Financial Evaluation of the
Wyandotte County Proposals

A report for the
Kansas Lottery Gaming Facility Review Board

By

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Overview of Proposals

	Golden Heartland	Legends Sun	Hard Rock Resort	PNK-Kansas
Hotel Room	300	350	300	500
Casino SF	125,100	131,000	125,100	100,000
Slots	2000	2000	3000	500
Tables	70	85	140	60
T. Costs	661,630,000	772,000,000	705,583,302	650,000,000
Debt	Flexible	469,621,679	423,349,981	Flexible
Equity	Flexible	297,500,000	282,233,321	Flexible
Debt/Equity		2.36	1.50	

Executive Summary

Golden Heartland
This is a newly formed company 100% owned by the Sartini Family Trust. The trust has provided significant information that supports the ability to be very flexible in the financing of this project.

Legends Sun
The proposal is a joint venture by Mohegan Resorts Kansas, LLC (2/3 owner) and Red Leg Sun, LLC (1/3 owner). MRKs is using the parent company (MTGA) line of credit to fund the equity. Red Leg Sun is using a separate source of funding for its line of credit. There is not enough information to make a decision whether Red Leg Sun or its source is a viable financial entity.

Hard Rock Resort
This proposal is a joint venture which includes International Speedway Corp. (50%) and Kansas Entertainment Investors (50%). Both groups have clearly shown that they have the resources to adequately fund and maintain this proposal.

PNK Kansas
This proposal is 100% owned by Pinnacle Entertainment, Inc. It has positioned itself such that it has financial flexibility and solvency to take advantage of current investment opportunities. It has the ability to finance the current proposal with the right mix of debt and equity.

Gaming Zone:	North East
County:	Wyandotte County
Property Name:	Golden Heartland Casino, Resort & Spa
Company Name:	Golden Heartland, Inc.
Parent Company:	100% owned by Sartini Family Trust

1. Cost of Project $661,000,000

2. Funding of project

    a. Equity funding $100,000,000 to $180,000,000

    b. Debt Funding $551,000,000 to $481,000,000

Golden Heartland, Inc. is a newly formed Subchapter S Corporation that is 100% owned by the Sartini Family Trust.

Financial Overview of the Golden Heartland Proposal

Net Worth and Liquidity of the Sartini Family Trust

The Sartini Family has provided confidential information on the net worth and liquid assets of the trust. The Sartini Family Trust appears to be quite flexible in its ability to put together a financing package. A review of their financial worth as of 3/31/2008, as well as their liquid assets, shows that they can provide the necessary equity contributions from their cash and stock securities. Liquid assets represent about 28% of total assets of their portfolio.

A review of their other assets provides additional assurance. About 49% of their assets are in equity investments. These include 100% ownership of Golden Gaming which own and operates a gaming slot route and a chair of 40 slot taverns throughout Nevada. They also have a 100% ownership in Golden Mardi Gras, Inc. that owns and operates three casinos in Black Hawk, Colorado.

The Sartini Family Trust does have several current projects that call for cash flows for 2008 of $11.6 million. These are as follows:

Cash out-flows in 2008 for new projects

Acquisition of 4 Taverns	$9.1 M
$3 M Tavern construction	$1.5 M
Remodel of Hotel	$1.0 M
Total cash out-flows	$11.6 M

I see no problem in the Sartini Family Trust being able to provide the necessary cash flows for the proposed Golden Heartland proposal.

Debt financing

Golden Heartlands has obtained two separate confident agreement letters with financial bankers that require about a 25% equity commitment. These include a letter from Merrill Lynch and a joint letter from Morgan Stanley and Wells Fargo. The actual financing arrangement would be a function of the current market conditions. The company feels that they have very flexible options ranging from debt financing or equity financing from affiliates (Golden Gaming and Golden Mardi Gras), or equity from the parent corporation.

Conclusion

The Sartini Family Trust appears to have put together a financial proposal that they and the banks are confident is capable of implemented.

Gaming Zone:	Northeast	
County:	Wyandotte	
Property Name:	Legends Sun Casino,	
Company Name:	Leg Sun, LLC	
Parent Company:	Mohegan Resorts Kansas, LLC	66.67%
Parent Company:	Red Leg Sun, LLC	33.33%

Total Cost of Proposal:	$767,121,679

Equity Contributions:	$297,500,000
Bank Credit Facility	$269,621,679
Senior Subordinated Notes	$200,000,000

Red Leg Sun, LLC is a newly formed LLC created by a group of five original stockholders of the RED Development. The five investors and their investment percentage include Dan Lowe (28.34%), Michael Ebert (28.33%), Scott Rehorn (28.33%), Jeff McMahon (7.5%), and Steven Maun (7.5%). The principals of this LLC will contribute $100 million to Leg Sun, LLC and will guarantee the debt.

The RED Leg Sun, LLC equity portion will come from a $100 million line of credit directly to RED Leg Sun, LLC, as borrower. The lender will be the Dallas Police and Fire Pension Fund System ("DPF"). The borrowed cash will flow From RED Leg Sun to Leg Sun. (See Appendix 1 for the corporate structure and flow of funds)

Mohegan Resorts Kansas, LLC will contribute $200 million as their equity ownership. It is considered an equity infusion from the Mohegan Tribal Gaming Authority (MTGA). MTGA will draw the equity contribution from its existing $1.0 billion credit facility. The cash will flow to Mohegan Gaming & Hospitality, LLC (MG&H), which will in turn invest such funds into Mohegan Resorts Kansas (MRKS) through Mohegan Resorts, LLC. MTGA must first obtain approval from its lenders to use available proceeds under its existing bank credit facility for the equity contribution into MG&H. (see Leg Sun organization chart). There are essentially four layers of corporations between Leg Sun and the original cash contribution.

The Legends Sun proposed debt financing includes a highly confident letter from Citigroup North America, Inc for the resort casino portions of the project and a highly confident letter from Key Bank for financing the retail residential portions of the project.

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Overview of RED Leg Sun, LLC

The only information provided on RED Leg Sun has been the corporate chart indicating the five investors of the corporation and their percentage ownership. Additional information suggests that the Dallas Police and Fire Pension Fund System ("DPF") will provide a $100 million line of credit. No additional information has been provided on the structuring of that agreement.

At this time, I am not able to make any comment on the arrangements by RED Leg Sun.

Overview of Mohegan Resorts Kansas, LLC

Mohegan Resorts Kansas is also a newly formed LLC. Its cash contribution of $200 million is derived from a line of credit of its parent company, MTGA. The contribution travels through three subsidiaries before it reaches the Leg Sun.

The Mohegan Tribe of Indians of Connecticut established the Mohegan Tribal Gaming Authority (MTGA) in July 1995. It has the exclusive power to conduct and regulate gaming activities for the Tribe on Tribal lands and the non-exclusive authority to conduct such activities elsewhere.

A review of its financial statements for the last four years show that it is highly leveraged and that much of its expansion has been through debt with very little contribution by the MTGA. Table 1 show that until the year ending September 30, 2007, it had negative equity.

Table 1

MTGA Financials	2007	2006	2005	2004
Total Assets	2,079,977	1,914,357	1,856,868	1,579,705
Total Cltd + ltd	1,701,293	1,680,934	1,706,294	1,410,013
Total Equity	58,751	(38,855)	(104,872)	(61,039)

A review of the normal liquidity and solvency ratios confirms that this is a very highly leveraged operation. On the other hand, MTGA has always generated large amounts of cash flows. The CFO for 2007 reached $286 million. The CFO Interest Charge has reached 4.03 times in 2007, and the CFO/Capital Expenditure means that it can easily cover current expenditures by 2 times.

Table 2

MTGA Financials	9/30/2007			
	2007	2006	2005	2004
Current Ratio	0.50	0.51	0.43	0.39
Debt/Equity	28.96	-43.26	-16.27	-23.10
Debt/Assets	0.82	0.88	0.92	0.89
CFO	$286,089	$250,877	$ 247,075	$ 214,805
CFO Interest charge	4.03	3.76	3.81	3.72
CFO/Capital Expend	2.17	2.55	5.02	6.73
Free Cash Flow	154,225	152,374	197,856	182,893

In March 2007, the Authority entered into a Second Amended and Restated Loan Agreement (the “Bank Credit Facility”) providing for up to $1.0 billion in borrowing capacity from a syndicate of 23 financial institutions and commercial banks, with Bank of America, N.A. serving as Administrative Agent. As of June 30, 2008, the amount under letters of credit totaled $7.7 million. Inclusive of letters of credit, which reduce borrowing availability under the Bank Credit Facility, the Authority had approximately $787.3 million of borrowing capacity under the Bank Credit Facility as of June 30, 2008.

A note of caution is needed in terms of new capital expenditures. The MTGA appears to have adopted a more aggressive investment approach. Prior to 2007, capital expenditures were very minimal. The year 2007 saw an increase of more than 33% to $132 million. The chart below shows an even higher level of capital expenditure in the future. These include the following:

Current Projects

Location of Project	2008	2009	2010	2011	2012
Uncasville, CT	$207	$270	$357	$45	$ -
Wilkes-Barre, PA	$176	$ -	$ -	$ -	$ -
Mohegan Sun, Mohegan Sun Country Club at Pautipaug	$21	$15	$ -	$ -	$ -
State of Washington	$2	$2	$2	$ -	$ -
State of Wisconsin	$1	$2	$2	$ -	$ -
Mohegan Sun, State of Washington, State of Wisconsin	$24	$19	$4	$ -	$ -
Total Future cash flows	$431	$308	$365	$45	

For 9 months ending June 30, 2008

MTGA saw revenues decline by 2% for the nine months ending June 30, 2008 but net income for the same nine months dropped almost 50% from $126 million to $62 million. The last three months saw an even larger decline in earnings from $46 million down to $5 million.

MTGA still generated $135 million is cash from operations but this was down more than $88 million for the same period in 2007. Cash on hand has dropped from the September 30, 2007 level of $106 million down to a June 30, 2008 balance of $78 million. Part of the drop was the result of distributing over $60 million to the Tribe.

Conclusions

Both Red Leg Sun ($100 m) and Mohegan Resorts Kansas ($200 m) are contributing the $300 m in cash to Leg Sun.

For Mohegan Resorts Kansas, the parent corporation (MTGA) certainly has the ability to contribute the $200 million given its current credit facility and it will be a true equity investment with no need to pay it back.

Red Leg Sun appears to be a corporate shell that has an agreement with the Dallas Police and Fire Pension Fund System ("DPF") to borrow the cash but at this time, there is no evidence concerning the arrangement. It does not state that this is an equity or debt arrangement. If it is a debt arrangement, where are the assets to guarantee this loan? When are the payments for this loan due?

Gaming Zone:	Northeast	
County:	Wyandotte	
Property Name:	Hard Rock Hotel & Casino, Kansas Speedway	
Company Name:	Kansas Entertainment, LLC	
Parent Company:	Kansas Speedway Development Company	50%
Parent Company:	Kansas Entertainment Investors	50%

Kansas Speedway Development Company is a wholly owned subsidiary of International Speedway Corp.

Kansas Entertainment Investors (KEI) is owned by the current group of Investors listed below:

Jonathan Cordish	86%
Joseph Weinberg	10%
Charles Jacobs	4%

1. Cost of Project: $705,583,302

2. Funding of Project:

Cash Flow From Parents	$282,233,321	40%
Asset backed Loans: Buildings	$563,908,311	60%

Overview of Kansas Speedway Development Company

Kansas Speedway Development Company is 100% owned by International Speedway Corporation (ISCA). International Speedway Corporation is in the recreational activities segment of the services industry. Its current market capitalization is $1.9 billion which places it as the fourth largest company in the industry.

The company is a motorsports themed amusement enterprise. Revenues are primarily from (i) admissions to motorsports events and motorsports themed amusement activities, (ii) revenue generated in conjunction with or as a result of motorsports events, and (iii) catering, concession and merchandising services during or as a result of these events and amusement activities.

The Company owns and/or operates thirteen of the motorsports entertainment facilities, which include Daytona International Speedway in Florida, Talladega Superspeedway in Alabama, Michigan International Speedway in Michigan and Richmond International Raceway in Virginia. On February 2, 2007, the Company acquired the 62.5% interest in Raceway Associates, LLC. In June 2008, International Speedway Corporation completed the disposal of Pikes Peak International Raceway (PPIR).

Financial Earnings

Table 1: Earnings	30-Nov				
In $m	2007	2006	2005	2004	2003
Revenues	816.56	798.37	740.13	647.85	542.98
Income before Taxes	172.96	192.45	260.95	208.51	168.01
Operating margin	0.21	0.24	0.35	0.32	0.31
EBITDA Margin	0.33	0.33	0.44	0.42	n/a
CFO	258.12	241.40	146.77	225.99	194.74

ISCA is a very stable company with annual revenue growth rates averaging around 10%. For the last two years, expenses have grown at a faster rate then revenues and therefore the operating margins also show a decline. EBITDA margins have also dropped in line with the increase in expenses. Cash flows from operations have been up and down from year to year. ISCA performance is still way above the norm for the industry. The Industry pre-tax margin is 15% and EBITDA margin is 26%.

Current results for the 6 months ending May 30, 2008

For the 6 months ending May 30, 2008, revenues continue to climb with total revenues at $368,797,000 and income before taxes of $105,037,000. The operating margin iscurrently 28%. This is up from prior year margins.

Financial Viability

Table 2: Financial Viability	30-Nov 2007	30-Nov 2006	2005	2004	2003
Current Ratio	0.75	1.04	1.08	1.78	0.72
Interest Coverage	12.07	16.58	21.56	10.60	8.25
Debt/Equity	0.33	0.32	0.35	0.43	0.10
CFO/Capex	2.69	2.19	0.59	1.67	2.69

The evaluation of the balance sheet and balance sheet ratios finds a company that has substantial financial flexibility. The current ratio is above the industry norm of .60. The company has taken a very conservative approach to leveraging with an extremely low debt/equity ratio. The cash flows are more than enough to cover current capital expenditures.

Last year the firm generated CFO of $258 million. For the first half of the new year, the firm is at $147,501,000. Actual cash on hand has gone from a balance at November 30, 2007 of $53,316,000 to a balance of $81,096,000 at May 30, 2008.

The Company currently has a $300.0 million revolving credit facility ("2006 Credit Facility") which contains a feature that allows the Company to increase the credit facility to a total of $500.0 million, subject to certain conditions. The 2006 Credit Facility is scheduled to mature in June 2011, and accrues interest at LIBOR plus 30.0-80.0 basis points. At May 31, 2008 there were no outstanding borrowings under the 2006 Credit Facility.

Additional Commitments

ISCA has a 50/50 joint venture (the "DLJV") with The Cordish Company ("Cordish"), to explore a potential mixed-use entertainment destination development to be named Daytona Live. The DLJV is hopeful to receive all necessary permitting and other approvals for the initial development during 2008. The current estimated cost for the initial development is approximately $250.0 million. Both ISC and Cordish will contribute an equal amount of equity to the DLJV. The expected contribution should be between $5.0 million and $10.0 million in cash, as well as land currently owned.

And of course, they have included the potential of developing the Rock Hotel & Casino, Kansas Speedway.

Overview of Kansas Entertainment Investors

Kansas Entertainment Investors, (KEI) is a newly-formed entity, formed solely as part of Kansas Entertainment, LLC's application for the Lottery Gaming Facility Manager License. It is owned by three of the principal partners of The Cordish Company (Messrs. Jonathan Cordish, Joseph Weinberg, and Charles Jacobs), a nationally-renown developer with extensive experience in the development of leading casino developments. These developments include the Seminole Hard Rock Hotel & Casinos in Hollywood and Tampa, Florida.

The individual investors have included their tax returns and their net worth statements.

KEI will first draw upon the line of credit provided by the Cordish Family II, LLC to fund KEI’s equity requirements for financing the proposed facility by Kansas Entertainment, LLC. This line of credit is $150 million, more than enough to cover the equity contribution for this project.

The Cordish family was very willing to provide documentation for evaluating the Cordish Family II, LLC. The Cordish Family II, LLC is a family company designed to provide funds for future development projects. All the assets are capable of being sold and converted to cash. The current mix of assets has cash and equivalents equal to 42% of the total assets. If needed, the account has plenty of other very liquid assets.

In addition to providing the balance sheet, the Company income statement was provided. The Cordish Family II, LLC is generating a substantial amount of income!

Each of the partners also submitted net worth statements. As a group, their personal assets could also go a long way toward contributing toward any short falls. There are substantial liquid assets to meet additional funding needs.

Conclusion

There is no question that this joint venture proposal has the ability to put together a complete financial package. It can not only provide the equity contribution, but it also has good sources of funds for on-going operations.

Gaming Zone:	Northeast
County:	Wyandotte
Property Name:	Pinnacle Casino Kansas City
Company Name:	PKN-Kansas, LLC
Parent Company:	Pinnacle Entertainment, Inc.
Ownership:	100%

Cost of Project: $650,000,000

Funding of Project

Pinnacle Entertainment intends to fund this project from a combination of existing cash resources ($203 million cash balance at 3/31/08), credit facility (currently set at $625 million), ongoing cash flow generated by current and future operations, and/or additional capital raised from the financial markets.

The Wyandotte county proposal would include a 500 high-end room hotel with 200 of the rooms being premium five star rooms. It would have a 100,000 SF casino with 2300 slot machines and 85 table games.

Overview of Pinnacle Entertainment, Inc.

Pinnacle Entertainment, Inc. owns and operates six casinos in Nevada, Louisiana, Indiana, and Missouri. It also has several small casinos in Argentina and The Bahamas.

The current Reuters report[1] puts Pinnacle at a market capitalization value of $706 million which ranks it 13 of out the 60 firms included in the Casino & Gaming Industry.

Recent Developments

The Company did a phrased opening of the $507 million Lumiere Place in downtown St. Louis, Missouri, in December 2007. During the second quarter of 2008, the Company completed major portions of the remaining phase-in. The Lumiere Place entertainment complex now features two casinos (Lumiere Place and The Admiral Riverboat Casino) the Pinnacle owned 200 guestroom Four Seasons Hotel St. Louis and the 294 suite Hotel Lumiere.

Pinnacle Entertainment, Inc. Earnings

A review of the last four years has found a huge swing in earnings from year to year. While revenues have continued to grow, expenditures are growing at a faster rate. The company is running a gross margin of 40% compared to the industry of 44%. Yet, a look at the operating income of the company does show positive earnings. It is that administrative section of the statement that is causing large problems.
A closer look at a breakdown of expenses shows that Pinnacle's earnings are being hurt by the strategy used for growth. Whereas many of the gaming companies are growing as a result of the purchasing of other companies, Pinnacle has chosen to grow by building new properties. As a result, they have large amounts of "Pre-Operating Costs" being written off on an as incurred basis. The expansion of new properties has also required additional debt that results in additional interest costs, also leading to lower earnings. Once these new properties open, additional revenues will be generated and the pre-operating costs will no longer be offsetting the earnings.

Exhibit I	2007	2006	2005	2004
Income before taxes	(1,851)	102,909	(17,350)	6,079
CFO	153,421	206,527	61,746	30,374
CFO/Income bef. Tax	(82.89)	2.01	(3.56)	5.00

Exhibit I does a comparison of income before taxes to cash flow from operations (CFO). It provides evidence that accruals of revenues and expenses can distort a view of the viability of a company. This exhibit shows that even though there are wide swings in

[1] Pinnacle Entertainment, Inc, Reuters ProVestor Plus Company Report, August 8, 2008

earnings, the company is generating a substantial amount of cash to meet additional investment needs.

Financial Viability

Liquidity

The most common measure of a firm's ability to meet its current commitments is the current ratio. It compares current assets to current liabilities. The casino and gaming industry current ratio norm is 1.6. A look at Exhibit 2 demonstrates that Pinnacle is below the norm and has been dropping over the last few years. A look at the interest coverage ratio would also suggest that Pinnacle can not meet its interest payments. But this same ratio using CFO rather than income before taxes would indicate that the firm is in fact capable of meeting its current interest payment commitments.

Exhibit 2: Liquidity Ratios

	1stQt2008	1stqt2007	2007	2006	2005	2004
Current Ratio	1.67	3.41	1.33	1.51	1.50	1.79
Interest coverage	-0.94	1.51	0.93	2.92	0.65	1.12
CFO Interest charge	1.63	3.42	5.97	3.85	1.25	0.59

Solvency Ratios

Exhibit 3 shows that Pinnacles debt/equity ratio is substantially better than the industry average and has continued to drop over the last four years. Such a low ratio provides the company with the flexibility to chose what type of financing it will use in the future. As was previously mentioned, it is generating enough cash to meet its interest costs.

But, the capital expenditure ratio and the free cash flow figures point to the need for future caution. The free cash flow number shows that for the year 2007, Pinnacle had to find additional financing (mainly new equity) of $393 million. The company had capital expenditure in excess of $545 million. The CFO/Capital Expenditure ratio indicates that the firm generated only enough cash to cover 28% of capital expenditures.

Exhibit 3:Solvency Ratios

	1st Q 2008	1st Q 2007	year 2007	2006	2005	2004
Debt/Equity	0.96	0.68	0.80	1.11	1.54	1.54
Debt/Assets	0.45	0.35	0.38	0.45	0.53	0.53
CFO Interest charge	1.63	3.42	5.97	3.85	1.25	0.59
CFO/LT Debt	0.02	0.04	0.18	0.27	0.09	0.05
CFO/Capital Expend	0.22	0.30	0.28	1.11	0.30	0.14
Free Cash Flow	-70,076	-75,658	-392,223	19,994	-141,028	-179,223

Additional Considerations

As of March 31, 2008, Pinnacle had a $625 million revolving credit facility (the “Credit Facility”) that matures in December 2010. The company has borrowed $150 million and had utilized letters of credit in the amount of $22.3 million. Utilization of the Credit Facility is currently limited to $350 million by the indenture governing the 8.75% senior subordinated notes due 2013.

As of March 31, 2008, Pinnacle had $203 million of cash and cash equivalents and approximately $178 million of availability under the Credit Facility. An analysis of future committed cash flows would suggest that Pinnacle could face some cash flow problems.

Take a look at current projects in process:

New Properties Under Development and/or Construction:

River City, St. Louis, MO.
The first phase of River City includes a gaming and multiuse complex, which represents an initial investment of $375 million. The casino will feature approximately 2,300 slots and 60 table games, along with several dining options. River City’s first
phase is expected to open in the first half of 2009. The second phase, which represents an additional investment of $75 million, will include a 100-guestroom hotel, as well as other amenities.

Sugarcane Bay, Lake Charles, LA
Sugarcane Bay will feature a state-of-the-art dockside casino with approximately 1,500 slot machines and 50 table games. It includes an upscale 400 room hotel. Final investment costs have not been determined but there is a required minimum project investment of $350 million. Site preparation for this project has started.

Rivière, Baton Rouge, LA
Rivière’s first phase, which represents an estimated investment of $250 million, includes a modern single-deck riverboat casino with approximately 1,500 slot machines and 50 table games.

Exhibit 4 provides a year by year chart of future expenditures for currently committed projects. Given that the maximum amount of cash previously generated was $206 million in 2006, Pinnacle will need major operational cash flows, debt or equity financing to meet anticipated commitments in 2009 and 2010.

Exhibit4 Project	Expenditures 2008	Expenditures 2009	Expenditures 2010	Expenditures Total
River City	$127,094,442	$191,535,248		$318,629,689
Sugarcane Bay	$ 16,500,000	$137,392,576	$184,558,753	$338,451,328
Riviere	$ 11,444,444	$ 99,377,963	$129,446,476	$240,268,883
Total Current Commitment	$155,038,886	$428,305,786	$314,005,229	$897, 349,901

The above analysis does not even consider what Pinnacle considers to be its ultimate gaming property that they have in Atlantic City.

Potential Future Development Sites:

Atlantic City, NJ

The specific attributes of the Atlantic City project have not yet been determined, but considering the size of the market and the site, location and cost of the site, this is expected to be significantly larger than any of the existing facilities. The latest numbers could be $2 billion.

Kansas City, KS

The estimated costs for this project is $650 million and will have a 500 room hotel with over 2000 slot machines and 60 table games.

Central City, CO

Not Yet Determined

Other Future Cash Flows

Pinnacle is currently carrying secured and unsecured notes as well as capital lease obligations that total to $841 million. At present, there are minimal amounts due until 2010. Pinnacle also has long term operating lease obligations. See below for those future payments.

Annual Maturities: As of December 31, 2007, annual maturities of secured and unsecured notes payable, and capital lease obligations are as follows (in millions):

Year ending December 31:

2008 . . . . $ 0.1
2009 . . .. 0.1
2010 . . . . 50.1
2011 . . . . 0.1
2012 . . . . 275.1

Thereafter	520.5
	846.0
Plus the difference between principal at maturity and unamortized net debt issuance premium	(4.7)
Long-term debt	$841.3

Pinnacle intends to maintain its capital expenditures to stay within current existing resources as long as possible. But they conclude that in order to fully execute the current development pipeline, additional funding will be needed. The Company concludes that, if the credit markets do not improve, it may be in the shareholders' best interests to temporarily delay some of the construction projects. They will continue to closely watch the capital markets and will use financial discipline to determine the appropriate time to build. They have no significant debt maturing until the revolver matures in December 2010.The first maturity date for Pinnacle bond issues is 2012.

As of March 31, 2008, Pinnacle had $203 million of cash and cash equivalents and approximately $178 million of availability under the Credit Facility. Of this amount, $88 million was used to fund casino cages, slot machines and day-to-day operating accounts as of March 31, 2008. Such amount will fluctuate depending on a particular month, and the day of the week that a month ends. Pinnacle generally produces significant positive cash flows from operations, though this is not always reflected in reported net income due to large depreciation charges and other non-cash costs.

Overview of last six months ending July 31, 2008.

Pinnacle continued to generate increased revenues for the last six months. Revenues increased by approximately 12.5%. It went from the 2007 six months of $466 million to $524 million for the six months ending June 30, 2008. Income from continuing operations before taxes dropped dramatically from $6.6 million to a loss of $75.0 million.

Much of this loss is caused by non-cash transactions. The opening of the Lumiere project added a 52% increase in depreciation expenses (to $60 million) along with an increase of 24% in pre-opening and development costs (now $31 million).The Company had Interest expense increase by more than 50% to $24 million for the six months ending June 30, 2008. Pinnacle also took a $23 million charge for impairment of investments in equity securities that were a result of their failed takeover attempt of Ameristar.

The earnings announcement did not provide the cash flow statement but did provide an adjusted EBITDA statement. For the six month period ending June 30, 2008, IBITDA dropped by more than 20% (it went from the same period in 2007 of $89,779,000 to

$72,519,000 in 2008). Cash and cash equivalents also dropped from $191 million down to $129 million.

As of June 30, 2008, Pinnacle had $129 million of cash and cash equivalents and approximately $200 million of availability under the Credit Facility. Of this amount, approximately $75.0 million was used to fund casino cages, slot machines and day-to-day operating accounts as of June 30, 2008.

Cash provided by operations was $106.3 million for the six months ended June 30, 2008 compared to $54.6 million for the 2007 period. This increase was due primarily to the receipt of insurance settlement proceeds related to the former Casino Magic Biloxi property, offset by increases in pre-opening and development costs and working capital uses.

Conclusions

Pinnacle Entertainment, Inc. has positioned itself such that it has financial flexibility and solvency to take advantage of current investment opportunities. It has a very favorable debt/equity ratio which allows it to not only find additional financing, but it should also be able to negotiate reasonable equity and interest positions.

At this time, the Company is trying to be flexible in terms of possible debt and equity. No documentation has been provided on the decision of using debt or equity. However, at the August 13 meeting, Pinnacle indicated that Entertainment Properties Trust (EPR) was interested in working the Pinnacle proposal. They tend to portfolio and hold what they acquire. They are positioned to finance this project.

It is my opinion that Pinnacle should not have a problem putting together a construction package for the proposed project.