

**Analysis of State Impacts Related to the
Proposed Kenosha Casino
Prepared for Kenesah Gaming Development, LLC
May 5, 2005
PricewaterhouseCoopers LLP
Hospitality & Leisure Consulting Group**

May 5, 2005

Mr. Dennis Troha
Manager
Kenesah Gaming Development, LLC
1709 – 32nd Ave.
Kenosha, WI 53144

Dear Mr. Troha:

In accordance with PricewaterhouseCoopers' ("PwC") engagement letter dated January 14, 2003, this report contains an executive summary of our findings.

The objective was to provide Kenesah Gaming Development, LLC ("Kenesah Gaming") certain advisory services relative to the potential development of a Class III gaming facility (the "Kenosha Casino") in Kenosha, Wisconsin by the Menominee Indian Tribe of Wisconsin. As such, we have prepared an analysis of the potential statewide impacts of the Kenosha Casino and offsetting impacts at the Potawatomi Casino in Milwaukee.

Our report is subject to the Assumptions and Limiting Conditions, which follow.

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ASSUMPTIONS AND LIMITING CONDITIONS

The accompanying analyses do not constitute an audit, examination, review or compilation of historical or prospective financial information conducted in accordance with Generally Accepted Auditing Standards or with standards established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are unable to express any opinion or any other form of assurance with respect to whether the prospective financial information is presented in conformity with AICPA presentation guidelines. To the best of our knowledge and belief, the statements of facts contained in this report, upon which the analysis and conclusion(s) expressed are based, are true and correct. Information, estimates and opinion furnished to us and contained in the report were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items is assumed by or imposed on us, and is subject to corrections, errors, omissions and withdrawals without notice.

Our analyses are based on estimates and assumptions developed in connection with this engagement. Some assumptions, however, inevitably will not materialize, and unanticipated events and circumstances will occur.

This report and its comments are intended solely for the Kenesah Gaming Development, LLC. This report will also be released subject to the limiting conditions below to the standard public. Neither our report, nor its contents, nor any reference to PwC may be included or quoted in any loan document, offering circular, registration statement, prospectus, sales brochure, appraisal, or other agreement.

If you have any questions contact either Michael French or Aran Ryan at 267-330-3050 or 267-330-3136, respectively. We appreciate the opportunity to assist the Kenesah Gaming Development, LLC.

Sincerely,

PriceWaterhouseCoopers L.L.P.

By: Michael G. French, Philadelphia

Executive Summary

PricewaterhouseCoopers (“PwC”) has assisted Kenesah Gaming Development, LLC (“Kenesah Gaming”) and the Menominee Indian Tribe of Wisconsin (“Menominee Indian Tribe”) at several points during the planning for the Menominee Indian Tribe of Wisconsin proposed Kenosha, Wisconsin casino and entertainment center project (“Kenosha Casino”) at the site of the existing Dairyland Greyhound Park (“Dairyland”). The Menominee Indian Tribe is a federally recognized Indian Tribe with over 8,100 members and a reservation located in northeastern Wisconsin. The Menominee Indian Tribe and its Menominee Kenosha Gaming Authority, have signed a development agreement with Kenesah Gaming, contracting the services of Kenesah Gaming to plan, design, develop, construct and furnish the Kenosha Casino.

The pursuit of opportunities to create new economic activity in Wisconsin, whether in the form of new jobs, or an expanded tax base, is an important topic for Wisconsin residents and their political representatives. The proposed Kenosha Casino offers one such opportunity. As a significant new development in a growing industry and one which will be situated in a location that is expected to make it possible to draw significant levels of spending from Illinois residents, the proposed Kenosha Casino offers the potential for substantial economic impacts to the local area and Wisconsin as a whole. Last year, to quantify these impacts, PwC prepared a detailed economic impact analysis that estimated the impacts Kenosha Casino is expected to support in a five-county region around Kenosha, Wisconsin.¹ The local impacts described in the analysis were significant, but excluded the potential benefits that would be supported in other areas of Wisconsin, for example as Kenosha Casino purchased inputs produced by businesses in central, western and northern Wisconsin.

Therefore, to understand the statewide impact of Kenosha Casino, it was necessary to expand the economic impact analysis to include the impact to other areas of Wisconsin, both in terms of additional activities supported as purchases by Kenosha Casino and its employees ripple through other areas in Wisconsin, and in terms of potential impacts to the existing Potawatomi Bingo Casino in Milwaukee, Wisconsin (“Potawatomi Casino”). This approach considers the potential gains offered by the operation of both Kenosha Casino and Potawatomi Casino after its proposed expansion relative to the impacts of the current Potawatomi Casino alone.

In preparing the analysis, PwC analyzed the expected performance and impact of the Kenosha Casino and the Potawatomi Casino in several scenarios. PwC considered a five-year period of analysis, using fiscal years beginning in June 2007, the month of the assumed opening of the first permanent phase of Kenosha Casino, and extending through May 2012, with figures presented in 2004 constant dollars to be consistent with PwC’s June 14, 2004 reports.² Unless otherwise

¹ Regional Economic Impact of the Proposed Kenosha Casino, June 14, 2004, prepared by PricewaterhouseCoopers for Kenesah Gaming Development, LLC.

² Market Assessment Executive Summary and Regional Economic Impact of the Proposed Kenosha Casino, June 14, 2004, prepared by PricewaterhouseCoopers for Kenesah Gaming Development, LLC.

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noted, gaming revenue figures presented are Class III net win, which includes racetrack revenues in the case of Kenosha Casino. The results of our analysis may be summarized in three points:

- 1) Compared to the economic impact supported by the existing Potawatomi Casino, the expected impacts of an expanded Potawatomi Casino and Kenosha Casino are substantial. The following describes the impacts in terms of jobs; salaries, wages, and other income; and tax revenues and other payments to the State of Wisconsin and local governments:
 - a. The existing Potawatomi Casino directly and indirectly supports approximately 3,130 full- and part-time jobs in Wisconsin, based on its estimated performance in 2003, the most recent year for which gaming revenue information is available.³ With the opening of an expansion at Potawatomi Casino, which is described in Section Two of this report, and the opening of Kenosha Casino, this impact is estimated to increase to an average of 10,460 jobs during the five-year period starting in June 2007. This represents an increase of more than 230 percent in the estimated employment impact.
 - b. The impact to wages, salaries and other income is also expected to be substantial, increasing from approximately \$132 million directly and indirectly supported by the existing Potawatomi Casino facility to an average of \$415 million annually. This represents an estimated increase of more than 210 percent relative to the estimated salaries, wages, and other income expected to be supported by the existing Potawatomi Casino.
 - c. Fiscal impacts, in the form of tax revenues and payments to the State of Wisconsin and local governments directly and indirectly supported by casino operations, are also expected to be substantially greater with the opening of Kenosha Casino, increasing from approximately \$37 million supported on an annual basis by the existing Potawatomi Casino (excluding non-recurring payments), to approximately \$114 million annually. Included in these overall estimates are payments to State, which are expected to increase from approximately \$19 million, to an average of \$60 million annually. Additional information on estimated fiscal impacts is presented in Figure 2.
- 2) The potential markets available to Kenosha Casino and Potawatomi Casino are substantial, and are expected to enable both casinos to operate expanded facilities. The Potawatomi Casino generated approximately \$244 million in gaming revenue during 2003 (in 2003 dollars). We would expect that such a casino generates significant annual returns for its operators. Because of the substantial size of the Milwaukee-area market, we anticipate that the Potawatomi Casino will not only remain highly profitable with the opening of the Kenosha Casino, but that the Forest County Potawatomi Tribe will still

³ The City of Milwaukee 2005 Proposed Budget shows the Potawatomi Casino paid \$3.7 million to the City. Based on the agreement between the Forest County Potawatomi Community and the City and County of Milwaukee, the City is to receive 1.5 percent of Milwaukee Annual Class III net win, or \$3.38 million, whichever is greater. Therefore, it has been calculated that the Potawatomi Casino generated approximately \$244 million in Class III net win in 2003 (in 2003 dollars).

find its planned casino expansion justified by the potential returns, permitting the tribe further opportunity to grow its business. Given the proposed location of Kenosha Casino, we do not anticipate significant impacts to any of the other existing casinos in Wisconsin.

- 3) If the Kenosha Casino plan advances quickly, it may reduce the attractiveness of Waukegan as a site for the 10th license in Illinois, increasing the likelihood that the license would be awarded to another location in Illinois, and preserving a greater amount of potential positive economic impacts for the State of Wisconsin and the Kenosha area. Also, even if a casino does not open in Kenosha, a casino may still open in Waukegan, and this casino may negatively impact the performance of Potawatomi Casino. The development of a casino in Waukegan, Illinois may potentially reduce the level of economic impact that would be expected to be supported by the Kenosha Casino.

Our analysis is presented in three sections that correspond to these key findings. The first section presents the economic impact results, the second section summarizes the scenario analysis, and the third section addresses the potential development of a casino in Waukegan, Illinois.

1. Economic Impact Results

The expected benefits to the residents of Wisconsin supported by the development of Kenosha Casino are expected to occur in three key categories:

- jobs: including employees of the casino, construction firms, and suppliers;⁴
- salaries, wages, and other income: including employee compensation earned by employees of the casino, construction firms, and suppliers, as well as other income;⁵ and,
- fiscal impacts: including tax revenues, such as income tax payments by employees at the casino, and direct payments by the casinos to the State and local governments.

These measures are the focus of our analysis, and are used to understand the potential impacts of Potawatomi Casino and Kenosha Casino in future years. This analysis of future performance is summarized as follows:

- 1) the economic impact supported by the existing Potawatomi Casino,
- 2) the economic impact expected to be generated by an expansion of Potawatomi Casino,
- 3) the economic impact expected to be supported by Kenosha Casino,

⁴ The economic impacts of leased retail facilities at Kenosha Casino have been excluded from this analysis because the facilities were added to the facilities program after PwC had completed much of its market research.

⁵ Employee compensation includes total payroll costs, including wage and salary payments, as well as tips and any benefits being provided including health and life insurance, retirement payments, and any other non-cash compensation. Other income includes proprietors income and other property type income. Proprietors income includes income received for payment of self-employed work, as reported on Federal tax forms. This includes income received by private business owners, doctors, lawyers, and so forth. Other property type income includes payments to individuals in the form of rents received on property, royalties from contracts, and dividends paid by corporations. This also includes corporate profits earned by corporations. For the purpose of this analysis, the estimate of direct salaries, wages, and other income excludes payments to Menominee Indian Tribe, the Forest County Potawatomi Tribe, or other entities involved in the casino development and operation.

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- 4) the potential impact of a reduction in activity at an expanded Potawatomi Casino as a result of the opening of Kenosha Casino; and,
- 5) the net impact of these four estimates.

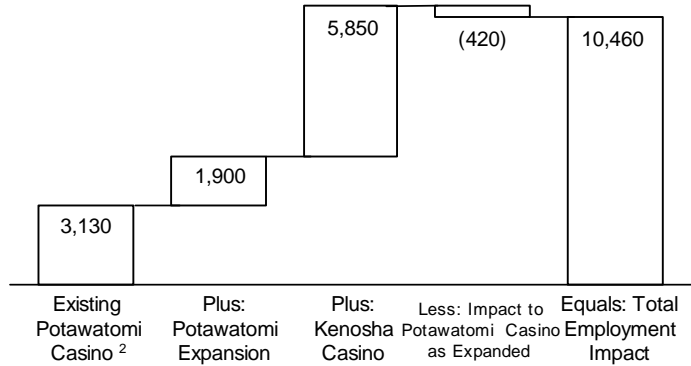
The results of the comparisons are shown on the following page, and the logic is straightforward: the Potawatomi Casino has a significant potential market available to it that is not currently being satisfied; therefore the Potawatomi Casino may be expected to expand and support increased economic impacts in Wisconsin. The development of Kenosha Casino is also expected to support substantial economic impacts in Wisconsin, and because Kenosha Casino is expected to draw a high proportion of its visitors from Illinois and other markets not reached by Potawatomi Casino, the opening of a casino in Kenosha is expected to have only a minor impact on the performance of Potawatomi Casino. Overall, the future impacts supported by these two casinos may be expected to be more than three times as large as the impacts supported by the existing Potawatomi Casino. In other words, with the opening of Kenosha Casino and the opening of a market-justified expansion at Potawatomi Casino, Wisconsin could potentially experience economic impacts equivalent to those that would be supported by three existing Potawatomi Casinos operating simultaneously.

Figure 1 – Economic Impact with Kenosha Casino and Expanded Potawatomi Casino

As shown in the following three graphs, Wisconsin is expected to realize valuable benefits from the operation of Kenosha Casino in addition to the expanded Potawatomi Casino.

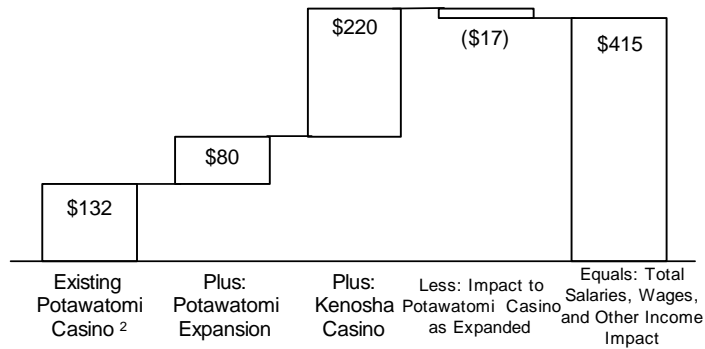
Annual Direct and Indirect Employment Impact

- Combined, the expanded Potawatomi Casino and the Kenosha Casino are expected to support an average of 10,460 jobs annually during the five-year analysis period (FY 2008 to FY 2012).
 - This represents 3.3 times the expected impact of the existing Potawatomi Casino.



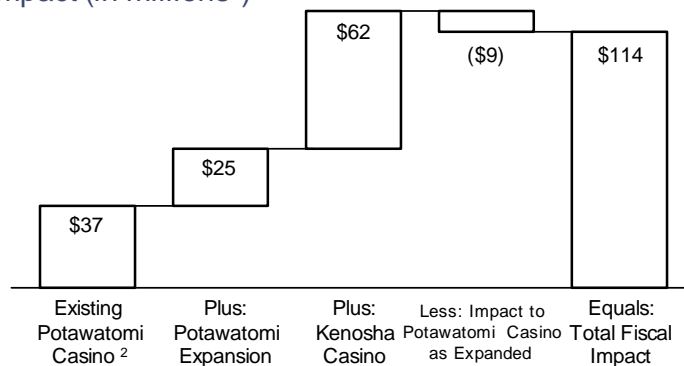
Annual Direct and Indirect Salaries, Wages, and Other Income Impact (in millions ¹)

- The two facilities combined are expected to support an average of \$415 million of salaries, wages, and other income annually during the five-year analysis period, including salaries, wages, and other income earned by employees of the casinos and local businesses.
 - This represents 3.1 times the expected impact of the existing Potawatomi Casino.



Annual Direct and Indirect Fiscal Impact (in millions ¹)

- The fiscal impact of the combined facilities is expected to average \$114 million annually during the analysis period, including an average of \$60 million in payments to the State of Wisconsin, also taxes collected by the State, as well as local government mitigation payments.
 - This represents 3.1 times the expected impact of the existing Potawatomi Casino.



¹ Values are in 2004 dollars

² Excludes non-recurring payments

Source: IMPLAN, Kenesah Gaming; and PricewaterhouseCoopers

As presented in Section Two, during the five-year analysis period the expanded Potawatomi Casino and Kenosha Casino are expected to generate cumulative gaming revenue of \$2.1 billion and \$2.2 billion, respectively. The Wisconsin economic impacts of each facility are expected to differ for a number of factors, including the proposed location of the Kenosha Casino near the Illinois border, and the greater level of construction expenditures anticipated at Kenosha Casino.

The economic impacts presented in this analysis were calculated using the IMPLAN economic impact software in an approach that follows the approach PwC used in estimating the economic impact in the local area.

As part of these impacts, Kenosha Casino is expected to support valuable intergovernmental and charitable payments. These payments have been summarized as follows.

- Kenosha Casino is expected to support \$234 million in payments to the City and County of Kenosha and the State of Wisconsin during the five-year period starting June 2007, equivalent to \$47 million annually. This estimate includes \$750,000 in payments to the County of Kenosha to create and implement a responsible gaming policy (\$150,000 annually), almost \$10 million in distributions to the Kenosha Unified School District (approximately \$2 million annually), \$65 million in intergovernmental payments to the City and County of Kenosha (approximately \$13 million annually), and \$161 million in payments to the State of Wisconsin (\$32 million annually).⁶ These estimates are based on the Intergovernmental Agreement between the Menominee Indian Tribe of Wisconsin, the Menominee Kenosha Gaming Authority, the City of Kenosha, and the County of Kenosha; and on an assumed payment of 7.5 percent of annual net win to the State of Wisconsin.
- In addition to the estimated \$234 million expected to be paid during the five-year period described, the Menominee Kenosha Gaming Authority is expected to pay \$5 million to the City of Kenosha for the purpose of establishing a trust fund to support public museums of Kenosha and a trust fund to address the needs of homeless people in Kenosha, and to address other cultural and charitable needs in Kenosha County.

These payments, the payments by Potawatomi Casino, and the estimated non-gaming tax impacts by both facilities are shown in Figure 2. In addition to the payments considered in this analysis, Kenosha Casino has agreed to pay a hotel tax on occupied hotel rooms and has agreed to fund a portion of local tourism activities.

⁶ The estimates shown do not sum to the total due to rounding.

Figure 2 – Average Annual Fiscal Impacts

	Five-Year Average (FY 2008 to FY 2012)			
	Existing Potawatomi Casino (a)	Expanded Potawatomi Casino	Kenosha Casino	Combined Expanded Potawatomi Casino and Kenosha Casino
Intergovernmental payments (millions)				
State of Wisconsin	\$19	\$27	\$32	\$60
City and County of Milwaukee	9	12	0	12
City and County of Kenosha	0	0	13	13
Payments to Kenosha Unified School District	0	0	2	2
Payments to support Responsible Gaming Program (b)	0	0	0	0
Sub-total	\$28	\$40	\$47	\$87
Non-gaming taxes (millions)				
Non-gaming taxes including personal and social insurance taxes paid on the salaries and wages of casino employees, and indirect taxes	9	13	15	28
Total Fiscal Impact	\$37	\$53	\$62	\$114
Notes				
(a) Based on estimated 2003 performance and payments to the State of Wisconsin at the following rates: eight percent of net win in calendar year 2007, seven percent in 2008, six percent in 2009, and 6.5 percent in following years.				
(b) Calculated as \$150,000 annually, this estimate does not show in table due to rounding.				
Dollar values are constant 2004 dollars.				
Figures may not sum due to rounding.				

Source: IMPLAN, Kenesah Gaming; and PricewaterhouseCoopers

Estimated non-gaming tax impacts supported by Kenosha Casino are expected to total approximately \$15 million annually. Non-gaming tax impacts include personal and social insurance taxes, including income taxes paid on the salaries and wages of casino employees; as well as corporate profits and dividends taxes, and other indirect business taxes expected to be supported by the indirect impacts of the casinos on the Wisconsin economy. For example, estimated non-gaming taxes include retail sales tax receipts that may be supported by spending by workers, and corporate income tax receipts that may be supported by corporate profits in other sectors of the state economy. Also, interest income from the savings of the individuals who receive wages and salaries supported by the casinos represents a source of potential tax revenue.

This brings the total estimated fiscal impact of Kenosha Casino to \$62 million annually. Combined with the estimated impact of an expanded Potawatomi Casino, the fiscal impact is expected to total \$114 million annually, which is 3.1 times as large as the approximately \$37 million of fiscal impacts that would be expected to be supported by the existing Potawatomi Casino on an average annual basis over the same period.

2. Estimated Performance of Potawatomi Casino in Two Scenarios

The potential market available to Potawatomi Casino is substantial, and is estimated to provide opportunities for the casino to generate significant revenues. These estimates are based on the adult population in the region and the performance of comparable casinos. PwC estimated the expected gaming revenue of Potawatomi Casino in two different scenarios, one without Kenosha Casino and one with Kenosha Casino. In both cases it was assumed that Potawatomi Casino would take advantage of the substantial market available to it and construct an expansion.

In forming these scenarios, PwC made a number of assumptions, including the following:

- **Scope of Kenosha Casino:** It is assumed that Kenosha Casino opens a Temporary Phase that is followed by the June 2007 opening of Phase I, and June 2009 opening of Phase II. In the initial or Temporary Phase, the existing Dairyland racetrack is retrofitted with slot machines and table games. In Phase I, a new casino facility opens, and in Phase II, the casino is expanded with additional facilities, including a 400-room hotel.
- **Scope of Potawatomi Casino expansion:** The Forest County Potawatomi Tribe (“Potawatomi Tribe”) has announced it may expand Potawatomi Casino, but has not announced specific details of the expansion. For the purpose of considering a situation in which the Potawatomi Tribe moves ahead with an expansion, PwC has assumed that the expansion will occur adjacent to the existing Potawatomi Casino and that it will bring the total number of gaming positions at Potawatomi Casino to 3,000, an increase in gaming positions of approximately 100 percent. Additionally, it is assumed that the expansion will include a hotel, and that it will open in June 2007. The June 2007 opening date was assumed for this analysis because it matches the assumed opening of Phase I of Kenosha Casino and therefore helps to simplify the discussion, and because it is a reasonable timeline in absence of any more specific information.

Assumptions related to the Potawatomi Casino are based on the following information. Immediately preceding the May 14, 2004 decision by the state Supreme Court that cast into doubt the State’s recent compacts with the Potawatomi Tribe, the Potawatomi Tribe announced plans to construct a \$240 million casino facility, either as an expansion of the existing Potawatomi Casino or as a new casino in downtown Milwaukee. At the time, a spokesperson for the Potawatomi Tribe reportedly stated that if the expansion occurred at the existing site, the current building would be retained but with an enlarged footprint and additional stories. Additionally, it was announced that the expansion would increase the number of casino employees by approximately 60 percent. These plans were reportedly put on hold by the state Supreme Court decision. The Potawatomi Tribe had previously announced plans, in February 2003, for a \$120 million addition, with the potential to add a hotel.

- **Table games permitted:** For this analysis, PwC has assumed a full complement of table games, including for example craps and roulette, are offered at both Potawatomi Casino and Kenosha Casino. Because Potawatomi Casino currently offers a full complement of table games, this assumption was made so that Kenosha Casino could be considered on a comparable basis. Also, a casino with a full complement of table games is: 1) permitted

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in the Menominee Indian Tribe compact with the State, 2) competitive with the offerings at the Illinois riverboat casinos, and 3) offers the greatest economic impacts to the residents of Wisconsin.

- **Regional gaming environment:** The assumed regional gaming environment considered in this analysis is consistent with PwC's June 14, 2004 Market Assessment.⁷ Specifically, PwC assumed that a riverboat casino will open in Rosemont, Illinois, but did not incorporate potential impacts related to the new casino tax rates in Illinois that went into effect on July 1, 2003 and were expected to end either on July 1, 2005 or with the opening of a 10th casino in the state. It is expected that other changes to the regional gaming market may occur during the period of analysis that were not included in PwC's June 14, 2004 Market Assessment, such as expanded casinos at other sites in Wisconsin, but no such changes have been included in this analysis.
- **Fiscal year definitions:** PwC prepared its estimates on a fiscal year basis, using a fiscal year starting June 1 to coincide with the opening dates of Phase I and Phase II of Kenosha Casino. Therefore, Fiscal Year 2008 starts June 1, 2007.

The chronology described by these assumptions may be summarized as follows: first, Kenosha Casino opens a temporary casino, then in June 2007, Potawatomi Casino expansion opens and Phase I of Kenosha Casino opens; later, in June 2009, Phase II of Kenosha Casino opens, including a hotel.

In our experience analyzing casino gaming markets throughout the U.S., we would anticipate that a casino in the current position of Potawatomi Casino would be aggressively pursuing plans for expansion. Though we have not analyzed the actual operations of Potawatomi Casino, we would anticipate that a facility of its size that generated approximately \$244 million in gaming revenue in 2003 (in 2003 dollars) would be highly profitable for its owners. While other major metropolitan areas that offer casino gaming, such as Detroit and St. Louis are served by multiple local casinos, Potawatomi Casino is the only casino in the Milwaukee area. We have analyzed the population base in the market area accessible to Potawatomi Casino, and expect that the market is not fully captured by Potawatomi Casino in its existing size. While Kenosha Casino would likely attract some gamers who would have otherwise visited an expanded Potawatomi Casino, PwC anticipates that an expansion of the Potawatomi Casino would still generate incremental free cash flow that would support an attractive return on investment. Therefore, PwC believes it is appropriate to assume that the Forest County Potawatomi Tribe will expand Potawatomi Casino even if a new casino opens in Kenosha.

PwC estimated expected revenue of Potawatomi Casino from FY 2008 to FY 2012 in each scenario, considering the simultaneous operation of Kenosha Casino. In this analysis, the operation of Kenosha Casino has the greatest expected impact on Potawatomi Casino in FY 2010, the year that the Phase II facilities at Kenosha Casino first open, after which Potawatomi Casino is expected to refocus its marketing efforts, and achieve revenue levels closer to the case

⁷ Market Assessment Executive Summary, June 14, 2004, prepared by PricewaterhouseCoopers for Kenesah Gaming Development, LLC.

without Kenosha Casino. In the following figure, PwC has shown estimated revenues in FY 2008, the assumed first year of operation of the Phase I permanent facility at Kenosha Casino, and in FY 2011, as an example year showing revenues after Potawatomi Casino has had an opportunity to refocus its marketing efforts. The expected gaming revenue at the existing Potawatomi Casino is expected to increase from approximately \$244 million (in 2003 dollars) to approximately \$289 million annually (in 2004 dollars) even if it remains in its current facility. This is because Potawatomi Casino has made some incremental additions to its number of gaming positions and because it started offering a full complement of table games including craps.

Figure 3 – Estimated Potawatomi Casino Revenue

	Existing Potawatomi Casino	Expanded Potawatomi Casino	
		FY 2008	FY 2011
Estimated gaming revenue	\$289	\$374	\$431

Note: figures are in millions of 2004 dollars.

Source: PricewaterhouseCoopers

The estimated performance of Potawatomi Casino may be summarized as follows:

- In its existing scope, gaming revenue of the Potawatomi Casino is expected to average approximately \$289 million annually. This represents an increase from the approximately \$244 million in Class III net win that the facility generated during 2003 (in 2003 dollars), as a result of a slightly increased number of gaming positions and a more complete offering of table games.
- In the case that includes Kenosha Casino and an expansion of its facility, Potawatomi Casino gaming revenue is expected to total approximately \$374 million in FY 2008 (19 percent below the case without Kenosha Casino), and recover to \$431 million in FY 2011 (17 percent below the case without Kenosha Casino). It should be noted that even if Kenosha Casino opens, Potawatomi Casino is still estimated to greatly increase its revenue by expanding; reaching \$431 million in annual revenue, compared to \$289 million at its current size.

Summary of Cumulative Gaming Revenue

As a useful measure for consideration, PwC has calculated the cumulative gaming revenue expected to be generated over a five-year period by Potawatomi Casino and Kenosha Casino combined. This measure indicates that gaming revenue is expected to be the greatest when both Potawatomi Casino and Kenosha Casino are operating. As shown in the following figure, the combined casinos are expected to generate approximately \$4.2 billion in cumulative gaming revenue during the five-year analysis period. This is equivalent to approximately \$845 million annually, or 2.9 times the expected annual revenue of Potawatomi Casino in its existing facility.

Figure 4– Cumulative Casino Gaming Revenue

	Expanded Potawatomi Casino	Kenosha Casino	Combined
Cumulative gaming revenue FY 2008 to FY 2012	\$2.07	\$2.15	\$4.22

Note: Figures are in billions of 2004 dollars.

Source: PricewaterhouseCoopers

Debt Service Costs

It may be expected that Kenosha Casino will face a higher level of debt service costs, and therefore may have a lower level of free cash flow available for payments to the State of Wisconsin, than it would if it was already operating as a casino. In its plan for Kenosha Casino, the Menominee Indian Tribe has proposed an \$808 million entertainment complex and casino in a strategic decision to appeal to visitors from a broad market and to differentiate its gaming experience offering from that featured at the riverboat casinos in Illinois.⁸ This may be compared to the \$240 million expansion announced by the Potawatomi Casino in May 2004. It may be expected that the Potawatomi Casino, with its existing operation, existing name recognition in the market, and central location in a major metropolitan area, is in a position to generate incremental revenue with a lower level of investment than is planned for Kenosha Casino.

Not only is the level of investment at Kenosha Casino expected to be greater than at Potawatomi Casino, but the interest rates required by lenders on the Kenosha Casino project are expected to be higher than if the facility had an operating history as a casino. In comparison, the Potawatomi Casino has operated since 1991 and has had an extended period to generate returns for the Forest County Potawatomi and develop access to less costly capital for an expansion.

3. Potential Development of a Casino in Waukegan, Illinois

Because the final location of the 10th casino license in Illinois has not yet been fully resolved, it may still be possible for Waukegan, Illinois to be selected as a development site. If Kenosha Casino is developed, a casino in Waukegan may be expected to generate a lower level of gaming revenue than it would otherwise. Therefore, if the Kenosha Casino plan advances quickly, it may reduce the attractiveness of Waukegan as a site for the 10th license in Illinois, by reducing the potential supportable tax revenues. As a result, timely development of Kenosha Casino may decrease the likelihood that a license would be awarded for a facility in Waukegan, thereby preserving a greater amount of potential positive economic impacts for the State of Wisconsin and the Kenosha area.

If a casino is developed in Waukegan, rather than in Rosemont, Illinois as assumed by PwC for the purpose of this analysis, the economic impact supported by the Kenosha Casino may be

⁸ Menominee Indian Tribe of Wisconsin press release, “Menominee Submit Initial Plans Kenosha Entertainment Center, Request Formal Talks with City and County”, June 16, 2004.

expected to be somewhat lower. Though PwC has not yet analyzed this scenario, it is anticipated that a casino in Waukegan would tend to draw from similar markets as the Kenosha Casino, and thereby might reduce the expected level of gaming activity at Kenosha Casino. Even in the absence of a casino in Kenosha, a casino in Waukegan may still negatively impact the level of gaming activity in Wisconsin by attracting some visitors who may have otherwise gamed at Potawatomi Casino.