Kansas Lottery
Gaming Facility Review Board
Southwest Gaming Zone

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PROBE
STRATEGIC SOLUTIONS

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Introduction

The Kansas Lottery Gaming Facility Review Board engaged the partners of Probe Strategic Services to conduct an assessment of the ancillary development and amenities associated with the management proposals for the Lottery Gaming Facilities (LGF) located in the four gaming zones.

To conduct this analysis, Probe examined the characteristics of the market. Based upon the market customer characteristics, the available products in the market area, and the data produced in the gaming market assessments generated in Task 1, a list of possible amenities was developed. In the case of the South West Gaming Zone, we have examined the customer characteristics in 30, 60 and 100 miles radii and rings from a point located between the two proposed casinos.

Next, we examined each proposal's amenity package by considering the appropriateness of the individual amenity to the property, market, and customer characteristics. We then reviewed the entire amenity package and its alignment with the market and the operating strategy proposed by the prospective managers.

Finally, we compared consolidated versions of the prospective applicants' pro-formas in relation to each other and the stated visitation estimates to ascertain any differences or identify possible inconsistencies in assumptions.

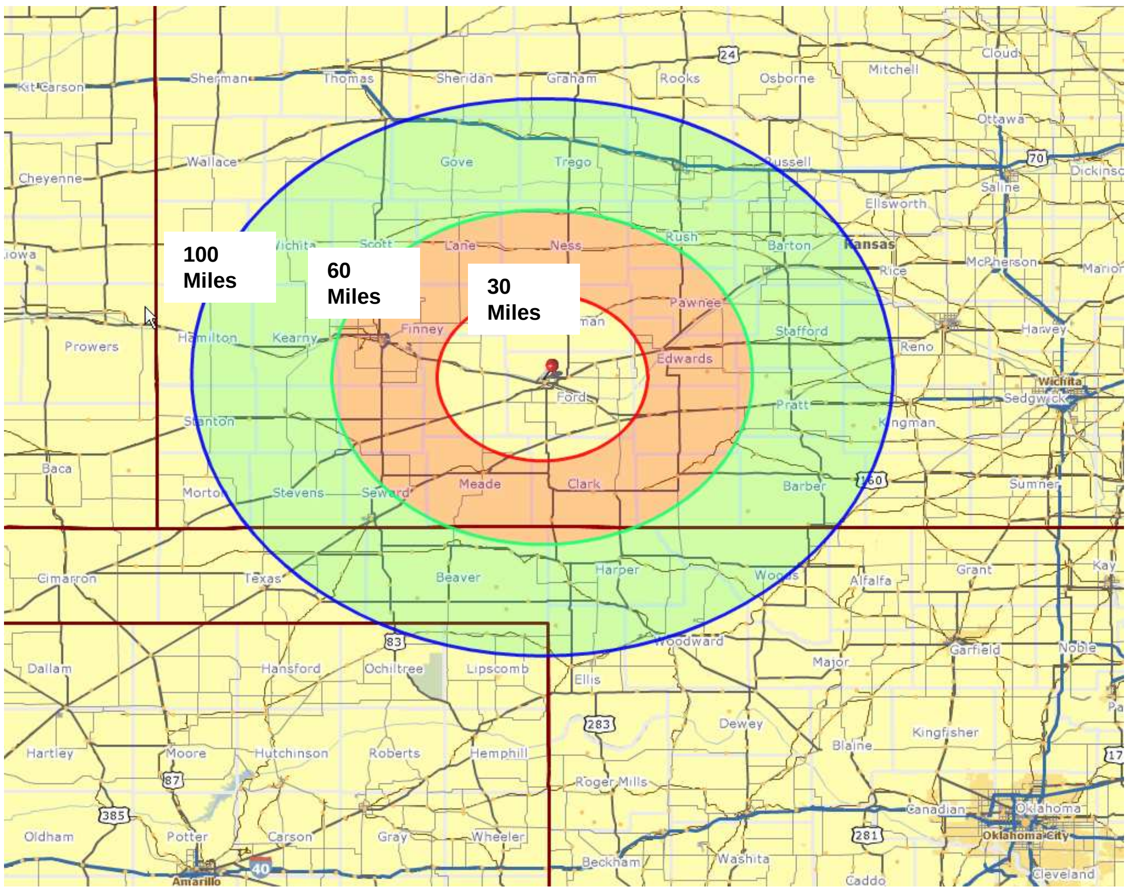
The proposals were examined in the overall context of their ability to fulfill the goals set out in Senate Bill 66:

- Maximize Revenues for the state of Kansas.
- Promote Tourism.
- Serve the best interests of the state of Kansas.

In our professional opinion, each of the amenity and ancillary development packages that are being proposed by the prospective managers are appropriate for their market and overall operating strategy and are sufficient to meet the needs of the visitor volume projected in Tasks 1 and 4 and by the separate market assessments presented by the applicants.

Market Assessment

Market Area



Two applications to manage a Lottery Gaming Facility were submitted and endorsed for the South West Gaming Zone in Ford County. One is located close to the western start of the Highway 50 bypass on the western edge of Dodge City, while the other is located on 112th street just north of the Highway 50 bypass on the northeast corner of Dodge City.

In the regional market, the midpoint between the two proposed casino exits is located approximately 2 hours and 51 minutes from Wichita, 5 hours and 7 minutes from Oklahoma City and 4 hours and 35 minutes from Amarillo, Texas.

We have examined demographic data within radius miles from the midpoint between the locations (hereafter referred to as 'locations'), using 30 mile, 60 mile and 100 mile radii. In the map to the left, the shaded areas depict the different distance radii from the midpoint between the sites while the circles depict the radii.

Data is presented for the 0-30, 0-60 and 0-100 mile radii as well as the 31-60, and 61-100 mile rings.

Data Source: ERSI, Probe

Market Assessment

Demographic Composition – Population / Age

Population by Age	Demographic Data Population Within						Demographic Data Population Within			
	0-30 Miles		0-60 Miles		0-100 Miles		31-60 Miles		61-100 Miles	
	2008	2013	2008	2013	2008	2013	2008	2013	2008	2013
Total Population	43,525	44,668	114,188	113,596	285,200	282,728	70,662	68,928	171,012	169,132
Average Age	32	32.8	32.7	33.4	35.4	36.1	33.2	33.8	37.4	38.1
Adult Population Over 21	28,927	29,785	75,844	75,700	197,187	196,609	46,807	45,823	121,897	120,828
Population 45 Years +	14,450	14,830	38,938	40,667	108,376	111,960	24,378	25,021	69,773	71,205
Population 45 Years + %	50%	50%	51%	54%	55%	57%	52%	55%	57%	59%

Within 30 miles of the locations, there are 43,525 residents with an average age of 32 years; by 2013 the population is expected to rise to 44,668 with an average age of 32.8 years. At this distance from the locations, there are 28,927 Adults over the age of 21, increasing to 29,785 by 2013. Fifty percent of the Adult population is over 45 years of age and totals 14,450; the comparable numbers for 2013 are 14,830 and 50%.

Within 60 miles of the locations, there are 114,188 residents with an average age of 32.7 years; by 2013 the population is expected to decrease to 113,596 with an average age of 33.4 years. At this distance from the locations, there are 75,844 Adults over the age of 21, decreasing to 75,700 by 2013. Fifty-one percent of the Adult population is over 45 years of age and totals 38,938; the comparable numbers for 2013 are 40,667 and 54%.

Within 60 miles of the locations, there are 385,200 residents with an average age of 35.4 years; by 2013 the population is expected to decrease to 282,728 with an average age of 36.1 years. At this distance from the locations, there are 197,187 Adults over the age of 21, decreasing to 196,609 by 2013. Fifty-five percent of the Adult population is over 45 years of age and totals 108,376; the comparable numbers for 2013 are 111,960 and 57%.

Data Source: ERSI, Probe

Market Assessment

Demographic Composition - Race

Percent of Total Population by Race/Ethnicity	Demographic Data Population Within						Demographic Data Population Within			
	0-30 Miles		0-60 Miles		0-100 Miles		31-60 Miles		61-100 Miles	
	2008	2013	2008	2013	2008	2013	2008	2013	2008	2013
White	75%	72%	75%	73%	82%	80%	75%	73%	86%	85%
Black	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
American Indian	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Asian or Pacific Islande	2%	2%	2%	2%	1%	2%	2%	2%	1%	1%
Some Other Race	19%	21%	18%	20%	13%	14%	18%	20%	9%	10%
Two or More Races	3%	3%	3%	3%	2%	2%	2%	3%	2%	2%
Hispanic Origin	39%	43%	36%	40%	24%	27%	34%	37%	17%	19%

Within 30 miles of the locations, the percentages of the White residents is expected to decrease from 75% in 2008 to 72% in 2013; Black residents (1%) American Indian (1%), and Asian or Pacific Islander (2%) populations are expected to remain in the same proportions in 2013 as in 2008. Within 30 miles of the locations, 33% of the population is of Hispanic Origin and is expected to increase to 43% by 2013.

Within 60 miles of the locations, the percentages of the White residents is expected to decrease from 75% in 2008 to 73% in 2013; Black residents (1%) American Indian (1%), and Asian or Pacific Islander (2%) populations are expected to remain in the same proportions in 2013 as in 2008. Within 60 miles of the locations, 36% of the population is of Hispanic Origin and is expected to increase to 40% by 2013.

Within 100 miles of the locations, the percentages of the White residents is expected to decrease from 82% in 2008 to 80% in 2013; Black residents (1%) and American Indian (1%) populations are expected to remain in the same proportions in 2013 as in 2008. Within 100 miles of the locations, 24% of the population is of Hispanic Origin and is expected to increase to 27% by 2013 while Asian or Pacific Islander is expected to increase from 1% to 2%.

Data Source: ERSI, Probe

PROBE STRATEGIC SOLUTIONS

Market Assessment

Demographic Composition – Educational Attainment

Percent of + 25 Age Population by Educational Attainment	Demographic Data Population Within					
	0-30 Miles	0-60 Miles	0-100 Miles		31-60 Miles	61-100 Miles
	2008	2008	2008		2008	2008
No High School Diploma	23%	24%	20%		24%	17%
High School Graduate	26%	27%	30%		28%	32%
Some College	33%	31%	31%		31%	31%
Bachelor Degree	19%	18%	19%		17%	20%

Within 30 miles of the locations, 23% of the population does not have a High School Diploma; 26% are High School graduates; 33% have some college, and 19% have a Bachelor Degree.

Within 60 miles of the locations, 24% of the population does not have a High School Diploma; 27% are High School graduates; 31% have some college, and 18% have a Bachelor Degree.

Within 100 miles of the locations, 20% of the population does not have a High School Diploma; 30% are High School graduates; 31% have some college, and 19% have a Bachelor Degree.

Data Source: ERSI, Probe

Market Assessment

Demographic Composition – Financial

Per Capita	2008 Demographic Data Population Within					
	0-30 Miles	0-60 Miles	0-100 Miles		31-60 Miles	61-100 Miles
	2008	2008	2008		2008	2008
Median Disposable Income	$ 13,091	$ 13,230	$ 13,682		$ 13,328	$ 14,012
Indexed to US	0.78	0.79	0.82		0.80	0.84
Mean Disposable Income	$ 16,203	$ 16,556	$ 17,045		$ 16,783	$ 17,416
Indexed to US	0.72	0.74	0.76		0.75	0.77
Median Net Worth	$ 26,398	$ 26,885	$ 28,407		$ 27,201	$ 29,411
Indexed to US	0.65	0.66	0.70		0.67	0.72
Mean Net Worth	$ 128,192	$ 134,098	$ 133,977		$ 137,829	$ 134,265
Indexed to US	0.65	0.68	0.68		0.70	0.68

Within 30 miles of the locations, half the population (median) earns $13,091 or more in disposable (after tax) income; within 60 miles, $13,320 or more; within 100 miles, $13,682 or more. The average (mean) disposable income within 30 miles of the locations is $16,203; within 60 miles $16,556; within 100 miles, $17,045.

Within 30 miles of the locations, half the population (median) possesses a net worth of $26,398 or more; within 60 miles, $26,885 or more; within 100 miles, $28,407 or more. The average (mean) net worth within 30 miles of the locations is $128,192; within 60 miles $134,098; within 100 miles, $133,977.

We can compare the mean disposable incomes and net worth at various distances from the locations to the U.S. Index. At 30 miles radius, the median income is 78% of the US level while the mean is 72%. The median and mean net worth are both 65% of the US average. The levels of these data rise slightly at greater distances from the locations, but remain below the US level. These data imply that per trip spending will be lower at this location compared to locations with income and worth closer to the US levels. Note that this is reflected in the applicant spreadsheet submissions as well as the Task 1 and Task 4 reports.

Data Source: ERSI, Probe

Market Assessment

Data Note on Index Construction and Sources

The following slides detail the resident population's Market Potential Index (MPI). This measures the relative likelihood of the adults in the specified trade area to exhibit certain consumer behavior or purchasing patterns compared to the U.S. average. An MPI of 100 represents the U.S. average.

These data are based upon national propensities to use various products and services, applied to local demographic composition. Thus, consumer behaviors in an area are inferred from the known behavior of persons with similar characteristics obtained from a representative national survey.

Usage data were collected by Mediamark Research Inc. in a nationally representative survey of U.S. households.

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population with Demographics similar to Market Area

Per Capita	2008 Demographic Data Population Within					
	0-30 Miles	0-60 Miles	0-100 Miles		31-60 Miles	61-100 Miles
	2008	2008	2008		2008	2008
Bought lottery ticket in last 12 months	95	93	93		91	92
Bought lottery ticket in last 12 mo: Instant Game	103	103	104		103	105
Played lottery: <2 times in last 30 days	92	86	84		82	84
Played lottery: 2-6 times in last 30 days	95	93	94		92	95
Played lottery: 7+ times in last 30 days	104	107	108		109	108
Gambled at casino in last 12 months	89	88	87		88	86
Gambled at casino 6+ times in last 12 months	78	82	87		84	90

This table presents, in part, the casino gambling and bingo playing indices that compare the market area of the study to the propensities of the national population. Generally, the propensity of this population is less likely to have gambled at a casino last year and less likely to have gambled frequently at a casino, and at closer distances even less likely to be frequent casino gamblers. The propensity to visit a casino multiple times increases with distance from the locations. While a portion of this propensity is access to gaming, a significant portion is due to the population characteristics.

Similarly, the propensity to purchase lottery tickets is slightly below the national level. While overall lottery play is below the national levels, frequent play is slightly above the national level. Instant ticket purchases are slightly above the national levels.

Data Source: ERSI, Probe

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population with Demographics similar to Market Area

Per Capita	2008 Demographic Data Population Within					
	0-30 Miles	0-60 Miles	0-100 Miles		31-60 Miles	61-100 Miles
	2008	2008	2008		2008	2008
Dined out in last 12 months	85	87	90		88	92
Dine out < once a month	122	126	126		129	126
Dine out once a month	95	95	98		96	100
Dine out 2-3 times a month	88	89	96		90	100
Dine out once a week	72	72	77		71	81
Dine out 2+ times per week	78	79	83		80	85
Went to bar/night club in last 12 months	95	99	103		101	106
Danced/went dancing in last 12 months	98	97	98		96	99

The population demographics are less likely to dine out compared to the US average. Among those who do dine out, they tend to do so less frequently in comparison to the US average.

The propensity to attend a bar/night club in the last year and to go dancing is roughly similar to the US average, with the propensity to visit a bar increasing with distance from the locations.

Data Source: ERSI, Probe

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population with Demographics similar to Market Area

Per Capita	2008 Demographic Data Population Within					
	0-30 Miles	0-60 Miles	0-100 Miles		31-60 Miles	61-100 Miles
	2008	2008	2008		2008	2008
Attend sports event: auto racing (not NASCAR)	104	107	109		108	110
Attend sports event: auto racing (NASCAR)	97	100	101		102	102
Attend sports event: football game (college)	85	84	93		84	99
Attended movies in last 6 months	90	87	86		86	86
Attended movies in last 90 days: once/week or mo	104	99	94		95	92
Attended country music performance in last 12 mo	119	121	129		123	133
Attended rock music performance in last 12 month	82	78	79		76	79

The area demographics forecasts a population likely to attend racing events, college football games and country music shows. The population is slightly less likely to attend rock music concerts. Movie attendance is above the US level within 30 miles of the locations, decreasing as the distance from the locations increases.

Data Source: ERSI, Probe

Market Assessment

Entertainment and Leisure Activities

Based Upon Propensity of US Population with Demographics similar to Market Area

Per Capita	2008 Demographic Data Population Within					
	0-30 Miles	0-60 Miles	0-100 Miles		31-60 Miles	61-100 Miles
	2008	2008	2008		2008	2008
Participated in basketball	96	99	103		100	106
Participated in football	112	105	105		100	106
Participated in bowling	94	97	99		98	101
Participated in fishing (fresh water)	126	134	142		139	148
Participated in horseback riding	119	124	127		127	128
Participated in hunting with rifle	147	165	184		176	195
Participated in hunting with shotgun	93	103	115		109	122
Participated in motorcycling	102	103	108		103	111
Participated in target shooting	112	117	125		120	130
Participated in yoga	62	63	69		63	72
Participated in aerobics	78	74	73		71	73

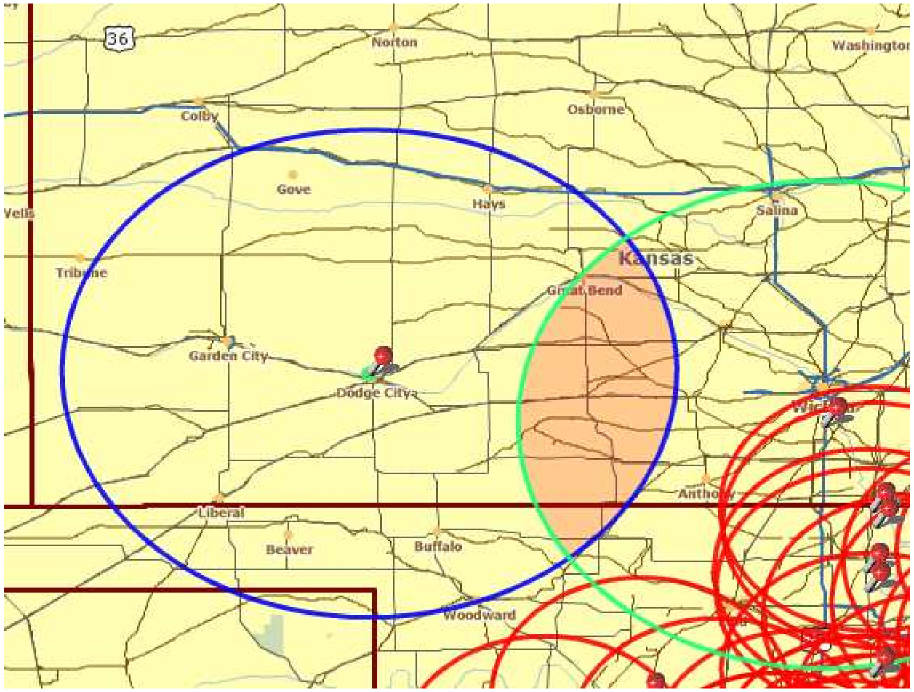
The demographics suggest a population in this area is less likely to participate in individual physical activities such as yoga and aerobics. Participation in bowling is just below average. However, the population is more likely to participate in team activities and sports, such as football.

The population participates in certain outdoor activities at a level significantly above the national average, such as hunting, target shooting, horseback riding and fishing.

Data Source: ERSI, Probe

Market Assessment

Regional Casino Competition



As reported in the Wells Task 1 *Kansas Casino Market Study* there are no gaming facilities located in the 150 mile trade area from the proposed property locations. For illustrative purposes, we present the following map of the greater regional trade area which includes Oklahoma City, and the Wichita areas to visualize some of the trade overlap. The 100 mile radius for the Lottery Gaming Facility in the South Central zone is shown in Green, while the 100 mile radius for the South West locations is in Blue. The shaded area represents the overlap between the South West and South Central trade areas. Approximately 14% of the residents in the South West Trade area are located in this overlap area.

All the other gaming facilities in the greater regional area are depicted with a 50 mile red radius surrounding the property to illustrate the ubiquity of the competition in the area and the overlapping effects. The Oklahoma properties are almost all considered to be convenience properties with lesser amenities and more restrictive games and will have differential gravitational pulls in their area proportionate to their size and attractiveness. The market is well served at the convenience level with the availability of basic Indian facilities. Convenience will not be a driving reason for Oklahomans to visit Ford County; other enticements must be offered to those Oklahoma customers who can be influenced to visit a Ford County casino.

Data Source: ERSI, Probe

Market Assessment

Market Area Offerings – Hotel and Convention

Hotel Supply

Total Hotels within 50 Miles	13
Total Rooms in MSA	815
Upper Level Hotels within 50 Miles	0
Upper Level Rooms within 50 Miles	0

Hotels with Convention Supply

Hotels with Convention/Meeting (any)	5
Hotels with 4,000 sq ft or greater	2

According to the Dodge City Visitors and Convention Bureau, there are approximately 100,000 visits to the area each year, including overnights in hotels and in residences.

There are 13 hotels within 50 miles of the Dodge City area, with 815 rooms.

There are currently no Luxury or upper market chain hotels in the market.

Utilizing Smith Travel Research data and Probe projections, we believe that the Average Daily Rate (ADR) in 2013 for a room in the Dodge City area will be $83 and the occupancy rate will be 70%.

Of the 13 hotels in the market, 5 have some convention or meeting space. One property has approximately 8,000 square feet of space and another approximately 5,000 square feet. The remaining properties have limited meeting rooms. There is an additional 15,000 sq ft of space in the Dodge City Civic Center that has theatre seating for 2,800. There is also a variety of non-traditional spaces located outside hotels throughout the city including colleges, the Boot Hill Museum, and other facilities.

Data Source: Smith Travel Research, Dodge City CVB, Probe

Market Assessment

Market Area Offerings – Entertainment and Attractions

- Boot Hill Museum and Front Street
- Depot Theater Co and Santa Fe Depot
- Dodge City Raceway Park
- Dodge City Rodeo Arena
- Various outdoor sports activities such as hunting and fishing.
- A variety of historical sites in around the city which currently attract visitors to the area.
- Two Golf Courses
- A variety of local bars and restaurants throughout town providing nightlife and dining opportunities.
- Dodge City Days, held each summer, providing the single largest event currently in the county.

The LGF will compete locally with other entertainment options. The casino will be a unique offering in the local area, and Probe expects that it will provide a significant entertainment option for the regional area

Dodge City has entertainment options and activities for visitors that we believe the LGF will compliment. A selected list of entertainment and local attractions is found in the box on this page.

Initially, the restaurants, bars and entertainment at LGF will provide reasons for trial and repeat use among non-gaming customers. It will be necessary to maintain these amenities at a quality level which meets or exceeds the area offerings.

Data Source: Dodge City CVB, Probe

Product Assessment

Potential Products

2013 Task 4 Estimates

Inflated at 2.5% per annum

Measure	Wells		Cummings		Average Across
	Boot Hill	Dodge City	Boot Hill	Dodge City	
Visitors	862,700	837,966	618,217	606,596	731,370
2013 Revenue	$64,720,965	$62,979,148	$46,048,314	$45,369,469	$54,779,474

Probe has been asked to examine the potential amenities assuming the consultant gaming revenue estimates. Operating under this instruction, we make the following assumptions:

Casino Size, 800-900 slot machines with 20 table games.

The Task 4 estimates of visitation for this facility are located in the accompanying table. The average win per patron is estimated at $76. This is higher than either applicant at approximately $60 in 2013 dollars. While the consultant spend per trip are similar with each other and the applicant spend per trip are also consistent with each other, they each provide significantly different estimates of the number of trips.

Given these estimates from Task 4, the average daily attendance across the two facilities would be 2,005. In a local environment such as this, approximately 55% to 60% of the visits to the property would occur over weekends and holidays. Visitation will peak on Saturday at about 1.6 times the daily average, or an expected 3,206 patrons on a typical Saturday. Facilities should be planned to meet this typical pattern, with excess capacity for peak days and times.

The number, level, and type of amenities proposed by any prospective manager will be dependent on company strengths, its interpretation of the market, and its operating strategy.

Data Source: Wells, Cummings

Product Assessment

Potential Products

F&B:

Buffet: (150-200 Seats). Utilizing as much of a live action exciting food product as is financially feasible.

Café: (150-200 Seats) Local influenced dining establishment, could be utilized as a buffet as well, dual use.

Specialty Restaurant: (75-100 seats) Steakhouse or other specialty restaurant.

Food Court/Quick Serve: (20-40 Seats) Appeal to the budget/convenience gambler looking for an inexpensive and fast alternative.

One main bar: A center or main bar attraction with the ability for live entertainment, either as a full lounge or a stage set back behind the bar.

Hotel:

Rooms: Similarly sized, Non-destination resort areas outside Nevada would contain 125-225 Midscale to Upscale rooms. The typical (modeled) number of rooms for a casino of this size outside a destination market with convention space would be towards the upper end of the range, however adjusting for the local market conditions, the lower end of the range would be appropriate initially, moving towards the upper range and possibly beyond if the Sports Center is co-located or market conditions permit.

Other Possible Hotel Amenities: Pool; Exercise facilities; Executive meeting space

Retail:

Sundry and Gift Shop: Convenience items and logo gift items.

Dual Use Convention/Entertainment space: Would be sized for use in entertainment as well as convention space, however space in excess of 10,000 square feet would be difficult to fully utilize.

Additional Features:

Truck, and Bus Parking – Traffic intercept from and marketed bus trips to outer regional markets.

Truck stop C-Store should be considered.

RV parking with full hook-ups.

Local Market:

Given the impact that this product will have initially on the community, we believe that additional entertainment products targeted at the community in the initial phases would be excessive and would not be warranted in the initial phases.

Proposal Assessment

The following pages contain Probe's assessment of each of the prospective managers' amenities.

For each proposal, we present an overview of the amenities offered, and then offer comments by area.

In addition to a description of the amenities, the consolidated pro forma for the third year of each operation are displayed where available. We present 2013 as this will be the time when most properties would achieve stable operations. In relation to the prospective managers' estimates of gaming revenue, the proposals contain reasonable, albeit optimistic at times, estimates of performance.

The revenue projections for the ancillary products are relative to the amount of visitation each property would achieve. Should the properties achieve the visitation projected as an average of Task 4, ancillary revenue would decline or rise in a proportionate manner.

Note that since this will be a true monopoly, and that casino credits are not subject to revenue sharing, the applicants have both proposed a strategy that primarily uses complimentary casino credits for slot players with minimal or no complimentary rooms or food.

It is worth highlighting for the board a potential difference that can emerge among the pro formas based upon the pricing of hotel rooms and the corporate strategy for accounting for revenue.

Utilizing Smith Travel Research data for the Dodge City area market, we believe that a 125 room casino property with the amenities described could achieve an ADR of $127 in the third year of operations, or 2013. It is expected that the property will be the nicest of any available within a 50 mile radius and will be able to capture a significant amount of business travel to the area.

Casinos will offer complimentary and discounted rooms to its casino segment of customers. Internally, the hotel department will charge the casino department a transfer price for the complimentary goods and services provided in the hotel for casino customers. Depending on the corporate strategy, the hotel may charge the casino a rate that yields up or down with the market, or a standard below market rate to the casino.

How this internal transfer price is set can affect the overall average daily rate as reported or projected. If the corporate strategy is to report revenue in the hotel, a higher market drive transfer price would be used. If the strategy is to show greater income in the casino department, there would be a larger differential between the transfer price and the market price. Consequently, differences in average daily rates contained in the different proposals may not reflect actual prices paid in the market.

Proposal Assessment
Butler National Service Corporation

Ancillary Products Summary

Butler National Service Corporation has proposed a property operating as Boot Hill Casino and Resort. The property will be located on the west side of the Highway 50 Bypass on the western side of Dodge City. The casino will be 89,758 sq ft with 875 slot machines and 20 table games. The following is an overview of the amenities and ancillary developments that will be available.

There will be three dining outlets on property – with 1 additional bar.

Located on the property will be a 124 room hotel including 100 standard rooms at 462 sq ft and 24 luxury suites at 789 sq ft. The hotel will include a 3,000 sq ft spa, a 4,000 sq ft indoor pool area in addition to an outside pool.

There is 11,000 sq ft of convention space that can be divided into four different sized break-out rooms and converted into a 1,000 seat entertainment venue. In addition to this space, the feature bar will have entertainment seating for fifty.

The proposal includes 1,104 sq ft of retail space. Note that the separate temporary facility will be converted into 60,000 square feet of retail space.

RV parking will be created with the city events center.

Data Source: Butler National Service Corporation

Proposal Assessment
Butler National Service Corporation
Hotel

Hotel Rate and Occupancy Data	
Number of Rooms	124
Occupancy Rate	81.0%
2013 Average Daily Rate (ADR)	$ 117.69
Leisure Percent of Occupied	58%
Business Percent of Occupied	42%
Percentage residents (<100 miles)	27%
Percentage Tourists (>100 miles)	73%
2013 Consolidated Pro Forma	
Room Sales	$ 3,965
Complimentary Rooms	349
TOTAL REVENUE	4,313
TOTAL HOTEL EXPENSES	1,246
TOTAL HOTEL INCOME	$ 3,067
Hotel Revenue Ratios	
Comp sales as percent of Revenue	8%
Expenses as percent of Revenue	29%
Income as Percent of Revenue	71%

The Boot Hill hotel property is appropriate for the market and for the plan as proposed by Butler National.

Consistent with its stated policy to limit complimentaries, and with an expected 42% business occupancy, it is planning to comp 8% of the rooms sold. Note that with an expected occupancy rate of 81%, this provides some product to be comped in excess of the original plan while still meeting the original cash customer estimates.

The ADR of $117.69 projected for year three of operation is slightly below the Probe projected market price of $127 for a casino property in Ford County. We note that expenses as a percent of revenue are among the lowest of any applicant and income as a percent of revenue is among the highest.

Data Source: Butler National Service Corporation

Proposal Assessment
Butler National Service Corporation
Food

Outlet	Seating Capacity	Mean Spend/ Cover	Theme/Description
Fine Dining / Steakhouse	66	$ 25.00	On those special occasions, guests will enjoy the warmly appointed 50-seat Fine Dining/Steakhouse. Guests will savor a classic menu of tender steaks from the finest cuts of beef, seafood specialties, and fine wines---a culinary experience.
24 Hour Café/ Buffet	150	$ 10.00	The 24 hour Café / 150-seat buffet will serve American classics for breakfast, lunch, and dinner. It will open to the casino floor and provide a cozy atmosphere with a spectacular array of food from “Americana” to ethnic offerings. Guests will also enjoy the excitement of “action station” cooking, fresh salads, and their favorite dessert selections.
Snack Bar	25	$ 7.50	The snack bar is designed for those guests who don’t have time for a multi-course meal or prefer a more casual atmosphere.
Total	**241**	**$ 10.72**	**Average weighted by expected covers/day**

2013 Consolidated Pro Forma

Food Sales	$ 4,174
Complimentary Food Sales	305
TOTAL REVENUE	4,479
Cost of Sales	1,889
GROSS MARGIN	2,590
TOTAL FOOD EXPENSES	2,969
TOTAL FOOD INCOME	$ (379)

Food Revenue Ratios

Comp sales as percent of Revenue	7%
Cost of Sales as percent of Revenue	42%
Expenses as percent of Revenue	66%
Income as Percent of Revenue	-8%

The Butler National food outlets are appropriate to the market, and would complement its master brand.

The average price point of $10.72 is appropriate to the market. Given its estimate of the number of annual covers, it would expect to serve 27% of all visitors to the property (assuming one meal per visitor), which may be appropriate given the limited comping planned for the property.

Comp sales are estimated at 7% of total food revenue. Overall, the department is projected to post a loss, consistent with the industry, and with the comping policy.

Data Source: Butler National Service Corporation

Proposal Assessment
Butler National Service Corporation
Beverage

Outlet	Seating Capacity	Theme/Description
Cabaret Lounge	50	Centrally located within the main casino floor, the feature bar provides an iconic destination for meeting friends and family for a cocktail before heading to the next big jackpot.

2013 Consolidated Pro Forma

Beverage Sales	$ 3,111
Complimentary Beverage Sales	268
TOTAL REVENUE	3,379
Cost of Sales	960
GROSS MARGIN	2,419
TOTAL Beverage EXPENSES	1,122
TOTAL Beverage INCOME	$ 1,297
Beverage Revenue Ratios	
Comp sales as percent of Revenue	8%
Cost of Sales as percent of Revenue	28%
Expenses as percent of Revenue	33%
Income as Percent of Revenue	38%

The Butler National Service Corporation beverage outlet is appropriate to the market.

Comp sales are estimated at 8% of total beverage revenue. This would be more consistent with the inability to comp alcohol.

Data Source: Butler National Service Corporation

Proposal Assessment
Butler National Service Corporation
Convention/Entertainment

Butler National Service Corporation has proposed a 11,040 sq ft Multi-Purpose Entertainment Venue - capable of hosting a variety of convention, meeting and entertainment events. The space can be configured for four different room sizes in addition to the full space.

The Multi-Purpose Entertainment Venue can be used for live entertainment and seat 1,000.

As a mixed use facility, Butler National will have the ability to utilize the space for entertainment or conventions as it sees fit and can adapt to market conditions as they develop. This is an appropriate use of this space for the market. While there may be plans to use the facility for entertainment, no pro forma for this use was submitted.

There will be live entertainment capabilities in the Feature Bar.

2013 Consolidated Pro Forma

Convention Sales	$	661
Complimentary Sales		-
TOTAL REVENUE		661
Cost of Sales		231
GROSS MARGIN		429
TOTAL CONVENTION EXPENSES		234
TOTAL CONVENTION INCOME	$	195
Convention Revenue Ratios		
Comp sales as percent of Revenue		0%
Cost of Sales as percent of Revenue		35%
Expenses as percent of Revenue		35%
Income as Percent of Revenue		30%

Data Source: Butler National Service Corporation

Proposal Assessment
Butler National Service Corporation
Retail

Outlet	Square Feet
Casino Logo Shop	1,104

The Butler National Service Corporation Retail outlet is appropriate to the facility.

There are no Complimentary retail sales projected in the retail department. This is consistent with the plan to engage in a minimal complimentary policy.

Cost of Goods Sales ratios are consistent with industry norms. No Expenses for retail were submitted.

As noted previously, the temporary facility will be converted into 60,000 square feet of separate retail space when the permanent facility is opened. Pro Forma details were not submitted as this is assumed to be a separate development from the LGF.

2013 Consolidated Pro Forma

Retail Sales	$	528
Complimentary Retail Sales		-
TOTAL REVENUE		528
Cost of Sales		264
GROSS MARGIN		264
TOTAL Retail EXPENSES		
TOTAL Retail INCOME	$	264
Retail Revenue Ratios		
Comp sales as percent of Revenue		0%
Cost of Sales as percent of Revenue		50%
Expenses as percent of Revenue		0%
Income as Percent of Revenue		50%

Data Source: Butler National Service Corporation

Proposal Assessment
Butler National Service Corporation
Additional Amenities

Butler National will offer a 3,000 sq ft spa in the hotel, an amenity becoming standard across the industry which can be used for packages, and adds to the stature of the facility, but will not drive significant additional tourism as an operating entity. However, in the context of the current property and the size of the property, the planned spa will need to have significant penetration into the community as a day spa. The applicant intends to lease the facility to a third party for $8,000 a month.

Butler National will have an indoor and an outdoor pool, consistent with the strategy of operating a year round resort in the area.

RV parking is planned for the co-located Events Center.

Data Source: Butler National Service Corporation

Proposal Assessment Dodge City Resort & Gaming Company, LLC

Ancillary Products Summary

Dodge City Resort and Gaming Company, LLC has proposed a property operating as Dodge City Casino Resort. The property will be located at 10888 112th Road, Dodge City, Kansas, just north of the Highway 50 bypass. The casino will be 87,043 sq ft with 800 slot machines and 20 table games. The following is an overview of the amenities and ancillary developments that will be available.

There will be three permanent dining outlets on property – with 1 permanent bar.

Located on the property will be a 125 room hotel including 114 standard rooms, and eleven premium rooms. The standard rooms will be 404 Square Feet and the premium rooms will average 608 square feet. While not noted in the spreadsheet submissions, there was a rendering of a pool included in the presentation to the board.

There is 9.390 sq ft of convention space that can divide into four break-out rooms and converted into a 1,200 (Max) seat entertainment venue.

The proposal includes three retail spaces of 720 sq ft, 705 sq ft, and 700 sq ft utilized as a Hotel Gift Shop, Convenience Store, and Apparel and Gift Shop respectively.

There are 100 spaces in the proposal for RV parking.

Proposal Assessment Dodge City Resort & Gaming Company, LLC - Hotel

Hotel Rate and Occupancy Data	
Number of Rooms	125
Occupancy Rate	78.6%
2013 Average Daily Rate (ADR)	$ 131.60
Leisure Percent of Occupied	48%
Business Percent of Occupied	52%
Percentage residents (<100 miles)	41%
Percentage Tourists (>100 miles)	59%
2013 Consolidated Pro Forma	
Room Sales	$ 4,058
Complimentary Rooms	661
TOTAL REVENUE	4,719
TOTAL HOTEL EXPENSES	1,726
TOTAL HOTEL INCOME	$ 2,993
Hotel Revenue Ratios	
Comp sales as percent of Revenue	14%
Expenses as percent of Revenue	37%
Income as Percent of Revenue	63%

The Dodge City Casino Resort hotel property is appropriate for the market and for the plan as proposed.

Consistent with its stated policy to limit complimentaries, and with an expected 52% business occupancy, it is planning to comp 14% of the rooms sold. Note that with an expected occupancy rate of 78.6% this provides some product to be comped in excess of the original plan while still meeting the original cash customer estimates.

The ADR of $131.60 projected for year three of operation is slightly above the Probe projected market price of $127 for a casino property in Ford County. This may be a function of the ability to drive rate at the expense of occupancy, or as noted previously, different internal accounting methods used for casino rate rooms.

Data Source: Dodge City Resort and Gaming Company, LLC

Proposal Assessment
Dodge City Resort & Gaming Company, LLC - Food

Outlet	Seating Capacity	Mean Spend/ Cover	Theme/Description
Steak House	178	$ 25.00	This Steak House features elegant seating with wood floors and painted windows overlooking an exterior well landscaped plaza
Casual Dining Room	134	$ 10.00	This Casual Dining Room features comfortable seating offering breakfast, lunch, and dinner menu items daily.
Deli	17	$ 7.50	This quick-serve Deli offers fast sandwich and snack service for patrons in a hurry.
Total	**329**	**$ 12.25**	**Average weighted by expected covers/day**

2013 Consolidated Pro Forma

Food Sales	$ 4,293
Complimentary Food Sales	-
TOTAL REVENUE	4,293
Cost of Sales	1,474
GROSS MARGIN	2,819
TOTAL FOOD EXPENSES	1,712
TOTAL FOOD INCOME	$ 1,107
Food Revenue Ratios	
Comp sales as percent of Revenue	0%
Cost of Sales as percent of Revenue	34%
Expenses as percent of Revenue	40%
Income as Percent of Revenue	26%

The Dodge City Resort and Gaming food outlets are appropriate to the market, and would complement its master brand. The seating capacity of the Steak House may be aggressive in relation to its casual dining room, especially with its limited comping plan for Food revenue.

The average price point of $12.25 is appropriate to the market. Given the estimate of the number of annual covers, it expects to serve 46% of all visitors to the property (assuming one meal per visitor), which may be aggressive given the lack of comping planed for the property.

Comp sales are estimated at 0% of total food revenue. Overall, the department is projected to generate income of 26%, which is aggressive considering industry norms, and is related to the lower expenses as a percent of revenue.

Data Source: Dodge City Resort and Gaming Company, LLC

Proposal Assessment Dodge City Resort & Gaming Company, LLC – Beverage

Outlet	Seating Capacity	Theme/Description
Cabaret Lounge	70	This high energy 70 seat lounge/cabaret provides beverage service with live stage entertainment.

2013 Consolidated Pro Forma		
Beverage Sales	$	754
Complimentary Beverage Sales		754
TOTAL REVENUE		1,509
Cost of Sales		358
GROSS MARGIN		1,151
TOTAL Beverage EXPENSES		757
TOTAL Beverage INCOME	$	394
Beverage Revenue Ratios		
Comp sales as percent of Revenue		50%
Cost of Sales as percent of Revenue		24%
Expenses as percent of Revenue		50%
Income as Percent of Revenue		26%

The Dodge City Resort & Gaming Company beverage outlet is appropriate to the market.

Comp sales are estimated at 5o% of total beverage revenue. Given the inability to offer complimentary alcohol, this may be an over-estimate of actual comps, and possibly total revenue. Income as a percent of revenue is estimated at 26%.

Data Source: Dodge City Resort and Gaming Company, LLC

Proposal Assessment Dodge City Resort & Gaming Company, LLC – Retail

Outlet	Square Feet
Hotel gift shop	720
Convenience Store	705
Apparel & casino gift shop	700
Total	2,125

The Dodge City Resort & Gaming Retail outlets are appropriate to the facility.

There is some discrepancy between the spreadsheet descriptions and the placement of the outlets in that they are all far from the hotel lobby with none near the hotel (in the floor plan supplied in the presentation).

Complimentary sales are 2% of revenue in the retail department. This is consistent with the plan to engage in a minimal complimentary policy.

Sales ratios are consistent with industry norms.

2013 Consolidated Pro Forma

Retail Sales	$	1,234
Complimentary Retail Sales		25
TOTAL REVENUE		1,259
Cost of Sales		693
GROSS MARGIN		567
TOTAL Retail EXPENSES		338
TOTAL Retail INCOME	$	229
Retail Revenue Ratios		
Comp sales as percent of Revenue		2%
Cost of Sales as percent of Revenue		55%
Expenses as percent of Revenue		27%
Income as Percent of Revenue		18%

Data Source: Dodge City Resort and Gaming Company, LLC

Proposal Assessment
Dodge City Resort & Gaming Co., LLC
Additional Amenities

Dodge City Resort & Gaming will have a 9,390 sq ft convention space that can also be utilized as an event venue with seating up to 1,340. Note that there was no pro forma submitted for this space either as a convention space or an entertainment venue. Probe suggests that the board inquire as to the plans for this facility, how it will be marketed and how it will be utilized given the lack of supporting information submitted to date.

While there was no description of a pool provided, there is one located on the most recent floor plan submitted during the presentation. It is not known if it is Indoor or outdoor.

Probe was unable to locate mention of exercise facilities within the property. We believe that this would be an essential addition to the space.

There is parking planed for 100 RV units in the first phase. Probe suggests inquiring as to the ability to handle Bus and Truck traffic in this lot initially.

Data Source: Dodge City Resort and Gaming Company, LLC

Cross Proposal Assessment Ancillary Revenue as Percent of Gaming Revenue

Department	Butler	Dodge City
Casino	100%	100%
Hotel	6.1%	9.9%
Food	6.3%	9.0%
Beverage	4.8%	3.2%
Retail	0.7%	2.6%
Other	1.1%	0.0%
Ancillary Total	**19.0%**	**24.7%**

Since gaming is the engine that drives the economics of the properties it is useful to examine the revenue lines as a percent of total gaming revenue.

When expressed as a percentage of gaming revenue, the total ancillary revenue projected by the two prospective LGF managers is 19% for Butler National and somewhat higher at 24.7% for Dodge City Resort and Gaming. A significant portion of this difference is due to the higher projected gaming revenue for Butler National ($70.9 Million) compared to Dodge City Resort and Gaming ($47.7 Million).

The additional differences in revenue as a percent of gaming revenue are as follows:

In the hotel category, Dodge City Resort and Gaming projects a higher ADR compared to Butler National.

In beverage, Butler National projects a higher per visit spend ($2.15) compared to Dodge City ($1.91)

Finally, Dodge City contains more square feet of retail space (2,125 vs 1,104) and projects a greater sales per square foot ($593 vs. $479) despite fewer visitors compared to Butler National.

Data Source: Butler National Service Corporation/Dodge City Resort and Gaming