, operations analysis, business and marketing plans, and player reward program design. The principals and associates of GMA have hands-on experience in nearly all aspects of the gaming industry including domestic and international operations, project development, marketing, and detailed market analysis. GMA is very familiar with the gaming industry, having conducted engagements across five continents.

STEVEN M. GALLAWAY

Steve Gallaway has had life-long exposure to the gaming industry, focusing the past seven years on consulting in the gaming industry. During his career, he has had hands-on experience in operations management, organizational development, business development, process improvement, contract negotiations, customer service training and employee development. Today, Mr. Gallaway is known throughout the gaming industry for his knowledge of both domestic and international markets. Among other accolades, Steve is a leader with Gerson Lehrman Group Councils, as such providing dozens of Wall St. and international investment firms with advice on gaming markets and gaming investments.

Mr. Gallaway, a former Senior Vice President of The Innovation Group, has completed over 100 feasibility studies with a strong focus in Native American gaming operations, public bond transactions, and international gaming developments. Steve has worked with over 45 Native American Tribes from California to Arizona to Florida. Many of these Native American engagements have resulted in Mr. Gallaway assisting his clients in obtaining the necessary funding to allow their projects to move forward. Steve worked with the Fantasy Springs Casino Resort in California in obtaining the first tax-free municipal bond to fund a casino project, and in 2005 while at the Innovation Group, worked with the Golden State Transportation Financing Corporation.

Internationally, Mr. Gallaway has worked on more than 50 projects in Western and Eastern Europe, Russia, Asia, the Bahamas, the Caribbean, Canada, and Mexico. The depth of his experience in Mexico prompted an invitation to speak at the G2E (Global Gaming Expo) to discuss the future of gaming in Mexico. Other experience in gaming consulting includes an extensive amount of primary research, operational reviews, completing due diligence for clients on potential gaming acquisitions, and assisting casinos in analyzing and maximizing the utility of



their player database. Because of his proficiency in this area, Steve was asked to participate on a panel at G2E.

Steve is a periodic lecturer at the University of Nevada Reno, School of Continuing Education in the field of Casino Feasibility Analysis. He is also a periodic writer for Global Gaming Business Magazine.

ANDREW KLEBANOW

Andrew Klebanow specializes in Marketing Plan and Business Plan Development, Market Research, Casino Property Analysis, Service Quality Measurement Programs and Player Rewards Program Design exclusive to the gaming and hospitality industries.

Mr. Klebanow has worked in the hospitality industry since 1975 and in the fields of marketing and business planning since 1991. He earned a Bachelor of Arts degree at New York University and Master's Degree in Marketing from Cornell University's School of Hotel Administration.

From 1991-1993, he was Director of Marketing at Sahara Gaming Corporation's Hacienda Hotel and Casino, and Director of Marketing and Planning for the parent company's Development Group. Mr. Klebanow also worked as Director of Marketing for Alliance Gaming Corporation where he conducted the initial market research, consumer testing and marketing plan development for Gamblers Bonus, the industry's first cardless slot club for the company's Nevada slot route division. Gamblers Bonus was the first player tracking system that allowed customers to redeem bonus points for game credits at the machine.

As a consultant to Horseshoe Gaming, Klebanow conducted an analysis of the gaming market in Tunica, MS and subsequently prepared its pre-opening business and marketing plans. In addition, Mr. Klebanow wrote the opening marketing plan for the Horseshoe Casino in Bossier City, LA.

From 1996 to 1999, Klebanow was Vice President of Marketing for Santa Fe Gaming Corporation where he oversaw the marketing efforts for the Santa Fe Hotel and Casino in Las Vegas and the Pioneer Hotel and Gambling Hall in Laughlin NV. During his tenure at Santa Fe Gaming, his team repositioned both casinos' player rewards programs to better meet the needs of the business. His most recent position was that of Vice President of Marketing at Sam's Town Hotel and Gambling Hall, where he oversaw the repositioning of the 22-year-old gaming property and the re-branding of its player rewards program. Sam's Town was the beta site for the CDS Oasis 2000 player tracking system.

Mr. Klebanow formed his own consulting firm in 2001 and, together with Mr. Gallaway, formed Gaming Market Advisors in 2005.

Mr. Klebanow is a periodic lecturer at Cornell University's School of Hotel Administration, the University of Nevada Las Vegas and the University of Nevada Reno's School of Continuing Education. He has contributed articles to the Cornell University Hotel and Restaurant Quarterly and the UNLV Hospitality Journal. Mr. Klebanow also authors a column in Indian Gaming Magazine and in the online gaming publication Urbino.net. Mr. Klebanow has written extensively on the subject of player reinvestment and has developed methodologies for calculating a casino's player reinvestment rate. Most recently, he spoke at G2E Asia 2010 on the topic of tiered player reward program design and at the 2011 Asian Gaming Congress on the topic of player segmentation.

MATTHEW LANDRY

Matthew J. Landry has worked in the gaming industry since 2003 and has developed a reputation for conducting thorough analyses while not losing site of the broader picture. Initial engagements included feasibility studies in Las Vegas, western states including California, Washington, and Oregon, and several states in the Midwest. Responsibilities broadened from there to include a number of clients and a range of challenges. In the United States, Mr. Landry completed an analysis of the impact Native American gaming in California would have on Nevada markets that was published by a prominent investment bank. The analysis included a survey of California gamers, an analysis of existing and projected gaming supply in California, and an evaluation of the impact that additional supply would have on visitation to Las Vegas, Laughlin, Reno, and Tahoe given existing visitation patterns.

Since 2005, Mr. Landry has expanded his focus to include key markets outside the United States. To date, Mr. Landry has worked in Canada, Mexico, and the Caribbean as well as Asia, Western and Eastern Europe, Russia, and Africa. In Russia, feasibility analysis for destination resorts was completed in Moscow and St. Petersburg and in Krasnodar and Vladivostok, based on current legislation. Other Eastern European markets evaluated for further development include Czech Republic, Slovakia, Croatia, Hungary, Estonia, and Poland.

Mr. Landry's experience in East Asia has been equally diverse, with feasibility studies being completed in Macau, Singapore, Japan, Korea, Vietnam, Cambodia, and the Philippines. Mr. Landry's experience has made him keenly aware of the regulatory, cultural, and competitive challenges that exist in a number of markets across the globe. In addition, the ability to quickly identify and negotiate the nuances of developing markets has been invaluable to clients.

Mr. Landry holds an M.B.A. from The University of Chicago with concentrations in Finance, Strategy, and Entrepreneurship and a Bachelor of Science in Mathematics and Economics from the University of New Hampshire.



Gaming Market Assessment, Hotel Feasibility Study and ProForma Income Statement

Legends at Village West

Kansas City, KS

August 2007

Prepared for:
Olympia Gaming, LLC
Red Development, LLC

Prepared by:
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I. Executive Summary

In March 2007, the State of Kansas passed the Kansas Expanded Lottery Act (“KELA”) allowing voters in Kansas City, Wichita, Dodge City and southeast Kansas to decide if they wanted to have state-owned but privately managed casinos in their counties. Since then, the voters of Cherokee County (in southeast Kansas) have had a voter referendum and it passed with a 70% majority in June 2007.

In April 2007 the Kansas Lottery released the initial application for companies to follow to apply for the management contract of the state-owned but privately managed Kansas casinos. There are barriers to entry within the application that will keep inexperienced companies and companies not positioned for growth from submitting proposals.

With the passage of the casino-racino bill, there potentially will be up to 10,600 electronic gaming devices (“EGD’s”) added to the Kansas market. The state-owned but privately managed casino near Kansas City is expected to be on land near the Kansas Speedway and would be part of, or appurtenant to, a regional shopping and entertainment complex that exists today at the Speedway that is referred to in this report as the Legends and Village West Development. On June 26 2007, Wyandotte County voters passed legislation legalizing gaming in their county.

Given these recent developments, Olympia Gaming and Red Development are considering submitting a proposal to the Kansas Lottery for the exclusive right to develop and manage a casino in Kansas City within Wyandotte County. As part of this proposal, Olympia Gaming and Red Development would like to better understand the Kansas City gaming market and revenue potential for a casino at Legends at Village West. Olympia and Red Development will have until December 31, 2007 to submit a proposal for the Kansas Lottery.

Olympia and Red Development have asked Gaming Marketing Advisors (“GMA”) for 1) a Gaming Market Assessment to determine the gaming revenue potential for a casino located as part of the Legends at Village West complex, 2) determine the feasibility of a hotel as part of the project and 3) forecast revenues and expenses for a full-scale casino-resort including a casino, hotel and related non-gaming amenities.

Gaming Market Advisors first conducted a Gaming Market Assessment. To complete the Gaming Market Assessment GMA first determined the value of the Local Day-Trip Gaming Market by building a gravity model. Gaming Market Advisors then examined the other sources of gaming revenue from the Project’s hotel, nearby hotels, the Kansas Speedway, travelers from nearby highways, and shoppers at the Legends at Village West Development. GMA estimates that in the second year of operation, 2011, that Olympia and Red Development should be able to yield \$213.3 million in gaming revenue.

Gaming Summary, 2011	
	Gaming Revenue
Local Day Trip Market	\$ 155,361,161
Overnight Hotel Guests	20,287,849
Kansas City Speedway	20,156,650
Nearby Hotels	1,648,943
Traffic Intercept	11,472,262
Legends & Village West Development	4,389,000
TOTAL	\$ 213,315,865
Source: GMA	

In estimating the financial performance of Legends at Village West Casino Resort, GMA conducted a detailed analysis of the local lodging market to determine hotel feasibility, examining recent room rate and occupancy trends for the immediate area and compared them to those of the Greater Kansas City region. GMA then analyzed the food and beverage offerings at the Legends and Village West Development to determine to optimal number of restaurants and sizing recommendations for restaurants for the Project. GMA prepared a Five Year ProForma Income Statement to summarize the results of these analyses and to project property-level Earnings Before Interest, Taxes, Depreciation, Amortization and Management Fees ("EBITDAM").

2011 is assumed to be the first stabilized year of operation and the Project is assumed to open in the beginning of 2010.

**Legends at Village West Casino Resort
ProForma Income Statement (000s)**

	2010	2011	2012	2013	2014
Total Slots	2,000	2,000	2,000	2,000	2,000
Total Tables	60	60	60	60	60
Win Per Slot	\$229	\$234	\$241	\$247	\$252
Win Per Table	\$1,759	\$1,793	\$1,847	\$1,892	\$1,934
Number of Hotel Rooms	350	350	350	350	350
Hotel Occupancy	84.0%	89.6%	91.6%	93.6%	94.9%
Hotel ADR	\$137.58	\$139.92	\$144.17	\$148.54	\$152.86
Hotel RevPAR	\$115.56	\$125.34	\$132.03	\$139.07	\$145.05
Revenues					
Gaming	\$ 209,050	\$ 213,316	\$ 219,715	\$ 225,208	\$ 230,369
Food	17,812	18,175	18,721	19,189	19,236
Beverage	9,562	9,757	10,050	10,301	10,326
Meeting & Banquets	1,103	1,164	1,211	1,260	1,311
Rooms	14,763	16,012	16,912	17,766	18,530
Other	7,257	7,616	7,895	8,170	8,440
GROSS REVENUE	\$ 259,546	\$ 266,041	\$ 274,504	\$ 281,894	\$ 288,212
EBITDAM	\$ 57,309	\$ 61,126	\$ 65,752	\$ 68,279	\$ 70,479
EBITDAM Margin (Net) (Net)	24.3%	25.3%	26.4%	26.7%	26.9%
Source: GMA					

II. Engagement Overview

In March of 2007, proponents for the expansion of gaming in Kansas won two major victories after years of failed attempts when the State Legislature and Senate approved a bill allowing state-owned casino gaming in Kansas City, Wichita, Dodge City and southeast Kansas. The bill will also allow 2,200 slot machines to be distributed over the three horse tracks.¹ The bill was immediately signed by Governor Sebelius, who has been a proponent of gaming and has called the bill's passage a "historic achievement".² With the bill now passed, the voters of each local region where gaming would take place will decide if they want gaming in their locale.

With the passage of the casino-racino bill, there potentially will be up to 10,600 electronic gaming devices ("EGD's") added to the Kansas market. The state-owned but privately managed casino near Kansas City is expected to be on land near the Kansas Speedway and would be part of, or appurtenant to, a regional shopping and entertainment complex that exists today at the Speedway.

Given these recent developments, Olympia Gaming, LLC ("Olympia") and Red Development, LLC ("Red" or "Red Development") are considering submitting a proposal to the State of Kansas for the exclusive right to develop a full-service casino resort at Legends at Village West ("Project" or "Legends Casino"). As part of this proposal, Olympia and Red would like to better understand the Kansas City gaming market and the gaming revenue potential for a casino at the Legends at Village West site. In addition, the Company would like to examine the overall feasibility of developing a full-scale casino resort complete with a hotel, a mix of restaurants and other non-gaming amenities such as spa, conference center and entertainment center.

Olympia and Red have asked Gaming Marketing Advisors ("GMA") for 1) a Gaming Market Assessment to determine the gaming revenue potential for a casino located as part of Legends at Village West, 2) determine the feasibility of a hotel as part of the project and 3) forecast revenues and expenses for a full-scale casino-resort including a casino, hotel and related non-gaming amenities.

Methodology

Site Visit

The GMA Consulting Team first visited the Project site in order to understand the location of the Project and its relationship to nearby businesses and residential areas. Also, since the Project will be located near a regional shopping mall and racetrack, the Consulting Team quantified the number of visitors to the area. Other entertainment venues, such as nationally branded restaurants, movie theatres and entertainment centers were also examined for possible synergies with the Project.

¹ Cogan, J. Bank of America Equity Research. Email Update March 29, 2007

² NBC Action News Kansas City. Associated Press Report. March 29, 2007

http://www.nbcactionnews.com/content/news/kansas/story.aspx?content_id=ed5c30f8-de59-4bda-8cae-26ab1f8debc7

The Consulting Team then visited each of the primary gaming competitors in the greater Kansas City market in order to understand each casino's mix of gaming and non-gaming amenities, access to the region's highway network, each property's strengths and weaknesses, marketing strategies and the kinds of customers they appeal to. The Consulting Team also visited the Indian casino under construction in downtown Kansas City, KS as well as the Woodlands Race Track.

For the hotel feasibility study, the Consulting Team visited each of the hotels in the immediate area of the Speedway site. Where possible, the Consulting Team met with managers of area lodging properties in order to understand the current mix of customers, seasonality patterns and the effect that the shopping mall and racetrack have on their businesses. Upon completing its site visit, the Consulting Team moved forward with its analysis.

Gaming Market Assessment Analysis

To complete the Gaming Market Assessment GMA first determined the value of the Local Day-Trip Gaming Market by building a gravity model. The model was first calibrated to existing market conditions. Once the market was calibrated, the projected Legends at Village West Casino Day Trip Gaming Revenue was determined by estimating how various gaming factors would increase in the different sub-markets where new product is entering (i.e. Legends at Village West Casino Resort and Woodlands Racetrack Racino), and estimating the percent of revenue that would be cannibalized from the existing casinos in Kansas City, MO and the Indian casino in downtown Kansas City, KS. Based on the quality of the proposed Legends at Village West Casino Resort, GMA adjusted both the gaming factors of the local market and the overall attractiveness factor for the Project to determine the likely revenue levels that could be achieved from the Local Day Trip Gaming Market.

The Project site offers a considerable number of entertainment options and thus attracts tourists to the market. GMA estimated the gaming revenue that would be generated by tourists staying at nearby hotels as well as tourists staying at the Project's hotel.

The Project's proximity to the Legends Shopping Mall, Speedway and an independent baseball stadium will allow it to attract gaming customers whose primary reason to visit the area is for shopping or attending a sporting event. GMA quantified the visitation and gaming revenue that could be derived from these segments.

Finally, the Project is adjacent to an Interstate highway. While much of the traffic is generated by local residents, a certain portion is comprised of interstate travelers. The Project is expected to capture a portion of those travelers and that segment's gaming contribution was quantified. GMA estimated the capture rate of drive-by travelers and their expected contributions to gaming revenue.

The sum of gaming revenue derived from the day-trip market, tourists staying in both the Project's hotel and other hotels, attendees of sporting events, shoppers and drive-by travelers determined the total gaming revenue that would be derived from the Project.

Hotel Feasibility Study

It is expected that a full-service hotel will be an important part of this Project and, combined with a variety of other non-gaming amenities, will form the basis of Olympia and Red Development's proposal to the State of Kansas and will help differentiate its proposal from other bidders. In order to prepare a proposal that is both attractive to the State and viable to Olympia and Red Development, GMA conducted a Hotel Feasibility Study.

A hotel will service customers from a number of market segments including Tourists, Commercial Travelers, Group and Casino demand. GMA analyzed data from Smith Travel Research ("STR") to quantify each demand segment's market performance in terms of occupancy, average daily rate, seasonality and weekend versus weekday demand. In addition, the customers gambling in the casino will be an important demand generator. To quantify this segment, GMA evaluated the origin of gaming revenue as demonstrated by the gravity model and estimated the likely levels of hotel demand from that segment.

To confirm much of the data received from STR and to gather additional information on the market, the Consulting Team interviewed managers of local hotels to gather their understanding and potential of the local market area. In addition, The Consulting Team met with the local Chamber Of Commerce, Visitors and Convention Authority and economic development agency to gather information on the current market, and any planned developments that will likely come to fruition and could potentially have an impact on the Project.

With this information gathered, GMA conducted a fair share analysis to quantify the demand generated from these market segments. With both the casino demand and latent demand quantified, GMA was able to project the occupancy levels for the hotel.

The next step was to determine the projected Average Daily Rate ("ADR") for the hotel. This was completed by assigning average rates by demand segment based upon the competitive environment. GMA projected the ADR based upon the Consulting Team's recommendation for quality level of the hotel and whether or not a recommendation is made to flag the hotel.

Facility Programming Recommendations

After reviewing the mix of amenities at other Kansas City casinos and analyzing recent trends in other gaming markets, GMA made recommendations regarding the size and quality level of the hotel's banquet facilities, conference center, quantity, types and quality levels of the facility's restaurants as well as other non-gaming amenities such as a spa and retail operations.

Five Year ProForma Income Statement and Sizing Summary

With the casino and hotel revenues projected, GMA prepared a five-year proforma income statement for the new resort. Revenue categories within the proforma income statement included casino, hotel, food and beverage, banquet and meeting space, retail and other. To estimate food and beverage revenue, GMA estimated the number of covers

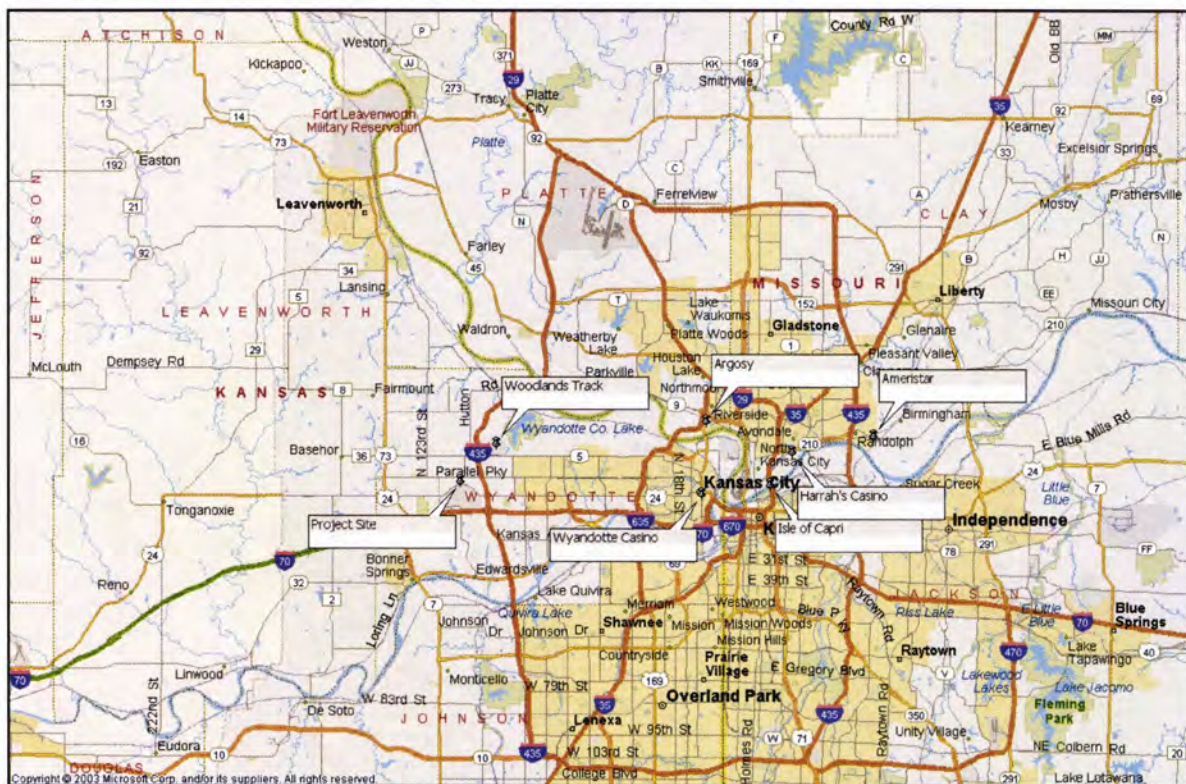
and revenue per cover for the expected F&B outlets. In projecting departmental and facility expenses, GMA evaluated competing facilities in the region to gather an understanding of the competitive makeup and player reinvestment strategies.

III. Site Description

Area Overview

The Project site is located in Wyandotte County, KS on the far western portion of the Greater Kansas City metroplex. While the region's central business district is located on the Missouri side of the Missouri River, the immediate market area contains a sizable amount of commercial, retail, office and industrial development as well as sizable amount of residential development.

The site offers convenient freeway access to virtually all parts of the Kansas City metroplex and is in fact, more convenient to residents of both western Wyandotte County as well as those residing in Johnson County and the communities in the southern portion of the metroplex. The map below illustrates the Project site within the Kansas City metroplex and its location to regional competitors.

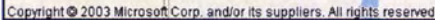


Currently, all gaming competition is concentrated along the north side of the Missouri River in Kansas City, MO. The Wyandotte Nation Casino will open within the Civic Center in Kansas City, KS. The closest competitor will be the Woodlands Race Track, approximately 3.5 miles to the north of the Project site. The table below details distances of local competitors to the Project site.

Property	Miles
----------	-------

Source: MapPoint

The Project site is located just north of the Kansas Speedway, at the intersection of Parallel Parkway and North 110th Street in Kansas City, KS. The site is just north of the intersection of two interstate highways. Interstate 70 is a primary east-west corridor connecting Denver to St. Louis and Interstate 435 serves as a beltway around the Kansas City metroplex.

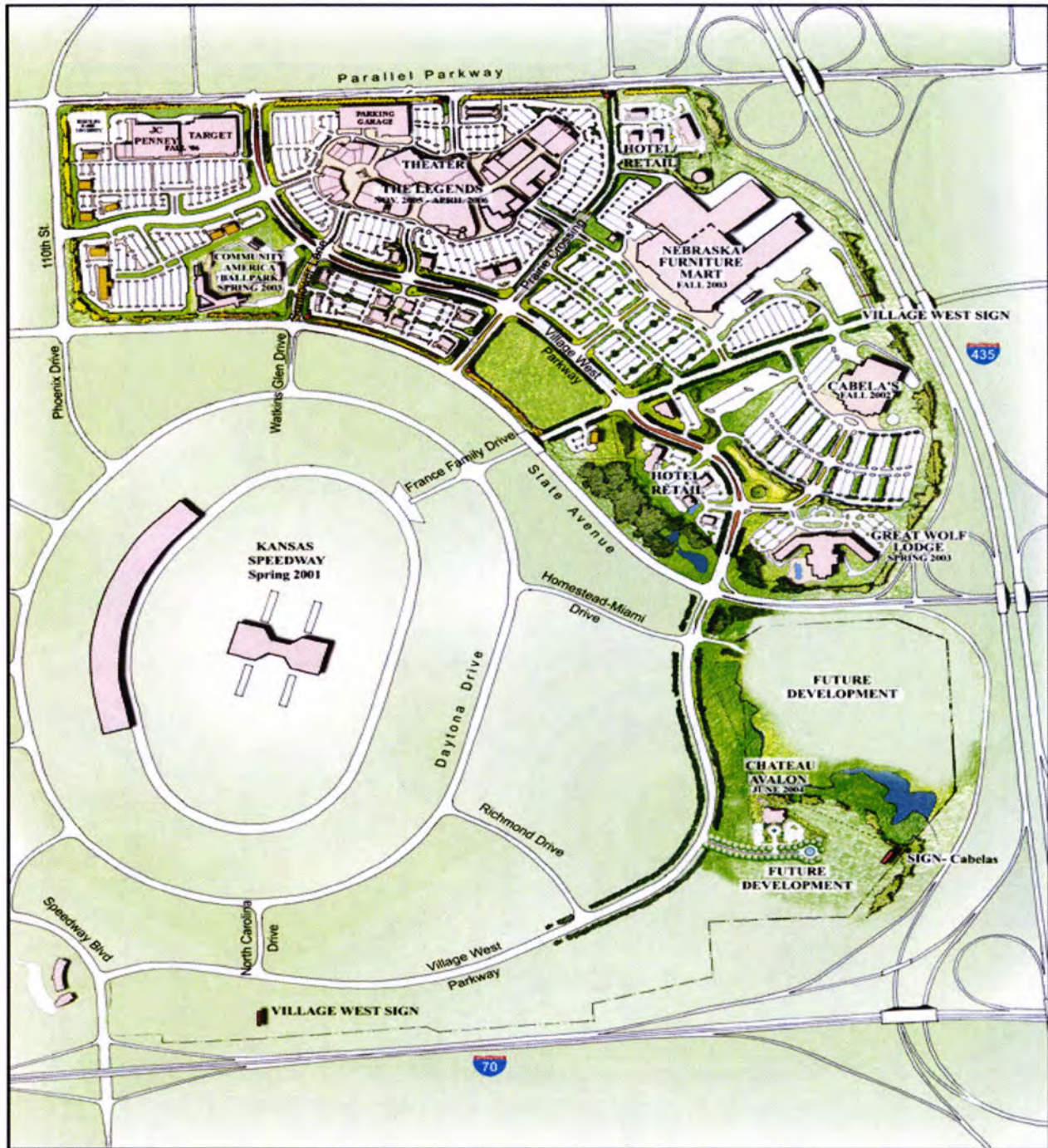


The Project site is just west of Legends at Village West, a regional shopping mall developed by Red Development and the Village West master planned entertainment and retail development. In addition to the mall, Legends and Village West include a number of freestanding stores including Cabela's Sporting Goods and the Nebraska Furniture Mart. The latter is largest freestanding single tenant retail outlet that the Consulting Team has ever seen at approximately 750,000 sq ft.

Further east in relation to the Project site, but within the confines of the Village West development is Great Wolf Lodge. Great Wolf Lodge is a highly themed, family-oriented hotel property. In addition to 281 hotel rooms and suites, the property features an indoor water park, oversized arcade, spa and family-oriented dining outlets.

Just to the southeast of the Project site, an independent baseball stadium was developed. The Speedway and ballpark are expected to contribute to periodic dramatic increases in visitation to the Project while the shopping mall is expected to bring steady volumes of both overnight and day-trip visitation.

The map on the next page is from the master developer of the area, Zimmer Commercial Real Estate Services, and shows the Legends and Village West Development and the location of the hotels and attractions. The Project site is clearly marked with an X.



**VILLAGE WEST
REDEVELOPMENT AREA**
Unified Government
Wyandotte County/ Kansas City, Kansas



EXISTING DEVELOPMENT

PLANNED DEVELOPMENT



Continental Consulting
Engineers, Inc.



Project Program

The Project is expected to contain the following facilities program. GMA worked with Olympia and Red Development to determine the optimal building plan: new program phase I residential

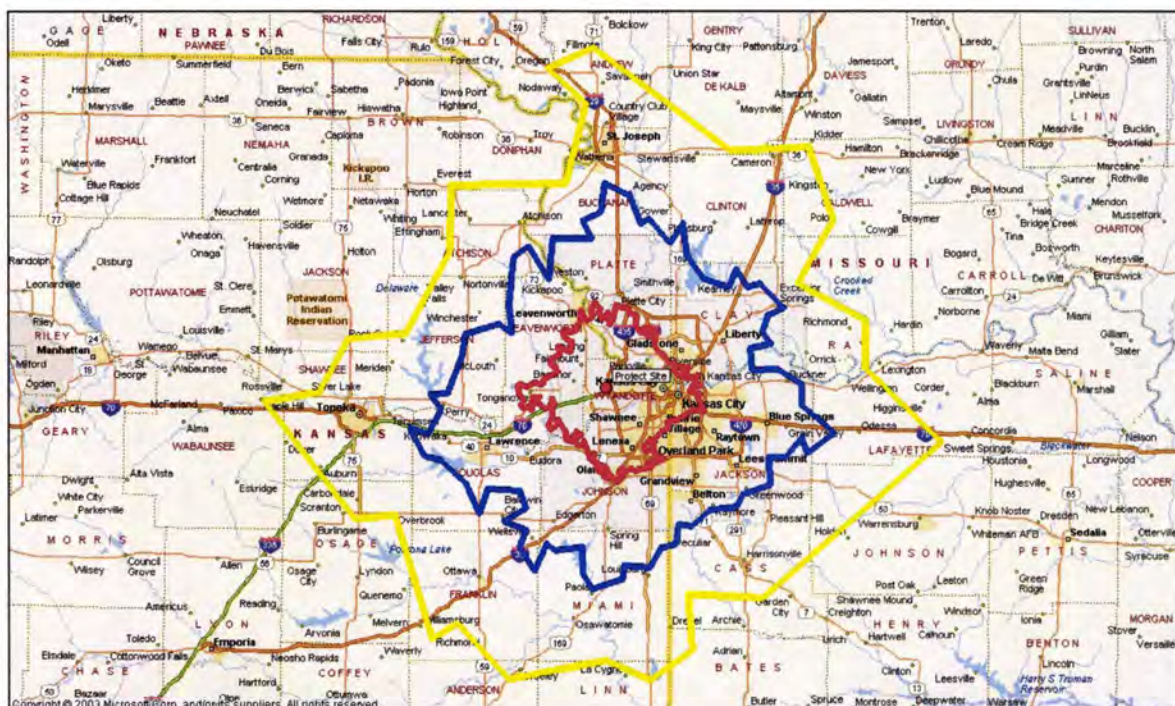
Phase I:

- Hotel
 - o 350 room branded hotel (4 star rating)
 - o Two outdoor swimming pools
- Spa
 - o 15,000 SF
 - o Inclusive of Beauty Salon and Fitness Centre
- Casino
 - o 2,000 Class III slot machines
 - o 60 table games
 - o 12 poker tables
- Approximately 45,000 SF of meeting & banquet space
 - o 20,000 SF net leasable
- Dining
 - o Buffet
 - o Coffee Shop
 - o Fine Dining
 - o Casual Dining
 - o Coffee Kiosk
 - o Deli
 - o 24 Hour room service
- Four bars & lounges
- 1,000 SF Showroom
- 5,000 SF of in-house retail
- Signature Semi-Private Golf Course
 - o Only open to members, hotel guests and invited casino guests
- 10,000 SF child care facility (outsource)
- Parking
 - o 1,500 space garage
 - o 2,000 surface parking spaces

IV. Market Overview

Local Population Analysis

In order to gain a better understanding of the Greater Kansas City market area, GMA conducted a number of preliminary analyses. Utilizing PCensus demographic mapping software, the Consulting Team first conducted a drive-time analysis. Drive times of 0-30 minutes, 30-60 minutes and 60-90 minutes were drawn around the Project site. For each ring total population, adult (21+) population and average annual household income ("AAHI") were quantified. The map below illustrates these drive times.



0-30 Minute Market

The population within a 30-minute drive of the Project was estimated at approximately 1.3 million people in 2006, with approximately 71% of the population 21 years of age or older (adults). The population is expected to grow at an average annual growth rate of 1.0% and by 2011 have a population of nearly 1.4 million people, 72% of whom will be adults. The area is growing slightly faster than the national average, expected to increase at an annual growth rate of 0.9% between 2006 and 2011. 19% of the population is expected to be over the age of 65 in 2011.

30-60 Minute Market

The population within a 30-minute and 60-minute drive of the Project was estimated at approximately 0.97 million people in 2006, growing annually at a growth rate of 0.8% for a total population of 1.01 million people in 2011. The annual growth rate of this region is slightly behind the national average's annual growth rate of 0.9% between 2006 and

2011. Approximately 71% of the population are adults in this segment and over the next five years, the adult population is expected to grow to 72%.

60-90 Minute Market

The area between a 60 and 90-minute drive from the Project site is more rural than the areas within an hour's drive. The population within a 60 and 90-minute drive from the Project was estimated at approximately 228,000 people in 2006 and is only expected to grow to approximately 234,000 people by 2011, a 0.5% annualized growth rate. In 2006, just over 72% of the population were adults and by 2011, it is estimated that nearly 74% of the population will be adults. Approximately 15% of the population are 65 years of age or older. 39% of the population is between 35 and 64 years of age.

Total Population by Driving Time				
	2000	2006	2011	'06-'11 CAGR
0 min - 30 min	1,219,934	1,302,117	1,367,543	1.0%
30 min - 60 min	918,148	971,175	1,011,411	0.8%
60 min - 90 min	220,003	228,251	233,556	0.5%
TOTAL	2,358,085	2,501,543	2,612,510	0.9%
Source: AGS/GMA				

Adult (21+) Population by Driving Time				
	2000	2006	2011	'06-'11 CAGR
0 min - 30 min	899,863	929,104	982,876	1.1%
30 min - 60 min	666,382	687,088	723,708	1.0%
60 min - 90 min	161,959	165,054	172,183	0.8%
TOTAL	1,728,204	1,781,246	1,878,767	1.1%
Source: AGS/GMA				

Average Annual Household Income (AAHI) by Driving Time				
	2000	2006	2011	'06-'11 CAGR
0 min - 30 min	59,005	66,720	72,992	1.8%
30 min - 60 min	54,481	60,426	66,299	1.9%
60 min - 90 min	44,133	49,168	53,342	1.6%
TOTAL	55,856	62,675	68,644	1.8%
Source: AGS/GMA				

Local Economic Analysis

In order to gain a better understanding of the strength of the region's economy, GMA analyzed historical unemployment levels for Kansas City MSA and Wyandotte County. In addition to providing insight into the strength of the local economy, this analysis illustrates the overall stability of a region's economy.

In general, the unemployment rates in the regions studied in this analysis have followed national trends over the past five years. Unemployment rates experienced in the Kansas City MSA remained below or close to national levels from 2002 to 2006 while rates experienced in Wyandotte County were substantially higher. In 2002, 5.5% of the labor force was out of work in the Kansas City MSA, slightly below the national rate of 5.8%. In the same year, 7.6% of the labor force in Wyandotte County was unemployed.

Unemployment Statistics					
	Wyandotte County	Kansas City MSA	United States Average	Var Wyandotte County - US Avg	Var Kansas City MSA - US Avg
2002	9.9%	5.5%	5.8%	4.1%	-0.3%
2003	11.2%	6.0%	6.0%	5.2%	0.0%
2004	9.5%	6.1%	5.5%	4.0%	0.6%
2005	8.9%	5.6%	5.1%	3.8%	0.5%
2006	7.6%	5.0%	4.6%	3.0%	0.4%
2006 - 2002 Var	-2.3%	-0.5%	-1.2%	-1.1%	0.7%
Source: Bureau of Labor Statistics, GMA					

Unemployment rates in both the Kansas City MSA and Wyandotte County rose through 2003 as the national economy slumped following the 9/11 terrorist attacks and the burst of the dot com bubble. In 2003, unemployment rates hit 6.0% for both the Kansas City MSA and the nation while rising to 11.2% in Wyandotte County. Unemployment continued to rise in the Kansas City MSA reaching a high of 6.1% in 2004 before dropping to 5.6%, slightly above the national level of 5.1%, in 2005. In 2006, the Kansas City MSA saw unemployment fall to 5.0% as the nation saw unemployment fall to 4.6%. In 2005, the unemployment rate in Wyandotte County dropped to 8.9% and continued to drop to 7.6% in 2006.

Local Lodging Trends

The Kansas City MSA lodging area has approximately 29,000 hotel rooms. According to Smith Travel Research, the average occupancy for the hotels within the immediate market area was 63.5% in 2006 with a \$113 ADR. The market is seasonal with the winter months being the weakest time for occupancy. The summer months are the strongest for occupancy while ADR stays fairly consistent throughout the year.

According to a recent Kansas City Star article, the average hotel occupancy for Kansas City as a whole is between 60-65% annually and in the mid-50%'s for the first quarter. During the first quarter of 2007, the Kansas City hotel market was challenged with hotel occupancy for the city at 52.8%, the lowest it has been since 2003.³ Kansas City's ADR however was able to grow 5%, resulting in a RevPAR increase of 2.6% during the quarter over the previous year. The immediate Project area's hotels had an occupancy of 60.0% in the first quarter of 2007, a 3.7% increase from the prior year and a 7% premium over

³Alm, Rick. *Kansas City First Quarter 2007 Hotel Occupancy Falls from 54.2% a Year Ago to 52.8%*. Kansas City Star. 30 May 2007 http://www.hotel-online.com/News/PR2007_2nd/May07_KCOccupancy.html Last accessed 06/01/2007

the greater Kansas City area. The immediate Project area's hotels also saw an ADR increase of 4.4% from the previous year resulting in a RevPAR increase of 11.3%.

The following chart displays the hotels and number of rooms within a 5-mile radius of the Project site that will directly compete with the Project.

Nearby Hotels to Olympia Project Site	
Hotel Name	# Rooms
Great Wolf Lodge	281
Holiday Inn Express	96
Hampton Inn	76
Comfort Suites	45
Chateau Avalon	62
TOTAL	560

Great Wolf Lodge

With 281 rooms, Great Wolf Lodge is a family-friendly, indoor water park hotel and resort. Catering specifically to families with children, Great Wolf has family-oriented activities, an arcade, a spa and food and beverage outlets.

Holiday Inn Express and Comfort Suites

These nationally branded hotels are the “cookie-cutter” hotels that are developed throughout the nation. At around 3 stars, the properties are consistent with the other properties in the chain. Both hotels were developed in the last four years so they do not show the wear and tear yet that other lodging properties do outside the immediate area.

Hampton Inn

The newest hotel in the area is the Hampton Inn. This property is unique because it is the only Hampton Inn in the chain that has a log-cabin-style exterior. The rooms and public areas however, are standard Hampton Inn and 3-star quality.

Chateau Avalon

Positioned as a suite-only product, the Chateau Avalon has made itself a getaway for couples looking for intimate time together. Complete with a spa, outdoor fountain and statuary, the room product is themed with different suites like Casablanca, Roman Dynasty and Camelot.

Trends in Kansas and Missouri Gaming

The location for the Project is close to the Kansas-Missouri border. Because of the fully developed highway system in and around the Greater Kansas City metropolitan area, gamers in the region have fairly easy access to all competitors, albeit with some increases in drive time, depending on their place of residence. Therefore, it is important to understand the issues facing gaming operators in both states.

Missouri Gaming Trends

Voters in Missouri in 1992 approved gaming for riverboat casinos, whether cruising or while docked, and a \$500 loss limit per day on casino gaming. Today there are 11 riverboat casinos with 17,749 slot machines, 463 table games, and 100 poker tables, 1,530 hotel rooms, 48 restaurants, and 22 entertainment venues in the State of Missouri.⁴

In the Missouri Gaming Commission's 2006 Annual Report, Chairman Noel J. Shull and the Commission made recommendations on loss limits, tax rates, and problem gaming.

Loss Limits

The Chairman encouraged the legislature, in his "Message from the Chairman" section of the report, to closely examine the impact of the \$500 loss limit provision in the current gaming law. Chairman Shull estimated that the loss limit is potentially costing the state \$100 million annually in additional gaming tax revenues. The Missouri Gaming Commission believes that Missouri is the only location in the world that currently imposes a loss limit.

If the Missouri legislature heeds the advice of Chairman Shull, it could mean more significant tax revenue for the state as well as more investment from current operators and further interest in gaming development. Members of the gaming industry are willing to accept a 1% increase in the state gaming tax as a trade off for the elimination of the \$500 loss limit.

On March 27, 2007 Senate Bill 430 (SB 430) was debated a second time on the Missouri Senate floor. However, due to a last minute filibuster the scheduled vote never took place. It is likely that a similar bill will be introduced in the next legislative session. If passed SB 430 would have:

- Repealed the \$500 maximum loss limit per player per gambling excursion.
- Instituted a cap of 13 gaming licenses in Missouri.
- Imposed a 1% increase in the tax rate on gross gaming revenues.
- Proceeds would have been used to fund scholarships for Missouri residents.

⁴ Casino City 2006 North American Gaming Almanac. Pg 257

Tax Rates

The Commission discussed how Missouri's tax rate compares to neighboring states. The effective tax rates are displayed in the following chart.

Effective Tax Rates in IL, IA, MO, and KS	
State	Effective Tax Rate
Illinois	37.7%
Iowa	21.7%
Missouri	27.4%
Kansas	27.0%

Source: Missouri Gaming Commission 2006 Annual Report, GMA

The Commission believes that Missouri casinos have been profitable in spite of the high tax rate because of the Commission's gradual approach to licensing. The Commission judiciously expands gaming within the state when the market warrants it.

Missouri Gaming Commission believes that Illinois' high tax rate hurts Illinois' ability to grow casino revenue. The Commission is nervous because at the time the Annual Report was written, the Illinois legislature passed a bill lowering the top tax rate to 50%. While this will still make the tax rate higher than Missouri and Iowa, Missouri believes that if the bill is signed, the Illinois casinos may increase their capital investments in the properties, which could hurt the surrounding states' ability to drive casino revenue.

Illinois' tax level can be seen by the gaming industry as a disincentive to increased capital investment. At the time of the drafting of the 2006 Annual Report, the Illinois legislature was reconsidering its tax policy. In Illinois Governor Blagojevich's FY 2008 budget proposal,⁵ the following is outlined:

1. 5% increase in tax on gambling revenue between \$25 million and \$50 million;
2. 5% increase in tax on gambling revenue between \$150 and \$200 million; and
3. Instituting a license renewal fee - calculated as 10% of the previous year's gambling revenue.

In response to Blagojevich's proposal, Tom Swoik, executive director of the Illinois Casino Gaming Association, has said that he is opposed to any tax increase unless additional gaming positions are permitted in conjunction with the increase.

Problem Gaming

The Missouri Gaming Commission also recommended the General Assembly enact legislation that would direct the jackpot winnings of problem gamblers who have voluntarily excluded themselves from Missouri casinos into a fund for problem gambling prevention and treatment. The current law allows the casino to keep the money from these self-excluded gamblers who, if they choose to gamble in a Missouri casino, are doing so illegally.

⁵ CIBC World Markets. 2007 Legislative Report. 3/14/2007

Implications for Kansas Speedway Project

If the Missouri legislature heeds the advice of the Chairman in the next legislative session and eliminates the \$500 loss limit, it should have a positive impact on gaming in Missouri. Missouri should be able to increase the win per patron and increase the number of patrons (those who did not go because of the limit or requirement that their gaming activity be tracked). The Project may find increased competition should the loss limit be repealed. The Project should be able to benefit from a cap of 13 licenses in Missouri and capitalize on overflow from the casinos nearby on busy weekends.

Kansas Gaming

Tribal Gaming

The Governor of Kansas entered into compacts with Native American tribes in 1995, allowing tribal casinos to offer Class III games.⁶ The first tribal casino opened in May of 1996. Since 2004, Governor Kathleen Sebelius has undergone continued negotiations with the tribes and reached a compact proposal. The proposal sets limits on the amount of gaming allowed in the future. In addition to barring new tribal casinos, the compact sets a limit of no more than 500 slot machines within a 100-mile radius at a pari-mutuel track. Outside the 100-mile limit, the limit is no more than 1,500 slots at racetracks. During the 2005-2006 legislative session, lawmakers in the House and Senate proposed two bills regarding tribal gaming compacts, but both died.

There are currently five tribal casinos in Kansas operated by four tribes: the Iowa Tribe of Kansas and Nebraska, the Kickapoo Tribe of Kansas, the Prairie Band Potawatomi Nation and the Sac and Fox Nation of Missouri. These casinos have a mix of Class II and Class III games with the exception of the Prairie Band Casino and Hotel which is 100% Class III.⁷ A detailed explanation of Class II and Class III games can be found later in this section.

Casino White Cloud

The Iowa Tribe of Kansas and Nebraska operates Casino White Cloud, an intimate casino operation with 21,000 sq ft of casino space with 360 slot machines, 6 table games and 400 bingo seats.

Golden Eagle Casino

The Kickapoo Tribe of Kansas operates the Golden Eagle Casino, a slightly larger casino with 45,000 sq ft of casino space with 777 slot machines, 14 table games and 368 bingo seats.

Harrah's Prairie Band Casino

The Prairie Band of Potawatomi Indians owns the Prairie Band Casino and Hotel in Mayetta, KS. The casino opened on January 12, 1998. The Tribe had previously entered into an agreement with Harrah's Entertainment whereby Harrah's would operate the

⁶ Casino City's 2006-2007 North American Gaming Almanac. Pg 202. January, 2007

⁷ Phone interview with Rachel in Harrah's Prairie Band Casino Slot Department who stated Harrah's is the only 100% Class III casino in Kansas. 3/27/2007

casino enterprise. That agreement expires in June 2007. At that time, the Tribe will assume day-to-day operation of their gaming enterprise.

Potawatomi Nation Bingo

The Prairie Band Potawatomi Nation owns and operates a bingo hall with 60 electronic bingo machines and 508 live bingo seats.

Sac & Fox Casino

The Sac and Fox Nation of Missouri owns the Sac & Fox Casino with 500 slots and 9 table games in 40,000 sq ft of gaming space.

Trends in Kansas Gaming

In late March of 2007, proponents of the expansion of gaming in Kansas won two major victories after years of attempting when the House and Senate approved a bill allowing state-owned casino gaming in Kansas City, Wichita, Dodge City and southeast Kansas. The bill also allowed 2,200 slot machines to be distributed over the three horse tracks.⁸ The bill, also called the Kansas Expanded Lottery Act gave the Kansas Lottery control of determining the companies that will manage the state-owned casinos and gave the Kansas Racing and Gaming Commission oversight of the operations.

According to a Kansas City Kansan article, the supporters of the bill want to realize \$200 million per year in revenue without having to raise taxes by having the state own the casinos.⁹ The bill calls for casino operators to invest at least \$225 million and pay a one-time, nonrefundable fee of \$25 million. The state would receive at least 22% of the casinos' revenue and 40% of the slot revenue from the tracks. Also, the bill specifies that an additional 2% of the revenue from both casinos and slots would go to programs to help addicted gamblers. Supporters believe the programs could receive as much as \$16-17 million per year.

On March 25, 2007 the Kansas City Kansan discussed the development plans of two tribes to build a casino in Wyandotte County.¹⁰ The Kickapoo and Sac and Fox tribes own 80 acres of land just northwest of the Kansas Speedway and are hoping the legislature will allow them to develop the land into a world-class resort with a casino.

With the passage of the casino-racino bill, there will be potentially up to 10,600 slot machines added to the Kansas market, which currently has 2,785 slots.¹¹

⁸ Cogan, J. Bank of America Equity Research. Email Update March 29, 2007

⁹ Kelsey, Matt & Hurtle, Sam. *Supporters Rejoice After Senate Approves Gambling Package*. Kansas City Kansan. <http://www.kansascitykansan.com/articles/2007/03/30/news/news1.txt> Last accessed 3/31/07

¹⁰ Kelsey, Matt. *Waiting on state approval, Native American tribes have big plans for Wyandotte County casino*. Kansas City Kansan. <http://www.kansascitykansan.com/articles/2007/03/25/news/news3.txt> Last accessed 3/27/07

¹¹ Stutz, Howard. Las Vegas Review Journal. *GAMBLING BEYOND NEVADA: Manufacturers keeping eyes fixed on Kansas*. http://www.reviewjournal.com/lvrj_home/2007/Mar-30-Fri-2007/business/13476043.html

Casino City. North American Gaming Almanac 2006-2007 edition. Pg 201

2,200 slot machines will be distributed among the three racetracks in the state. The Woodlands Racetrack is the nearest racetrack to the Project, just minutes off of I-435. While the specific division of the 2,200 slot machines is unclear at this time, GMA estimates that there will be 800 slots at The Woodlands Racetrack and it will take up to 24 months to introduce slot machines at the track.¹²

The Prairie Band Potawatomi has stated that they plan to challenge the law once it is enacted because they believe it violates the Kansas Constitution, said tribal chairwoman Tracey Stanhoff.¹³

Recent Developments

In April, 2007 the Kansas Lottery released the initial application for companies to follow to apply for the management contract of the state-owned but privately managed Kansas casinos. There are barriers to entry within the application that will keep inexperienced companies and companies not positioned for growth from submitting proposals. Part of the application in its current form includes conditions that the company prove it has sufficient access to financial resources to support the activities required of a Lottery Gaming Facility Manager under the KELA and that the company has no less than three consecutive years' experience in the management of one or multiple class III gaming facilities.

On June 26, 2007 Wyandotte County voters passed legislation allowing the introduction gaming into their county, giving Olympia and Red Development until December 31, 2007 to submit its proposal for management of the Project. The minimum investment has been increased in Wyandotte County from the \$225 million, as originally established by the Kansas Lottery, to \$300 million to ensure the property will be a destination resort by the Unified Government.

¹² Hurtle, Sam & Kelsey, Matt. *Supporters Rejoice After Senate Approves Gambling Package*. Kansas City Kansan. 3/30/2007 <http://www.kansascitykansan.com/articles/2007/03/30/news/news1.txt>

¹³ Fox 4 Kansas City.
<http://www.myfoxkc.com/myfox/pages/News/Detail?contentId=2795330&version=7&locale=EN-US&layoutCode=TSTY&pageId=3.2.1>

V. The Competition

Competitive Landscape

Four casinos currently serve the greater Kansas City market and all are located on the Missouri side of the border. They include the Ameristar Casino Hotel and Casino, Harrah's Hotel and Casino, Argosy Hotel & Casino and Isle of Capri. Also, the Wyandotte Nation is moving forward with re-opening its Class II gaming facility in downtown Kansas City, KS.

The table below details the size of each of the Project's primary competitors.

Kansas City Gaming Supply					
	Ameristar	Harrah's	Argosy	Isle	TOTAL
Slots	2,900	1,790	1,800	1,550	8,040
Table Games	105	60	40	25	230
Poker Tables	15	12	7	6	40
Source: MO Gaming Commission/ Casino City/ EDGAR Online					

The Kansas City gaming market has grown at substantial rates since the introduction of casino gaming into the market in 1994. From Fiscal Year 1995 to 2006 (Fiscal Year ends June 30 of each year) the gaming market grew at an average annual rate of 14.6%. From FY 2000 to FY 2006, the market experienced strong growth at an average annual rate of 5.1%. With the completion of Harrah's recent hotel expansion and refurbishment of its casino and dining amenities, the market continued to experience strong growth, growing 3.7%, in FY 2006 over FY 2005.

The four existing casinos have all experienced significant growth over the past decade. As evidenced by their subject gaming revenues, each expansion of a gaming facility has resulted not only in individual property growth, but an overall increase in market revenues.

The only casino that was unable to succeed in the Kansas City marketplace was Boyd Gaming's Sam's Town Gambling Hall, which opened in September 1995, and closed in July of 1999. However, GMA does not believe that Sam's Town failed as a result of lack of market demand but rather it was hindered by a poor location in between the Harrah's and Ameristar properties (formerly a Stations property) and also suffered from poor access.

The following table details market and individual property gaming revenues for all properties in the Kansas City market.

Historical Kansas City Gaming Revenues

Fiscal Year	Argosy	Harrah's	Isle (Hilton)	Ameristar (Station)	Sams Town	TOTAL	Year Over Year Growth
2006	\$ 151,424,672	\$ 201,746,959	\$ 92,445,530	\$ 259,908,271	N/A	\$ 705,525,432	3.7%
2005	\$ 149,634,188	\$ 184,935,738	\$ 100,624,613	\$ 245,287,918	N/A	\$ 680,482,457	4.8%
2004	\$ 124,003,379	\$ 199,332,830	\$ 100,107,936	\$ 225,875,976	N/A	\$ 649,320,121	6.0%
2003	\$ 95,642,071	\$ 207,873,039	\$ 99,271,902	\$ 209,781,150	N/A	\$ 612,568,162	2.7%
2002	\$ 100,073,364	\$ 202,609,471	\$ 96,717,035	\$ 196,791,350	N/A	\$ 596,191,220	7.5%
2001	\$ 98,080,488	\$ 196,712,907	\$ 74,889,468	\$ 184,987,616	N/A	\$ 554,670,479	6.2%
2000	\$ 93,875,436	\$ 175,393,292	\$ 77,661,349	\$ 175,452,672	N/A	\$ 522,382,749	9.7%
1999	\$ 77,390,591	\$ 169,067,707	\$ 66,211,269	\$ 162,671,060	\$ 635,836	\$ 475,976,463	8.6%
1998	\$ 67,173,278	\$ 155,261,029	\$ 50,119,719	\$ 129,559,877	\$ 36,149,283	\$ 438,263,186	17.9%
1997	\$ 69,902,019	\$ 163,179,336	\$ 29,374,953	\$ 58,827,225	\$ 50,585,151	\$ 371,868,684	30.0%
1996	\$ 87,704,983	\$ 141,492,526	N/A	N/A	\$ 56,840,633	\$ 286,038,142	81.6%
1995	\$ 71,462,985	\$ 86,053,437	N/A	N/A	N/A	\$ 157,516,422	

* Fiscal Year Ends June 30

Source: Missouri Gaming Commission

Ameristar Casino Hotel

The Ameristar Casino Hotel is the largest casino in Kansas City and the second largest casino in Missouri. Its 2,900 electronic gaming devices and 120 tables are housed in two Victorian themed, two story barges, which are seamlessly connected to one another. The property is amenity rich and features entertainment options that one would normally find in a Las Vegas locals' casino rather than in a Midwest riverboat. It is located approximately 8.5 miles from the Project site on the north side of the Missouri River.

The property was originally developed by Station Casinos. However, an impending investigation of senior Station Casino executives by the Missouri Gaming Commission forced the company to sell the property to Ameristar Casinos and exit the Missouri market. After assuming ownership, Ameristar rebranded the property and expanded the gaming floor.

Ameristar Hotel and Casino



Ameristar is currently the market leader in terms of gross gaming revenue. Over the trailing twelve months of reported data (March 2006 – February 2007), the property generated \$256.3 million in gaming win. The property maintains a very generous player

rewards program, which includes an aggressive database marketing program. The casino uses its hotel to reward loyalty with attractive overnight lodging offers.

The property also maintains over a dozen dining outlets including six restaurants with table service. Food quality is excellent but the property has struggled to maintain high dining head counts due to a number of factors including pricing, location and overall capacity.

The following is a list of the amenities included in the property.

Dining

- Amerisports Brew Pub (2-meal sports bar and restaurant)
- Arthur Bryant's Barbecue (2-meal self-serve)
- Bugatti's (Italian dinner house)
- Casino Deli (Self-serve dining located on the casino barge)
- Falcon Diner (3-meal casual dining)
- Falcon Diner Self-Serve Counter
- Food Court (Serving the movie theatres, arcade and casino)
- Great Plains Cattle Co. (Steakhouse)
- Horizons Buffet (3-meal)
- Pearl Oyster Bar (2-meal casual dining)
- Asian Noodle Bar (2-meal casual dining)

Entertainment

- Star Pavilion (1,400 seat entertainment venue)
- Depot #9 (Replica railroad car converted to a bar and lounge)
- Casino Cabaret (Casino bar with raised stage)
- 18-screen Regal movie theatre complex
- Kids Quest soft play activity center
- Arcade

Hotel

- 392 room full-service 4 star hotel

Harrah's Casino Hotel

Harrah's is located in North Kansas City. It has consistently maintained the #2 position in the market, with the past twelve months gaming revenues totaling \$198.7 million. The property recently underwent an expansion and renovation. A second hotel tower and nightclub were added, restaurants were re-branded and the casino was re-themed. The property carries a more contemporary theme and is now arguably the most attractive in the market. However, Ameristar still offers the premium hotel product between the two.

Harrah's Hotel and Casino



Harrah's North Kansas City leads the market in terms of win per position, averaging \$237 over the past twelve months. Through the combination of a superior gaming product and nationwide rewards program, Harrah's has effectively marketed to and penetrated the local Kansas City market. The following details the non-gaming components that comprise Harrah's North Kansas City.

Dining

- The Range Steakhouse (Dinner house)
- Moby's Fish Tales (Dinner house)
- Toby Keith's 'I Love This Bar and Grille' (Country music themed 2-meal restaurant, bar and entertainment lounge)
- The Buffet at Harrah's (3-meal)
- Corner Grill (Casino snack bar)
- Starbucks

Entertainment

- Voodoo Lounge (showroom and dance club)

- Purple Twist (high energy casino bar with raised stage)

Hotel

- 392 room 3 ½ star hotel and suites
- 10,000 square feet of banquet and meeting space

Argosy Casino

In 2004 the Argosy Casino replaced its aging boat with a \$105 million castle themed barge, pavilion and 1,200-space parking garage. A 250-room hotel opened in April 2007. Over the past 12 months, the casino generated \$164.8 million in gaming win, with an average win per position of approximately \$212.

Argosy sits in a somewhat protected market, serving the communities near and north of the Kansas City Airport. The new facility, while of less quality than both the Harrah's and Ameristar facilities, is a significant improvement over the old property. Despite having a property of lower quality than its two larger competitors, the Argosy property generates the highest win per patron.

Argosy Hotel and Casino



Similar to the other market competitors, Argosy offers an aggressive rewards program. With the new facility came a handsome amount of new slot product, which is expected to

assist the property in further increasing its levels of gaming revenue. The new Argosy facility offers a nice complement of non-gaming amenities, as follows:

Dining

The new pavilion contains a number of themed dining experiences, clustered along a faux streetscape. They include:

- The Journey (North African themed steakhouse)
- Terrace Buffet (3-meal)
- Crazy Olives (2-meal dining and bar)
- Zoe's (Coffee and pastries)
- Leo's Deli (Casino snack bar)

Entertainment

- Casino Stage Bar (High energy casino bar with raised stage)
- Crazy Olives (Bar and restaurant offering lounge entertainment)

Hotel

- A 250-room hotel opened in April 2007.
- 11,000 square feet of banquet and meeting space.

Isle of Capri

The Isle of Capri is the oldest boat in the market and in need of a wholesale replacement. In addition to operating in an aging facility, the casino has done a poor job of maintaining an up-to-date gaming product or a timely conversion to 100% TITO. With trailing 12 month gaming revenue of \$89.5 million at a paltry \$139 win per position, the Isle generates the lowest levels of gaming win.

The casino facility is a traditional single floor riverboat with a dilapidated boarding pavilion dating back to a time when riverboats still cruised. Based upon site visits made to the casinos in the market, it appears that the Isle facility attracts a lower middle class gaming customer. In addition to having the least number of non-gaming amenities, the casino is the only facility in the market without plans of adding a hotel.

It can be expected that in upcoming years, Isle of Capri will either invest significant levels of capital into the facility or sell the operation. At this point in time, there have been no formal or preliminary plans announced by the Isle of Capri. Interestingly, Isle of Capri Corporate recently announced that it will be relocating its headquarters to St. Louis. Since the Alton Belle Riverboat Casino in Alton, IL may be put up for sale by Penn National, Isle of Capri may have long term plans of investing capital in the Missouri market.

The Isle of Capri's non-gaming amenities are not competitive with the other casinos in the market. These amenities include:

Dining

- Farraday's Bistro (Dinner house)
- Calypso Buffet (3-meals)

- Tradewinds (Quick serve snack bar)
- Tradewinds Express (Casino snack bar)

Entertainment

- Casino bar with stage

Isle of Capri Casino



Woodlands Race Track

The nearest competition to the Project will most likely be Woodlands Racetrack, just minutes off of I-435. While the specific division of the 2,200 slot machines is unclear at this time, Gaming Market Advisors estimates that there will be 800 slots at The Woodlands Racetrack and it will take up to 24 months to introduce slot machines at the track.¹⁴

Wyandotte Nation Casino

The Wyandotte Nation of Oklahoma is developing a gaming facility on lands owned in trust in downtown Kansas City, KS. This project is comprised of 400-600 Class II gaming devices, and related amenities such as food and beverage service.

In the fall of 2003, the Tribe opened a temporary gaming facility in two trailers located on a parking lot adjacent to the historic Shriners' Building, the permanent structure on the Kansas trust land. That facility operated with approximately 150 Class II gaming devices from September, 2003 through April, 2004. The temporary facility closed in April, 2004 as the result of a raid ordered by the Attorney General of the State of Kansas, who claimed jurisdiction despite the federal trust status of the property. The gaming devices, related equipment and cash were seized, and the Tribe's General Manager was arrested.

Between April, 2004 and April, 2007, there were a series of legal rulings in favor of the Tribe. First, the actions of the Attorney General in carrying out the raid and arrest were

¹⁴ Hurtle, Sam & Kelsey, Matt. *Supporters Rejoice After Senate Approves Gambling Package*. Kansas City Kansan. 3/30/2007 <http://www.kansascitykansan.com/articles/2007/03/30/news/news1.txt>

deemed improper because the State was found to have no jurisdiction over the property or the activities on the property. The criminal charges against the General Manager were dismissed. Second, a determination by the National Indian Gaming Commission that the Tribe was not eligible to conduct gaming operations on the Shriners' property was reversed by the U.S. District Court in Kansas. The United States first appealed this ruling, then dismissed the appeal, letting stand the decision that the Tribe has the right to conduct gaming on the Shriners' property.

Finally, the same court ruled that the actions of the United States in originally taking the land into trust in 1996 were proper. With the legal path now virtually cleared, the Tribe is moving to develop a permanent gaming facility inside the Shriners' Building itself, rather than in trailers.

Wyandotte Nation's Casino at Shriners' Site



VI. Gaming Market Assessment

A Gaming Market Assessment was conducted to understand the potential gaming revenue of the Project. A variety of revenue sources were considered because of the complexity of the Project including: the Local Day Trip market, hotel gaming revenue from the Project's hotel, gaming revenue from lodgers at hotels within the immediate area, gaming demand from patrons attending events at the Kansas City Speedway, gaming demand from passenger cars traveling along the two main highways adjacent to the site, and gaming demand from visitors to the Cabela's, Nebraska Furniture Mart and Legends developments including the baseball stadium.

Methodology: Locals Market

In order to quantify revenues generated by the day trip market segment, GMA developed a series of Gravity Models. A Gravity Model is a model based on Newton's Universal Law of Gravitation. Newton's Law of Gravitation simply states that every particle in the universe attracts every other particle with a force that is directly proportional to the product of their masses and inversely proportional to the square of the distance between them.¹⁵ Newton's theory, which was first published in his 1687 work, "Mathematical Principles of Natural Philosophy," started to be adapted for commercial applications early in the 20th century.

For commercial purposes, the theory can generally be applied as follows: if one has two equally sized commercial establishments (for example a retail store), then an individual that lives in the middle of the two establishments will be equally attracted to each. Should one of the commercial establishments be twice the size (which in theory doubles its attractiveness factor) then the larger of the two establishments will have twice the attraction. Alternatively, should both establishments be the same size, and an individual resides half the distance to one versus the other, then that individual, in theory, will be four times (two squared) as attracted to the closer establishment.

Through a number of modifications, Newton's Law of Gravitation can be applied to casinos. While a casino twice the size of another may not have twice the attraction of another, it does have some constant increased factor of attraction. In terms of distance, squaring the distance is not necessarily always the right figure. Typically, the power to which the distance is taken varies from a factor 1.5 to 2.5. The reason for this is that actual distance between two locations will have a different impact on varying communities throughout the United States. This is primarily attributed to varying traffic patterns and geographical barriers between different communities, which can result in significant changes in drive time. For example, for an individual living in rural Texas, traveling 100 miles to reach a business may not be perceived as a barrier as it would likely take less than 1 ½ hours to reach. However, for someone living in the middle of New York City, 100 miles could take up to three hours due to traffic congestion.

¹⁵ Wikipedia, the free encyclopedia. <http://en.wikipedia.org/wiki/Gravity>

By researching historical revenue levels at each of the casino properties within the competitive set, researching the number of gaming positions provided within each, visiting each facility to understand their relative aesthetic attractiveness (including a consideration of non-gaming amenities), and utilizing gaming factors from proprietary and public sources, the model can be calibrated to current market conditions.

The Kansas City Local Day Trip Gaming Market

The Kansas City Gaming Market is a mature gaming market with four riverboat casinos on the Missouri side of the river and two tribal casinos on the rural Kansas side to the west.

The general Kansas City market was carved out into eight different segments as seen in the map on page 32.

NW Kansas City

The NW Kansas City region is where the Project site is located and contains the Kansas City Speedway as well as the Legends and Cabela's complex. In 2006, the population of the area was estimated to be 245,179 people, of which approximately 70.5%, nearly 172,906 people, are adults over 21 years of age. The region is expected to see the adult population grow at an annual growth rate of 1.4% to 2011 where the adult population is expected to be nearly 185,792 people.

The AAHI is estimated to be \$69,129, approximately 7% above the national average AAHI of \$64,400. The growth rate of the region's AAHI is expected to be 1.7% annually for an AAHI of \$75,346 in 2011, 5% above the national average, expected to be approximately \$71,500.

S Kansas City & Overland Park

The S Kansas City & Overland Park region is located to the south of the Project and extends to the east towards Bruce Watkins Dr (Highway 71). The region is the most populated and most affluent of the regions examined. The population in 2006 was 494,202 people, of which 69%, or 341,641 people, were adults. The adult population is growing at a modest pace of 1.5% annually for a total adult population of 367,470 in 2011.

The AAHI of the region was estimated to be over \$80,734 in 2006, a 25% premium to the national average. By 2011 the AAHI is expected to grow to nearly \$87,698, which is expected to be nearly a 23% premium to the national average.

E Kansas City

The E Kansas City region is located to the east and south of the Project and Kansas City. The population in 2006 is estimated to be 356,812 of which 258,418 are adults, approximately 72%. The adult population is not expected to grow rapidly through 2011, only growing at an annual growth rate of 0.4% for a total adult population of 263,667 in 2011. The population at large is expected to grow at a slightly faster rate, 0.9% annually, for a total population of 372,940 in 2011.

The AAHI of the region was \$59,735 in 2006, approximately 7% below the national average, and is expected to grow \$66,444 by 2011.

NE Kansas City

The NE Kansas City region is located on the Missouri side of the Missouri River and contains the Ameristar Hotel & Casino. The region is located to the northeast of the Project. The population in 2006 is estimated to be 54,841 of which 37,463 are adults, approximately 68%. The adult population is expected to grow rapidly through 2011, growing at an annual rate of 2.3% for a total adult population of 42,031 in 2011. The population is expected to grow at a slightly slower rate, 2.2% annually, for a total population of 61,136 in 2011.

The AAHI of the region was \$69,749 in 2006, approximately 8% above the national average, and is expected to grow \$76,182 by 2011, approximately 7% above the forecasted national average.

Central Kansas City

The Central Kansas City region is located right at the heart of Kansas City, contains the Isle of Capri and is mainly on the south side of the Missouri River, toward the southeast of the Project. The population in 2006 was estimated to be 156,099 people, of which approximately 116,020 people were adults. The adult population is expected to be virtually flat through 2011, only growing annually at 0.1% to 116,836 people. The region is the most economically depressed of the areas surveyed.

The 2006 AAHI was only \$46,395, 28% below the national average. The area is expected to become more economically depressed, falling to 30% below the national average in 2011 with an AAHI of \$49,818.

N Kansas City

The North Kansas City region is located to the North of Kansas City and to the east of the Project. The 2006 population of the region was estimated to be 262,534 with adults accounting for 192,999 people, approximately 74% of the population. The adult population is expected to grow at an annual rate of 1.1%, for a 2011 adult population of 204,172.

The AAHI of the region was estimated to be \$61,172, approximately 5% below the national average. The region is expected to have an AAHI of \$67,381 in 2011, 6% less than the national average.

Lawrence

The Lawrence region is located to the west of the Project. The 2006 population was 110,096 people, of which approximately 85,119 people were adults, accounting for 77% of the total population. The Lawrence region is anticipating growth and has begun some road and infrastructure improvements. The adult population is expected to increase at an annual rate of 1.6% for an adult population of 92,027 in 2011. The AAHI in 2006 was estimated to be \$55,082, 15% below the national average.

The AAHI level of the region is expected to increase proportionally to the adult population, at 1.6% annually to \$59,576. Unfortunately the growth in income of the region is expected to grow at a slower rate than the national average, causing the 2011 AAHI estimate to be 17% less than the national average.

Topeka

The Topeka region is located further west than the Lawrence region. The 2006 population was estimated to be 175,451 people with 125,188, or 72% of the population, as adults. The adult population is expected to remain fairly consistent with 2006 levels through 2011, only growing 0.3% annually to 127,061 adults in 2011.

The AAHI is very similar to Lawrence's in 2006 and 2011, at \$55,087 growing to \$59,263, respectively.

Total Population by Market Segment				
	2000	2006	2011	'06-'11 CAGR
NW KC	223,755	245,179	259,149	1.1%
S KC & Overland Park	438,952	494,202	514,293	0.8%
E KC	355,278	356,812	372,940	0.9%
NE Kansas City	46,982	54,841	61,136	2.2%
Central KC	161,738	156,099	163,152	0.9%
N KC	255,534	262,534	284,614	1.6%
Lawrence	109,015	110,096	120,331	1.8%
Topeka	171,211	175,451	175,872	0.0%
TOTAL	1,762,465	1,855,214	1,951,487	1.0%
Source: AGS/GMA				

Adult (21+) Population by Market Segment				
	2000	2006	2011	'06-'11 CAGR
NW KC	162,926	172,906	185,792	1.4%
S KC & Overland Park	322,815	341,641	367,470	1.5%
E KC	262,935	258,418	263,667	0.4%
NE Kansas City	33,109	37,463	42,031	2.3%
Central KC	120,276	116,020	116,836	0.1%
N KC	187,596	192,999	204,172	1.1%
Lawrence	76,330	85,119	92,027	1.6%
Topeka	128,157	125,188	127,061	0.3%
TOTAL	1,294,144	1,329,754	1,399,056	1.0%
Source: AGS/GMA				

Average Annual Household Income				
	2000	2006	2011	'06-'11 CAGR
NW KC	\$62,138	\$69,129	\$75,346	1.7%
S KC & Overland Park	\$71,199	\$80,734	\$87,698	1.7%
E KC	\$53,990	\$59,735	\$66,444	2.2%
NE Kansas City	\$63,393	\$69,749	\$76,782	1.9%
Central KC	\$42,051	\$46,395	\$49,818	1.4%
N KC	\$53,693	\$61,172	\$67,381	2.0%
Lawrence	\$50,494	\$55,082	\$59,576	1.6%
Topeka	\$50,302	\$55,087	\$59,263	1.5%
TOTAL	\$57,848	\$65,232	\$71,227	1.8%
Source: AGS/GMA				

Gaming Factors and Overall Market Size

In order to project gaming revenues as accurately as possible, GMA assigned gaming factors of Propensity, average annual gamer worth as a percent of annual income to each of the eight market segments. The multiplication of gaming factors by a market's adult population and its AAHI determines the gross levels of gaming revenue generated by a given market.

Propensity

Propensity represents the percent of the adult population (defined as people age 21 and over) that will visit a casino at least once in a given year. Propensity factors experience large ranges throughout the United States. At the high-end of the scale is the local Las Vegas market in which 70% of adults gamble. In a rural section of the country with few gaming options, this factor can be as low as 17%. The chart below shows the Propensity ranges by segment, ranging from 34% to 43% with an average Propensity of 40%. The gaming factors in the greater Kansas City area are relatively strong compared to other jurisdictions throughout the United States. As can be seen, only modest increases were projected from 2007 to 2011.

Gaming Propensities		
	2007	2011
NW Kansas City	38%	41%
S Kansas City & Overland Park	41%	41%
East Kansas City	40%	40%
NE Kansas City	41%	41%
Central Kansas City	42%	42%
North Kansas City	43%	43%
Lawrence W	32%	34%
Topeka W	33%	34%
Average Based on Adult Population	39%	40%
Source: AGS, GMA		

Percentage of Annual Income as Casino Win

Average Win represents the amount of money a gamer in a market segment will lose on average to a casino over a period of 12 months. This factor is generally dependent on a player's average household income and distance that he/she must travel to reach a casino. Average Win is based on a percentage of a player's Average Annual Household Income.

In order to more precisely estimate gaming win, GMA calculated gaming win at the block group/zip code level, as discussed earlier in this report. By calculating gaming win at this level, various pockets within a given market segment are taken into consideration, so if one group in a segment has an AAHI of \$40,000 and another has an AAHI of \$75,000, each group's AAHI is multiplied by percent of casino win as opposed to taking an average.

Annual revenue as a percent of gamers' annual income figures experienced in the greater Kansas City market are towards the higher end of the average, indicating a relatively mature market. Given the mature level of the market, increases are expected only in those markets that lay closest to the new casinos.

% AAHI as Casino Win		
	2007	2011
NW Kansas City	1.90%	2.05%
S Kansas City & Overland Park	2.05%	2.05%
East Kansas City	2.05%	2.05%
NE Kansas City	2.10%	2.10%
Central Kansas City	2.20%	2.20%
North Kansas City	2.20%	2.20%
Lawrence W	1.75%	1.85%
Topeka W	1.80%	1.85%
Average Based on Adult Population	2.02%	2.05%
Source: AGS, GMA		

Other Factors

For each market area, distance was taken into account from each block group to each casino property.¹⁶ The number of positions in each casino is also taken into account as the model is calibrated to estimate overall market revenue.

Overall Market Size

With the model calibrated, the size of the greater Kansas City market is estimated to be \$793 million in 2011 from the Local Day Trip Market.

Gaming Win, Local Day Trip Market			
	2007		2011
NW Kansas City	\$	85,490,961	\$ 113,326,664
S Kansas City & Overland Park	\$	231,095,432	\$ 262,134,450
East Kansas City	\$	124,443,676	\$ 137,775,178
NE Kansas City	\$	22,472,444	\$ 26,615,609
Central Kansas City	\$	47,990,889	\$ 51,171,584
North Kansas City	\$	109,735,974	\$ 124,176,727
Lawrence W	\$	25,721,369	\$ 32,735,526
Topeka W	\$	39,922,800	\$ 45,385,294
Average Based on Adult Population	\$	686,873,545	\$ 793,321,031
Source: GMA			

¹⁶ A block group is a census tracking area. By examining census data by block group, a more accurate estimation of population can be conducted than by other methodologies.

Day Trip Gaming Revenue

Having evaluated the market regions for the local day trip market, GMA determined Olympia and Red Development's share of the market of 2011 gaming revenue. In total, local day-trip gaming revenues is projected at \$151.2 million. While the model totals \$140.6 million, GMA estimated that an additional 7.5% would accrue from those not residing within the market area outlined on page 32. This 7.5% was based on the dispersion of gamer databases of other casinos operating in similar jurisdictions. While not shown on the map on page 32, the market area only extends 17 miles to the north, 22 miles to the south, 34 miles to the east and 51 miles to the west. Logically, the greatest levels of gaming win are expected to be generated by the NW Kansas City market and the S Kansas City and Overland Park market due to their proximity to the casino. The third most valuable market is expected to be the Lawrence market, again due to its proximity to the casino.

Gravity Model Gaming Revenue	
	Gaming Revenue (2011 \$)
NW Kansas City	\$ 51,568,268
S Kansas City & Overland Park	55,630,943
East Kansas City	8,372,860
NE Kansas City	818,533
Central Kansas City	2,111,616
North Kansas City	6,809,010
Lawrence	12,776,613
Topeka	6,434,167
Subtotal	\$ 144,522,010
Outer Market	\$ 10,839,151
TOTAL	\$ 155,361,161
Source: GMA	

Project Hotel Guest Gaming Revenue

Based on the results of the Hotel Market Assessment that begins on page 43, GMA projected incremental gaming revenue from patrons staying within the Project's hotel. Based on other casino hotels in the area, GMA estimates that 95% those patrons who are guests of the casino will gamble and have an average win per room of \$275. For the remainder of the hotel guests whose primary purpose of staying at the hotel is not gaming, GMA projects that the casino will capture gamers from 38% of the occupied rooms (equal to the average propensity for the marketplace) and each room will generate an average win of \$130. In total, the Project Hotel is expected to generate an incremental \$20.3 million in gaming revenue from this market segment.

Hotel Guest Gaming Revenue

2011

Overnight Gaming Room Nights	69,219
Project Gaming Capture	95%
Gaming Spend Per Room	\$275
Gaming Revenue from Gamers (000s)	\$18,083
Non-Gaming Room Nights	45,218
Project Gaming Capture	38%
Win Per Room	\$130
Gaming Revenue from Non-Gamers (000s)	\$2,204
Gaming Revenue from Hotel Guests	\$20,288

Source: GMA

Kansas Speedway

GMA interviewed the Group Sales Manager at the Kansas Speedway to determine the number of large and small events that the facility holds each year. The Kansas City Speedway can accommodate 82,000 guests and there are two major weekends per year where the Speedway is filled to capacity, accounting for approximately 8 days per year. For these 8 days, GMA completed a capacity analysis to determine the incremental gaming revenue as the casino is expected to be operating at 100% capacity during these 8 days. Given a capacity constrained day at other casinos in similar jurisdictions, the casino would be expected to conservatively average \$1,250 win per position. Assuming that the casino would have averaged \$235 on an average day, an incremental \$1,015 per day per position generated by these two large events is expected. Incremental revenue from these events is therefore estimated to total \$19.7 million.

In addition to the two major events, Kansas Speedway estimates and additional 125 days per year where the Speedway will have approximately 1,500 people attending driving schools, private events, etc. GMA applied a capture rate of 5% of those attendees for these events but then subtracted out 0.5% for hotel crossover for a net capture rate of 4.5% to reflect the amount of incremental revenue that could be generated from events at the Speedway. GMA calculated that the potential patrons to capture would be 187,500 annually and applied the 4.5% capture rate and a \$60 spend per Speedway patron for an incremental non-major patron gaming revenue of approximately \$500,000.

Total incremental Kansas Speedway revenue is therefore estimated at \$20.2 million. The chart on the top of the following page illustrates these figures.

Kansas Speedway: Incremental Gaming Revenue

2011

Major Event Analysis

Total Capacity	82,000
# Days/ Nights at Full Capacity	8
Total Casino Positions	2,420
Max Win Per Position Per Day	\$1,250
Avg. Win Per Position Per Day	\$235
Incremental Win Per Position Per Day	\$1,015
Incremental Major Event Revenue	\$19,650,400

Non-Major Event Analysis

Other days with average of 1,500 people	125
Capture Rate	5.00%
Less: Hotel Crossover	0.50%
Net Capture Rate	4.50%
Non-Major Events Patrons	187,500
Captured Speedway Patrons	8,438
Average Spend Per Person	\$60
Incremental Non-Major Events	\$506,250

Total Speedway Incremental **\$20,156,650**

Source: Kansas Speedway, GMA

Nearby Hotel Gaming Contribution

To determine the amount of gaming revenue generated by the 560 hotel rooms within a 5-mile radius of the Project, GMA estimated the total number of guests at each hotel in 2011. GMA then applied a capture rate and average casino win or spend per guest to yield incremental gaming revenues from the nearby hotel patrons. In total, this market segment is expected to yield an incremental \$1.8 million in gaming win.

Local Hotels Estimated Occupancy 2011

Hotel Name	# Rooms	Annual Occupancy	Average # of Occupied Rooms / Year	Capture Rate	Average Spend / Occupied Room	Incremental Gaming Revenue
Great Wolf Lodge	281	70.0%	71,796	5%	\$ 125.00	\$ 448,722
Holiday Inn Express	96	61.2%	21,444	15%	\$ 110.00	\$ 353,834
Hampton Inn	76	61.2%	16,977	15%	\$ 110.00	\$ 280,119
Comfort Suites	45	61.2%	10,052	15%	\$ 100.00	\$ 150,782
Chateau Avalon	62	61.2%	13,850	20%	\$ 150.00	\$ 415,487
TOTAL	560	65.6%	134,119	10%	\$ 120.97	\$ 1,648,943

Source: Smith Travel Research, GMA

Traffic Intercept Gaming Revenue

Two main highways run close to the Speedway site, I-435 and I-70. The Kansas Department of Transportation collects data regarding the average annual daily traffic counts and average annual daily heavy commercial traffic. GMA utilized this data to determine the number of guests that would be attracted to the Project site (outside of the local population) and estimated their gaming worth. Based on national transportation studies, GMA estimated that 35% of the traffic on the highways was through traffic, or people traveling through the region who do not live locally. Given the attractiveness of Legends development, a capture rate of 1.5% was assumed for those traveling on I-70, lowering slightly to 1.25% for those on I-435. Assuming an average win per vehicle of \$60, total incremental traffic intercept revenue is estimated at \$9.7 million.

Traffic Intercept Incremental Gaming Win: I-70 and I-435

	Average Annual Daily Traffic Count	Average Daily Heavy Commercial Traffic	Average Annual Daily Traffic of Non-Heavy Commercial Vehicles	% Through Traffic	Capture Rate	Annual Vehicles Captured	Average Spend Per Vehicle	2006 Incremental Gaming Win	Annual Growth Rate	2011 Incremental Gaming Win
I-70 between Rt 7 and I-435	42,300	5,075	37,225	35%	1.50%	71,332	\$60	\$ 4,279,944	3.50%	\$ 5,083,231
I-435 between I-70 and Rt 32	61,175	5,030	56,145	35%	1.25%	89,657	\$60	\$ 5,379,393	3.50%	\$ 6,389,031
TOTAL	103,475	10,105	93,370			160,989	\$60	\$9,659,337	3.50%	\$11,472,262

Source: Kansas DOT, GMA

Gaming Revenue from the Legends & Village West Complex

The retail and entertainment offerings at the Legends and Village West Complex are vast. Cabela's is a large sport and recreation store. At 720,000 square feet, The Nebraska Furniture Mart is one of the largest furniture and electronics superstores in the United States, attracting visitors from hundreds of miles away. The Legends at Village West mall and entertainment complex has a wide variety of stores and entertainment options. The local Kansas City independent baseball team, the T-Bones, calls the complex home.

The Kansas City Convention & Visitors Authority estimates that the complex attracts approximately seven to nine million visitors annually. Due to the proximity of this development to the Project, some guests will travel from the complex to the Project for gaming. In order to

avoid double counting, GMA assumed that 70% of those average 8 million are local and that 5% of the remaining are staying at local hotels. From the remaining 2.3 million visitors, a capture rate of 3.5% of potential guests was estimated with an average \$55 in gaming revenue per person to yield a 2011 gaming impact of \$4.4 million.

Gaming Revenue Impact of Legends and Village West Development, 2011

Annual Visitors	8,000,000
Percent Locals	70%
Percent Hotel & Nearby Hotel Patrons	5%
Day Trip Guests To Capture	2,280,000
Capture Rate	3.5%
Visitors captured	79,800
Average Spend Per Person	\$55
Incremental Gaming Win from Visitors	\$4,389,000

Gaming Summary

Combining all sources of gaming revenue, the Legends at Village West Casino is projected to generate \$213.3 million in gross gaming revenue in 2011, the first stabilized year of gaming operation.

Gaming Summary, 2011

	Gaming Revenue
Local Day Trip Market	\$ 155,361,161
Overnight Hotel Guests	20,287,849
Kansas City Speedway	20,156,650
Nearby Hotels	1,648,943
Traffic Intercept	11,472,262
Legends & Village West Development	4,389,000
TOTAL	\$ 213,315,865

Source: GMA

With gaming revenues forecasted for 2011, GMA then examined the way the gaming revenues would be distributed among the slots, tables, and poker departments and the win per unit per day figures. Given the lack of loss limits on the Kansas side of the border, it is expected that 80% of gaming revenues will be generated by slots, a slightly lower percentage than the existing competitors within the marketplace and more inline with other regional gaming jurisdictions throughout the United States. In 2011, the casino is expected to generate an average win per slot of \$234 on 2,000 slot machines, \$1,796 win per table on 60 table games and \$775 win per poker table given a 12-table poker room.

Legends Gaming Five-Year Forecast					
	Year 1 2010	Year 2 2011	Year 3 2012	Year 4 2013	Year 5 2014
Gross Gaming Revenue	\$209,049,548	\$213,315,865	\$219,715,341	\$225,208,224	\$230,369,113
Slot Revenue	\$167,239,638	\$170,652,692	\$175,772,273	\$180,166,579	\$184,295,291
Table Revenue	\$38,524,910	\$39,268,673	\$40,439,068	\$41,428,145	\$42,350,823
Other	\$3,285,000	\$3,394,500	\$3,504,000	\$3,613,500	\$3,723,000
 # Slots	 2000	 2000	 2000	 2000	 2000
# Tables	60	60	60	60	60
# Poker Tables	12	12	12	12	12
 Win Per Slot	 \$229	 \$234	 \$240	 \$247	 \$252
Win Per Table	\$1,759	\$1,793	\$1,841	\$1,892	\$1,934
Win Per Position	\$233	\$238	\$244	\$251	\$256.59
Win Per Poker Table	\$750	\$775	\$800	\$825	\$850
Source: GMA					

Reasonableness Test

To determine the reasonableness of the gaming projection, GMA discounted the Project's gaming revenues to 2006 dollars and compared the values against the MO Gaming Commission figures of gaming revenue from the operators in Kansas City, MO. Olympia would be positioned as the market leader in table games revenue and win per table due to the lack of loss limits. Olympia would be positioned as the third highest for slot revenue and second highest in win per slot because of the high quality customers that would be attracted to the facility and number of slots on property. GMA determined that the revenues are reasonable for the concept that Olympia and Red Development want to implement.

Gaming Revenue Comparison to Fiscal 2006 from MO Gaming Commission									
	Slot Rev	Table Rev	# Slots	# Tables	# Positions*	Win Per Slot	Win Per Table	Win Per Position	
Ameristar	\$ 229,699,505	\$ 30,208,766	2,994	93	3,645	\$ 210	\$ 890	\$ 195	
Harrah's North KC	\$ 173,905,961	\$ 27,840,998	1,851	62	2,285	\$ 257	\$ 1,230	\$ 242	
Argosy	\$ 134,425,001	\$ 16,999,671	1,768	47	2,097	\$ 208	\$ 991	\$ 198	
Isle	\$ 84,065,588	\$ 8,379,942	1,504	37	1,763	\$ 153	\$ 621	\$ 144	
Legends at Village West (brought to PV)	\$ 155,822,613	\$ 35,894,912	2,000	60	2,420	\$ 213	\$ 1,639	\$ 217	
*Assumes 7 positions per table									
Source: MO Gaming Commission, GMA									

VII. Hotel Feasibility Study

As part of the engagement, GMA projected the performance of a 350-room hotel attached to the casino. This hotel is expected to be utilized by the casino and casino marketing department for casino guests, and will also attract guests to the Speedway and Legends retail development. To complete this analysis, GMA looked at two primary sources of demand, the existing hotel market and incremental demand from the casino. Once total demand was projected, GMA determined ADR for the casino based on the market and projected demand mix. The combination of occupancy, ADR, and hotel size then yielded gross rooms revenue.

Room Nights of Demand Generated by Casino Patrons

Local Contribution to Olympia Hotel, 2011						
	Gaming Revenue (2011)	2011 AAHI	Gaming Budget Per Trip	Number of Visits at Respective Gaming Budgets/Trip	% Overnight Capture	Casino Room Night Demand (RND)
NW Kansas City	\$ 51,568,268	\$ 75,346	\$ 77.20	667,949	2.5%	16,699
S Kansas City & Overland Park	\$ 55,630,943	\$ 87,698	\$ 83.71	664,545	2.5%	16,614
East Kansas City	\$ 8,372,860	\$ 66,444	\$ 72.51	115,467	4.5%	5,196
NE Kansas City	\$ 818,533	\$ 76,782	\$ 77.96	10,499	4.5%	472
Central Kansas City	\$ 2,111,616	\$ 49,818	\$ 63.75	33,122	2.5%	828
North Kansas City	\$ 6,809,010	\$ 67,381	\$ 73.01	93,265	4.0%	3,731
Lawrence	\$ 12,776,613	\$ 59,576	\$ 68.89	185,454	5.5%	10,200
Topeka	\$ 6,434,167	\$ 59,263	\$ 68.73	93,617	6.5%	6,085
Outer Market	\$ 10,839,151	\$ 71,164	\$ 75.00	144,522	6.5%	9,394
TOTAL	\$ 155,361,161	\$ 71,164	\$ 75.00	2,008,440	3.4%	69,219

GMA examined the amount of gaming revenue generated by the local market and determined the number of trips that would be generated to the hotel. GMA determined the average gaming budget per trip for the market would be \$75 and that Gaming Budget Per Trip would fluctuate with the AAHI of the region. By dividing the amount of gaming revenue in the region by the Gaming Budget Per Trip, GMA was able to determine the number of gamer visits generated. Based on other casino hotels, a hotel will capture between 3% and 7% of the day trips for an overnight stay. These percentages represent incremental visits and vary based on proximity to casino. By applying a capture rate consistent with other regional markets similar to Kansas City and taking into account distance factors, GMA was able to determine the number of overnight guests that would stay at the Project Hotel. In total, overnight guests are expected to generate 79,260 room nights of demand. This demand will be spread relatively evenly between midweek and weekend as the casino will offer discounted or comped rooms to lower worth players for midweek rooms only in order to keep the weekend rooms for the higher worth players.

Market Occupancy Projection

The following section addresses demand from non-casino customers. Based on information gathered from Smith Travel Research, combined with data from interviews with front desk

managers and the various hotels, GMA estimated hotel occupancy levels for the surrounding hotels, as illustrated in the following chart.

Local Hotels Estimated Occupancy 2006		
Hotel Name	# Rooms	Annual Occupancy
Great Wolf Lodge	281	70.0%
Holiday Inn Express	96	61.2%
Hampton Inn	76	61.2%
Comfort Suites	45	61.2%
Chateau Avalon	62	61.2%
TOTAL	560	65.6%
Source: Smith Travel Research, GMA		

GMA utilized data from the Kansas City Convention & Visitors Association (“KCCVA”) to understand the mix of demand segments within the market. Approximately 73% of demand in the existing Kansas City market is attributed to leisure guests and 27% attributed to business guests.

Overnight Demand (in millions)		
	2006	% of Total
Overnight Leisure	5.9 M	73%
Overnight Business	2.2 M	27%
Total	8.1 M	100%
Source: KCCVA, GMA		

GMA forecasted the RND by segment utilizing the data from the KCCVA and from Smith Travel Research to determine the way the market is expected to grow over time through 2014. According to Smith Travel Research, RND in the market area increased by 6.5% between April YTD 2006 and April YTD 2007. Because the development’s hotels are not yet well established, with the Hampton Inn opening as recently as late 2004, Smith Travel Research data only began for the area in July of 2005. Business demand is expected to increase dramatically in 2010 with the introduction of the Project and the associated convention room nights generated from the meeting space.

Kansas City Market Projection							
Year	# of Rooms	Leisure		Business		Casino	TOTAL
		Growth %	RND	Growth %	RND	RND	RND
2006	560		97,691	0.0%	36,427		134,119
2007	560	6.0%	103,553	2.0%	37,156		140,709
2008	560	6.0%	109,766	2.0%	37,899		147,665
2009	560	5.0%	115,254	2.5%	38,846		147,665
2010	910	5.0%	121,017	6.0%	41,177	58,836	154,101
2011	910	3.0%	124,647	3.5%	42,618	69,219	162,194
2012	910	3.0%	128,387	2.0%	43,471	70,603	167,266
2013	910	3.0%	132,238	2.0%	44,340	72,015	171,858
2014	910	3.0%	136,206	2.0%	45,227	73,456	176,579

Note: 2010 room size increases due to Project hotel * Casino RND was estimated for 2011 and then adjusted based on projected gaming revenue

Source: GMA

Project Hotel Occupancy

Having determined the amount of RND from casino patrons in 2011, GMA then determined the amount of RND that would be generated from Leisure and Business guests by taking into account Olympia and Red Development's fair share of the market, then applying a premium or discount to its fair share because of positioning. GMA believes that the hotel will position itself as a business and convention hotel and that the other hotels in the market will be able to obtain more than their fair share of Leisure guests through positioning (such as Great Wolf and Chateau Avalon being almost entirely Leisure demand). GMA believes that because of the location of the Project and a strong sales team that is effective in pre-selling meeting space, the Project should be able to open with strong Business demand and maintain it. Leisure rooms are discounted 35% in the first year but fall to 45% - 47% in subsequent years because of competition and displacing Leisure rooms for Casino rooms. Property-wide occupancy is able to grow dramatically from 84% to nearly 95% over the five-year period, as the casino marketing department is able to effectively fill more rooms with casino patrons and increased visitation to the property occurs from the non-gaming segments.

Projected Legends at Village West Casino Resort Non-Local Attraction								
	Fair Share	Leisure Demand		Business Demand		Casino Demand	Total RND	Total Occupancy
		Premium/Discount	RND	Premium/Discount	RND			
2010	38.5%	-35%	30,254	15%	18,213	58,836	107,303	84.0%
2011	38.5%	-45%	26,368	15%	18,850	69,219	114,437	89.6%
2012	38.5%	-45%	27,159	15%	19,227	70,603	116,990	91.6%
2013	38.5%	-45%	27,974	15%	19,612	72,015	119,601	93.6%
2014	38.5%	-47%	27,765	15%	20,004	73,456	121,225	94.9%

Source: KCCVA, GMA

As a reasonableness test, GMA examined the room mix of Leisure, Business and Casino guests. GMA projects that the mix created for the hotel should allow it to maximize its RevPAR for the hotel division and gaming revenue for the casino division.

Olympia Hotel Room Mix			
	% Leisure Demand	% Business Demand	% Casino Demand
2010	28%	17%	55%
2011	23%	16%	60%
2012	23%	16%	60%
2013	23%	16%	60%
2014	23%	17%	61%

Source: GMA

Average Daily Rate

According to Smith Travel Research, the market ADR grew from \$108.80 to \$114.44 YTD April 2007 versus YTD April 2006, a \$5.64 increase. This represents a 5.2% increase in ADR year-over-year. GMA does not believe this kind of growth is sustainable because of increasing fuel prices and lack of strong occupancy rates and many of the surrounding hotels. However, many of the hotels are new and the strong historical performance must not be ignored. The following chart illustrates the projected ADRs for the market through 2013.

Kansas City Market ADR Projection			
Year	# of Rooms	ADR	% Change
2006	560	\$113.45	
2007	560	\$117.13	3.25%
2008	560	\$120.94	3.25%
2009	560	\$124.57	3.00%
2010	910	\$124.57	0.00%
2011	910	\$128.31	3.00%
2012	910	\$132.16	3.00%
2013	910	\$136.12	3.00%
2014	910	\$140.20	3.00%

Source: GMA, Smith Travel Research

Based on the market ADR, GMA then forecasted the Project's ADR by determining the premium or discount that each segment would receive. The Project is expected to be able to charge premiums to the market ADR because of the quality of room product. The Project is expected to charge a 25% premium to the market ADR for Leisure guests because of the high quality of the product offered and convenient location. Business guests will pay 20% above the market average because of late booking patterns and a strong hotel sales and revenue management team, in addition to offering the highest quality room within the market. GMA performed an internet rate check search for a seven-day out overnight stay to see what the

existing business rates would be quoted. Doubletree Kansas City quoted \$199, Hampton Inn quoted \$159 and Courtyard quoted \$154. This coincides with the assumption of Olympia and Red Development being able to charge strong rates from the business segment. Based on an expected casino comping policy, casino ADR is expected to be equal to the market average.

Projected Legends at Village West Casino Resort Hotel ADR							
	LEISURE		BUSINESS		CASINO		PROPERTY
	Premium/ Discount	ADR	Premium/ Discount	ADR	Premium/ Discount	ADR	ADR
2010	25.0%	\$155.71	20.0%	\$149.48	0.0%	\$124.57	\$ 137.58
2011	25.0%	\$160.38	20.0%	\$153.97	0.0%	\$128.31	\$ 139.92
2012	25.0%	\$165.19	20.0%	\$158.59	0.0%	\$132.16	\$ 144.17
2013	25.0%	\$170.15	20.0%	\$163.34	0.0%	\$136.12	\$ 148.54
2014	25.0%	\$175.25	20.0%	\$168.24	0.0%	\$140.20	\$ 152.86

Source: GMA

Hotel Summary

With the ADR and occupancy levels determined, total room revenues were calculated. In 2011, GMA projects that the hotel will operate at an 89.6% occupancy level with an ADR of \$139.92. Resultant gross rooms revenue are estimated at \$18.5 million.

Projected Legends at Village West Hotel Revenue				
	Occupancy	ADR	RevPAR	Rooms Revenue (000s)
2010	84.0%	\$ 137.58	\$115.56	\$14,763
2011	89.6%	\$ 139.92	\$125.34	\$16,012
2012	91.6%	\$ 144.17	\$132.03	\$16,912
2013	93.6%	\$ 148.54	\$139.07	\$17,766
2014	94.9%	\$ 152.86	\$145.05	\$18,530

Source: GMA

VIII. Food and Beverage

Given the extensive food and beverage ("F&B") offerings in the Legends and Village West Development, GMA recommends that the Project offer an appropriate amount of F&B options for their guests that are able to complement the existing restaurants in the area.

Restaurant Revenue

With a conservative food and beverage program, the Project is expected to generate approximately 4,285 covers per day with \$20.3 million in revenue in 2007 dollars from a buffet, coffee shop, fine dining establishment, casual dining establishment, deli and a coffee kiosk. The values from 2007 were inflated to account for price increases until the Project opens.

Food and Beverage Cover Assumptions									
	# Seats	# Days/ Week	Brkfst	Lunch	Dinner	Latenight	Avg. Turns/ Day	Annual Covers	Covers per Day
Buffet	350	7	0.0	1.8	1.5	0.0	3.25	415,188	1,138
Coffee shop	200	7	1.0	1.0	1.5	0.8	4.25	310,250	850
Fine Dining	75	7	0.0	0.0	2.5	0.0	2.50	68,438	188
Coffee Kiosk	25	7	15.0	10.0	5.0	0.0	30.00	273,750	750
Deli	25	7	0.0	4.0	3.0	0.0	7.00	63,875	175
Casual Dining	120	7	0.0	2.0	3.0	0.5	5.50	240,900	660
TOTAL	795		575	1,403	1,573	210		1,372,400	3,760
	RND		Capture Rate						
Rooms Service	114,437		15.0%	2.5%	5.0%	2.50%		28,609	78
Pool Service	57,219		5.0%	5.0%				5,722	16
19th Hole	25	6	-	2.00	1.00	0.0	3.00	11,250	31
Men's Grill	50	7	0.50	0.50	0.75	0.0	1.75	31,938	88

Source: GMA/ Olympia

Restaurant Assumptions, 2007 Dollars									
	Bkfst Cover	Lunch Cover	Dinner Cover	Latenight Dinner	Avg. Cover	TOTAL F&B	% Beverage	Beverage Rev	Food Rev
Buffet	\$6	\$9	\$14		\$11	\$ 4,694,813	5%	\$ 234,741	\$ 4,460,072
Coffee shop	\$8	\$11	\$18	\$12	\$13	\$ 4,015,000	15%	\$ 602,250	\$ 3,412,750
Fine Dining			\$50		\$50	\$ 3,421,875	30%	\$ 1,026,563	\$ 2,395,313
Coffee Kiosk	\$4	\$4	\$4		\$4	\$ 1,129,219	0%	\$ -	\$ 1,129,219
Deli		\$7	\$10		\$8	\$ 511,000	10%	\$ 51,100	\$ 459,900
Casual Dining		\$14	\$23		\$18	\$ 4,248,600	20%	\$ 849,720	\$ 3,398,880
SubTOTAL					\$13	\$ 18,020,506		\$ 2,764,373	\$ 15,256,133
Rooms Service	\$18	\$20	\$40	\$35	\$24	\$ 695,206	25%	\$ 173,801	\$ 521,404
Pool Service	\$11	\$15			\$13	\$ 74,384	40%	\$ 29,754	\$ 44,630
19th Hole	\$0	\$15	\$20		\$68	\$ 390,000	20%	\$ 78,000	\$ 312,000
Men's Grill	\$10	\$20	\$40		#DIV/0!	\$ 821,250	20%	\$ 164,250	\$ 657,000
TOTAL						\$ 20,001,346	16.0%	\$ 3,210,178	\$ 16,791,168

Source: GMA

Bars & Casino Beverage Revenue

Based on the facility program, GMA determined the number of the turns and revenue for each beverage outlet. There are a total of two casino bars, a lounge and a poolside bar. Revenue from these outlets is estimated at nearly \$2.4 million as displayed in the chart below.

Olympia Bar Revenue, 2007 Dollars					
	Seats	Turns/ Day	Patrons	Cost Per Drink	Revenue
Poolside	20	5	24,333	\$4.5	\$ 109,500
Lounge	50	7	127,750	\$5.0	\$ 638,750
Casino Bar 1	50	10	182,500	\$4.5	\$ 821,250
Casino Bar 2	50	10	182,500	\$4.5	\$ 821,250
TOTAL	170		517,083	\$4.6	\$ 2,390,750
Source: GMA/ Olympia					

In 2011, GMA projects 2.8 million visits to the Project's casino by gamblers. Assuming that 40% of them choose to drink and the average guest drinks 1.2 drinks, the revenue generated in 2007 dollars would be \$3.4 million.

Incremental Casino Beverage, 2007 Dollars				
Patron Visits	Capture	Frequency	Cost/ Drink	Revenue
2,844,212	40.0%	1.2	\$2.5	\$3,413,054
Source: GMA				

IX. Pro Forma Income Statement

GMA prepared a detailed ProForma Income Statement for the proposed Project. In estimating departmental expenses, GMA relied on four primary sources of data:

- 2006 Missouri Gaming Commission Annual Report
- Public SEC filings of casino companies that operate in the Kansas city market,
- Various Wall Street analyst reports,
- Financial data from casinos with similar characteristics.

Gaming Revenue

Assumptions regarding gross gaming revenues were detailed earlier within this report. With regards to the distribution between Slots, Table Games and Other Gaming, GMA projects that by Year 3, the Project will generate 80% of revenue from Slots, 18% from Tables, and 2% from Other Gaming, specifically Poker.

Hotel Revenue, Food & Beverage

Assumptions regarding Hotel and Food & Beverage revenue have been detailed earlier within this report.

Hotel Other:

Hotel Other revenues are based upon \$9 per occupied room in 2011 dollars. Included in this revenue item are Internet, Mini-Bar, In-Room Movies, Vending, Telephone, Laundry and Other small revenue sources associated with hotel room rentals.

Spa

The spa at the Project will feature a state-of-the-art fitness studio, a salon with manicure and pedicure stations, hair stations and a small retail component. It is estimated that the Spa will generate \$10 per occupied room in 2011 dollars.

Meetings and Banquet

Meeting and Banquet revenue is forecasted at \$75 per occupied convention room in 2012 dollars. It is assumed that convention room nights will fill 60% of the business room night demand.

Golf

GMA worked with Olympia in projecting revenues associated with the operation of the proposed public golf course. In total, it was estimated the golf course would generate \$4.1 million in total revenue. The majority of this revenue is projected to originate from greens fees of \$75 per round on 39,500 rounds in the first year of operations, resulting in \$3.0 million in revenue. The facility's Pro Shop is estimated to generate \$790,000 in revenue. The remaining revenue is attributed to Food & Beverage and fees associated with hosting private tournaments.

Kid's Quest

GMA utilized current pricing structures at a Kid's Quest in Las Vegas casino and assumed the pricing to be equitable for the Kansas City hourly childcare market. GMA determined that the Kid's Quest for the Project should be able to have a capacity of 100 kids. With an average

occupancy of 35% and open 14 hours per day at an average price per hour of \$7.25 in 2007, GMA estimated the revenue at \$0.9 million in 2007 and grew the revenue at 2.0% per year for 2011 revenue of \$0.98 million.

Retail and Other

Retail and Other revenues are based on \$2 per occupied room in 2007 dollars.

Promotional Allowances

Promotional Allowances were estimated at 11.5% of gaming revenue.

Expenses

Following were major assumptions utilized in the preparing the departmental expenses.

- The Project will employ a player reinvestment strategy comparable to its peer set in order to remain competitive. Player reinvestment was estimated to be 20% of total gaming revenue. This figure is the sum of promotional allowances and the majority of the “Marketing and Player Reinvestment” line item.
- The gaming tax rate will be 27% of gaming revenue.
 - The way the taxes are expected to be distributed according to the Kansas State Lottery :
 - 22.0% to the State,
 - 2.0% to the Problem Gambling and Addictions Fund
 - 1.5% to the city
 - 1.5% to county
- The casino will employ the latest technology within the casino in terms of gaming equipment, player tracking and surveillance equipment.
- Franchise Fees were estimated using the following formula:
 - 7% of Non-Casino Rooms Revenue and Meeting & Banquet Revenue
 - 4% of Room Service, Pool and Hotel Lobby Bar Revenue
- Food and Beverage departmental expenses reflect those experienced at other F&B departments at casinos operating in similar jurisdictions. Given the number of F&B outlets within the Legends complex, the restaurants within the casino will be focused towards the casino gamer, which calls for low prices and large volume. As such, high operating expenses are to be expected.

**Legends at Village West Casino Resort
ProForma Income Statement**

	2010	2011	2012	2013	2014
Total Slots	2,000	2,000	2,000	2,000	2,000
Total Tables	60	60	60	60	60
Win Per Slot	\$229	\$234	\$241	\$247	\$252
Win Per Table	\$1,759	\$1,793	\$1,847	\$1,892	\$1,934
Number of Hotel Rooms	350	350	350	350	350
Available Room Nights	127,750	127,750	128,100	127,750	127,750
Hotel Occupancy	84.0%	89.6%	91.6%	93.6%	94.9%
Hotel ADR	\$137.58	\$139.92	\$144.17	\$148.54	\$152.86
Hotel RevPAR	\$115.56	\$125.34	\$132.03	\$139.07	\$145.05

Revenues

Slots	\$	167,240	\$	170,653	\$	175,772	\$	180,167	\$	184,295
Table	\$	38,525	\$	39,269	\$	40,439	\$	41,428	\$	42,351
Poker	\$	3,285	\$	3,395	\$	3,504	\$	3,614	\$	3,723
TOTAL GAMING	\$	209,050	\$	213,316	\$	219,715	\$	225,208	\$	230,369

Food	\$	17,812	\$	18,175	\$	18,721	\$	19,189	\$	19,236
Beverage	\$	9,562	\$	9,757	\$	10,050	\$	10,301	\$	10,326
Meeting & Banquets	\$	1,103	\$	1,164	\$	1,211	\$	1,260	\$	1,311
Rooms	\$	14,763	\$	16,012	\$	16,912	\$	17,766	\$	18,530
Hotel Other	\$	937	\$	1,030	\$	1,087	\$	1,142	\$	1,192
Spa	\$	1,041	\$	1,144	\$	1,208	\$	1,269	\$	1,325
Golf	\$	4,089	\$	4,211	\$	4,338	\$	4,468	\$	4,602
Kid's Quest	\$	963	\$	982	\$	1,002	\$	1,022	\$	1,043
Retail and Other	\$	228	\$	248	\$	259	\$	269	\$	278
TOTAL Non Gaming	\$	50,496	\$	52,725	\$	54,789	\$	56,686	\$	57,843

GROSS REVENUE	\$	259,546	\$	266,041	\$	274,504	\$	281,894	\$	288,212
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Promotional Allowances	\$	24,041	\$	24,531	\$	25,267	\$	25,899	\$	26,492
NET REVENUE	\$	235,505	\$	241,510	\$	249,237	\$	255,995	\$	261,720

EXPENSES

Slots	\$	13,379	\$	13,226	\$	13,183	\$	13,512	\$	13,822
Tables	\$	16,951	\$	16,493	\$	16,176	\$	16,364	\$	16,517
Poker	\$	2,037	\$	2,054	\$	2,102	\$	2,150	\$	2,197
Cage and Count	\$	3,345	\$	3,413	\$	3,515	\$	3,603	\$	3,686
Taxes and Contributions	\$	56,443	\$	57,595	\$	59,323	\$	60,806	\$	62,200
Food and Beverage	\$	25,458	\$	25,698	\$	25,893	\$	26,541	\$	26,606
Meetings & Banquets	\$	849	\$	885	\$	908	\$	945	\$	983
Rooms	\$	4,724	\$	4,804	\$	4,735	\$	4,797	\$	4,911
Franchise Fee	\$	657	\$	642	\$	678	\$	710	\$	733
Hotel Other	\$	347	\$	381	\$	402	\$	423	\$	441
Spa	\$	801	\$	858	\$	906	\$	952	\$	993
Golf	\$	4,089	\$	4,211	\$	4,338	\$	4,468	\$	4,602
Kid's Quest	\$	674	\$	688	\$	701	\$	716	\$	730
Retail and Other	\$	91	\$	99	\$	104	\$	108	\$	111
General & Administrative	\$	16,873	\$	17,217	\$	17,568	\$	17,920	\$	18,278
Marketing and Player Reinvestment	\$	17,769	\$	18,132	\$	18,676	\$	19,143	\$	19,581
Maintenance and Engineering	\$	9,227	\$	9,415	\$	9,608	\$	9,800	\$	9,996
Security and Surveillance	\$	4,482	\$	4,573	\$	4,667	\$	4,760	\$	4,855
TOTAL	\$	178,196	\$	180,383	\$	183,485	\$	187,716	\$	191,241

EBITDAM	\$	57,309	\$	61,126	\$	65,752	\$	68,279	\$	70,479
EBITDAM Margin (Net)		24.3%		25.3%		26.4%		26.7%		26.9%

Source: GMA

X. Disclaimer

Gaming Market Advisors has made its best effort to secure accurate information, however, much of the information contained in this report was received from third-parties which Gaming Market Advisors did not validate or verify. Accordingly, Gaming Market Advisors makes no warranty, real or implied, regarding the data contained in this report. This report also contains projections of future events based upon certain assumptions. As it is not possible to predict future outcomes with absolute accuracy, these projections should be treated only as estimates of potential future results. Actual results may differ due to unforeseen events. Consequently, Gaming Market Advisors assumes no liability for the accuracy of these projections.

XI. Appendices

A. The Consulting Team

Gaming Market Advisors provides clients with market feasibility studies, primary research, socioeconomic studies, due diligence, payroll control, operations consults, business and marketing plans, and player reward program design. The principals and associates of GMA have hands-on experience in nearly all aspects of the gaming industry including domestic and international operations, project development, marketing expertise, and detailed market analysis. Following are the vitas of the Consulting Team who were assigned to this project.

Andrew M. Klebanow

Andrew Klebanow specializes in Marketing Plan and Business Plan Development, Market Research, Casino Property Analysis, Market Assessments and Player Rewards Program Design exclusive to the gaming industries.

Mr. Klebanow has worked in the hospitality industry since 1975 and in the fields of casino marketing and casino business planning since 1991. He earned a Bachelor of Arts degree at New York University and Masters Degree in Marketing from Cornell University's School of Hotel Administration.

From 1991-1993 he was Director of Marketing at Sahara Gaming Corporation's Hacienda Hotel and Casino and Director of Marketing and Planning for the parent company's Development Group.

As a consultant to Horseshoe Gaming, Klebanow conducted an analysis of the gaming market in Tunica, MS and subsequently prepared its pre-opening business and marketing plans. In addition, Mr. Klebanow wrote the opening marketing plan for the Horseshoe Casino in Bossier City, LA.

Mr. Klebanow also worked as Director of Marketing for Alliance Gaming Corporation where he conducted the initial market research, consumer testing and marketing plan development for Gamblers Bonus, the industry's first cardless slot club for the company's Nevada slot route division. Gamblers Bonus was the first player tracking system that allowed customers to redeem bonus points for game credits at the machine.

From 1996 to 1999 Klebanow was Vice President of Marketing for Santa Fe Gaming Corporation where he oversaw the marketing efforts for the Santa Fe Hotel and Casino in Las Vegas and the Pioneer Hotel and Gambling Hall in Laughlin NV. His most recent position was that of Vice President of Marketing at Sam's Town Hotel and Gambling Hall, where he oversaw the repositioning of the 22-year-old gaming property and the re-branding of its player rewards program.

In addition, Mr. Klebanow is a periodic lecturer at Cornell University's School of Hotel Administration and at the University of Nevada Las Vegas. He has participated on several panels at the World Gaming Congress, the Slot Managers Institute and at National Indian Gaming Association conferences. Mr. Klebanow also authors a monthly column in Indian Gaming Magazine.

Steven M. Gallaway

Mr. Gallaway, a former Senior Vice President of The Innovation Group, has been consulting in the gaming industry for the past four years. He has completed over 100 feasibility studies with a strong focus in Native American gaming operations, public bond transactions and international gaming developments. Steve has worked with over 35 Native American Tribes from California to Arizona to Florida. Many of these Native American engagements have resulted in Mr. Gallaway assisting his clients in obtaining the necessary funding to allow their projects to move forward. Steve worked with the Fantasy Springs Casino Resort in California in obtaining the first tax-free municipal bond to fund a casino project, and more recently worked with the Golden State Transportation Financing Corporation.

Internationally, Mr. Gallaway has worked on more than 40 projects in Western and Eastern Europe, the Bahamas, the Caribbean, Canada, and Mexico. The depth of his experience in Mexico prompted an invitation to speak at the 2002 G2E (Global Gaming Expo) to discuss the future of gaming in Mexico. Other experience in gaming consulting includes an extensive amount of primary research, operational reviews, completing due diligence for clients on potential gaming acquisitions, and assisting casinos in analyzing and maximizing the utility of their player database. Because of his proficiency in this area, Steve was asked to participate on a panel at the 2003 G2E.

Alexander C. Koch

Alexander Koch has breadth and depth of gaming industry experience. He has hands-on experience in operations management, financial and operational analysis, market and project feasibility, process improvement and design, marketing planning and program design, yield management, transactional due diligence and valuation, and business plan development.

Mr. Koch, a former Senior Analyst with the Edge Group, developers of the proposed W Las Vegas Hotel, Casino & Residences, has been in the gaming industry since 2002. Prior to the Edge Group, Mr. Koch was a Senior Analyst for the Golden Nugget Las Vegas and Golden Nugget Laughlin. He earned a Bachelors of Science degree in Hotel Administration with a concentration in Information Systems from Cornell University's School of Hotel Administration in 2004.

Mr. Koch helped perform the property-level due diligence work for the sales of the Golden Nugget properties from MGM Mirage to Poster Financial, and from Poster Financial to Landry's Restaurants. Playing a role in executing the transition of the Golden Nugget properties between Poster Financial and Landry's Restaurants, Mr. Koch was key in policy and procedure implementations and adjustments to meet Landry's standards.

In addition, Mr. Koch is a periodic guest lecturer at Cornell University's School of Hotel Administration and is the co-captain of a volunteer organization in the Las Vegas area.

Economic Impact Study: Kansas City Speedway Development Project

September 2007

Prepared for:
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RED Development, LLC

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Disclaimer

Gaming Market Advisors has made its best effort to secure accurate information, however, much of the information contained in this report was received from third-parties which Gaming Market Advisors did not validate or verify. Accordingly, Gaming Market Advisors makes no warranty, real or implied, regarding the data contained in this report. This report also contains projections of future events based upon certain assumptions. As it is not possible to predict future outcomes with absolute accuracy, these projections should be treated only as estimates of potential future results. Actual results may differ due to unforeseen events. Consequently, Gaming Market Advisors assumes no liability for the accuracy of these projections.

I. Executive Summary

The State of Kansas recently approved a bill that was subsequently confirmed by voters in Wyandotte County allowing slot machines at both racetracks and at privately managed but publicly owned freestanding casinos.

Given these recent developments, Olympia Gaming, LLC ("Olympia") is considering submitting a proposal to the State of Kansas for the exclusive right to develop a full-service casino resort at a site adjacent to the Kansas Speedway and the Legends at Village West complex ("Project"). As part of this proposal to the State of Kansas and the Kansas Lottery, Olympia is required to submit a social and economic impact study as outlined in Section VII of the Kansas Gaming Application.

Olympia engaged Gaming Market Advisors ("GMA") to perform the analyses needed to complete Section VII Subsections A, B, C, D and G of the Kansas Gaming Application. Section VII examines the economic impact, demographic, and social impact of casino gaming within Wyandotte County.

Section VII. A) State the population of the area, the growth trend and describe the potential market.

GMA conducted both a general population trend analysis and a drive-time population and average annual household income analysis from the Project site. GMA concluded that the population growth of Wyandotte County and the Kansas City MSA are expected to be fairly stagnant through 2011, with 0% and 1% average annual growth expected, respectively.

Population Trend				
	2000	2006	2011	2006 - 2011 CAGR
Wyandotte County	157,882	155,257	152,926	0%
Kansas City, MO-KS	1,836,038	1,968,704	2,073,024	1%
Source: AGS / GMA				

There has been considerable amount of land speculation in Kansas City and western Wyandotte County at the potential sites for the gaming licensee. Casino companies and other real estate developers have begun accumulating large parcels of land that may be sold to home builders and other developers should parcels purchased not be selected for the gaming site. It is possible for population growth to outpace the forecast should home developers build at a faster than anticipated pace.

Section VII. B) Set forth an analysis of the facility's location as a tourist and entertainment destination designed to attract patrons residing outside the immediate area of the facility, including an estimate of the number of patrons that would be attracted to the gaming facility and the ancillary operations each year.

In order to project visitation spurred by the Legends Resort and Casino, GMA utilized internal performance projections for the facility's first stabilized year of operations, currently expected to be 2011. GMA estimated visitation generated by the subject casino by dividing gross levels of day-trip gaming revenue by an average spend per visit. In order to project visitation spurred by the hotel associated with the Project, GMA divided total Room Nights of Demand ("RND") for the hotel into gaming and non-gaming demand. The proposed Legends retail development is also expected to drive visitation to the Project. In projecting visitation resulting from this aspect of the Project, GMA determined that 66.7% of projected revenue would originate outside the county. In total, GMA estimates the Legends Resort & Casino will generate 2.0 million visits from outside Wyandotte County and nearly 800,000 visits from county residents for a grand total of 2.8 million visitors.

Legends Resort & Casino Visitation Summary			
	Wyandotte County	Outside of County	TOTAL
Casino	521,943	1,584,335	2,106,278
Hotel	6,922	221,952	228,874
Legends Retail	269,983	230,721	500,705
TOTAL	798,848	2,037,009	2,835,857
Source: GMA			

Section VII. C) State the projected economic impact of the facility. This impact statement shall be included in the attachments to this application and shall address the following:

- 1. The economic impact to the State funds to which the gaming revenues will be paid;**
- 2. Any employment created, including:**
 - a. Whether the employment is temporary or permanent;**
 - b. the type of work and compensation;**
 - c. the employer; and**
 - d. how the employment was created;**
- 3. any purchases of goods and services including the dollar amount and type of purchase;**
- 4. any private investment;**
- 5. any tax revenue generated; and**
- 6. any relative economic site advantage.**

Overall, the economic impact study can be summarized by the following chart which demonstrates total output of the Construction Phase at nearly \$856 million and the Operational Phase at over \$447 million.

Kasas City Casino Project's Economic Impact Summary				
	Direct	Indirect	Induced	TOTAL
Construction Phase				
Total Output	\$ 547,332,389	\$ 170,557,538	\$ 137,665,673	\$ 855,555,601
Employment	4,841	1,205	1,367	7,413
Wages	\$ 206,719,880	\$ 46,468,811	\$ 51,926,535	\$ 305,115,230
Indirect Business Taxes	\$ 21,728,952	\$ 8,480,259	\$ 6,172,035	\$ 36,381,246
Operational Phase				
Total Output	\$ 296,374,614	\$ 86,940,201	\$ 63,817,518	\$ 447,132,321
Employment	4,915	553	586	6,053
Wages	\$ 101,073,079	\$ 23,500,162	\$ 24,081,711	\$ 148,654,953
Indirect Business Taxes	\$ 21,176,010	\$ 3,416,005	\$ 2,855,042	\$ 27,447,057
<i>Source: made by the authors based on Impact Analysis using IMPLAN data.</i>				

The economic impact to the State and Local funds to which the gaming revenues will be paid is forecasted to be \$53 million. The State is expected to receive nearly \$47 million in gaming taxes.

State & Local Gaming Tax Revenue Summary		
	Assumptions	Gaming Tax Revenue
Gross Gaming Revenue	\$ 213,315,865	
State Tax Rate on Gaming	22.00%	\$46,929,490
Unified Government Tax Rate on Gaming	0.75%	\$1,599,869
Bonner Springs/Edwardsville Tax Rate on G	0.75%	\$1,599,869
County Tax Rate on Gaming	1.50%	\$3,199,738
Total State, City and County Tax		\$53,328,966
<i>Source: GMA</i>		

The Construction Phase has the following effect on employment:

- The surge in investment in the construction sector leads to an increase in new jobs in the region to meet the demands for goods and services for the Project, thus yielding about 1,205 man-years of work.
- Increased activities in construction and other sectors, which provide goods and services for construction activities, will result in the creation of an estimated 1,367 new jobs across broad industrial sectors.
- In total, the Wyandotte County region will enjoy newly created jobs for about 7,413 man-years due to the construction of the Project.

**Kansas City Casino Project's Construction Phase
Impact Analysis on Jobs**

Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	0	3	1	4
21 Mining (AGG)	0	0	0	0
22 Utilities (AGG)	0	0	0	0
23 Construction (AGG)	2,634	12	5	2,651
31-33 Manufacturing (AGG)	36	106	35	177
42 Wholesale Trade (AGG)	633	116	56	805
48-49 Transportation & Warehousing (AGG)	0	91	41	132
44-45 Retail trade (AGG)	0	371	239	610
51 Information (AGG)	0	11	6	17
52 Finance & insurance (AGG)	0	29	36	64
53 Real estate & rental (AGG)	0	34	24	58
54 Professional- scientific & tech svcs (AGG)	126	81	19	225
55 Management of companies (AGG)	32	14	4	50
56 Administrative & waste services (AGG)	0	139	47	186
61 Educational svcs (AGG)	0	4	28	32
62 Health & social services (AGG)	0	0	274	274
71 Arts- entertainment & recreation (AGG)	0	16	48	65
72 Accommodation & food services (AGG)	1,380	46	160	1,587
81 Other services (AGG)	0	101	137	238
92 Government & non NAICS (AGG)	0	31	206	237
Total	4,841	1,205	1,367	7,413

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in # of jobs, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

The impact of the construction of the Project on wages appears in the next table.

- Direct investment in construction will generate initial wages of \$206.7 million, of which 67% will be in the construction sector. The surge in investment in the construction sector will lead to the creation of new jobs in Wyandotte County to meet the demands for goods and services caused by the construction of the Project. This surge is estimated to yield \$46.5 million of indirect wages.
- Increased activities in other sectors, which provide goods and services for the Project will result in the creation of new jobs and labor income to otherwise unemployed local residents. This will lead to increased induced wages paid in other sectors in the amount of \$51.9 million.
- In total, the Wyandotte County region will enjoy a positive impact of \$305.1 million in wages during construction.

Kansas City Casino Project's Construction Phase Impact Analysis on Wages

Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	\$ -	\$ 11,646	\$ 4,872	\$ 16,518
21 Mining (AGG)	\$ -	\$ 3,343	\$ 690	\$ 4,033
22 Utilities (AGG)	\$ -	\$ 6,642	\$ 6,375	\$ 13,017
23 Construction (AGG)	\$ 139,154,992	\$ 626,181	\$ 284,460	\$ 140,065,632
31-33 Manufacturing (AGG)	\$ 2,898,246	\$ 8,606,683	\$ 2,863,001	\$ 14,367,930
42 Wholesale Trade (AGG)	\$ 34,152,100	\$ 6,261,323	\$ 3,029,285	\$ 43,442,712
48-49 Transportation & Warehousing (AGG)	\$ -	\$ 5,142,046	\$ 2,305,368	\$ 7,447,413
44-45 Retail trade (AGG)	\$ -	\$ 10,332,859	\$ 6,652,508	\$ 16,985,368
51 Information (AGG)	\$ -	\$ 680,659	\$ 375,549	\$ 1,056,208
52 Finance & insurance (AGG)	\$ -	\$ 1,294,156	\$ 1,624,533	\$ 2,918,689
53 Real estate & rental (AGG)	\$ -	\$ 1,245,513	\$ 893,928	\$ 2,139,440
54 Professional- scientific & tech svcs (AGG)	\$ 5,172,998	\$ 3,321,415	\$ 772,671	\$ 9,267,084
55 Management of companies (AGG)	\$ 1,826,805	\$ 823,252	\$ 241,742	\$ 2,891,799
56 Administrative & waste services (AGG)	\$ -	\$ 3,040,614	\$ 1,018,244	\$ 4,058,858
61 Educational svcs (AGG)	\$ -	\$ 70,449	\$ 494,348	\$ 564,798
62 Health & social services (AGG)	\$ -	\$ 4,615	\$ 12,527,356	\$ 12,531,970
71 Arts- entertainment & recreation (AGG)	\$ -	\$ 292,898	\$ 868,724	\$ 1,161,622
72 Accommodation & food services (AGG)	\$ 23,514,740	\$ 787,979	\$ 2,730,217	\$ 27,032,938
81 Other services (AGG)	\$ -	\$ 2,030,366	\$ 2,757,159	\$ 4,787,525
92 Government & non NAICs (AGG)	\$ -	\$ 1,886,172	\$ 12,475,505	\$ 14,361,677
Total	\$ 206,719,880	\$ 46,468,811	\$ 51,926,535	\$ 305,115,230

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

The following table details the effects of the Project on employment.

- Direct expenditures by visitors to the Project and other tourism-related facilities in the area will generate direct employment of about 4,915 people, of which 82% will be in the gaming sector with the rest in other tourism-related jobs, such as retail shops, hotels, restaurants and bars. This is due to the fact that while the majority of visitors' direct expenditures are estimated to benefit gaming operations first, other sizable portions will go to surrounding businesses. The Tourism Industrial sector tends to be more labor-intensive than average industrial sectors, as human labor inputs are required to produce and deliver the services for visitors.
- The Project's operations are estimated to lead to increased employment in the region to meet the demand for goods and services generated by suppliers for the casino, hotel and retail operations. This is estimated to yield about 553 indirect jobs outside of the Project.
- Business activities induced by the Project will result in the creation of 586 induced jobs across broad industrial sectors.
- In total, the Wyandotte County region will enjoy 6,053 newly created jobs due to the Project.

Kansas City Project's Operation Impact Analysis on # of Jobs*

Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	0	2	0	3
21 Mining (AGG)	0	0	0	0
22 Utilities (AGG)	0	0	0	0
23 Construction (AGG)	0	14	2	16
31-33 Manufacturing (AGG)	0	48	15	63
42 Wholesale Trade (AGG)	0	58	24	82
48-49 Transportation & Warehousing (AGG)	43	47	17	107
44-45 Retail trade (AGG)	746	50	102	898
51 Information (AGG)	0	6	3	9
52 Finance & insurance (AGG)	0	18	15	33
53 Real estate & rental (AGG)	0	32	10	43
54 Professional- scientific & tech svcs (AGG)	0	33	8	41
55 Management of companies (AGG)	0	10	2	12
56 Administrative & waste services (AGG)	50	78	20	148
61 Educational svcs (AGG)	0	2	12	14
62 Health & social services (AGG)	0	0	117	118
71 Arts- entertainment & recreation (AGG)	287	36	21	344
72 Accommodation & food services (AGG)	3,739	41	69	3,849
81 Other services (AGG)	49	50	59	158
92 Government & non NAICS (AGG)	0	28	88	116
Total	4,915	553	586	6,053

Source: made by the authors based on Impact Analysis using IMPLAN data.

*FT and PT jobs included in this number.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients. *Numbers of jobs include both full time and part time workers.

The next table details the operational wage impact for the Project.

- Direct expenditures by visitors to the Project will generate wages for its employees in the amount of \$101.1 million. The surge in the gaming sector will lead to an increase in new jobs to meet the demand for goods and services for the Project, thus yielding \$23.5 million in additional indirect wages for those who would otherwise be unemployed.
- Increased activities in tourism-related sectors which provide goods and services for gaming activities will result in the creation of new jobs and labor income to otherwise unemployed local residents. This will lead to induced wages paid in other sectors in the range of \$24.1 million.
- In total, the Wyandotte County region will enjoy a positive impact of at least \$148.7 million per year in wages once the Project begins operations.

Kansas City Project's Operation Impact Analysis on Wages

Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	\$ -	\$ 10,356	\$ 2,167	\$ 12,523
21 Mining (AGG)	\$ -	\$ 1,006	\$ 335	\$ 1,342
22 Utilities (AGG)	\$ -	\$ 7,690	\$ 2,911	\$ 10,601
23 Construction (AGG)	\$ -	\$ 762,275	\$ 127,858	\$ 890,132
31-33 Manufacturing (AGG)	\$ -	\$ 4,227,040	\$ 1,334,535	\$ 5,561,575
42 Wholesale Trade (AGG)	\$ -	\$ 3,364,094	\$ 1,391,076	\$ 4,755,170
48-49 Transportation & Warehousing (AGG)	\$ 2,548,173	\$ 2,779,626	\$ 1,044,294	\$ 6,372,094
44-45 Retail trade (AGG)	\$ 22,648,162	\$ 1,516,160	\$ 3,108,050	\$ 27,272,374
51 Information (AGG)	\$ -	\$ 415,535	\$ 169,578	\$ 585,112
52 Finance & insurance (AGG)	\$ -	\$ 860,001	\$ 742,757	\$ 1,602,758
53 Real estate & rental (AGG)	\$ -	\$ 1,290,910	\$ 416,163	\$ 1,707,073
54 Professional- scientific & tech svcs (AGG)	\$ -	\$ 1,456,978	\$ 356,331	\$ 1,813,308
55 Management of companies (AGG)	\$ -	\$ 652,649	\$ 116,965	\$ 769,614
56 Administrative & waste services (AGG)	\$ 1,161,431	\$ 1,813,580	\$ 462,647	\$ 3,437,658
61 Educational svcs (AGG)	\$ -	\$ 40,270	\$ 228,177	\$ 268,447
62 Health & social services (AGG)	\$ -	\$ 6,959	\$ 5,970,267	\$ 5,977,226
71 Arts- entertainment & recreation (AGG)	\$ 5,415,525	\$ 683,265	\$ 390,737	\$ 6,489,527
72 Accomodation & food services (AGG)	\$ 68,229,032	\$ 745,516	\$ 1,252,367	\$ 70,226,912
81 Other services (AGG)	\$ 1,070,757	\$ 1,081,715	\$ 1,273,425	\$ 3,425,897
92 Government & non NAICS (AGG)	\$ -	\$ 1,784,540	\$ 5,691,071	\$ 7,475,612
Total	\$ 101,073,079	\$ 23,500,162	\$ 24,081,711	\$ 148,654,953

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

The Project will also have an impact on tax revenues. The Construction Phase will impact Indirect Business Tax while there will be additional tax revenues gained by the Operational Phase.

Kansas City Casino Project's Construction Phase Impact Analysis on Indirect Business Tax

Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	\$ -	\$ 1,973	\$ 825	\$ 2,798
21 Mining (AGG)	\$ -	\$ 2,584	\$ 533	\$ 3,117
22 Utilities (AGG)	\$ -	\$ 4,870	\$ 4,674	\$ 9,544
23 Construction (AGG)	\$ 2,340,958	\$ 10,534	\$ 4,785	\$ 2,356,278
31-33 Manufacturing (AGG)	\$ 120,469	\$ 357,748	\$ 119,004	\$ 597,222
42 Wholesale Trade (AGG)	\$ 15,193,924	\$ 2,785,599	\$ 1,347,698	\$ 19,327,222
48-49 Transportation & Warehousing (AGG)	\$ -	\$ 197,410	\$ 88,506	\$ 285,916
44-45 Retail trade (AGG)	\$ -	\$ 3,850,585	\$ 2,479,086	\$ 6,329,671
51 Information (AGG)	\$ -	\$ 136,544	\$ 75,337	\$ 211,881
52 Finance & insurance (AGG)	\$ -	\$ 84,128	\$ 105,604	\$ 189,732
53 Real estate & rental (AGG)	\$ -	\$ 289,153	\$ 207,531	\$ 496,684
54 Professional- scientific & tech svcs (AGG)	\$ 151,218	\$ 97,092	\$ 22,587	\$ 270,897
55 Management of companies (AGG)	\$ 38,748	\$ 17,462	\$ 5,127	\$ 61,337
56 Administrative & waste services (AGG)	\$ -	\$ 141,834	\$ 47,497	\$ 189,331
61 Educational svcs (AGG)	\$ -	\$ 1,523	\$ 10,688	\$ 12,211
62 Health & social services (AGG)	\$ -	\$ 65	\$ 177,018	\$ 177,083
71 Arts- entertainment & recreation (AGG)	\$ -	\$ 64,675	\$ 191,823	\$ 256,498
72 Accomodation & food services (AGG)	\$ 3,883,634	\$ 130,141	\$ 450,916	\$ 4,464,691
81 Other services (AGG)	\$ -	\$ 227,044	\$ 308,317	\$ 535,362
92 Government & non NAICS (AGG)	\$ -	\$ 79,296	\$ 524,476	\$ 603,772
Total	\$ 21,728,952	\$ 8,480,259	\$ 6,172,035	\$ 36,381,246

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

Kansas City Project's Operation Impact Analysis (1) on Overall Tax Revenues						
	Employee Compensation	Proprietary Income	Household Expenditures	Corporations	Indirect Business Taxes	Total
Federal Government NonDefense	Corporate Profits Tax			\$ 3,019,776		\$ 3,019,776
	Indirect Bus Tax: Custom Duty				\$ 604,340	\$ 604,340
	Indirect Bus Tax: Excise Taxes				\$ 1,851,927	\$ 1,851,927
	Indirect Bus Tax: Fed NonTaxes				\$ 645,840	\$ 645,840
	Personal Tax: Estate and Gift Tax					\$ -
	Personal Tax: Income Tax		\$ 5,211,123			\$ 5,211,123
	Personal Tax: NonTaxes (Fines- Fees)					\$ -
	Social Ins Tax- Employee Contribution	\$ 6,905,383	\$ 214,681			\$ 7,120,064
	Social Ins Tax- Employer Contribution	\$ 7,171,185				\$ 7,171,185
	Total	\$ 14,076,568	\$ 214,681	\$ 5,211,123	\$ 3,102,108	\$ 25,624,256
State/Local Government NonEducation	Corporate Profits Tax			\$ 288,569		\$ 288,569
	Dividends			\$ 572,573		\$ 572,573
	Indirect Bus Tax: Motor Vehicle Lic				\$ 173,120	\$ 173,120
	Indirect Bus Tax: Other Taxes				\$ 402,349	\$ 402,349
	Indirect Bus Tax: Property Tax				\$ 8,269,187	\$ 8,269,187
	Indirect Bus Tax: S/L NonTaxes				\$ 1,113,677	\$ 1,113,677
	Indirect Bus Tax: Sales Tax				\$ 9,731,996	\$ 9,731,996
	Personal Tax: Estate and Gift Tax					\$ -
	Personal Tax: Income Tax		\$ 1,764,029			\$ 1,764,029
	Personal Tax: Motor Vehicle License		\$ 107,451			\$ 107,451
	Personal Tax: NonTaxes (Fines- Fees)		\$ 225,679			\$ 225,679
	Personal Tax: Other Tax (Fish/Hunt)		\$ 49,076			\$ 49,076
	Personal Tax: Property Taxes		\$ 54,181			\$ 54,181
	Social Ins Tax- Employee Contribution	\$ 76,550				\$ 76,550
	Social Ins Tax- Employer Contribution	\$ 254,254				\$ 254,254
	Total	\$ 330,804	\$ -	\$ 2,200,416	\$ 861,143	\$ 19,968,395
	TOTAL	\$ 14,124,580	\$ 214,681	\$ 7,411,539	\$ 3,880,919	\$ 23,070,502
Source: made by the authors based on Impact Analysis using IMPLAN data.						
Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients. Also note that tax revenues may lag behind projected economic activities from which tax revenues are generated.						
* Gaming Tax are not shown in this table format.						

d. State the projected social impact of the facility. This impact statement shall be included in the attachments to the application and shall state how the facility may affect the following in the locale of the facility, or the State of Kansas, as may be applicable:

- (1) The school system;**
- (2) the police service;**
- (3) the fire service;**
- (4) the ambulance service;**
- (5) the population growth;**
- (6) the housing demand; and**
- (7) the community planning and development scheme.**

Impact on the School System

The Piper School District is where the Project is located. To better learn about Piper School District and the impact the Project will have upon Piper and other school districts within Wyandotte County, GMA met with Piper School District Superintendent Steve Adams and President of the School Board Andy Turnley.

Piper School District is a high performing school district that has the laudable challenge of having too many students wanting to enroll in the district. The schools are almost all currently running over capacity and the introduction of a new destination resort and jobs associated with it will make Piper Schools even more capacity constrained. GMA recommends that Olympia and Red Development make a donation to Piper School District to allow the district to build more schools which will spur further growth and alleviate some of the capacity issues the district is currently struggling with.

Impact on the Police Service

Major Terry Zeigler of the Kansas City Kansas Police Department (“KCKPD”) was interviewed to discuss the impact that the Project would have upon police service. Major Zeigler believes the Project will have little impact to police service because the department is currently able to handle all calls within the region and has been able to handle the growth of the region over the last few years. Additionally the security employed by the casino should help ease the burden on the police department with on-property calls.

However, GMA recommends that Olympia and Red Development dedicate space at the Project site for an additional police substation to virtually double the police’s exposure to western Wyandotte County and specifically the Project site and Legends development. A stronger police presence usually decreases the number of law enforcement calls to an area, which would be beneficial for the entertainment and resort corridor. The police response time to the Project should be at or better than what the department is currently averaging. There will be benefit to the entire community by having the additional substation conveniently located in close proximity to both I-435 and I-70 from an ease of access perspective.

Impact on the Fire Service

Assistant Chief Craig Duke of the Kansas City Kansas Fire Department (“KCKFD”) was interviewed to learn about the economic impact that the Project would have upon the fire service. The closest firehouse is located about 3.6 miles away from the Project site and the Legends development. The average response time for the fire department is usually around 4 minutes.

Assistant Chief Duke does not believe the Project would cause any strain on the ability of the fire department to respond because the site is easily accessible. The people who move to Wyandotte County for the jobs created by the Project are not expected to strain the fire department because many would be moving to existing vacant housing units. Even the additional volume of tourist and local traffic to the Project because of its draw as a gaming, lodging, meeting, retail and entertainment facility, are not expected to adversely affect the fire department’s ability to be more effective and efficient than the national average for response times.

Impact on the Ambulance Service

The KCKFD also provides nearly all the Advanced Life Support (“ALS”) services and ambulatory services for the Legends area and as such, Assistant Chief Duke was able to provide further information regarding ambulance services.

The ambulatory services come from the fire station. Assistant Chief Duke does not believe that the Project will adversely affect ambulatory services.

Impact on the Population Growth

GMA projects 6,053 jobs to be created by the ongoing operation of the Project. Assuming 5% of new jobs come from outside of Wyandotte County, approximately 303 families would be moving to the county, which would not significantly be adding to the population count.

Impact on the Housing Demand

According to Applied Geographic Solutions (“AGS”), at the end of 2006, Wyandotte County had 4,918 vacant housing units, representing 7% of total housing units in the market. It is projected that Wyandotte County will have 4,028 vacant housing units in 2011, representing 6% of the total number of housing units in the county.

Housing Unit Data: Wyandotte County				
	2006	%	2011	%
Vacant	4,918	7.4%	4,028	6.0%
Owner-Occupied	38,950	58.6%	39,947	59.8%
Renter-Occupied	22,574	34.0%	22,825	34.2%
Total in Market	66,442	100.0%	66,800	100.0%
Source: AGS				

With the amount of vacant housing units estimated for 2011 combined with the current construction, estimated to add an additional 997 owner-occupied units and 251 renter-

occupied units, it should not be difficult for the 303 employees to find housing. Additional housing units should not need to be constructed to accommodate the housing demand of the Project.

Impact on Community Planning & Development Scheme

The Project should have minimal impact on the community planning and development scheme. Wyandotte County and Kansas City are not expected to have to dramatically change their community planning and development scheme in order for the Project to go forward. As previously stated, the community master plan is a fluid document that is revisited every few years to understand and forecast the growth of the community.

G) Describe the effect of competition with any other gaming facility in and out of the state and with any other sport or recreational facility in the area, including a detailed statement of what effect the competition from any other facility will have on the availability of qualified personnel. These statements and descriptions of competition shall be included in the attachments to this application.

The Project will not directly compete with any sport facility; in fact it is likely that the Project will help the economic viability of the sports facilities in the area. In the immediate Legends area, the Kansas City T-Bones play baseball. Kansas City sports teams may see the Project's operators purchase private boxes each season and give the tickets to some of their most valuable casino patrons. The casino will have a positive impact on the Kansas Speedway, which already attracts hundreds of thousands of visitors to Wyandotte County twice each year for the NASCAR races. The casino resort will give NASCAR patrons an additional entertainment option during race weekends. Operating a sporting venue requires a somewhat different skill set than operating a casino resort; it is not expected to adversely affect the availability of qualified personnel to sporting venues or the Project.

The Project will, however, compete with the four riverboat casinos in Kansas City, MO and the state sanctioned racino at The Woodlands racetrack in Kansas City, KS. GMA estimates that in 2011 the four Missouri riverboats will generate \$646.5 million in gaming revenue with the Kansas racino generating \$68.2 million in gaming revenue for the same year if the Project is not constructed. Assuming the Project is completed as scheduled, GMA projects gaming revenue for these casinos in aggregate to drop by \$99.3 million to \$547.2 million in 2011. Gaming revenue at the Kansas racino is also estimated to be negatively impacted by the opening of the subject casino with gaming revenue projected to decrease \$21.5 million to \$46.7 million. It is important to note that overall gaming revenue within the market does grow with the addition of the Project and that no casino, individually or collectively, is impacted greatly enough to cause financial hardship to the business.

The area is somewhat limited in the availability of qualified personnel who can sufficiently open and be part of the management team for a casino with the size and scope of the Project. GMA estimates that approximately 5% of the jobs at the casino property will come from outside of Wyandotte County. There are four primary ways these

employees would join the Project: transfer within Olympia Gaming or Red Development, enter from a competing casino in Kansas City MO, enter from a different region or background, or begin working straight from high school or college. The line level employees at the Project will be desired positions because of ease of scheduling, quality health benefits, etc. that are associated with casino companies.

II. Engagement Overview

Overview/Situation Analysis

The State of Kansas recently approved a bill that was subsequently confirmed by voters in Wyandotte County allowing slot machines at both racetracks and at privately managed but publicly owned freestanding casinos.

Given these recent developments, Olympia Gaming, LLC (“Olympia”) is considering submitting a proposal to the State of Kansas for the exclusive right to develop a full-service casino resort at a site adjacent to the Kansas Speedway and the Legends at Village West complex (“Project”). As part of this proposal to the State of Kansas and the Kansas Lottery, Olympia is required to submit a social and economic impact study as outlined in Section VII of the Kansas Gaming Application.

Olympia engaged Gaming Market Advisors (“GMA”) to perform the analyses needed to complete Section VII Subsections A, B, C, D and G of the Kansas Gaming Application.

GMA employed an Input-Output Model to determine the social and economic impact that the Project will have on the greater Kansas City region and be able to give Olympia the data needed to fill out Subsections C and D of Section VII of the Gaming Application. The outputs of this model address the Total Output, Wages, Employment, and Tax Impact of the proposed Project. This study addressed not only the impact resulting from construction but the ongoing annual impacts resulting from a stabilized casino-resort operation as well.

Site Visit

As part of this engagement, one member of GMA conducted a site visit. The representative of GMA interviewed a Major Terry Zeigler of the Kansas City, KS Police Department (KCKPD), the Assistant Chief of the Kansas City, KS Fire Department, homebuilders in the area, and members of the local school district to learn more about the expected services for the Project.

II. Demographic Analysis

Local Population Analysis

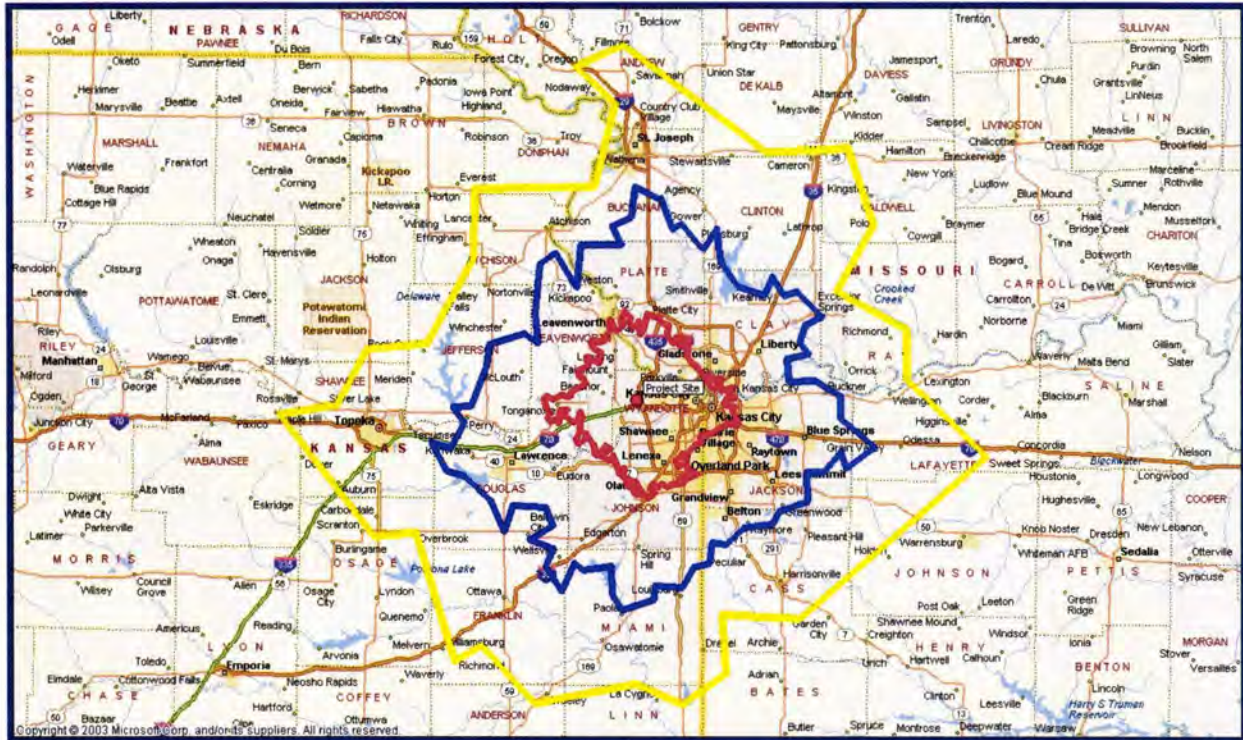
In order to gain a better understanding of the Greater Kansas City market area, GMA conducted a number of preliminary analyses. Utilizing PCensus demographic mapping software, the Consulting Team studied population figures for Wyandotte County and the Kansas City Metropolitan Statistical Area ("MSA") and conducted a drive-time analysis.

In 2006, Wyandotte County contained 155,257 total residents while the Kansas City MSA was home to 1,968,704. This region is projected to remain relatively stagnant in terms of population. Over the next five years, population in Wyandotte County is projected to undergo a minimal drop with total population estimated at 152,926 in 2011. Over the same period, the Kansas City MSA is anticipated to experience marginal growth, estimated at 2,073,024 in 2011.

Population Trend				
	2000	2006	2011	2006 - 2011 CAGR
Wyandotte County	157,882	155,257	152,926	0%
Kansas City, MO-KS	1,836,038	1,968,704	2,073,024	1%
Source: AGS / GMA				

There has been great speculation on land in Kansas City and western Wyandotte County at the potential sites for the gaming licensee. Casino companies and other real estate developers have begun accumulating large masses of land that may be sold to home builders and other developers should parcels purchased not be selected for the gaming site. It is possible for population growth to outpace the forecast should home developers build at a faster than anticipated pace.

For the purposes of the drive-time analysis, GMA utilized drive-times of 0-30 minutes, 30-60 minutes and 60-90 minutes around the Project site. For each ring total population, adult (21+) population and average annual household income ("AAHI") were quantified. The map below illustrates these drive times.



0-30 Minute Market

The population within a 30-minute drive of the Project was estimated at approximately 1.3 million people in 2006, with approximately 71% of the population 21 years of age or older (adults). The population is expected to grow at an average annual growth rate of 1.0% and by 2011 have a population of nearly 1.4 million people, 72% of whom will be adults. The area is growing slightly faster than the national average, expected to increase at an annual growth rate of 0.9% between 2006 and 2011. 19% of the population is expected to be over the age of 65 in 2011.

30-60 Minute Market

The population within a 30- and 60-minute drive of the Project was estimated at approximately .97 million people in 2006, growing annually at a growth rate of 0.8% for a total population of 1.01 million people in 2011. The annual growth rate of this region is slightly behind the national average's annual growth rate of 0.9% between 2006 and 2011. Approximately 71% of the population are adults in this market and over the next five years, the adult population is expected to grow to 72%.

60-90 Minute Market

The area between a 60- and 90-minute drive from the Project site is more rural than the areas within an hour's drive. The population within a 60 and 90-minute drive from the Project was estimated at approximately 228,000 people in 2006 and is only expected to grow to approximately 234,000 people by 2011, a 0.5% annualized growth rate. In 2006, just over 72% of the population were adults and by 2011, it is estimated that nearly 74%

of the population will be adults. Approximately 15% of the population are 65 years of age or older. 39% of the population is between 35 and 64 years of age.

Total Population by Driving Time				
	2000	2006	2011	'06-'11 CAGR
0 min - 30 min	1,219,934	1,302,117	1,367,543	1.0%
30 min - 60 min	918,148	971,175	1,011,411	0.8%
60 min - 90 min	220,003	228,251	233,556	0.5%
TOTAL	2,358,085	2,501,543	2,612,510	0.9%
Source: AGS/GMA				

Adult (21+) Population by Driving Time				
	2000	2006	2011	'06-'11 CAGR
0 min - 30 min	899,863	929,104	982,876	1.1%
30 min - 60 min	666,382	687,088	723,708	1.0%
60 min - 90 min	161,959	165,054	172,183	0.8%
TOTAL	1,728,204	1,781,246	1,878,767	1.1%
Source: AGS/GMA				

Average Annual Household Income by Driving Time				
	2000	2006	2011	'06-'11 CAGR
0 min - 30 min	59,005	66,720	72,992	1.8%
30 min - 60 min	54,481	60,426	66,299	1.9%
60 min - 90 min	44,133	49,168	53,342	1.6%
AVERAGE	55,856	62,675	68,644	1.8%
Source: AGS/GMA				

Just to the southeast of the Project site, an independent baseball stadium was developed. The Speedway and ballpark are expected to contribute to periodic dramatic increases in visitation to the Project while the shopping mall is expected to bring steady volumes of both overnight and day-trip visitation.

Projected Patron Visits

The Project site's proximity to existing tourist attractions is expected to maximize the attractiveness of the development as a regional tourist destination resulting in increased levels of visitation to the area. In order to project visitation spurred by the Legends Resort and Casino, GMA utilized internal performance projections for the facility's first stabilized year of operations, currently expected to be 2011.

GMA estimated visitation generated by the subject casino by dividing gross levels of day-trip gaming revenue by an average spend per visit. In total, the casino is estimated to generate \$155.4 million in day-trip gaming revenue in 2011, \$118.8 million of which is estimated to originate outside of Wyandotte County. Applying an average spend per visit of \$75 for gamers residing outside of Wyandotte County this equates to a total of 1.6 million visits accruing to the casino from outside the county. GMA estimated Wyandotte County gamers would, on average, have a slightly lower spend per visit of \$70 resulting in 522,000 visits to the casino in 2011.

In order to project visitation spurred by the hotel associated with the project, GMA divided total Room Nights of Demand ("RND") for the hotel into gaming and non-gaming demand. It was estimated that 95% of gaming demand and 100% of non-gaming demand would be generated outside of Wyandotte County. Based on figures currently experienced at other regional casino-hotels, it was projected that occupied rooms would house an average of 2 people. In total, GMA estimated the subject hotel will generate 222,000 visits from outside of Wyandotte County in its first stabilized year of operations.

The proposed Legends retail development is also expected to drive visitation to the Project. In projecting visitation resulting from this aspect of the Project, GMA determined that 66.7% of projected revenue would originate outside the county. It was then estimated that retail shoppers from within the county would spend an average of \$75 per trip with shoppers from outside the county spending \$175 per trip. In total, GMA estimates the Legends retail development generate 231,000 visits from outside Wyandotte County and 270,000 visits from county residents.

Legends Resort & Casino Visitation Summary			
	Wyandotte County	Outside of County	TOTAL
Casino	521,943	1,584,335	2,106,278
Hotel	6,922	221,952	228,874
Legends Retail	269,983	230,721	500,705
TOTAL	798,848	2,037,009	2,835,857
Source: GMA			

The Legends & Village West development are expected to draw approximately nine million visitors in 2007, making the development one of the largest tourist draws for the State of Kansas. There will be substantial synergy derived from constructing a destination casino resort. The additional amenities offered by the resort, the gaming experience, and the number of food, beverage, meeting, retail and entertainment options will continue to make the entire area a destination within Wyandotte County.

The ease of access roads from I-70 and I-435 also make the site attractive for tourists. By being able to utilize major highways, visiting tourists will generate very little disruption to the majority of residents.

IV. Economic Impact Study

Methodology

GMA employed the Input-Output/Social Accounting Matrix Model ("I-O/SAM") to determine the economic impact of the Project in Wyandotte County. The Input-Output economic model depicts how the total output of each industry in an economy depends on inter-industry demands and final demands by putting transactions in a matrix framework. In other words, a tourism project like a casino has significant effects on other industries in its trade area. The I-O/SAM model measures those effects by using a series of multipliers. These multipliers consider all aspects of the Input-Output framework, including what Inputs and Outputs will come from the subject region. A detailed description of the history of the Input-Output economic model and how it works can be found in the appendices. Below is a simpler explanation of how the model is applied.

Construction Phase and Operational Phase

There are two distinct phases associated with the construction of the proposed development. First, there will be a series of economic impacts stimulated by construction of the facility, which is considered a non-recurring, one-time impact to the regional economy.

As soon as construction is started, procurements of goods and services by a general contractor not only stimulate other businesses, which supply goods and services for the construction project, but also new employment, created by the construction project as a whole, will stimulate local households, including the effect of poverty alleviation among lower income households. These are one-time stimuli to the economy.

Some construction materials are purchased through local distributors/dealers even though they were manufactured elsewhere (in China for example). When this occurs, purchases of those goods as local transactions are captured from a local wholesaler, not from a local manufacturer. Construction activities usually have large multipliers because of the large labor inputs needed to complete the job as well as the large local construction material purchases. To continue the example, if the concrete is manufactured by a company in Minnesota directly, then the purchase is recorded as import from an outer region. If a slot machine (made in Nevada) is distributed and sold by Slot Manufacturer A, then we see it as local transaction from a wholesale sector to us. A regional purchase coefficient ("RPC") will capture how much of each item is purchased from local business and how much from other regions in the USA and from overseas. GMA used historical RPC to calculate each effect.

In the Operational Phase, there will be a series of impacts stimulated by the operation of the proposed casino, which are considered recurring, continuous stimuli to the regional economy. As soon as the gaming operator starts to hire and train employees, the impact can be noticed through wages paid to workers. Once the gaming facility opens its doors,

there will also be substantial inflow of revenues to the gaming operation and to the local economy.¹

Direct Effect, Indirect Effect and Induced Effect

GMA calculated the effects on Total Output, Wages, Number of Jobs generated, Indirect Business Taxes generated and Overall Tax Revenues generated. Summary tables were prepared for both the Construction Phase and Operations Phase.

Throughout the Economic Impact Analysis, GMA refers to three effects: the Direct Effect, the Indirect Effect and the Induced Effect. These are used to describe the types of output generated by the Project and these terms are best defined in the context in which they are used. The effect on Employment offers a very clear example.

Direct Effect on Employment

In this context Direct Effect refers to jobs created by patron expenditures in the study region. As an example, if 2,000 people a day visit a casino, those people would be served by employees working at the casino. In addition, some people may choose to spend the night at an area hotel, eat at a nearby restaurant or purchase fuel at a neighborhood convenience store. Their demand for goods and services at these businesses would create additional employment. Direct Effect on Employment includes those jobs created by the Project as well as jobs created by businesses around the Project.

Indirect Effect on Employment

Technically, Indirect Effect is caused by inter-industry transactions. Simply put, when a casino-hotel provides goods and services to its customers, then the Project needs inputs from other sources, such as utilities, food products, uniforms and supplies. For example, a local food distributor will have to hire additional delivery drivers and warehouse personnel to properly serve the casino. The demands of the Project for other industries' goods and services create jobs in other industrial sectors. This is the Indirect Effect on Employment.

Induced Effect on Employment

Induced Effect is the factor-institution interactions of labor and capital. Simply put, when employees of the Project receive their paychecks, they go out and spend money. They visit Best Buy, Wal-Mart and other stores and buy products. That consumption, which obviously has nothing to do with casino customers' expenditures, creates another set of jobs at retail stores and service establishments. In addition, those new workers hired by merchants to service the Project's employees in turn spend their money at other area merchants, creating more jobs. This is the Induced Effect on Employment.

¹ The local economy is defined as Wyandotte County.

Data Sources

IMPLAN

IMPLAN, which stands for “IMpact Analysis for PLANning,” was developed by the USDA Forest Service. The Minnesota Implan Group (MIG) began work on the IMPLAN database in 1987 at the University of Minnesota. The MIG was formed as a private entity to develop and maintain IMPLAN data and software.² GMA relied on the I-O/SAM data compiled by the IMPLAN for Wyandotte County for 2002, the latest version available at the time of this analysis.

Construction Impact

Based on the estimates of construction costs for the proposed development at the Project site, the estimated impacts from construction activities, which include the costs for general construction, investment in Furniture, Fixture and Equipment (“FF&E”), other equipment, various business and consulting fees and pre-opening expenses were calculated. The costs for land acquisition, financing costs and interest expense are not included in the construction impact calculation to allow for better accuracy. It was also assumed that gaming related equipment will be purchased outside of the region and as such, will not have an impact on the local community.

The following table shows the breakdown of each construction cost item.

Breakdown of Construction Cost Items for Measurement of Impact Studies	
General Costruction	\$337,722,904
FFE	
General + FFE	\$91,582,753
Kitchen Items	\$6,621,560
Computers and electronic items	\$8,026,200
Other miscellaneous	\$12,990,436
Consulting Fees	
Architechture	\$14,139,965
Other	\$4,677,750
Pre-opening Expenses	
Wages	\$26,645,450
Other	\$44,925,406
TOTAL Soft Cost	\$209,609,520
TOTAL	\$641,982,424
Note: Financing costs & interest expenses, cost for land are not included in the construction impact calculations	

² While the IMPLAN is rather convenient software to simulate impact studies based on I-O/SAM models, researchers are strongly recommended to review the I-O/SAM model’s limitations due to its assumptions. It is particularly important to know how the system works in order to simulate beyond a simple positive impact analysis.

Total Outputs

The following table details Total Outputs generated during the construction phase.

- Direct investment in construction and related activities, estimated at \$547.3 million, excluding land and financing-related costs, will generate indirect outputs from other regional sectors estimated at \$170.6 million.
- Increased activities in construction and other sectors, which provide support to construction activities, will result in the creation of new jobs and labor income to otherwise unemployed local residents. This will lead to increased commercial activity induced by increases in wages and consumption in the amount of \$137.7 million.
- In total, Wyandotte County will enjoy a positive impact of \$855.6 million during the construction phase of the Project.

Kansas City Casino Project's Construction Phase Impact Analysis on Total Output				
Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	\$ -	\$ 96,438	\$ 40,345	\$ 136,784
21 Mining (AGG)	\$ -	\$ 47,719	\$ 9,847	\$ 57,566
22 Utilities (AGG)	\$ -	\$ 69,533	\$ 66,737	\$ 136,270
23 Construction (AGG)	\$ 337,722,848	\$ 1,519,713	\$ 690,373	\$ 339,932,928
31-33 Manufacturing (AGG)	\$ 21,016,642	\$ 62,411,392	\$ 20,761,064	\$ 104,189,096
42 Wholesale Trade (AGG)	\$ 98,204,328	\$ 18,004,428	\$ 8,710,705	\$ 124,919,464
48-49 Transportation & Warehousing (AGG)	\$ -	\$ 12,191,455	\$ 5,465,876	\$ 17,657,332
44-45 Retail trade (AGG)	\$ -	\$ 28,068,272	\$ 18,070,934	\$ 46,139,204
51 Information (AGG)	\$ -	\$ 5,659,137	\$ 3,122,388	\$ 8,781,525
52 Finance & insurance (AGG)	\$ -	\$ 4,838,606	\$ 6,073,822	\$ 10,912,427
53 Real estate & rental (AGG)	\$ -	\$ 6,287,106	\$ 4,512,372	\$ 10,799,477
54 Professional- scientific & tech svcs (AGG)	\$ 14,139,967	\$ 9,078,817	\$ 2,112,033	\$ 25,330,816
55 Management of companies (AGG)	\$ 4,677,748	\$ 2,108,034	\$ 619,009	\$ 7,404,791
56 Administrative & waste services (AGG)	\$ -	\$ 7,908,363	\$ 2,648,359	\$ 10,556,722
61 Educational svcs (AGG)	\$ -	\$ 159,687	\$ 1,120,532	\$ 1,280,218
62 Health & social services (AGG)	\$ -	\$ 8,933	\$ 24,251,254	\$ 24,260,188
71 Arts- entertainment & recreation (AGG)	\$ -	\$ 816,893	\$ 2,422,869	\$ 3,239,762
72 Accommodation & food services (AGG)	\$ 71,570,856	\$ 2,398,341	\$ 8,309,852	\$ 82,279,056
81 Other services (AGG)	\$ -	\$ 5,727,990	\$ 7,778,390	\$ 13,506,379
92 Government & non NAICS (AGG)	\$ -	\$ 3,156,684	\$ 20,878,914	\$ 24,035,598
Total	\$ 547,332,389	\$ 170,557,538	\$ 137,665,673	\$ 855,555,601

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

Employment

- Direct investment in construction will generate employment of about 4,841 man-years, of which 54% will be in the construction sector with the rest in professional and service-related jobs. A man-year is defined as the amount of labor one full time employee can complete in a calendar year, as such two full time employees working for six months would constitute one man-year. This is due to the fact that while the majority of construction costs are estimated to enter the “construction sector,” other portions will go into the acquisition of FF&E in addition to the hiring of employees prior to the casino’s opening.³ The surge in investment in the construction sector leads to an increase in new jobs in the region to meet the demands for goods and services for the Project, thus yielding about 1,205 man-years of work.
- Increased activities in construction and other sectors, which provide goods and services for construction activities, will result in the creation of an estimated 1,367 new jobs across broad industrial sectors.
- In total, Wyandotte County will enjoy newly created jobs for about 7,413 man-years due to the construction of the Project.

³ Pre-opening activities of the operation, including hiring and training of key personnel would start concurrently during construction, and such activities are also captured in the construction impacts.

**Kansas City Casino Project's Construction Phase
Impact Analysis on Jobs**

Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	0	3	1	4
21 Mining (AGG)	0	0	0	0
22 Utilities (AGG)	0	0	0	0
23 Construction (AGG)	2,634	12	5	2,651
31-33 Manufacturing (AGG)	36	106	35	177
42 Wholesale Trade (AGG)	633	116	56	805
48-49 Transportation & Warehousing (AGG)	0	91	41	132
44-45 Retail trade (AGG)	0	371	239	610
51 Information (AGG)	0	11	6	17
52 Finance & insurance (AGG)	0	29	36	64
53 Real estate & rental (AGG)	0	34	24	58
54 Professional- scientific & tech svcs (AGG)	126	81	19	225
55 Management of companies (AGG)	32	14	4	50
56 Administrative & waste services (AGG)	0	139	47	186
61 Educational svcs (AGG)	0	4	28	32
62 Health & social services (AGG)	0	0	274	274
71 Arts- entertainment & recreation (AGG)	0	16	48	65
72 Accommodation & food services (AGG)	1,380	46	160	1,587
81 Other services (AGG)	0	101	137	238
92 Government & non NAICS (AGG)	0	31	206	237
Total	4,841	1,205	1,367	7,413

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in # of jobs, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

Wages

The impact of the construction of the Project on wages appears in the next table.

- Direct investment in construction will generate initial wages of \$206.7 million, of which 67% will be in the construction sector. The surge in investment in the construction sector will lead to the creation of new jobs in Wyandotte County to meet the demands for goods and services caused by the construction of the Project. This surge is estimated to yield \$46.5 million of indirect wages.
- Increased activities in other sectors, which provide goods and services for the Project will result in the creation of new jobs and labor income to otherwise unemployed local residents. This will lead to increased induced wages paid in other sectors in the amount of \$51.9 million.
- In total, Wyandotte County will enjoy a positive impact of \$305.1 million in wages during construction.

Kansas City Casino Project's Construction Phase Impact Analysis on Wages

Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	\$ -	\$ 11,646	\$ 4,872	\$ 16,518
21 Mining (AGG)	\$ -	\$ 3,343	\$ 690	\$ 4,033
22 Utilities (AGG)	\$ -	\$ 6,642	\$ 6,375	\$ 13,017
23 Construction (AGG)	\$ 139,154,992	\$ 626,181	\$ 284,460	\$ 140,065,632
31-33 Manufacturing (AGG)	\$ 2,898,246	\$ 8,606,683	\$ 2,863,001	\$ 14,367,930
42 Wholesale Trade (AGG)	\$ 34,152,100	\$ 6,261,323	\$ 3,029,285	\$ 43,442,712
48-49 Transportation & Warehousing (AGG)	\$ -	\$ 5,142,046	\$ 2,305,368	\$ 7,447,413
44-45 Retail trade (AGG)	\$ -	\$ 10,332,859	\$ 6,652,508	\$ 16,985,368
51 Information (AGG)	\$ -	\$ 680,659	\$ 375,549	\$ 1,056,208
52 Finance & insurance (AGG)	\$ -	\$ 1,294,156	\$ 1,624,533	\$ 2,918,689
53 Real estate & rental (AGG)	\$ -	\$ 1,245,513	\$ 893,928	\$ 2,139,440
54 Professional- scientific & tech svcs (AGG)	\$ 5,172,998	\$ 3,321,415	\$ 772,671	\$ 9,267,084
55 Management of companies (AGG)	\$ 1,826,805	\$ 823,252	\$ 241,742	\$ 2,891,799
56 Administrative & waste services (AGG)	\$ -	\$ 3,040,614	\$ 1,018,244	\$ 4,058,858
61 Educational svcs (AGG)	\$ -	\$ 70,449	\$ 494,348	\$ 564,798
62 Health & social services (AGG)	\$ -	\$ 4,615	\$ 12,527,356	\$ 12,531,970
71 Arts- entertainment & recreation (AGG)	\$ -	\$ 292,898	\$ 868,724	\$ 1,161,622
72 Accommodation & food services (AGG)	\$ 23,514,740	\$ 787,979	\$ 2,730,217	\$ 27,032,938
81 Other services (AGG)	\$ -	\$ 2,030,366	\$ 2,757,159	\$ 4,787,525
92 Government & non NAICS (AGG)	\$ -	\$ 1,886,172	\$ 12,475,505	\$ 14,361,677
Total	\$ 206,719,880	\$ 46,468,811	\$ 51,926,535	\$ 305,115,230

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

Tax Impact

The impacts of construction of the proposed Project on taxes are detailed in the following two tables.

- The construction of the Project will generate substantial tax revenues to federal, state and local governments. Total tax revenue during the construction phase is estimated at \$90.5 million, the largest portion of this revenue is projected to be social security tax in the amount of \$32.3 million for the federal government.

Kansas City Casino Project's Construction Phase Impact Analysis on Overall Tax Revenues						
	Employee Compensation	Proprietary Income	Household Expenditures	Corporations	Indirect Business Taxes	Total
Federal Government NonDefense	Corporate Profits Tax			\$ 5,976,344		\$ 5,976,344
	Indirect Bus Tax: Custom Duty				\$ 866,706	\$ 866,706
	Indirect Bus Tax: Excise Taxes				\$ 2,655,915	\$ 2,655,915
	Indirect Bus Tax: Fed NonTaxes				\$ 926,223	\$ 926,223
	Personal Tax: Estate and Gift Tax					\$ -
	Personal Tax: Income Tax		\$ 12,165,020			\$ 12,165,020
	Personal Tax: NonTaxes (Fines- Fees					\$ -
	Social Ins Tax- Employee Contribution	\$ 15,438,350	\$ 817,143			\$ 16,255,493
	Social Ins Tax- Employer Contribution	\$ 16,032,603				\$ 16,032,603
	Total	\$ 31,470,953	\$ 817,143	\$ 12,165,020	\$ 4,448,844	\$ 54,878,305
State/Local Government NonEducation	Corporate Profits Tax			\$ 571,099		\$ 571,099
	Dividends			\$ 1,133,162		\$ 1,133,162
	Indirect Bus Tax: Motor Vehicle Lic				\$ 248,277	\$ 248,277
	Indirect Bus Tax: Other Taxes				\$ 577,023	\$ 577,023
	Indirect Bus Tax: Property Tax				\$ 11,859,138	\$ 11,859,138
	Indirect Bus Tax: S/L NonTaxes				\$ 1,597,164	\$ 1,597,164
	Indirect Bus Tax: Sales Tax				\$ 13,957,005	\$ 13,957,005
	Indirect Bus Tax: Severance Tax				\$ 398,785	\$ 398,785
	Personal Tax: Estate and Gift Tax					\$ -
	Personal Tax: Income Tax		\$ 4,118,028			\$ 4,118,028
	Personal Tax: Motor Vehicle License		\$ 250,829			\$ 250,829
	Personal Tax: NonTaxes (Fines- Fees		\$ 526,838			\$ 526,838
	Personal Tax: Other Tax (Fish/Hunt)		\$ 114,558			\$ 114,558
	Personal Tax: Property Taxes		\$ 126,496			\$ 126,496
	Social Ins Tax- Employee Contribution	\$ 171,142				\$ 171,142
	Social Ins Tax- Employer Contribution	\$ 568,435				\$ 568,435
	Total	\$ 739,577	\$ -	\$ 5,136,749	\$ 1,704,260	\$ 28,637,392
	Total	\$ 31,578,294	\$ 817,143	\$ 17,301,769	\$ 7,680,604	\$ 33,086,236
Source: made by the authors based on Impact Analysis using IMPLAN data.						
Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients. Also note that tax revenues may lag behind projected economic activities from which tax revenues are generated.						

- Local government is estimated to receive total tax revenue of \$36.2 million with the majority coming from indirect business taxes of \$28.6 million, such as increased property taxes (\$11.9 million) and increased sales tax revenue (\$14.0

million).⁴ While the indirect business taxes' initial amount is significant (\$21.7 million), taxes generated from all other supplying sectors (\$8.5 million) and taxes generated from increased consumption from newly employed workers (\$6.2 million) are also substantial.⁵

- A more detailed discussion of the tax categories found in the following charts can be found in Appendix D.

Even though the impacts from construction activities are one-time, non-recurring, it is expected to bring considerable positive impacts reaching beyond the boundaries of the construction sector.

Kansas City Casino Project's Construction Phase Impact Analysis on Indirect Business Tax				
Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	\$ -	\$ 1,973	\$ 825	\$ 2,798
21 Mining (AGG)	\$ -	\$ 2,584	\$ 533	\$ 3,117
22 Utilities (AGG)	\$ -	\$ 4,870	\$ 4,674	\$ 9,544
23 Construction (AGG)	\$ 2,340,958	\$ 10,534	\$ 4,785	\$ 2,356,278
31-33 Manufacturing (AGG)	\$ 120,469	\$ 357,748	\$ 119,004	\$ 597,222
42 Wholesale Trade (AGG)	\$ 15,193,924	\$ 2,785,599	\$ 1,347,698	\$ 19,327,222
48-49 Transportation & Warehousing (AGG)	\$ -	\$ 197,410	\$ 88,506	\$ 285,916
44-45 Retail trade (AGG)	\$ -	\$ 3,850,585	\$ 2,479,086	\$ 6,329,671
51 Information (AGG)	\$ -	\$ 136,544	\$ 75,337	\$ 211,881
52 Finance & insurance (AGG)	\$ -	\$ 84,128	\$ 105,604	\$ 189,732
53 Real estate & rental (AGG)	\$ -	\$ 289,153	\$ 207,531	\$ 496,684
54 Professional- scientific & tech svcs (AGG)	\$ 151,218	\$ 97,092	\$ 22,587	\$ 270,897
55 Management of companies (AGG)	\$ 38,748	\$ 17,462	\$ 5,127	\$ 61,337
56 Administrative & waste services (AGG)	\$ -	\$ 141,834	\$ 47,497	\$ 189,331
61 Educational svcs (AGG)	\$ -	\$ 1,523	\$ 10,688	\$ 12,211
62 Health & social services (AGG)	\$ -	\$ 65	\$ 177,018	\$ 177,083
71 Arts- entertainment & recreation (AGG)	\$ -	\$ 64,675	\$ 191,823	\$ 256,498
72 Accomodation & food services (AGG)	\$ 3,883,634	\$ 130,141	\$ 450,916	\$ 4,464,691
81 Other services (AGG)	\$ -	\$ 227,044	\$ 308,317	\$ 535,362
92 Government & non NAICS (AGG)	\$ -	\$ 79,296	\$ 524,476	\$ 603,772
Total	\$ 21,728,952	\$ 8,480,259	\$ 6,172,035	\$ 36,381,246

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

⁴ Increase in tax revenues may mean either revenue increases for local government or an opportunity to mitigate existing tax obligations to existing taxpayers due to the emerging alternative revenue sources from the Project.

⁵ Again, this can be deemed as additional revenue to the local government, or as an opportunity to mitigate existing tax structures in favor of the existing business community.

Operational Impact

Based on the revenue projections for the Project, GMA calculated the estimated impact from ongoing operations. Impacts are estimated based on the first stabilized year of operation, currently estimated as 2011 with \$327 million of gross revenue. Based on customer behaviors in other markets, while the hotel operation will likely attract many visitors from outside of the region, the majority of visitors will be residents of the region. As such, the spending patterns will likely coincide with those experienced at other regional casinos. In addition, the majority of revenue is expected to be generated by the casino, which is then followed by Legends retail complex.

In the following sections, the direct impact from the Project is found in both the NAICS cost 71 (Arts, entertainment & recreation) and 72 (Accommodation & food services categories).

Total Output

- Direct expenditures by patrons of the Project and other hospitality outlets, such as restaurants, bars, and shops in the area, are estimated at \$296.4 million, and will generate additional outputs from other sectors of the regional economy in the induced amount of \$86.9 million.
- Increased activities in gaming and other supporting sectors will result in the creation of new jobs and labor income to otherwise unemployed local residents. This will lead to increased commercial activities induced by increases in wages and consumption in the indirect amount of \$63.8 million.
- In total, the Wyandotte County region will enjoy a positive impact estimated at \$447.1 million per year once the Project commences normal operation.

Kansas City Project's Operation Impact Analysis on Total Output

Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	\$ -	\$ 85,758	\$ 17,944	\$ 103,703
21 Mining (AGG)	\$ -	\$ 14,365	\$ 4,789	\$ 19,154
22 Utilities (AGG)	\$ -	\$ 80,502	\$ 30,474	\$ 110,976
23 Construction (AGG)	\$ -	\$ 1,850,006	\$ 310,305	\$ 2,160,311
31-33 Manufacturing (AGG)	\$ -	\$ 30,652,392	\$ 9,677,388	\$ 40,329,780
42 Wholesale Trade (AGG)	\$ -	\$ 9,673,447	\$ 4,000,037	\$ 13,673,485
48-49 Transportation & Warehousing (AGG)	\$ 6,041,552	\$ 6,590,312	\$ 2,475,953	\$ 15,107,816
44-45 Retail trade (AGG)	\$ 61,521,672	\$ 4,118,511	\$ 8,442,735	\$ 74,082,920
51 Information (AGG)	\$ -	\$ 3,454,839	\$ 1,409,902	\$ 4,864,741
52 Finance & insurance (AGG)	\$ -	\$ 3,215,380	\$ 2,777,030	\$ 5,992,409
53 Real estate & rental (AGG)	\$ -	\$ 6,516,262	\$ 2,100,709	\$ 8,616,970
54 Professional- scientific & tech svcs (AGG)	\$ -	\$ 3,982,530	\$ 974,001	\$ 4,956,530
55 Management of companies (AGG)	\$ -	\$ 1,671,184	\$ 299,503	\$ 1,970,687
56 Administrative & waste services (AGG)	\$ 3,020,776	\$ 4,716,959	\$ 1,203,303	\$ 8,941,038
61 Educational svcs (AGG)	\$ -	\$ 91,279	\$ 517,206	\$ 608,485
62 Health & social services (AGG)	\$ -	\$ 13,472	\$ 11,557,624	\$ 11,571,095
71 Arts- entertainment & recreation (AGG)	\$ 15,103,885	\$ 1,905,624	\$ 1,089,765	\$ 18,099,272
72 Accomodation & food services (AGG)	\$ 207,665,952	\$ 2,269,097	\$ 3,811,779	\$ 213,746,816
81 Other services (AGG)	\$ 3,020,777	\$ 3,051,691	\$ 3,592,538	\$ 9,665,006
92 Government & non NAICS (AGG)	\$ -	\$ 2,986,594	\$ 9,524,535	\$ 12,511,128
Total	\$ 296,374,614	\$ 86,940,201	\$ 63,817,518	\$ 447,132,321

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

Employment

The following table details the effects of the Project on employment.

- Direct expenditures by visitors to the Project and other tourism-related facilities in the area will generate direct employment of about 4,915 people, of which 82% will be in the gaming sector with the rest in other tourism-related jobs, such as retail shops, hotels, restaurants and bars. This is due to the fact that while the majority of visitors' direct expenditures are estimated to benefit gaming operations first, other sizable portions will go to surrounding businesses. The Tourism Industrial sector tends to be more labor-intensive than average industrial sectors, as human labor inputs are required to produce and deliver the services for visitors.
- The Project's operations are estimated to lead to increased employment in the region to meet the demand for goods and services generated by suppliers for the casino, hotel and retail operations. This is estimated to yield about 553 indirect jobs outside of the Project.
- Business activities induced by the Project will result in the creation of 586 induced jobs across broad industrial sectors.
- In total, Wyandotte County will enjoy 6,053 newly created jobs due to the Project.

Kansas City Project's Operation Impact Analysis on # of Jobs*

Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	0	2	0	3
21 Mining (AGG)	0	0	0	0
22 Utilities (AGG)	0	0	0	0
23 Construction (AGG)	0	14	2	16
31-33 Manufacturing (AGG)	0	48	15	63
42 Wholesale Trade (AGG)	0	58	24	82
48-49 Transportation & Warehousing (AGG)	43	47	17	107
44-45 Retail trade (AGG)	746	50	102	898
51 Information (AGG)	0	6	3	9
52 Finance & insurance (AGG)	0	18	15	33
53 Real estate & rental (AGG)	0	32	10	43
54 Professional- scientific & tech svcs (AGG)	0	33	8	41
55 Management of companies (AGG)	0	10	2	12
56 Administrative & waste services (AGG)	50	78	20	148
61 Educational svcs (AGG)	0	2	12	14
62 Health & social services (AGG)	0	0	117	118
71 Arts- entertainment & recreation (AGG)	287	36	21	344
72 Accommodation & food services (AGG)	3,739	41	69	3,849
81 Other services (AGG)	49	50	59	158
92 Government & non NAICS (AGG)	0	28	88	116
Total	4,915	553	586	6,053

Source: made by the authors based on Impact Analysis using IMPLAN data.

*FT and PT jobs included in this number.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients. *Numbers of jobs include both full time and part time workers.

Wages

The next table details the operational wage impact for the Project.

- Direct expenditures by visitors to the Project will generate wages for its employees in the amount of \$101.1 million. The surge in the gaming sector will lead to an increase in new jobs to meet the demand for goods and services for the Project, thus yielding \$23.5 million in additional indirect wages for those who would otherwise be unemployed.
- Increased activities in tourism-related sectors which provide goods and services for gaming activities will result in the creation of new jobs and labor income to otherwise unemployed local residents. This will lead to induced wages paid in other sectors in the range of \$24.1 million.
- In total, Wyandotte County will enjoy a positive impact of at least \$148.7 million per year in wages once the Project begins operations.

Kansas City Project's Operation Impact Analysis on Wages					
Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total	
11 Ag, Forestry, Fish & Hunting (AGG)	\$ -	\$ 10,356	\$ 2,167	\$ 12,523	
21 Mining (AGG)	\$ -	\$ 1,006	\$ 335	\$ 1,342	
22 Utilities (AGG)	\$ -	\$ 7,690	\$ 2,911	\$ 10,601	
23 Construction (AGG)	\$ -	\$ 762,275	\$ 127,858	\$ 890,132	
31-33 Manufacturing (AGG)	\$ -	\$ 4,227,040	\$ 1,334,535	\$ 5,561,575	
42 Wholesale Trade (AGG)	\$ -	\$ 3,364,094	\$ 1,391,076	\$ 4,755,170	
48-49 Transportation & Warehousing (AGG)	\$ 2,548,173	\$ 2,779,626	\$ 1,044,294	\$ 6,372,094	
44-45 Retail trade (AGG)	\$ 22,648,162	\$ 1,516,160	\$ 3,108,050	\$ 27,272,374	
51 Information (AGG)	\$ -	\$ 415,535	\$ 169,578	\$ 585,112	
52 Finance & insurance (AGG)	\$ -	\$ 860,001	\$ 742,757	\$ 1,602,758	
53 Real estate & rental (AGG)	\$ -	\$ 1,290,910	\$ 416,163	\$ 1,707,073	
54 Professional- scientific & tech svcs (AGG)	\$ -	\$ 1,456,978	\$ 356,331	\$ 1,813,308	
55 Management of companies (AGG)	\$ -	\$ 652,649	\$ 116,965	\$ 769,614	
56 Administrative & waste services (AGG)	\$ 1,161,431	\$ 1,813,580	\$ 462,647	\$ 3,437,658	
61 Educational svcs (AGG)	\$ -	\$ 40,270	\$ 228,177	\$ 268,447	
62 Health & social services (AGG)	\$ -	\$ 6,959	\$ 5,970,267	\$ 5,977,226	
71 Arts- entertainment & recreation (AGG)	\$ 5,415,525	\$ 683,265	\$ 390,737	\$ 6,489,527	
72 Accomodation & food services (AGG)	\$ 68,229,032	\$ 745,516	\$ 1,252,367	\$ 70,226,912	
81 Other services (AGG)	\$ 1,070,757	\$ 1,081,715	\$ 1,273,425	\$ 3,425,897	
92 Government & non NAICS (AGG)	\$ -	\$ 1,784,540	\$ 5,691,071	\$ 7,475,612	
Total	\$ 101,073,079	\$ 23,500,162	\$ 24,081,711	\$ 148,654,953	

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

Tax Impact

The following two tables detail the impact of the proposed development on tax revenues. In looking at the following chart, it is important to note that any gaming taxes paid to local and state governments are not included in the following tables.

- The operation of the Project will generate substantial tax revenues to federal, state and local governments estimated at \$48.7 million, the largest component being indirect business taxes for the local government. Compared to the impact from construction, during the operational phase there will be relatively more benefits to the local and state governments than to the federal government.
- Local government is estimated to receive \$23.4 million in tax revenue with the majority generated by indirect business taxes (\$20.0 million), and Personal Income Tax (\$1.8 million).
- Ongoing operations at the Legends Casino & Resort are estimated to generate at least \$21.2 million annually in tax revenue. Taxes generated by supporting indirect sectors of the regional economy will add an additional \$3.4 million in tax revenue annually. Increases employment and the subsequent increase in consumption in the local economy are estimated to generate an additional \$2.9 million in induced tax revenue for the local governments.
- A more detailed discussion of the tax categories found in the following charts can be found in Appendix D.

Kansas City Project's Operation Impact Analysis on Indirect Business Tax				
Aggregated Industrial Sectors (NAICS 2 digit)	Direct	Indirect	Induced	Total
11 Ag, Forestry, Fish & Hunting (AGG)	\$ -	\$ 1,754	\$ 367	\$ 2,122
21 Mining (AGG)	\$ -	\$ 778	\$ 259	\$ 1,037
22 Utilities (AGG)	\$ -	\$ 5,638	\$ 2,134	\$ 7,773
23 Construction (AGG)	\$ -	\$ 12,823	\$ 2,151	\$ 14,974
31-33 Manufacturing (AGG)	\$ -	\$ 175,703	\$ 55,472	\$ 231,174
42 Wholesale Trade (AGG)	\$ -	\$ 1,496,651	\$ 618,876	\$ 2,115,527
48-49 Transportation & Warehousing (AGG)	\$ 97,828	\$ 106,713	\$ 40,092	\$ 244,633
44-45 Retail trade (AGG)	\$ 8,439,935	\$ 565,004	\$ 1,158,228	\$ 10,163,168
51 Information (AGG)	\$ -	\$ 83,359	\$ 34,018	\$ 117,377
52 Finance & insurance (AGG)	\$ -	\$ 55,905	\$ 48,284	\$ 104,189
53 Real estate & rental (AGG)	\$ -	\$ 299,692	\$ 96,615	\$ 396,307
54 Professional- scientific & tech svcs (AGG)	\$ -	\$ 42,591	\$ 10,416	\$ 53,007
55 Management of companies (AGG)	\$ -	\$ 13,843	\$ 2,481	\$ 16,324
56 Administrative & waste services (AGG)	\$ 54,177	\$ 84,597	\$ 21,581	\$ 160,355
61 Educational svcs (AGG)	\$ -	\$ 871	\$ 4,933	\$ 5,804
62 Health & social services (AGG)	\$ -	\$ 98	\$ 84,363	\$ 84,461
71 Arts- entertainment & recreation (AGG)	\$ 1,195,801	\$ 150,872	\$ 86,279	\$ 1,432,951
72 Accommodation & food services (AGG)*	\$ 11,268,533	\$ 123,128	\$ 206,838	\$ 11,598,498
81 Other services (AGG)	\$ 119,737	\$ 120,962	\$ 142,400	\$ 383,099
92 Government & non NAICS (AGG)	\$ -	\$ 75,023	\$ 239,255	\$ 314,278
Total	\$ 21,176,010	\$ 3,416,005	\$ 2,855,042	\$ 27,447,057

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients. *Gaming Tax is not included in this figure.

Kansas City Project's Operation Impact Analysis (1) on Overall Tax Revenues

	Employee Compensation	Proprietary Income	Household Expenditures	Corporations	Indirect Business Taxes	Total
Federal Government NonDefense	Corporate Profits Tax			\$ 3,019,776		\$ 3,019,776
	Indirect Bus Tax: Custom Duty				\$ 604,340	\$ 604,340
	Indirect Bus Tax: Excise Taxes				\$ 1,851,927	\$ 1,851,927
	Indirect Bus Tax: Fed NonTaxes				\$ 645,840	\$ 645,840
	Personal Tax: Estate and Gift Tax					\$ -
	Personal Tax: Income Tax		\$ 5,211,123			\$ 5,211,123
	Personal Tax: NonTaxes (Fines- Fees)					\$ -
	Social Ins Tax- Employee Contribution	\$ 6,905,383	\$ 214,681			\$ 7,120,064
	Social Ins Tax- Employer Contribution	\$ 7,171,185				\$ 7,171,185
	Total	\$ 14,076,568	\$ 214,681	\$ 5,211,123	\$ 3,102,108	\$ 25,624,256
State/Local Government NonEducation				\$ 288,569		\$ 288,569
	Corporate Profits Tax			\$ 572,573		\$ 572,573
	Dividends				\$ 173,120	\$ 173,120
	Indirect Bus Tax: Motor Vehicle Lic				\$ 402,349	\$ 402,349
	Indirect Bus Tax: Other Taxes				\$ 8,269,187	\$ 8,269,187
	Indirect Bus Tax: Property Tax				\$ 1,113,677	\$ 1,113,677
	Indirect Bus Tax: S/L NonTaxes				\$ 9,731,996	\$ 9,731,996
	Indirect Bus Tax: Sales Tax				\$ 278,067	\$ 278,067
	Personal Tax: Estate and Gift Tax					\$ -
	Personal Tax: Income Tax		\$ 1,764,029			\$ 1,764,029
	Personal Tax: Motor Vehicle License		\$ 107,451			\$ 107,451
	Personal Tax: NonTaxes (Fines- Fees)		\$ 225,679			\$ 225,679
	Personal Tax: Other Tax (Fish/Hunt)		\$ 49,076			\$ 49,076
	Personal Tax: Property Taxes		\$ 54,181			\$ 54,181
	Social Ins Tax- Employee Contribution	\$ 76,550				\$ 76,550
	Social Ins Tax- Employer Contribution	\$ 254,254				\$ 254,254
	Total	\$ 330,804	\$ -	\$ 2,200,416	\$ 19,968,395	\$ 23,360,757
	TOTAL	\$ 14,124,580	\$ 214,681	\$ 7,411,539	\$ 3,880,919	\$ 23,070,502
						\$ 48,702,222

Source: made by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients. Also note that tax revenues may lag behind projected economic activities from which tax revenues are generated.

* Gaming Tax are not shown in this table format.

In addition to the taxes detailed above, the casino will generate substantial revenues for the state and local governments in the form of gaming taxes. Under the tax provisions outlined in the legislation, the state will receive 22.0% of Gross Gaming Revenue with Wyandotte County receiving 1.5%, the Unified Government receiving 0.75% and the cities of Bonner Springs and Edwardsville splitting 0.75%. GMA estimates that gaming tax will generate a total of \$53.3 million for the state, county and city governments. A breakdown of gaming tax can be found in the following table.

State & Local Gaming Tax Revenue Summary

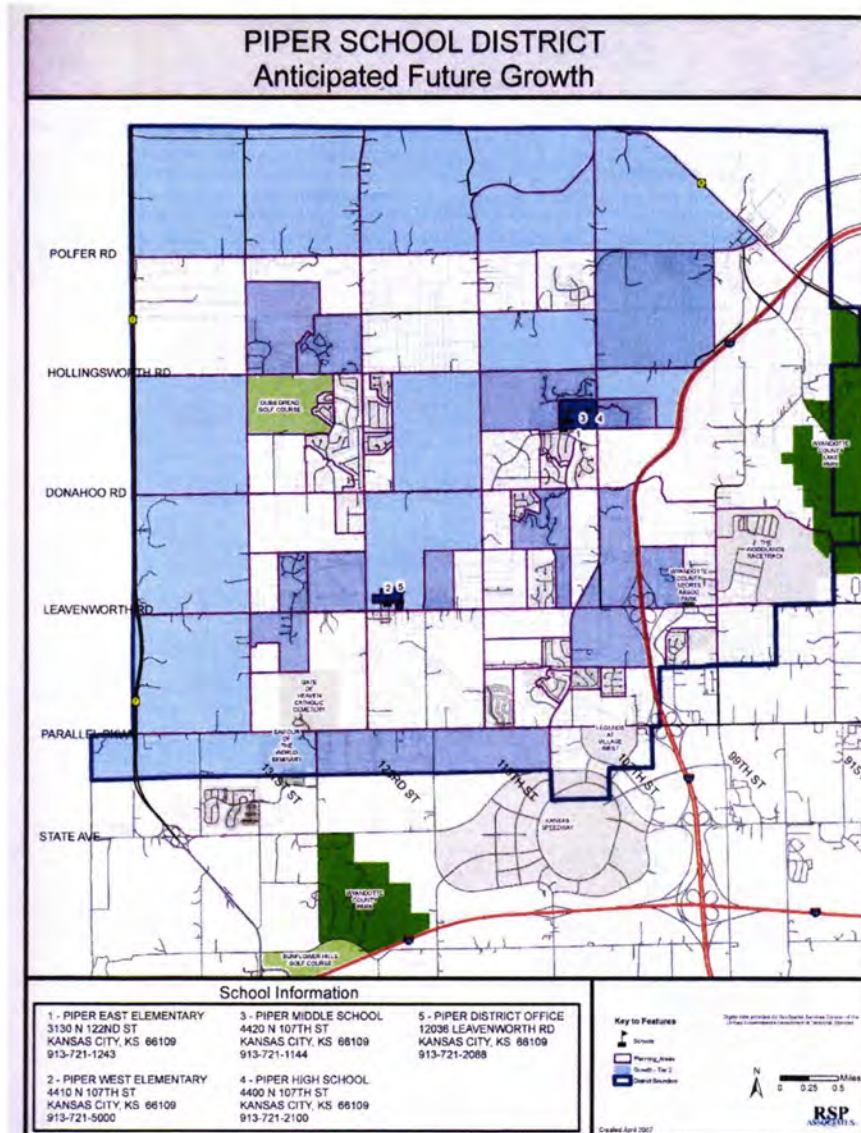
	Assumptions	Gaming Tax Revenue
Gross Gaming Revenue	\$ 213,315,865	
State Tax Rate on Gaming	22.00%	\$46,929,490
Unified Government Tax Rate on Gaming	0.75%	\$1,599,869
Bonner Springs/Edwardsville Tax Rate on G	0.75%	\$1,599,869
County Tax Rate on Gaming	1.50%	\$3,199,738
Total State, City and County Tax		\$53,328,966
Source: GMA		

V. Social Impact

The social impact of the Project is multi-faceted. The school system, police service, fire service, ambulance service, population growth, housing demand and community planning and development scheme were analyzed.

Impact on the School System

As seen in the map below, the Project falls within Piper School District. To better learn about Piper School District and the impact the Project will have upon Piper and other school districts within Wyandotte County, GMA met with Piper School District Superintendent Steve Adams and President of the School Board Andy Turnley.⁶



⁶ RSP & Associates. Piper School District Enrollment Report & Boundary Report 2006/07. page 20.

Superintendent Adams stated that the single largest challenge the school district needs to overcome is having the land, buildings and equipment to accommodate the growth in student enrollment projected over the next ten years. According to the research group RSP & Associates who prepared the student enrollment forecast for the Piper School District, the current capacity of the school buildings is not adequate to handle the growth anticipated over the next few years. In fact, many of the schools' current enrollments exceed the desired number of students.

The following chart, based on a chart from RSP & Associates, demonstrates that the school district will be overcrowded and is currently severely capacity constrained.

Enrollment Projections from 2007-2008 through 2010-2011							
School	Capacity	Projection	2006-07	2007-08	2008-09	2009-10	2010-11
Piper West Elementary	320	Conservative	320	309	310	302	323
		Current Pace		336	372	401	439
		Aggressive		363	433	500	556
Piper East Elementary	320	Conservative	351	345	350	366	370
		Current Pace		348	362	388	430
		Aggressive		352	374	410	489
Piper Middle	360	Conservative	356	368	393	393	390
		Current Pace		372	408	420	428
		Aggressive		376	422	448	465
Piper High School	460	Conservative	510	520	534	567	582
		Current Pace		532	560	609	644
		Aggressive		544	586	652	707
ELEMENTARY TOTAL	640	Conservative	671	654	660	668	693
		Current Pace		684	733	789	869
		Aggressive		714	807	911	1,045
MIDDLE TOTAL	360	Conservative	356	368	393	393	390
		Current Pace		372	408	420	428
		Aggressive		376	422	448	465
HIGH TOTAL	460	Conservative	510	520	534	567	582
		Current Pace		532	560	609	644
		Aggressive		544	586	652	707
DISTRICT TOTAL	1,460	Conservative	1,537	1,541	1,587	1,628	1,664
		Current Pace		1,588	1,701	1,819	1,941
		Aggressive		1,635	1,815	2,010	2,217

Source: Abbreviated Report from RSP & Associates. Piper School District Enrollment Report and Boundary Report 2006-2007, page 26

Over 100% Capacity

Even though capacity constrained, the average ratio of students to teachers in the district is 22 to 1. Piper School District is one of the highest academically performing school districts in the State of Kansas and because of its affluent residents, it has been placed on the "Sweet 16" list of top 16 affluent school districts in the State of Kansas that do not qualify for state aid. This is somewhat a double-edged sword however because by not qualifying for state aid, the Piper School District must find the funds it needs to secure the budget for the district and expansion of the school system through bond issuances.

There is currently a \$22 million bond coming up for voter approval that does not include the purchase of land for new schools as one of the line items. This was done because the district is unsure of where the new schools will go until after the location of the casinos have been decided and further information is gathered as to where new population centers will be developed within the district.

In order for the school district to succeed, it needs to grow capacity to accommodate new enrollees. The only way to expand the capacity enough is to construct new schools and corollary busses, administration, etc. Superintendent Adams stated that he wants the Piper School District and the greater Wyandotte County schools to be a good partner with the Project. Olympia and Red Development have an opportunity to help out the community, specifically the school system, should they be selected for the casino license. Making a donation to the school district to allow for additional schools, buses, etc. will help ensure the vitality of the district, the test scores of the students, and overall impact the lives of the students who grow up in the area.

Impact on the Police Service

Major Terry Zeigler of the Kansas City Kansas Police Department ("KCKPD") was interviewed to discuss the impact that the Project would have upon police service. Major Zeigler believes the Project will have little impact to police service because the department is currently able to handle all calls within the region and has been able to handle the growth of the region over the last few years. Additionally the security employed by the casino should help ease the burden on the police department with on-property calls. The current response time average in western Wyandotte County for any location is just under 10 minutes at 9 minutes and 58 seconds. While no national average is available for response times, the average response time in 2006 in San Francisco CA was approximately 4.5 minutes, Reno NV was approximately 15 minutes, Rochester NY was approximately 15 minutes and Tucson AZ was 39 minutes.

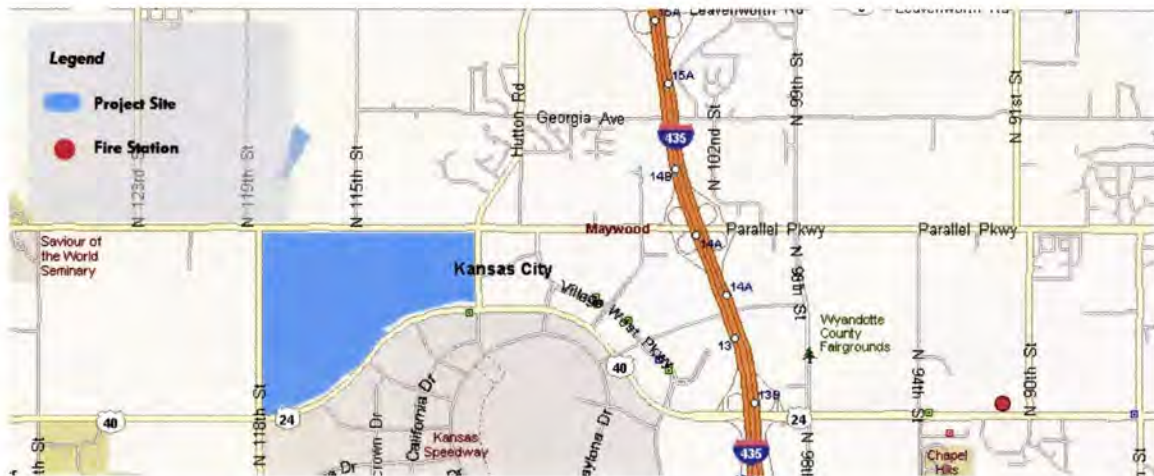
Major Zeigler did mention that while the staffing of the KCKFD is adequate today, an additional 30-50 officers would make the department more efficient, proactive and allow the department to have greater reach.

Should a police substation be incorporated into the design and scope of the Project, GMA estimates that the KCKFD would virtually be able to double its exposure to western Wyandotte County. Additionally, there is added benefit to the entire Legends at Village West complex as well as the Kansas Speedway as an entertainment and resort corridor to having the additional substation there. A stronger police presence usually decreases the number of law enforcement calls to an area, which would be beneficial for the entertainment and resort corridor. The police response time to the Project should be at or better than what the department is currently averaging. There will be benefit to the entire community by having the additional substation so conveniently located in close proximity to both I-435 and I-70 from an ease of access perspective.

Impact on the Fire Service

According to their website, Kansas City, KS is protected by 18 fire stations, four of which are double houses staffed by both a pumper and a ladder or quint. The first line equipment lineup is as follows: 2 Quints, 4 Aerials, 16 Pumpers, 3 Brush Trucks, 2 Heavy Rescue Units, 1 Haz Mat, 2 Air Trucks, 1 Rescue Boat and 1 Water Tanker. The Kansas City, Kansas Fire Department (“KCKFD”) also differs from most Fire Departments in that they are Advanced Life Support (“ALS”) as first responders, simply meaning the pumpers are staffed by a licensed paramedic and the rig is fully stocked with necessary drugs and equipment for advanced life support on scene. On medical calls both an ALS pumper and an ambulance respond. On average, the KCKFD responds to over 18,000 alarms per year.⁷

Assistant Chief Craig Duke of the KCKFD was interviewed to learn about the economic impact that the Project would have upon the fire service. The closest firehouse is located about 3.6 miles away from the Project site and the Legends development. The average response time for the fire department is usually around 4 minutes.



Assistant Chief Duke does not believe the Project would cause any strain on the ability of the fire department to respond because the site is easily accessible. The people who move to Wyandotte County for the jobs created by the Project are not expected to strain the fire department because many would be moving to existing vacant housing units. Even the additional volume of tourist and local traffic to the Project because of its draw as a gaming, lodging, meeting, retail and entertainment facility, are not expected to adversely affect the fire department’s ability to be more effective and efficient than the national average for response times.

As of September 2007, there are currently discussions within the Unified Government about potentially adding a fire station in west Wyandotte County as the Unified Government remains proactive in its desire to keep its citizens safe. The placement of the station will be dependant upon active developments and the Unified Government’s Master Plan. The Master Plan is a fluid document that is revisited every few years and

⁷ Kansas City Fire Department website. <http://www.geocities.com/kckfd/us.html> Last accessed 9/10/2007

updated for new and projected developments. Assistant Chief Duke stated that while he believes that the additional fire station will not be required to keep up with the growth of the community and businesses, he does believe that an additional station would allow the fire service to better anticipate the needs of the community and local businesses.

Impact on the Ambulance Service

The Kansas City Fire Department also provides nearly all the ALS services and ambulatory services for the Legends area and as such, Assistant Chief Duke was able to provide further information regarding ambulance services.

The ambulatory services come from the fire station. Assistant Chief Duke does not believe that the Project will adversely affect ambulatory services.

Impact on Population Growth

Wyandotte County and the Kansas City, MO-KS region are expected to have somewhat stagnant population growth between 2006 and 2011.

Population Trend				
	2000	2006	2011	2006 - 2011 CAGR
Wyandotte County	157,882	155,257	152,926	0%
Kansas City, MO-KS	1,836,038	1,968,704	2,073,024	1%
<i>Source: AGS / GMA</i>				

The Project is expected to create approximately 6,053 jobs directly, indirectly and induced. Assuming approximately 5% of the jobs will be filled with employees who currently live outside of the county that will need to move into the county; approximately 303 employees will be moving into the area and will significantly be adding to the population count.

Impact on Housing Demand

According to Applied Geographic Solutions ("AGS"), at the end of 2006, Wyandotte County had 4,918 vacant housing units, representing 7% of total housing units in the market. It is projected that Wyandotte County will have 4,028 vacant housing units in 2011, representing 6% of the total number of housing units in the county.

Housing Unit Data: Wyandotte County				
	2006	%	2011	%
Vacant	4,918	7.4%	4,028	6.0%
Owner-Occupied	38,950	58.6%	39,947	59.8%
Renter-Occupied	22,574	34.0%	22,825	34.2%
Total in Market	66,442	100.0%	66,800	100.0%
<i>Source: AGS</i>				

The Project is expected to create approximately 6,053 jobs directly, indirectly and induced. Assuming approximately 5% of the jobs will be filled with employees who

currently live outside of the area that will need to move into the county; approximately 303 employees will be moving into the area and will need housing.

With the amount of vacant housing units estimated for 2011 combined with the current construction, estimated to add an additional 997 owner-occupied units and 251 renter-occupied units, it should not be difficult for the 303 employees to find housing. Additional housing units should not need to be constructed to accommodate the housing demand of the Project.

Impact on Community Planning & Development Scheme

The Project should have minimal impact on the community planning and development scheme. Wyandotte County and Kansas City are not expected to have to dramatically change their community planning and development scheme in order for the Project to go forward. As previously stated, the community master plan is a fluid document that is revisited every few years to understand and forecast the growth of the community.

VI. Effect on Competition

The Project will not directly compete with any sport facility, in fact it is likely that the Project will help the economic viability of the sports facilities in the area. In the immediate Legends area, the Kansas City T-Bones play baseball. The T-Bones may see an increase in the number of guests going to their games because of the casino's proximity to the ballpark. Also, the Kansas City Royals and Kansas City Chiefs will most likely benefit from the existence of a casino in Wyandotte County because many casino operators purchase private boxes each season and give the tickets to some of their most valuable casino patrons. The casino will have a positive impact on the Kansas Speedway, which already attracts hundreds of thousands of visitors to Wyandotte County twice each year for the NASCAR races. The casino resort will give NASCAR patrons an additional entertainment option during race weekends. The additional hotel rooms offered by the Project will also be a logical place for the drivers, crew and spectators to stay should they be arriving to Kansas City from out of Wyandotte County. Operating a sporting venue requires a somewhat different skill set than operating a casino resort; it is not expected to adversely affect the availability of qualified personnel to sporting venues or the Project.

The Project will, however, compete with the four riverboat casinos in Kansas City, MO and the state sanctioned racino at The Woodlands racetrack in Kansas City, KS. GMA estimates that in 2011 the four Missouri riverboats will generate \$646.5 million in gaming revenue with the Kansas racino generating \$68.2 million in gaming revenue for the same year if the Project is not constructed. Assuming the Project is completed as scheduled, GMA projects gaming revenue for these casinos in aggregate to drop by \$99.3 million to \$547.2 million in 2011. Gaming revenue at the Kansas racino is also estimated to be negatively impacted by the opening of the subject casino with gaming revenue projected to decrease \$21.5 million to \$46.7 million. It is important to note that overall gaming revenue within the market does grow with the addition of the Project and that no casino, individually or collectively, is impacted greatly enough to cause financial hardship to the business.

The area is somewhat limited in the availability of qualified personnel who can sufficiently open and be part of the management team for a casino with the size and scope of the Project. GMA estimates that approximately 5% of the jobs at the casino property will come from outside of Wyandotte County. There are four primary ways these employees would join the Project: transfer within Olympia Gaming or Red Development, enter from a competing casino in Kansas City MO, enter from a different region or background, or begin working straight from high school or college. The line level employees at the Project will be desired positions because of ease of scheduling, quality health benefits, etc. that are associated with casino companies.

VII. Appendices

Appendix A. The Consulting Team

Gaming Market Advisors provides clients with market feasibility studies, primary research, socioeconomic studies, due diligence, payroll control, operations consults, business and marketing plans, and player reward program design. The principals and associates of GMA have hands-on experience in nearly all aspects of the gaming industry including domestic and international operations, project development, marketing expertise, and detailed market analysis. Following are the vitas of the Consulting Team who would be assigned to this project.

Andrew M. Klebanow

Andrew Klebanow specializes in Marketing Plan and Business Plan Development, Market Research, Casino Property Analysis, Market Assessments and Player Rewards Program Design exclusive to the gaming industries.

Mr. Klebanow has worked in the hospitality industry since 1975 and in the fields of casino marketing and casino business planning since 1991. He earned a Bachelor of Arts degree at New York University and Masters Degree in Marketing from Cornell University's School of Hotel Administration.

From 1991-1993 he was Director of Marketing at Sahara Gaming Corporation's Hacienda Hotel and Casino and Director of Marketing and Planning for the parent company's Development Group.

As a consultant to Horseshoe Gaming, Klebanow conducted an analysis of the gaming market in Tunica, MS and subsequently prepared its pre-opening business and marketing plans. In addition Mr. Klebanow wrote the opening marketing plan for the Horseshoe Casino in Bossier City, LA.

Mr. Klebanow also worked as Director of Marketing for Alliance Gaming Corporation where he conducted the initial market research, consumer testing and marketing plan development for Gamblers Bonus, the industry's first cardless slot club for the company's Nevada slot route division. Gamblers Bonus was the first player tracking system that allowed customers to redeem bonus points for game credits at the machine.

From 1996 to 1999 Klebanow was Vice President of Marketing for Santa Fe Gaming Corporation where he oversaw the marketing efforts for the Santa Fe Hotel and Casino in Las Vegas and the Pioneer Hotel and Gambling Hall in Laughlin NV. His most recent position was that of Vice President of Marketing at Sam's Town Hotel and Gambling Hall, where he oversaw the repositioning of the 22-year-old gaming property and the re-branding of its player rewards program.

In addition, Mr. Klebanow is a periodic lecturer at Cornell University's School of Hotel Administration and at the University of Nevada Las Vegas. He has participated on several panels at the World Gaming Congress, the Slot Managers Institute and at National

Indian Gaming Association conferences. Mr. Klebanow also authors a monthly column in Indian Gaming Magazine.

Steven M. Gallaway

Mr. Gallaway, a former Senior Vice President of The Innovation Group, has been consulting in the gaming industry for the past four years. He has completed over 100 feasibility studies with a strong focus in Native American gaming operations, public bond transactions, and international gaming developments. Steve has worked with over 35 Native American Tribes from California to Arizona to Florida. Many of these Native American engagements have resulted in Mr. Gallaway assisting his clients in obtaining the necessary funding to allow their projects to move forward. Steve worked with the Fantasy Springs Casino Resort in California in obtaining the first tax-free municipal bond to fund a casino project, and more recently worked with the Golden State Transportation Financing Corporation.

Internationally, Mr. Gallaway has worked on more than 40 projects in Western and Eastern Europe, the Bahamas, the Caribbean, Canada, and Mexico. The depth of his experience in Mexico prompted an invitation to speak at the 2002 G2E (Global Gaming Expo) to discuss the future of gaming in Mexico. Other experience in gaming consulting includes an extensive amount of primary research, operational reviews, completing due diligence for clients on potential gaming acquisitions, and assisting casinos in analyzing and maximizing the utility of their player database. Because of his proficiency in this area, Steve was asked to participate on a panel at the 2003 G2E.

Tadayuki (Tad) Hara, Ph.D, MPS, MBA, MS

Tad Hara spent 17 years in corporate finance and investment banking field in various assignments in the world, mainly in real estate, hospitality and energy-related projects before switching to academics. He holds a master's degrees in Hotel Administration (Cornell University), in Regional Science (Cornell University), in management (MBA, University of Glamorgan, U.K.) and a PhD (Cornell University). He taught courses of "tourism industry analysis" in which he utilizes Input-Output/Social Accounting Matrix modeling and the Tourism Satellite Accounts concepts at School of Hotel Administration, Cornell University.

Currently, he works at Rosen College of Hospitality Management, University of Central Florida as an Associate Professor, and teaches finance for both undergraduate and graduate students. He is also appointed as a senior research fellow at Dick Pope Institute for Tourism Studies, with current research interest in quantitative tourism industry analysis, particularly the economic impact of tourism for poverty alleviation and income distribution patterns in regional economy.

Appendix B: Brief Review of the Input/Output Social Accounting Matrix

GMA employed the Input-Output/Social Accounting Matrix Model to determine the economic impact of the Legends Resort & Casino development. The Input-Output economic model depicts how the total output of each industry in an economy depends on inter-industry demands and final demands by putting transactions in a matrix framework. While the concept of inter-industry transactions is as old as the eighteenth century, W. Leontief first developed the model in the 1930's, resulting in a 1973 Nobel Prize in Economics.⁸ W. Isard applied the model to the regional science field and established its usage for economic impact analyses in a region.

The model can be expressed briefly as: $X = (I - A)^{-1} Y$

X= total output (an n x 1 vector),

I= identity matrix (an n x n matrix),

A= normalized inter-industry coefficient matrix in cents per dollar (an n x n matrix),

Y=final demand (an n x 1 vector),

n = the number of sectors included in the model.

The matrix, which here is a normalized inter-industry coefficient matrix, demonstrates the proportion of inputs that must be purchased by each sector in order to produce one unit of output. Thus, if one were to simulate an increase in final demand in one sector (or final demand in aggregated sectors), such an increase would require a corresponding increase in another sector's output because that sector's intermediate goods and services are required to produce final goods and services in the first sector. Here, the increase in final demand is called the "direct effect" (or initial impact), and the increase in output in response to the initial impact is called the "indirect effect." These two effects are summed up and called the "Type I multiplier."

Any increase in output produced by the Type I multiplier (direct effect + indirect effect) will induce a corresponding increase in income for households in the region. This increase in household income is regarded as increasing regional expenditures in proportion to the increase in household income. In other words, once the output of an industry increases, household income will increase along with expenditures in the region. This increased expenditure effect induced by the increase in household income is called the induced effect, and the addition of the induced effect to the Type I multiplier (direct effect + indirect effect) is called the Type II multiplier (direct effect + indirect effect + induced effect).

The following table (Figure 1) illustrates the Social Accounting Matrix ("SAM") and is an extension of the I-O framework⁹. The column items represent expenditures by (payment from) each entity. The row items depict receipts to (payment to) each entity.

⁸ Dr. Leontief was awarded with a Nobel Prize in Economics in 1973 "for the development of the Input-Output method and for its application to important economic problems" (Source: <http://nobelprize.org/economics/laureates/1973/>)

⁹ Sir Richard Stone was awarded with Nobel Prize in Economics in 1984 "for having made fundamental contributions to the development of systems of national accounts and hence greatly improved the basis for empirical economic analysis" (Source: <http://nobelprize.org/economics/laureates/1984/index.html>)

Figure 1: Social Accounting Matrix Framework

	Industry	Commodity	Factors	Institutions	Enterprises	Capital	Trade	Total
Industry		Make					Exports	Total Industry Income
Commodity	Use			Consumption		Consum.		Total Comm. Income
Factors	Value added						Exports	Total factor income
Institutions		Sales	Transfers	Transfers	Transfers		Exports	Total Institu. Income
Enterprises								Total Enterpri. Income
Capital						Transfer	Exports	Total Capital Income
Trade	Imports		Factor Trade	Imports		Transfer	Exports	Total Trade Income
Total	Total Industry	Total Comm.	Total factor	Total	Total	Total	Total	
	Income	Income	income	Institution	Enterprise	Capital	Trade	
				Income	Income	Income	Income	

Made by the author based on the Database Guide, IMPLAN Pro, MIG Inc.

Following along the rows, “industry” represents industries producing goods and services.¹⁰ “Commodity” represents the goods and services consumed by industries and institutions. “Factors” are factors of production, such as employee compensation, proprietors’ income and other income. “Institutions” represent household and government accounts. “Capital” represents investment and borrowing. “Enterprises” represents the distribution of corporate profits. “Trade” includes “Exports” and “Imports” that show monetary flows into and out of a region.

The SAM is very useful because it adds non-industrial financial flows to an I-O framework. If one were to look at the industry column (second column from the left), for instance, industries receive commodities (the goods and services), factors (labor etc.), and imports in return for payment.

The I-O Model is based on several assumptions (MIG Inc, 2000). They are:

- Constant Returns to Scale
- No Supply Constraints
- Fixed Commodity Input Structure
- Homogenous Sector Output
- Industry Technology Assumption

The Constant Returns to Scale assumption means that the production functions are linear and all inputs increase proportionately if additional output is required. The No Supply Constraints assumption means that as the demand for certain goods and services increases, they will be provided without any shortages in supply (due to shortages in raw materials, insufficient production capacity in the factory, etc.). This assumption also means that prices are not affected by supply constraints. The Fixed Commodity Input Structure assumption means that price changes do not cause industry to look for substitute goods and services. The Homogenous Sector Output assumption means that the industry does not change the proportion of its produced items. If the hotel, for example, mixes low-budget leisure guests with high-paying business customers, the hotel is assumed not to change the guest mix while the total sales changes with the constant

¹⁰ The explanation of the SAM table is based on the database manual for the IMPLAN by MIG Inc.

proportion of the guest mix. The Industry Technology assumption means that an industry uses the same technology to produce all of its products. The first three assumptions tend to be criticized more by researchers, particularly the assumption of Constant Returns to Scale. The I-O/SAM is still, however, one of the most important and widely used regional analysis models, and more sophisticated attempts such as the Computable General Equilibrium model ("CGE") still requires I-O/SAM data in its core programming.

I-O/SAM models are often used by governments and economic researchers to estimate the impacts of certain actions and policy choices. They are also used for estimating the positive impact of large development projects in a region, such as housing developments, large industrial developments, tourist developments, and income and other tax revenue. In a typical case, an increase in final demand in a given sector will be used as an initial shock (e.g., a new factory development in a county). Subsequently, assumptions of figures such as the annual sales of a factory, employment and payroll data, as well as construction effects, will be used as an initial shock to estimate the total impact of such development in the economy of that county, in terms of total outputs, jobs, and tax revenues.

How the economic impacts of each of the proposed alternatives will be calculated is briefly reviewed below, though the logical flows are similar to those that characterize the above case of traditional positive impact studies. There will be a change in final demand—but in this case an increase caused by two different sets of impacts.

First, there will be a series of impacts stimulated by construction of the proposed facility under each development alternative, which is considered a non-recurring, one-time shock to the regional economy. As soon as construction is started, procurements of goods and services by a general contractor stimulate the businesses of subcontractors and suppliers, who supply goods and services for the construction project and also new employment, created by the construction project as a whole, which in turn stimulate local households, including the effect of poverty alleviation among lower income households.

Second, there will be series of impacts stimulated by the operation of the proposed gaming facilities, which are considered a recurring, continuous shock to the regional economy. As soon as the gaming operator starts to hire and train employees, the impact can be noticed through wages paid, but once the gaming facility opens its doors, there will also be substantial inflow of revenues to the gaming operation and to the local economy.¹¹

In order to increase the likelihood of achieving the projected impacts, all the stakeholders have to understand that vocational training to local residents is critical to position these residents as more employable in the hospitality industry¹² and that any form of public or

¹¹ The local economy is defined as Wyandotte County.

¹² Tourists require consumption of "tourism commodities" (hotel rooms, casino experience, taxi cab rides, dining experiences, souvenirs, which can be tangible goods or intangible services). Production of commodities requires not only intermediate goods and services from other industrial sectors, but also the input of labor. In the hospitality industry, the labor component is relatively larger in terms of total inputs. By providing labor to the "factors" market, the tourism industry purchases the labor. Employees receive

private structural support for the small-to-medium local entrepreneurs in the tourism-related sectors would increase the impacts on income distribution over the local community.

wages in exchange for this labor. Wages are considered “labor income,” which provides employees with disposable income, leading to a new wave of consumption. By converting unemployed residents to employed status, the effect on local government is considerable, since government no longer has to transfer cash (in the form of government assistance) to those unemployed people anymore but in reverse receives tax income from those newly employed people.

Appendix C: Wyandotte County Census Data

Table 14: Wayne County, MI: Census Data in Perspective

People QuickFacts	Wayne County	Michigan	USA
Population, 2005 estimate	1,998,217	10,120,860	296,410,404
Population, percent change, April 1, 2000 to July 1, 2005	-3.10%	1.80%	5.30%
Population, 2000	2,061,162	9,938,444	281,421,906
Population, percent change, 1990 to 2000	-2.40%	6.90%	13.10%
Persons under 5 years old, percent, 2004	7.20%	6.40%	6.80%
Persons under 18 years old, percent, 2004	27.70%	25.10%	25.00%
Persons 65 years old and over, percent, 2004	11.60%	12.30%	12.40%
Female persons, percent, 2004	52.00%	50.90%	50.80%
	Wayne County	Michigan	USA
White persons, percent, 2004 (a)	53.80%	81.40%	80.40%
Black persons, percent, 2004 (a)	42.10%	14.30%	12.80%
American Indian and Alaska Native persons, percent, 2004 (a)	0.40%	0.60%	1.00%
Asian persons, percent, 2004 (a)	2.20%	2.20%	4.20%
Native Hawaiian and Other Pacific Islander, percent, 2004 (a)	0.00%	0.00%	0.20%
Persons reporting two or more races, percent, 2004	1.50%	1.40%	1.50%
Persons of Hispanic or Latino origin, percent, 2004 (b)	4.40%	3.70%	14.10%
White persons, not Hispanic, percent, 2004	49.90%	78.10%	67.40%
	Wayne County	Michigan	USA
Living in same house in 1995 and 2000, pct age 5+, 2000	60.00%	57.30%	54.10%
Foreign born persons, percent, 2000	6.70%	5.30%	11.10%
Language other than English spoken at home, pct age 5+, 2000	10.80%	8.40%	17.90%
High school graduates, percent of persons age 25+, 2000	77.00%	83.40%	80.40%
Bachelor's degree or higher, pct of persons age 25+, 2000	17.20%	21.80%	24.40%
Persons with a disability, age 5+, 2000	433,933	1,711,231	49,746,248
Mean travel time to work (minutes), workers age 16+, 2000	25.8	24.1	25.5
	Yuba County	California	USA
Housing units, 2004	834,620	4,433,482	122,671,734
Homeownership rate, 2000	66.60%	73.80%	66.20%
Housing units in multi-unit structures, percent, 2000	24.60%	18.80%	26.40%
Median value of owner-occupied housing units, 2000	\$99,400	\$115,600	\$119,600
	Wayne County	Michigan	USA
Households, 2000	768,440	3,785,661	105,480,101
Persons per household, 2000	2.64	2.56	2.59
Per capita money income, 1999	\$20,058	\$22,168	\$21,587
Median household income, 2003	\$37,742	\$46,291	\$43,318
Persons below poverty, percent, 2003	16.50%	11.00%	12.50%
Business QuickFacts	Wayne County	Michigan	USA
Private nonfarm establishments, 2003	35,473	2,371,221	7,254,745
Private nonfarm employment, 2003	709,943	38,852,211	113,398,043
Private nonfarm employment, percent change 2000-2003	-6.30%	-4.60%	-0.60%
Nonemployer establishments, 2003	86,161	582,296	18,649,114
Manufacturers shipments, 2002 (\$1000)	52,401,486	221,433,262	3,916,136,712
Retail sales, 2002 (\$1000)	17,444,033	109,350,139	3,056,421,997
Retail sales per capita, 2002	\$8,550	\$10,889	\$10,615
Minority-owned firms, percent of total, 1997	18.60%	7.60%	14.60%
Women-owned firms, percent of total, 1997	27.30%	27.20%	26.00%
Housing units authorized by building permits, 2004	6,317	547,211	2,070,077
Federal spending, 2004 (\$1000)	13,823,191	604,885,001	21,437,817,271
Geography QuickFacts	Wayne County	Michigan	USA
Land area, 2000 (square miles)	614	56,804	3,537,438
Persons per square mile, 2000	3,356.10	175	79.6
Source: made by the authors based on the US Census Data			

Appendix D: Tax Category Description

Employee Compensation	
Social Ins Tax – Employee Contribution	The portion of tax paid by the employees themselves
Proprietary Income	
Social Ins Tax – Employee Contribution	The portion of tax paid by the employees themselves
Household Expenditures	
Personal Tax – Estate and Gift Tax	Personal tax levied for inheritance and gifts related
Personal Tax – Income Tax	Personal tax levied on the workers' gross income
Personal Tax – Motor Vehicle Tax	Personal tax levied for ownership of vehicles
Personal Tax – NonTaxes (Fines-Fees)	Tax revenues generated by traffic fines and fees
Personal Tax – Other Tax (Fish/Hunt)	Tax revenues generated by issuance of fishing-hunting licenses
Personal Tax – Property Tax	Personal tax levied for the ownership of properties
Corporations	
Corporate Profits Tax	Tax levied on the profits of corporations
Dividends	Tax levied on the receipt of dividends
Indirect Business Tax	
(In the context of this table)	
Indirect Bus Tax – Motor Vehicle Lic	Tax levied on business associated with issuance of vehicle licenses
Indirect Bus Tax – Other Taxes	Tax levied on businesses associated with other taxes
Indirect Bus Tax – Property Tax	Tax levied on businesses associated with ownership of properties
Indirect Bus Tax – S/L NonTaxes	Charges levied on businesses by State and Local authority not named as "tax" (ex. Charges for certain municipal services)
Indirect Bus Tax – Sales Tax	Tax levied on businesses associated with their gross sales of goods and services to consumers
Indirect Bus Tax – Severance Tax	Tax levied on businesses on non-renewable natural resources

Appendix E: Section VII of the Kansas Gaming Application

VII. ECONOMIC, DEMOGRAPHIC AND OTHER INFORMATION¹³

Each application shall contain the following information, along with the bases for any estimates or projections:

- a. State the population of the area, the growth trend and describe the potential market.
- b. Set forth an analysis of the facility's location as a tourist and entertainment destination designed to attract patrons residing outside the immediate area of the facility, including an estimate of the number of patrons that would be attracted to the gaming facility and the ancillary operations each year.
- c. State the projected economic impact of the facility. This impact statement shall be included in the attachments to this application and shall address the following:
 - (1) The economic impact to the State funds to which the gaming revenues will be paid;
 - (2) Any employment created, including:
 - (A) Whether the employment is temporary or permanent;
 - (B) the type of work and compensation;
 - (C) the employer; and
 - (D) how the employment was created;
 - (3) any purchases of goods and services including the dollar amount and type of purchase;
 - (4) any private investment;
 - (5) any tax revenue generated; and
 - (6) any relative economic site advantage.
- d. State the projected social impact of the facility. This impact statement shall be included in the attachments to the application and shall state how the facility may affect the following in the locale of the facility, or the State of Kansas, as may be applicable:
 - (1) The school system;
 - (2) the police service;
 - (3) the fire service;
 - (4) the ambulance service;
 - (5) the population growth;
 - (6) the housing demand; and
 - (7) the community planning and development scheme.
- e. Has the facility received a resolution of endorsement from the city governing body (if the facility is to be located within the corporate limits of a city) or from

¹³ Source: June 13, 2007 Kansas Gaming Application. Last accessed 8/13/07.
http://www.kslottery.com/ExpandedLotteryAct/GamingApplication_6_13_07.pdf

the county commission (if the facility to be located in the unincorporated area of a county)? _____ yes/no

If "yes," attach to this application a copy of the resolution of endorsement.

If "no," explain why the resolution of endorsement has not been received.

- f. State the ecological impact of the facility site, including a plan for waste disposal. This impact statement shall be included in the attachments to this application.
- g. Describe the effect of competition with any other gaming facility in and out of the state and with any other sport or recreational facility in the area, including a detailed statement of what effect the competition from any other facility will have on the availability of qualified personnel. These statements and descriptions of competition shall be included in the attachments to this application.

ATTACHMENT "A"

THE FLORIDA LEGISLATURE

DISCLOSURE INFORMATION

PARTNERSHIP OR INDIVIDUAL

I hereby certify that I, if an individual, or each of us, if a partnership, doing business as _____
(Name of Individual or Partnership)
is not now involved in nor have I ever engaged in any private business venture or enterprise, directly or indirectly,
with the Florida Senate, the Florida House of Representatives, or any Member or employee of either the Florida
Senate or the Florida House of Representatives.

I further certify that neither I, nor any partner, if a partnership, nor anyone acting in my or our behalf has requested
that any of the above designated persons or any other employee of the Florida Legislature exert any influence to
secure the appointment of _____ under this proposed agreement.
(Name of Individual or Partnership)

If partnership, each partner must sign and execute.

Signature: _____ Title: _____


Signature: _____ Title: _____

Signature: _____ Title: _____

COMPANY OR CORPORATION

I hereby certify that neither I, nor any owner, officer, director, or shareholder of Gaming Market Advisors, LLC
(Name of Corporation/Company)
are presently engaged in or have ever been engaged in any private business venture or enterprise, directly or
indirectly, with the Florida Senate, the Florida House of Representatives, or any Member or employee of either the
Florida Senate or the Florida House of Representatives.

I further certify that neither I, nor any owner, officer, director, or shareholder of this company/corporation, nor
anyone acting on its behalf, has requested that any of the above designated persons or any other employee of the
Florida Legislature exert any influence to secure the appointment of Gaming Market Advisors, LLC
under this proposed agreement. (Name of Corporation/Company)

Signature:  Title: Principal

ATTACHMENT "B"

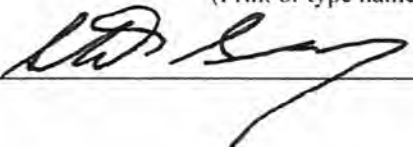
THE FLORIDA LEGISLATURE

NON-COLLUSION STATEMENT

I certify that this ITN Reply is made without prior understanding, agreement, or connection with any corporation, firm or person submitting a reply for the same ITN and is in all respects fair and without collusion or fraud. I agree to abide by all conditions of this ITN and certify that I am authorized to sign this ITN for the represented Vendor and that the Vendor is in compliance with all requirements of the Invitation to Negotiate including, but not limited to, certification requirements. In submitting a Reply to the Florida Legislature, the Vendor offers and agrees that, upon the ITN's acceptance, the Vendor is deemed to have sold, assigned, and transferred to the Florida Legislature all rights, title, and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the State of Florida relating to the particular commodities or services purchased or acquired by the State of Florida or its political subdivisions.

Vendor Name: Gaming Market Advisors, LLC

Certified by: Steve Gallaway
(Print or type name of owner, officer, or authorized agent)

Signature:  Title: Principal

ATTACHMENT "C"

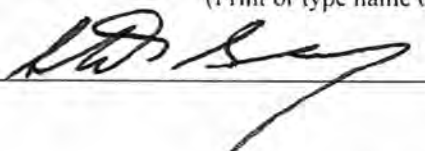
THE FLORIDA LEGISLATURE

WARRANTIES

The Respondent represents that it is professionally qualified and possesses the requisite skills, knowledge, qualifications and experience to provide the required services specified. The following are warranty certification requirements that must be certified in writing using Attachment C. If the Respondent cannot so certify to any of the following, the Respondent must submit with its Response a written explanation of why it cannot do so within the Administrative Documents Required.

1. The Respondent or any other organization associated with the ITN is not currently under suspension or debarment by the State or any other governmental authority.
2. To the best knowledge of the person signing the Response, the Respondent, its affiliates, subsidiaries, directors, officers, employees of any other organization associated with this ITN are not currently under investigation by any governmental authority and have not in the last ten years been convicted or found liable for any act prohibited by law in any jurisdiction involving conspiracy or collusion with respect to bidding on any public contract.
3. To the best knowledge of the person signing the Response, the Respondent, its affiliates, subsidiaries, directors, officers or any other organization associated with this ITN have no delinquent obligations to the State, including a claim by the State for liquidated damages under any other contract.
4. To the best knowledge of the person signing the Response, the Respondent, its affiliates, subsidiaries, directors, officers or any other organization associated with this ITN have not within the preceding three years been convicted of or had a civil judgment rendered against them or is presently under indictment for or otherwise criminally or civilly charged for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain or performing a federal, state, or local government transaction or public contract; violation of federal or state antitrust statutes; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property.
5. To the best knowledge of the person signing the Response, the Respondent, its affiliates, subsidiaries, directors, officers or any other organization associated with this ITN have not within a three-year period preceding this certification had one or more federal, state, or local government public transactions terminated for cause or default.

Certified by: Steve Gallaway
(Print or type name of owner, officer, or authorized agent)

Signature:  Title: Principal

ATTACHMENT "D"

THE FLORIDA LEGISLATURE

REFERENCES for Gaming Market Advisors
(Name of Respondent)

Provide the following reference information for a minimum of three businesses where services of similar size and scope have been completed.
Make additional copies as necessary to provide a maximum of five business references.

Business Name	K6 Urban Enterprises
Address	125 Park Avenue New York, NY 10017
Contact Person	Andrew Stern
Phone Number	212-850-5428
Fax Number	212-850-5483
Email Address	astern@k6urban.com
Date and Description of Services	Nov 2009- GMA conducted an economic impact study for a casino resort in New Bedford, MA. This report was for K6 Urban Enterprises and was submitted to the state of MA with their gaming license application.

Business Name	Lewis and Roca LLP Lawyers
Address	40 North Central Avenue 19th Floor Phoenix, AZ 85004
Contact Person	Mike Bielecki
Phone Number	602-262-5354
Fax Number	602-734-3760
Email Address	MBielecki@LRLaw.com
Date and Description of Services	In 2012 GMA was engaged to conduct a series of cannibalization analyses forecasting the impact that racino developments in AZ will have on existing Native American gaming operations.

Business Name	Institute for Policy Studies
Address	Lee Kuan Yew School of Public Policy, National University of Singapore. 1C Cluny Road House 5 Singapore 259539
Contact Person	Dr. Gillian Koh Senior Research Fellow
Phone Number	+65 6516 8369
Fax Number	+65 6763 6033
Email Address	gillian.koh@nus.edu.sg
Date and Description of Services	2004- Developed public policy white paper that provided the baseline for the legalization of casino gambling in the Republic of Singapore resulting in one of the largest casino gaming economic developments in the world. Galaviz + Co. developed the white paper, provided public speaking support systems and counseled public officials on the legalization of casino gambling in the context of broad tourism economic development in Singapore.



March 19, 2013

Jeannie Evans
Purchasing Program Administrator
Office of Legislative Services
111 West Madison Street Room 874
Tallahassee, FL 32399-1400

Dear Ms. Evans:

I am submitting this transmittal letter regarding ITN# 859, a two-part gaming study. I am providing to you the following requested information.

#1- I confirm that I, Steven Gallaway am authorized to represent Gaming Market Advisors and acknowledge that I am bound to all matters contained within this reply.

#2- The federal tax identification number for Gaming Market Advisors is 20-3330892

#3- I, Steven Gallaway, have read, understood, complied with and agree with all provisions of ITN #859

#4- I, Steven Gallaway, contacted Tammy Hampton at the Division of Corporations in Tallahassee, FL and she has confirmed receipt of our application and registration fees. She has also stated that she will be filing those documents on March 19 or March 20 2013. This authorization will be secured prior to the awarding of the contract.

Yours Sincerely,

Steve Gallaway
Principal
Gaming Market Advisors, LLC