# City of Detroit
# Detroit City Council

## Financial Review and Analysis
## Of
## Seven Casino Gaming Development
## Phase II Proposals

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# Financial Analysis of the Seven Phase II Casino Proposals

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## *EXECUTIVE SUMMARY*

### Purpose

This report is provided to advise and assist the Detroit City Council's Fiscal Analyst and Council Staff in their review of seven casino gaming development proposals, of which three are to be chosen by the Mayor of Detroit as finalists.

The scope of our services included reviewing and analyzing certain aspects of the Phase II casino gaming development proposals submitted to the City of Detroit by seven casino gaming proposers. Specifically, we performed a review and analysis of the:

- proposer's financial strength, sources of financing, and amounts of aggregate credit.
- projected financial statements, historical performance statistics, project costs, and proposal for a temporary casino, including underlying assumptions.
- proposer's methodology as to how the City is to be protected against construction and operating risks related to the casino complex, including cost overruns.
- proposer's plans for post-construction credit facilities or other sources of capital to fund the operations of the casino complex in the event that actual operating results do not meet the projections submitted by the proposers.
- proposer's plan of who will pay for the project, including infrastructure.
- relationship between the proposer and related entities.
- fiscal benefits the City may reasonably expect from the proposer's complex

### Proposers

For purposes of this analysis, hereinafter the proposers are identified with their respective Substantial Owner, and are referred to as follows: Barden Detroit Casino, LLC ("Barden"); Detroit Entertainment, LLC ("Circus"); Greektown Casino, LLC ("Greektown"); MGM Grand Detroit, LLC ("MGM"); MDC Gaming Corp. ("Mirage"); Paradise Valley Rio, LLC ("Rio"); and Trump Motor City Hotel Casino, LLC ("Trump").

*Circus, MGM and Mirage*

These proposers are considered by the financial and investment communities to be some of the most influential companies in the gaming industry. Of the seven proposers considered, these three have the strongest operations, the greatest financial resources and represent the least risk to the City of Detroit. The companies all have substantial existing available credit lines with which they can finance their proposed Detroit casino project costs and operations. Their proposals include financing scenarios that are realistic and operating projections that are based on years of relevant experience in the efficient operations of large hotel casinos, and development plans that reflect their experience in planning building, staffing and opening facilities similar to the project proposed for the City of Detroit.

The following table reflects these proposers' size of operations and financial resources[1]:

| OPERATIONS | CIRCUS | MGM | MIRAGE |
|---|---|---|---|
| Revenue | 1,334 | 805 | 1,368 |
| EBITDA[2] | 318 | 191 | 399 |
| Net Income | 101 | 44 | 206 |
| Assets | 2,729 | 1,288 | 2,143 |
| **RESOURCES** | | | |
| Debt/ Equity | 1.45:1 | 0.10:1 | 0.36:1 |
| Market Cap.[3] | 2,069 | 2,129 | 4,312 |

These proposers are among the companies with the strongest name recognition in the gaming industry, regionally, nationally and internationally. It is particularly important that the City of Detroit achieve and maintain strong market dominance in what may become an increasingly more competitive gaming market, and to reach beyond their immediate market area for markets which may deliver added value to the economy of the City of Detroit. Also, the experience that these companies have on other projects, in other jurisdictions, and in developing and maintaining their leadership positions in the industry would be invaluable to gaming in Detroit.

[1] Dollar amounts are shown in millions of dollars.
[2] EBITDA is defined as earnings before interest, taxes, depreciation and amortization.
[3] Price is as of 11/13/97 close.

The following table summarizes the proposers' financial projections included in their proposals for their Detroit projects:

| PROJECTIONS | CIRCUS | MGM | MIRAGE |
|---|---|---|---|
| Casino Revenue | 440.2 | 482.0 | 491.7 |
| Total Revenue | 571.4 | 805.0 | 711.4 |
| EBITDA | 242.3 | 113.2 | 150.7 |
| Net Income | 169.4 | 11.0 | 16.9 |
| Gaming Taxes | 84.7 | 72.1 | 103.8 |

### *Greektown*

Greektown is a presumptive proposer. Greektown is a joint venture of the Sault St. Marie Tribe of Chippewa Indians, Millennium Management Group, LLC and Detroit businessmen. It anticipates receiving its equity contribution primarily from bank loans totaling $123.8 million and the balance of the capital required for its project from a public debt offering of $400 million. Greektown's casino operations are the Tribe's five casinos with revenues of $109 million and EBITDA of $38 million. Greektown has projected for its Detroit casino project casino revenue of $390.6 million, total revenue of $480 million, EBITDA of $134.9 million, net income of $34.7 million and gaming taxes of $83.5 million.

Greektown's financing is entirely dependent on a successful public debt offering of $400 million, which would be subject to the uncertainties and risks of current market conditions. Greektown has no alternative sources of funding available other than its initial capitalization except for the Chippewa Indian's casinos. The Tribe may be dependent on the cash flows from their casinos for its economic well being. Also, Greektown has no prior experience as a team developing and opening a resort hotel casino project. Some members of its team, however, have prior experience with other companies developing and opening large resort hotel casinos. The Tribe offers direct experience with the Michigan regional gaming market and their casinos appear to be efficiently operated.

### *Barden*

Barden operates a small riverboat in Gary, Indian with revenues of $54 million (first six months of operation), EBITDA of $5 million and total assets of $140 million. Barden has a weak financial condition with a net loss of $7.8 million and long-term debt of $107 million. Barden is over-leveraged and losing money. There is a significant risk that the company cannot continue as a going concern. The unaudited results of operations for the six months ended June 30, 1997 show little improvement over the results of operations over the six months in 1996.

Barden plans to raise the required 20% equity investment by contributing its riverboat operation, which it values at $127 million. This plan is questionable in light of the fact that the riverboat is not a liquid asset and since it is losing money its valuation at $127 million is also questionable. Barden plans to find a partner to help in funding the Detroit project. The time and inherent risk involved in locating an acceptable partner, and the lack of capital available to the project as a result of the nature on non-cash assets invested, create considerable doubt that this funding plan will allow for the completion of the project. Barden plans to fund the balance of the capital with public debt offering, which, for a company that is under-capitalized, can be a time consuming and difficult task.

Barden's financing is entirely dependent on a successful public debt offering of $300 to $500 million, which would be subject to the uncertainties and risks of prevailing market conditions. Barden has no alternative sources of funding available other than his initial capitalization.

Barden projects casino revenue of $370.5 million, total revenue of $438.4 million, EBITDA of $126.2 million and net income of $16.9 million. Barden has no prior experience developing and opening large casino hotels.

### *Rio*

Rio is a well capitalized mid sized company with revenues of $220 million, assets of $495 million and EBITDA of $56 million. Rio operates one resort hotel casino in Las Vegas. Rio's financial condition is healthy with long term debt to equity ratios of 1.40 to 1, a debt coverage ratio of 2-3 times interest expense and its market capitalization is $479 million. Rio, however, has recently announced a new $700 million 3,000 room resort hotel casino project with 100,000 square feet of convention space in Las Vegas.

Rio's financing is entirely dependent on a successful public debt offering of $600 million and would be subject to the uncertainties and risks of prevailing market conditions. Rio has only its Las Vegas operation as an alternative source of funding.

Rio projects for its Detroit project casino revenue of $338.6 million, total revenue of $447 million, EBITDA of $119.8 million and a net loss of $22.2 million with gaming taxes of $72.8 million. Rio has experience developing large hotel casino projects.

### *Trump*

Trump's three Atlantic City casinos have aggregate revenues of $976 million, assets of $2.4 billion and EBITDA of $164 million. Trump's financial condition, however, is very weak with $1.7 billion in long term debt and a net loss for last year of $65.7 million. Losses continue to mount into the stub period in 1997. The company's ability to continue to operate under its present capital structure is questionable. Trump is significantly over-leveraged. Trump's sources of capital for his equity contribution to the Detroit casino project are not readily identifiable from the proposal. Its source of financing for the Detroit casino project would be from a public debt offering which, considering the apparent financial instability of current operations, appears doubtful and may be time consuming and expensive.

Trump's financing is entirely dependent on a successful public debt offering of $400 million, which would be subject to the uncertainties and risks of current market conditions. Trump has no alternative sources of funding available from his other operations.

Trump projects casino revenue of $414.2 million, total revenue of $490.3 million, EBITDA of $82.9 million and net income of $12 million. Trump has substantial experience developing large hotel casino projects.

## Temporary Casino Project

If the temporary casinos that have been proposed are all too small to properly service the large Detroit casino market, there is a risk that they may not meet market expectations in terms of service and amenities.

## Limitations

The following analysis does not provide an in-depth study or an extensive cost analysis of any of the issue areas. We did we independently verify or attest to the accuracy of the information provided in the proposals. Our analysis was performed utilizing primarily the documentation provided by the seven casino proposers in response to Phase II of the Mayor's RFP process, and our expertise and knowledge regarding the proposers and the casino gaming industry.

## *FINANCIAL STRENGTH, SOURCES OF FINANCING AND AMOUNT OF AGGREGATE CREDIT*

### Summary

Circus, MGM and Mirage are supported by large, publicly traded corporations that enjoy the ability to muster extensive amounts of capital from a variety of sources for their expansion projects. Total revenues and 1996 EBITDA for the supporters of Circus, MGM, and Mirage are $1,334 million and $318 million, $805 million and $191 million, and $1,368 million and $399 million, respectively. Each of these proposers intends to utilize existing revolving credit facilities to fund the capital requirements of their respective proposals. Since each credit facility already exists, these financing proposals are quick, relatively risk free, and very efficient in terms of cost. All of these companies have a number of expansion projects under construction and/or on the drawing board, however, and competition for available funds is a potential risk of this form of financing.

A small capital publicly traded company with revenues of $220 million and 1996 EBITDA of $56 million supports Rio. Rio intends to acquire the capital required for its proposal with two public offerings or Rule 144A private placements, which generally permit resale of restricted securities to qualified institutional investors. The first of these transactions involves the sale of $150 million of preferred stock in the Rio Hotel and Casino, Inc. Secondly, Rio intends to raise $600 million through the sale of high yield debt securities to be issued by Paradise Valley Rio, LLC. This method of financing places the project at risk to potential future events, such as weakening capital market conditions or diminishing results of operations of Rio Hotel and Casino, Inc. The requirements for financing are time consuming, which could delay land acquisition or construction or otherwise lengthen the time required to complete the project. Finally, the proposer does not indicate whether Rio Hotel and Casino, Inc. can or will guarantee the high yield debt securities, placing the entire plan in question.

Primarily the Sault Ste. Marie Tribe of Chippewa Indians supports Greektown. The Tribe controls a number of businesses including five small casinos. Their assets total $108 million and their EBITDA was $37 million in 1996. Greektown intends to raise approximately $145 million of the $545 million required for their project primarily through loans to be obtained by the Tribe and Millennium Management Group, LLC., the company engaged to operate the Detroit project for Greektown. The balance of the required funds is to be obtained through a public debt offering of $400 million. While the supporters of Greektown have obtained firm commitments for the equity portion of the required capital, the anticipated public offering is again at risk to changing market conditions, availability of guarantees by the supporters and, of course, changes in their financial condition. Time and expense make this funding plan less desirable than those proposed by some of the other proposers.

Both Trump and Barden projects propose public offerings to fund their project requirements. While a large, publicly traded company supports Trump and Barden is supported by a small, closely held corporation, the risks associated with their funding proposals are similar. Neither supporter enjoys a strong financial condition nor has a history of profitability. Any attempt to complete a public offering by either of these proposers will likely be very time consuming and expensive, and has a significant risk of failure.

## Review and Analysis Criteria

Each of the seven proposers' audited and unaudited financial statements for their most recent five fiscal years, and the stub period ended prior to August 25, 1997, was reviewed and analyzed using the following criteria:

1. For comparative financial strengths of proposers -

   a) Trends in current operations (by year for five years and stub period in 1997) -

      i) Total revenue ( broken out by gaming and non-gaming)
      ii) Operating income
      iii) EBITDA
      iv) Net income (loss)

   b) Trends in profitability measures

      i) Revenue as a percentage of assets
      ii) EBITDA as a percentage of revenue
      iii) Net income as a percentage of revenue
      iv) Interest expense as a percentage of revenue
      v) Net income as a percentage of assets

   c) Liquidity and leverage measures -

      i) Current ratio
      ii) Interest expense coverage[4]
      iii) Ratio of long term debt to equity

   d) Capital ratios -

      i) Market capitalization of common stock[5]
      ii) Stockholders' equity
      iii) Market capitalization as a percentage of stockholders' equity
      iv) Price earnings ratio

2. For reasonableness and viability of anticipated sources of financing -

[4] EBITDA divided by interest expense.
[5] Average market price times weighted average number of outstanding shares.

a) For Detroit project financing

i) Evaluation of available sources of financing
ii) Review of terms, rates and security and other conditions of financing agreements.

b) Sufficient capital from internal sources to meet minimum 20% equity in their project

c) Efforts to obtain Detroit-based financing

3. For estimated aggregate amount and type of available credit without renegotiating existing credit agreements -

a) Amounts that can be drawn down to contribute to proposers' equity.

b) Review and analysis of recent and independent stock, debt and other reports (proposers' ratings).

c) Analysis of aggregate funding requirements of all of proposers' major projects including Detroit and amount of existing credit and other sources of available capital.

Information for the foregoing review and analysis was obtained from the audited and unaudited financial statements included in the proposals, financial statements included in copies of the proposers' SEC Forms 10-K's and 10-Q's, and reports from investment banking and brokerage firms.

There are differences in the financial information reported. Greektown's proposal includes the historical audited financial statements of the Sault Ste. Marie Tribe of Chippewa Indians' combined financial information for their five casinos and hotel only for the year ended December 31, 1996. Casino revenues reported in these financial statements do not appear to be report casino revenue as the difference between wins and losses in accordance with AICPA guidelines. We have assumed that the Tribe's casino revenue is the difference between amounts shown as gaming revenue and amounts for payouts[6] and commissions for the year ended December 31, 1996. Comprehensive audited financial statements for the Tribe's combined funds the four years ended December 31, 1995 have also been included in their proposal. These financial statements are presented on a fund accounting basis without separate financial statements for the casino and hotel operations. No attempt was made to identify the enterprise funds related to the operations of the five casinos and hotel from such financial statements. Barden's

[6] Amounts paid to customers on winning wagers.

riverboat casino, The Majestic Star Casino, commenced gaming operations in June 1996. Trump's financial statements include the operations of Trump Marina (Castle) only from October 7, 1996, the date of acquisition.

## Strengths and Weaknesses

See *Exhibit 1-1 (Strengths and Weaknesses)* at page 26

## Risk Factors

### *Forward-Looking Statements*

The proposals contain statements and projections that are forward-looking including, but not limited to, capital spending and financing sources. Such forward-looking information involves risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made in the proposals. These risks and uncertainties include, but are not limited to, those relating to development and construction activities, leverage and debt service (including sensitivity to fluctuations in interest rates), domestic and global economic conditions, activities of competitors and the presence of new or additional competition, and fluctuations and changes in customer preferences and attitudes. Risks associated with such uncertainties include:

- Capital market conditions - There are no assurances that the proposers will be able to finance their proposed projects. All of the casino projects proposed require significant capital that may not be available for some or all of the projects due to the uncertainties of prevailing capital market conditions at the time the projects are to be financed, the capital markets' perception of the size of Detroit/Windsor casino market and the amounts required for project costs. Four of the proposers (Barden, Greektown, Rio and Trump) are dependent on capital market conditions in that most of their proposed financing for the Detroit casino project will be public security offerings. The other proposers may have alternative sources of capital that may be used for the Detroit casino project.
- Ability to service projects' debt - There are no assurances that the proposers will be able to service debt related to the Detroit casino projects. Payments of debt service for the Detroit casino projects will be entirely dependent upon the successful completion of the casino projects and the Detroit casinos' future operating performance, which is itself dependent on a number of factors, many of which are outside of the proposers' control. These factors include prevailing economic conditions and financial, business, regulatory and other factors affecting the proposers' operations and businesses. Any significant increase in the proposers' project development budgets or delays in completion of the projects' development and dates of openings could adversely affect the operating results of the Detroit casino projects and could result in a default of debt service requirements or other conditions of financing.

- Delays in project financing - There is no assurance that the proposers will be able to commence construction or operations as scheduled. The use of public debt to finance project costs exacerbates this risk.
- Ability to service substantial owners' current debt obligations - There are no assurances that the proposers will be able to meet existing debt obligations. Based on recent financial statements, two of the proposers, Barden and Trump seem particularly susceptible to this risk.
- Competition and market dilution - There are no assurances that the proposers will be able to achieve their projected revenues and related net incomes if Casino Windsor or one or more of the other proposers achieves a significantly higher percentage of market share than the proposer has projected. In addition, there are no assurances that new casino gaming operators will not be introduced in Detroit's primary markets in Canada, Ohio, Indiana and Illinois which could substantially dilute Detroit's anticipated share of the Detroit/Windsor casino gaming market.
- Cyclical nature of Detroit economy –The principal industry in the Detroit/Windsor market is the manufacture and sale of automobiles. The automobile industry has historically been cyclical. If that industry experiences weak performance for extended periods in the future, it may impact the proposers' ability to meet their projected results of operations.

### *Proposers' Other Projects*

- There are no assurances that the proposers will have sufficient capital available or be able to raise sufficient capital to meet all of the needs of their other projects, planned or in construction, in addition to the capital required for the Detroit casino project. For example, Rio announced on October 30, 1997 a new project for a $700 million Las Vegas resort hotel casino project to include a 3,000-room hotel and 100,000 square feet of convention space. This project was not included in Rio's proposal to the City of Detroit. Also, there are no assurances that other projects that the proposers plan or have under construction will not exceed their estimated capital requirements or that such projects will meet their projected revenues and incomes. This is particularly important with regard to Circus, MGM and Mirage, since they plan to develop their planned Detroit project from their existing credit lines.

## Analysis of Audited Financial Statements and Related Stub Period Prior To August 25, 1997

The table below summarizes various financial information of each proposer or responsible entity for the most recent fiscal year[7]:

| | *Barden* | *Circus* | *Greektown* | *MGM* | *Mirage* | *Rio* | *Trump* |
|---|---|---|---|---|---|---|---|
| **Operating Statistics:** | | | | | | | |
| Gaming Revenue | 52,788 | 655,902 | 80,832 | 481,710 | 752,914 | 112,459 | 883,441 |
| Non-Gaming Revenue | 1,433 | 678,348 | 27,941 | 323,104 | 614,630 | 107,122 | 92,846 |
| Total Revenue | 54,221 | 1,334,250 | 108,773 | 804,814 | 1,367,544 | 219,581 | 976,287 |
| EBITDA | 5,125 | 317,583 | 37,819 | 191,490 | 399,331 | 55,614 | 163,654 |
| Operating Income | (195) | 222,169 | 30,255 | 129,294 | 312,670 | 37,994 | 94,619 |
| Net Income | (7,835) | 100,733 | 30,175 | 43,706 | 206,045 | 19,366 | (65,677) |
| Interest Expense | 8,066 | 54,681 | 30 | 33,778 | 31,106 | 8,215 | 150,716 |
| **Operating Ratios:** | | | | | | | |
| Revenue /Assets | 38.02% | 48.89% | N/A | 62.50% | 51.00% | 44.40% | 39.80% |
| EBITDA /Revenue | 9.45% | 23.80% | 34.80% | 23.79% | 29.20% | 25.33% | 16.76% |
| Interest /Revenue | 14.88% | 4.10% | 0.00% | 4.20% | 2.27% | 3.74% | 15.44% |
| Net Income /Revenue | (14.45%) | 7.55% | 27.7% | 5.43% | 15.07% | 8.82% | (6.73%) |
| Net Income Assets | (5.49%) | 3.69% | N/A | 3.39% | 9.61% | 3.92% | (2.71%) |
| **Liquidity:** | | | | | | | |
| Current Ratio | 1.35:1 | 1.17:1 | N/A | 1.19:1 | 1.08:1 | .67:1 | 1.51:1 |
| Long-term Debt/Equity | 4.49:1 | 1.45:1 | N/A | .10:1 | .36:1 | 1.40:1 | 4.50:1 |

### *Barden*

Barden Development, Inc. is a closely held company that operates a riverboat in Gary, Indiana. The results reported for 1996 are misleading in that operations were not initiated until mid-year, but certain fixed charges, including interest, were incurred for the entire period. The unaudited results of operations for the six months ended June 30, 1997 show little improvement, however. The statements reveal that BDI is over-leveraged and

[7] Dollar amounts are shown in thousands of dollars.

losing money. With interest coverage at only 1 time, less prior to the stub period, there is significant risk that the company cannot continue as a going concern.

### *Circus*

Circus Circus Enterprises, Inc. is the entity responsible for providing the capital for the as yet to be named Michigan Avenue project proposed by Detroit Entertainment, L.L.C. CCEI is a large publicly traded gaming company that owns and operates a number of casino hotels in Las Vegas, Laughlin, Reno, Jean and Henderson, Nevada. It also has casino operations in Elgin, Illinois, and Bay St. Louis and Tunica, Mississippi. Its financial statements reveal that, although incurring significant debt for recent and proposed expansions, it remains well capitalized and retains significant borrowing power. CCEI has invested large amounts of capital in new projects in recent years such as the Luxor and Excalibur, and in joint ventures such as the Silver Legacy and Monte Carlo, and obviously intends to continue to expand with the announcement of the Hacienda/Project Paradise, anticipated to cost $800 million. It has also entered into an agreement to develop a $600 million casino hotel in Atlantic City and is considering plans for the development of as many as three more casino hotels in Las Vegas. With this rapid growth, CCEI has experienced a decreasing return on its resulting mix of new and old operations, evidenced by declining income as a percent of both revenues and assets. Despite these troublesome current operating trends, Circus is well capitalized and is expected to continue to be a leader in the gaming industry.

### *Greektown*

The Sault St. Marie Tribe of Chippewa Indians and, to a lesser extent, the management company of Millennium Management Group, L.L.C., are responsible for providing the capital for the project. The Chippewa Indians report their financial affairs on statements that conform with Generally Accepted Accounting Principles (GAAP) for local government units as prescribed by the Governmental Accounting Standards Board. These statements are difficult to evaluate for the present purpose. Several important characteristics of Tribal affairs were discernible, however. It appears that the Tribe generates much of its cash flow from five casino operations in the state of Michigan, and that these casinos are well managed and generate cash flow in a manner similar to the other casino operations reviewed herein. The Tribe's financial affairs appear to be in order, and their operations seem to support the level of contributions expected of them in this plan.

### *MGM*

MGM Grand, Inc. is the substantial owner and capital provider for MGM Grand Detroit, L.L.C., which proposes to develop the City Lights Casino on the Michigan Avenue site (submitted for the Grand Avenue site). MGM is a publicly held company with casino hotels in Las Vegas, Nevada and Darwin, Australia. It is also a 50% joint venture partner in New York-New York in Las Vegas. It has recently announced plans to develop a $700 million casino hotel in Atlantic City, and has entered into an agreement to act as the exclusive project developer and manager for Tsogo Sun Gaming on as many as 15 casino operations in the Republic of South Africa. MGM's results of operations since it opened the MGM Grand-Las Vegas in December of 1993 have been somewhat mixed. A degree of reliance on high limit play has probably contributed to volatility in its operating results, and higher than average interest expense to revenue ratios, at least until 1996, has contributed to unimpressive profit margins when compared to other large cap gaming companies. Nevertheless, MGM commands great respect in the capital markets and figures to continue as one of a few dominant companies in the gaming industry.

### *Mirage*

Mirage Resorts, Inc. is the entity responsible for providing capital required for the Marquesa project proposed for the Michigan Avenue site by MCD Gaming, Corp. Mirage is a dominant force in the gaming industry with large successful casino hotels in Las Vegas and Laughlin, Nevada. Its recent expansion efforts include the Treasure Island and the Monte Carlo joint venture project. It currently is under construction for the well-publicized Bellagio project in Las Vegas and the Beau Rivage project in Biloxi, Miss. It has announced plans to build a $700-$900 million project in Atlantic City. Even with this rapid growth and current development, Mirage remains the consummate performer in the industry with strong operating results and well-balanced capital.

### *Rio*

Paradise Valley Rio, L.L.C., proposer for the Paradise Valley Casino, intends to arrange for its capital requirements through its substantial owner, Rio Hotel and Casino, Inc. Rio has been a successful and aggressive player in the Las Vegas gaming industry for the past six years. It has enjoyed a reputation for service excellence at its Rio Hotel and Casino, and has received a number of awards in that regard. With large recent expansions, however, the results of its operations have diminished somewhat. Revenue as a percent of assets fell below 45% for the first time in 1996, and profitability ratios have experienced a general decline for the last three years. Current operating trends aside, Rio is a well-capitalized mid-sized gaming company with continuing growth potential.

### *Trump*

Trump Hotels & Casino Resorts is the entity responsible for capital arrangements for Trump Motor City Hotel Casino, L.L.C., which proposes to build the Trump Motor City Hotel Casino on the Washington Boulevard site. THCR owns and operates three casino hotels in Atlantic City and a casino ship in Gary, Indiana. THCR's results of operations over the past two years, when THCR was formed apparently to consolidate the ownership of Mr. Trump's casino interests, have been unstable. Interest expense is extremely high in comparison to revenue, and losses continue to mount into the stub period of 1997. The company's ability to continue under its present capital structure is questionable.

## Analysis of the Reasonableness and Viability of Anticipated Sources of Financing

### *Barden*

Barden anticipates obtaining capital for a 20% required equity investment by contributing its existing riverboat operation, which it values at upwards of $127 million. Barden further intends to attract a partner willing to contribute at least $25 million in cash to the project in exchange for an unspecified equity interest in the project. The plan to finance the equity contribution for the project in this manner creates several concerns. First, the value of the non-cash contribution has not been determined by an independent evaluator, making the task of locating a qualified partner much more difficult. The short and unprofitable history of those operations will compound that problem even further. Secondly, and perhaps more importantly, the fact that the riverboat operations are not liquid assets, and do not provide meaningful cash flow from operations, make the plan quite questionable. The time and inherent risk involved in locating an acceptable partner, and the lack of capital available to the project as a result of the nature of the non-cash assets invested, create considerable doubt that this funding plan will allow for the completion of the project.

### *Circus*

Circus anticipates obtaining capital for the required 20% equity contribution to the project from excess cash of Circus Circus Enterprises, Inc. While CCEI does not appear to have adequate excess cash with which to make the required $140 million contribution, it maintains extensive credit facilities from which it may draw funds for this purpose. CCEI estimates that the unused portion of its credit facility will be in excess of $1 billion for at least the next five years.

### *Greektown*

Greektown anticipates obtaining capital for a 26.5% equity contribution primarily from loans to be arranged by owners of the proposer including its joint venture partner and company engaged to manage the project. Firm commitment letters from a bank and other reputable sources of capital support these loans, totaling $123.8 million. The balance of the equity investment, amounting to approximately $20.4 million, is comprised of real estate and pre-development costs presumably required by the project. Each loan commitment includes a number of conditions, the occurrence of which could terminate the commitment. Since many of these events are beyond the control of the proposer, these terms do represent a potential risk to the project. The terms of the commitments are normal and customary, however, and appear not likely to trigger a termination.

### *MGM*

MGM Grand Detroit L.L.C. anticipates obtaining the capital required for the equity contribution to the project from an existing credit line maintained by MGM Grand, Inc. The only capital contribution to be obtained from other sources is a $5 million capital contribution to be pledged by local businessmen involved as partners in Detroit Partners, L.L.C. MGM Grand, Inc. has stipulated that it will contribute even this amount if required to conclude capitalization of the project.

### *Mirage*

MDC Gaming, Inc. anticipates obtaining the capital for the equity contribution required for the project from an existing credit facility maintained by Mirage Resorts, Inc.

### *Rio*

Paradise Valley Rio, L.L.C. anticipates providing an equity investment of 20% of the projects required capital, estimated to be a total of $743 million. These funds are to be provided by the Rio. The Rio does appear to have limited amounts of excess cash, and it also has the ability to draw up to $30 million from existing credit lines for this project. It proposes, however, to obtain the funds for equity investment by issuing preferred stock in Rio Hotel and Casino, Inc. via a public or Rule 144A offering. There should be little concern about Rio's ability to complete such an offering in today's market, but the time required to fund the investment in this manner could delay the completion of the project, and changing market conditions could further extend completion, increase the cost of capital or even challenge the project.

### *Trump*

Trump Motor City Hotel Casino L.L.C. anticipates providing an equity investment of 25% of the projects required capital, estimated to be $559 million. These funds are to be provided by the substantial owners. Based on the financial statements submitted, it has been assumed that at least of majority of the equity contribution of $135 million will be funded by Trump Hotels & Casino Resorts, Inc.. Cash and cash equivalents held by THCR as of June 30, 1997 were $104 million, and working capital was only $16 million.

These funds appear to be required for the continuing operations of Trump Hotels and Casino Resorts, Inc. In its management's discussion and analysis of financial condition and results of operations as of that date, THCR indicates that its cash flow is its primary source of liquidity. Cash flows from operating activities for the six months then ended were $32 million, an amount probably required by THCR for routine replacement of furniture and equipment. The source of capital for the equity contribution by Trump Motor City Hotel Casino L.L.C. is not readily identifiable from the proposal.

## Analysis of the Amount, Type and Availability of Capital to the Proposer for the Casino Complex, Including Stated Means of Utilizing Detroit Based Sources of Financing

The table below summarizes capitalization information of each proposer or responsible entity for the most recent fiscal year[8]:

| | *Barden* | *Circus* | *Greektown* | *MGM* | *Mirage* | *Rio* | *Trump* |
|---|---|---|---|---|---|---|---|
| **Capitalization:** | | | | | | | |
| P/E Ratio[9] | N/A | 19 | N/A | 22 | 22 | 29 | N/A |
| Estimated Interest Coverage | Nil | 3-4x | N/A | 8x | 13x | 2-3x | N/A |
| Market Capitalization | N/A | 2,069 | N/A | 2,129 | 4,312 | 479 | 173 |

### *Barden*

Barden intends to fund the balance of the capital required via a public debt offering with proceeds in the range of $350 to $500 million and equipment leases of $70 million. A public debt offering by a start up company, especially one that is under-capitalized, can be a time consuming and difficult task. Anticipating a time-line problem, Barden has obtained a letter of intent to provide bridge loan financing for up to $500 million from a reputable investment-banking firm. Naturally, letters of intent do not bind the potential lender and cannot be relied upon until a firm commitment is obtained. The capitalization scheme for this project will likely be slow and expensive, and is filled with market and other risks that could threaten the completion or, if completed, the ongoing viability of the project.

### *Circus*

Circus proposes to finance the capital requirements of the project with funds from a yet to be negotiated construction loan that will convert into a revolving line of credit. It anticipates that this credit facility will, when combined with capital from equity contributions, be adequate to finance the construction and operation of the entire project. In order to obtain a credit facility of this size, estimated to be $560 million, CCEI acknowledges that it may be required to allow at least a portion of the credit to have limited recourse to CCEI. CCEI has arranged for similar types of credit for its joint

[8] Dollar amounts are shown in millions of dollars.
[9] Prices as of 11/13/97.

ventures involving the Monte Carlo and The Silver Legacy. It has allowed make well covenants whereby it agrees to advance funds to the joint venture if necessary to maintain certain liquidity and debt service coverage ratios. In exchange, the joint venture enjoys advantageous interest rates based on Circus' cash flow experience.

As an alternative, CCEI indicates that it may assist Detroit Entertainment, L.L.C. to finance as much as $500 million of its capital requirements with a public debt offering. CCEI is very experienced in either type of debt structure and leaves little doubt that it can make such arrangements quickly and efficiently. There is some concern, however, that the public debt alternative could add time to the developmental period of the project and, given a change in market conditions, add some risk to the financing of the project.

Under either financing scenario, Circus takes a realistic approach to utilizing Detroit based financing sources. The nature of the transaction requires money center financial institutions or investment banking firms to assemble the financing package. They commit to requesting these lead institutions to seek involvement through participation or syndication with Detroit based institutions.

### *Greektown*

Greektown intends to fund the balance of the capital required with a public debt offering of $400 million. A public debt offering by a start up company can be time consuming and difficult. Greektown has obtained a commitment from a reputable investment banking firm that provides considerable assurance with regard to completion of the offering, however the time required to complete the offering and costs associated with the offering are risk elements of this proposal.

Furthermore, if the cost of capital is high as a result of market reception, economic conditions or any one of any number of factors, future debt service or the need to refinance the debt could cause ongoing cash flow problems for the project. This plan to finance the project could prove to be slow, expensive and a drain of future cash flows.

### *MGM*

MGM proposes to finance the casino with funds from an existing $1.25 billion dollar credit facility, which can be increased to $1.5 billion without bank approval, and $500 million of pari passu bonds currently registered pursuant to a shelf offering dated July 1997. None of the potential $2.0 billion has been utilized as of the date of the proposal, however a number of projects are dependent upon these funds.

The company projects the following uses (in thousands of $):

| | |
|---|---|
| MGM Grand, Las Vegas-Master Plan | 716,000 |
| MGM Grand, Atlantic City | 817,000 |
| MGM Grand, Detroit | 718,000 |
| Maintenance | 180,000 |
| Total uses | 2,431,000 |
| Less projected cash provided by operations | (1,110,000) |
| Debt utilized | 1,321,000 |

These projections are the basis for the proposer's claim that it has arranged for $700 million more credit than will be required to complete all of its proposed projects.

This scenario creates several concerns. First, the anticipated cost of the projects themselves. The proposer anticipates in the proposal total project capital requirements of approximately $2.25 billion. Yet in an S-3 filed with the SEC on July 22, 1997, the capital requirements for the same projects are estimated to be as much as $2.6 billion. The "master plan" for MGM Grand Las Vegas was announced on May 6th to be a $250 million project, revised on June 3rd to be $700 million, and reported to the SEC on July 22nd to be as much as $850 million.

Secondly, projected cash flows from Las Vegas and Australia seem very aggressive. The company estimates cash flow from operations, after "maintenance and other" uses of $180 million, of approximately $930 million over 1997, 1998, 1999 and 2000. The company has generated around $175 million in cash flow from operations before any reserve for replacement, which have likely amounted to at least $25 million per year during the past several years. With additional interest expense from increasing debt and fierce competition in Las Vegas, even additional cash flow from New York-New York operations seem inadequate to raise cash flow to the level projected.

It appears that the company has arranged for an adequate amount of capital with which to meet its existing expansion commitments provided that it does not incur significant cost over-runs, construction delays or a downturn in the economy.

### *Mirage*

The Mirage proposes to finance the project with funds from an existing $1.75 billion credit facility, which can be increased to $2.0 billion without bank approval. Only $160 million of the facility is currently outstanding, however a number of projects are dependent upon these funds.

The company projects the following uses (in thousands of $):

| | |
|---|---|
| Currently outstanding | 160,000 |
| Bellagio-remaining | 810,000 |
| Biloxi/Beau Rivage-remaining | 380,000 |
| Atlantic City | 800,000 |
| Detroit | 800,000 |
| Debt retirement | 133,000 |
| Total requirements | 3,083,000 |
| Projected cash flow from operations | (1,933,000) |
| Debt utilized | 1,150,000 |

The company projects using funds from the credit line during the period through 2001 of as much as $1.625 billion. It calculates this amount by relying on cash flows from operations of $500 million annually through 2000 and $600 million in 2001. The company's operations currently generate more that $300 million annually. To assume an additional $175 million to $275 million from new, untested operations, which in the case of the Bellagio could erode some existing cash flow at the Mirage, is fairly aggressive. Even with pared down cash flow expectations from future operations, the Mirage seems to have adequate financing arranged to complete its existing commitments provided significant cost over-runs or construction delays are not incurred. This apparently is a concern shared by the company, however, since they issued $300 million in higher rate unsecured notes and debentures in August of 1997 to pay down some of the exiting draws on its credit line.

### *Rio*

Paradise Valley Rio, L.L.C. intends to raise $600 million by offering high yield securities in a public offering or Rule 144A private placement. The success of such an offering could depend upon the willingness and ability of Rio to guarantee the securities. In June of 1996, Rio extended its credit facility to $200 million. That facility is secured by assets of Rio and contains restrictive covenants regarding Rio's ability to make dividends, incur additional indebtedness and sell assets. The Rio has indicated that, at most, $30 million of that line could be used for the Detroit project. It is likely that Rio would be required to obtain permission from the lender if it wishes to guarantee the PVR debt, and there is no guarantee that the lender would agree. There is also no indication in the proposal that Rio is interested in providing such a guarantee. If PVR is required to issue debt for 80% of its capitalization as a start up company, without a guarantee from Rio, it is likely that this funding method could be slow and/or expensive. Furthermore, any significant decline in market conditions could challenge the viability of the plan entirely.

## *Trump*

Trump Hotels & Casino Resorts, Inc. proposes to finance approximately 75% of the capital required for the project with funds from a public debt offering. Terms stated in the proposal include interest only payments for ten years at a rate of 12% per annum. THCR last issued public debt in June of 1995, which carries a 15.5% coupon rate, was collateralized with all the assets of THCR and applied restrictive covenants regarding THCR's ability to distribute cash. Since the issuance of those debt securities, THCR has reported losses of $66 million for 1996 and $17 million for the six months ended June 30, 1997. If THCR is able to issue debt with a 12% interest rate, it seems reasonable that it would have refinanced its existing debt. To further challenge the plan, debt covenants restricting THCR's ability to distribute cash, unless waived, appear to limit or preclude its ability to invest in this project. This proposal's plan to provide for the capital requirements of the project appears to be inadequate or incomplete.

## Exhibits

Exhibit 1-1 summarizes the comparative financial strengths and weaknesses of the proposers. The succeeding tables and charts present selected operating statistics, operating ratios, and measures of liquidity and capitalization for the five years immediately preceding the most current fiscal year, where available.

*Exhibit 1-1 (Strengths and Weaknesses)*

**FINANCIAL STRENGTHS AND WEAKNESSES ($ millions)**

| | Barden | Circus | Greektown | MGM | Mirage | Rio | Trump |
|---|---|---|---|---|---|---|---|
| ***Company's size and financial resources*** | Small | Substantial | Moderate | Substantial | Substantial | Moderate | Mixed |
| ***Current operations*** | Weak | Strong | Moderate | Strong | Strong | Moderate | Strong/Weak |
| Revenues | | | | | | | |
| Total | 54 | 1,334 | 109 | 805 | 1,368 | 220 | 976 |
| Gaming | 53 | 656 | 81 | 482 | 753 | 112 | 883 |
| Non - gaming | 1 | 679 | 27 | 323 | 615 | 107 | 93 |
| *Average growth rate* | n/a | 9.2 | n/a | 3.0 | 11.4 | 23.4 | 4.9 |
| Market concentration | S. Indian | Nevada | N. Michigan | Las Vegas | So. Nevada | Las Vegas | Atlantic City |
| Income | | | | | | | |
| EBITDA | 5 | 318 | 38 | 191 | 399 | 56 | 164 |
| Operating | (0.2) | 222 | 30 | 129 | 313 | 38 | 95 |
| Net | (7) | 101 | 30 | 44 | 206 | 19 | (66) |
| ***Financial Condition*** | Weak | Strong | Moderate | Strong | Strong | Moderate | Weak |
| Assets | 140 | 2,729 | n/a | 1,288 | 2,143 | 495 | 2,455 |
| *Average growth rate* | n/a | 9.2 | n/a | 1.5 | 11.3 | 20.4 | n/a |
| *Number of:* | | | | | | | |
| Properties | 1 | 15 | 5 | 3 | 5 | 1 | 4 |
| Hotel Rooms | n/a | 22,407 | n/a | 7,134 | 11,144 | 2,582 | 3,382 |
| Casino sq. ft. | 26,000 | 894,700 | n/a | 275,500 | 337,900 | 116,000 | 391,674 |
| Slot machines | 927 | 22,254 | n/a | 6,513 | 9,125 | 2,500 | 11,861 |
| Table games | 50 | 814 | n/a | 269 | 382 | 109 | 538 |
| Employees | 1,441 | 26,168 | n/a | 8,377 | 16,900 | 3,400 | 14,200 |
| Long - term debt | 110 | 1,406 | n/a | 94 | 469 | 254 | 1,736 |
| Stockholders' Equity | 25 | 972 | n/a | 973 | 1,290 | 182 | 388 |
| ***Financing Resources*** | Poor | Substantial | Adequate | Substantial | Substantial | Adequate | Poor |
| Market Capitalization | n/a | 2,069 | n/a | 2,129 | 4,312 | 479 | 173 |
| Minimum 20% equity cap | Maybe | Yes | Yes | Yes | Yes | Yes | No |
| Detroit based financing | No | Maybe | Part | No | No | Part | No |
| Available credit lines - max | None | 2,000 | n/a | 2,000 | 2,000 | 30 | None |

## *Exhibit 1-2 (Barden)*

| Barden | Dec. 31, 1996 | Dec. 31, 1995 | Dec. 31, 1994 | Dec. 31, 1993 | Dec. 31, 1992 |
|---|---|---|---|---|---|
| Operating Statistics: | | | | | |
| Gaming Revenue | 52,788 | n/a | n/a | n/a | n/a |
| Hotel Revenue | 1,433 | n/a | n/a | n/a | n/a |
| Total Revenue | 54,221 | n/a | n/a | n/a | n/a |
| EBITDA | 5,125 | n/a | n/a | n/a | n/a |
| Operating Income | (195) | n/a | n/a | n/a | n/a |
| Net income | (7,835) | n/a | n/a | n/a | n/a |
| Interest expense | 8,066 | n/a | n/a | n/a | n/a |
| Operating Ratios: | | | | | |
| Net income/Revenue | -14.5% | n/a | n/a | n/a | n/a |
| EBITDA/Revenue | 9.5% | n/a | n/a | n/a | n/a |
| Interest/Revenue | 14.9% | n/a | n/a | n/a | n/a |
| Revenue/Assets | 38.0% | n/a | n/a | n/a | n/a |
| Net Income/Assets | -5.5% | n/a | n/a | n/a | n/a |
| Liquidity: | | | | | |
| Current Ratio | 1.35:1 | n/a | n/a | n/a | n/a |
| Interest/EBITDA | 0.64 | n/a | n/a | n/a | n/a |
| Long Term Debt/Equity | 4.49:1 | n/a | n/a | n/a | n/a |
| Capitalization: | | | | | |
| Market Capitalization | n/a | n/a | n/a | n/a | n/a |
| Stockholders' Equity | 24,591 | 32,426 | n/a | n/a | n/a |
| Market Cap/Equity | n/a | n/a | n/a | n/a | n/a |
| P/E Ratio | n/a | n/a | n/a | n/a | n/a |
| Long Term Debt | 110,333 | n/a | n/a | n/a | n/a |
| Total Assets | 142,620 | 35,170 | n/a | n/a | n/a |

Note: Since information reported is limited to 1996 only, a chart reflecting the relationship between revenue and assets has not bee provide.

*Exhibit 1-3 (Circus)*

| Circus | Jan 31. 1997 | Jan 31. 1996 | Jan 31. 1995 | Jan 31. 1994 | Jan 31. 1993 |
|---|---|---|---|---|---|
| Operating Statistics: | | | | | |
| Gaming Revenue | 655,902 | 664,772 | 612,115 | 538,813 | 495,012 |
| Non-Gaming Revenue | 294,241 | 278,807 | 232,346 | 176,001 | 147,115 |
| Total Revenue | 1,334,250 | 1,299,596 | 1,170,182 | 963,470 | 850,941 |
| EBITDA | 317,583 | 345,311 | 337,116 | 259,166 | 252,032 |
| Net income | 100,733 | 128,898 | 136,286 | 116,189 | 117,322 |
| Operating Ratios: | | | | | |
| Net income/Revenue | 7.5% | 9.9% | 11.6% | 12.1% | 13.8% |
| EBITDA/Revenue | 23.8% | 26.6% | 28.8% | 26.9% | 29.6% |
| Interest/Revenue | 4.1% | 4.0% | 3.7% | 1.8% | 2.7% |
| Revenue/Assets | 48.9% | 58.7% | 77.4% | 74.2% | 89.5% |
| Net Income/Assets | 3.7% | 5.8% | 9.0% | 9.0% | 12.3% |
| Liquidity: | | | | | |
| Current Ratio | 1.17:1 | 1.32:1 | 1.35:1 | 0.95:1 | 0.90:1 |
| Interest/EBITDA | 5.81 | 6.70 | 7.89 | 14.58 | 10.96 |
| Long Term Debt/Equity | 1.45:1 | .58:1 | .92:1 | .16:1 | .63:1 |
| Capitalization: | | | | | |
| Market Capitalization | 3,315,584 | 3,282,573 | 2,296,542 | 3,185,920 | 3,191,639 |
| Stockholders' Equity | 971,791 | 1,226,812 | 686,124 | 559,950 | 490,009 |
| Market Cap /Equity | 3.41:1 | 2.68:1 | 3.35:1 | 5.69:1 | 6.51:1 |
| P/E Ratio | 36 | 24 | 17 | 28 | 27 |
| Long Term Debt | 1,406,276 | 716,077 | 632,758 | 92,230 | 308,246 |
| Total Assets | 2,729,111 | 2,213,503 | 1,512,548 | 1,297,924 | 950,458 |
| Stock Price | 35.25 | 31.88 | 26.75 | 37.00 | 36.58 |
| Net Income/Share | 0.99 | 1.33 | 1.59 | 1.34 | 1.37 |
| # of Shares O/S | 94,059,128 | 102,966,523 | 85,852,048 | 86,105,955 | 87,250,929 |

*Exhibit 1-3a*

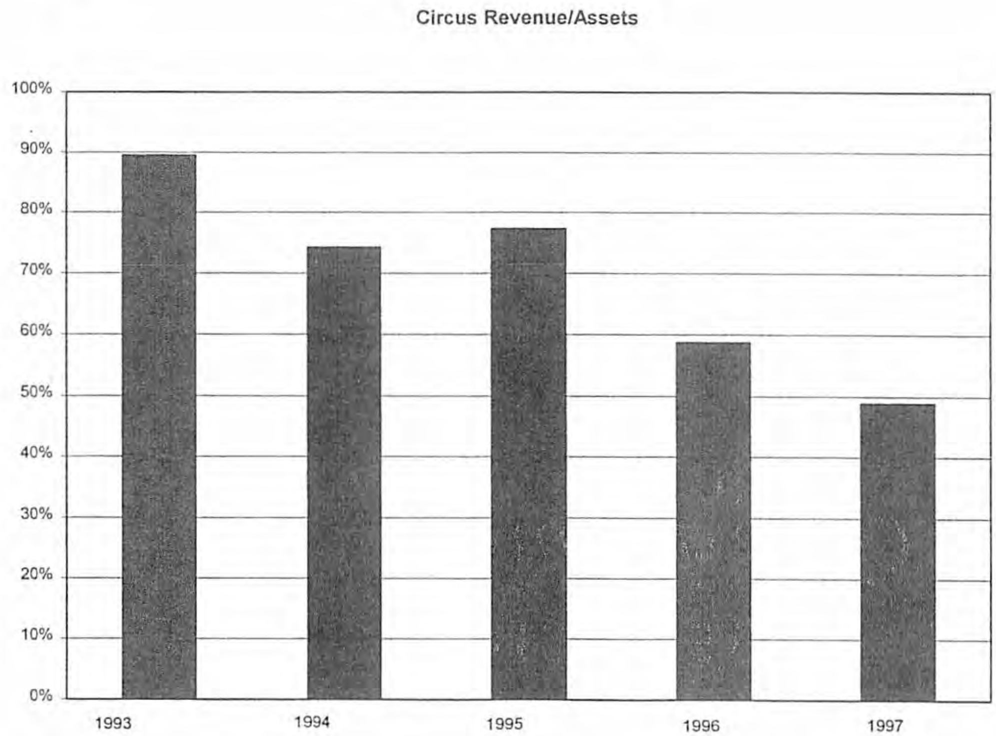

Circus Revenue/Assets
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1993
1994
1995
1996
1997

*Exhibit 1-4 (Greektown)*

| Greektown | Dec. 31, 1996 | Dec. 31, 1995 | Dec. 31, 1994 | Dec. 31, 1993 | Dec. 31, 1992 |
|---|---|---|---|---|---|
| Operating Statistics: | | | | | |
| Gaming Revenue | 80,832 | 100,852 | 82,731 | 44,279 | 22,562 |
| Non-Gaming Revenue | 27,941 | 15,859 | 9,281 | 7,681 | 1,626 |
| Total Revenue | 108,773 | 116,711 | 92,012 | 51,960 | 24,188 |
| EBITDA | 37,819 | 41,376 | 33,303 | 22,856 | 11,775 |
| Operating Income | 30,255 | 34,014 | 28,505 | 21,638 | 11,448 |
| Net income | 30,175 | 6,140 | 11,861 | 7,489 | 9,926 |
| Interest expense | 30 | 322 | 314 | 50 | 29 |
| Operating Ratios: | | | | | |
| Net income/Revenue | 27.7% | 5.3% | 12.9% | 14.4% | 41.0% |
| EBITDA/Revenue | 34.8% | 35.5% | 36.2% | 44.0% | 48.7% |
| Interest/Revenue | 0.0% | 0.3% | 0.3% | 0.1% | 0.1% |
| Revenue/Assets | n/a | n/a | n/a | n/a | n/a |
| Net Income/Assets | n/a | n/a | n/a | n/a | n/a |
| Liquidity: | | | | | |
| Current Ratio | n/a | n/a | n/a | n/a | n/a |
| Interest/EBITDA | n/a | n/a | n/a | n/a | n/a |
| Long Term Debt/Equity | n/a | n/a | n/a | n/a | n/a |
| Capitalization: | | | | | |
| Market Capitalization | n/a | n/a | n/a | n/a | n/a |
| Stockholders' Equity | n/a | n/a | n/a | n/a | n/a |
| Market Cap/Equity | n/a | n/a | n/a | n/a | n/a |
| P/E Ratio | n/a | n/a | n/a | n/a | n/a |
| Long Term Debt | n/a | n/a | n/a | n/a | n/a |
| Total Assets | n/a | n/a | n/a | n/a | n/a |

Note: Identity of revenues and assets maintained specifically for casino operations were not available prior to 1996. Therefore, a chart reflecting the relationship between revenue and assets has not been provided.

*Exhibit 1-5 (MGM)*

| MGM | Dec. 31. 1996 | Dec. 31. 1995 | Dec. 31. 1994 | Dec. 31. 1993 | Dec. 31. 1992 |
|---|---|---|---|---|---|
| Operating Statistics: | | | | | |
| Consolidated: | | | | | |
| Gaming Revenue | 481,700 | 404,700 | 434,300 | n/a | n/a |
| Non-Gaming Revenue | 323,114 | 317,143 | 307,895 | n/a | n/a |
| Total Revenue | 804,814 | 721,843 | 742,195 | | |
| EBITDA | 191,490 | 159,138 | 174,061 | n/a | n/a |
| Net income | 43,706 | 46,565 | 74,576 | n/a | n/a |
| Interest Expense | 33,778 | 59,329 | 61,927 | n/a | n/a |
| Operating Ratios: | | | | | |
| Net income/Revenue | 5.4% | 6.5% | 10.1% | n/a | n/a |
| EBITDA/Revenue | 23.8% | 22.0% | 23.5% | n/a | n/a |
| Interest/Revenue | 4.2% | 8.2% | 8.3% | n/a | n/a |
| Revenue/Assets | 62.5% | 56.3% | 64.3% | n/a | n/a |
| Net Income/Assets | 3.4% | 3.6% | 6.5% | n/a | n/a |
| Liquidity: | | | | | |
| Current Ratio | 1.19:1 | 1.78:1 | 1.68:1 | n/a | n/a |
| Interest/EBITDA | 5.67 | 2.68 | 2.81 | n/a | n/a |
| Long Term Debt/Equity | .1:1 | .96:1 | .92:1 | n/a | n/a |
| Capitalization: | | | | | |
| Market Capitalization | 2,159,095 | 1,189,328 | 1,380,727 | n/a | n/a |
| Stockholders' Equity | 973,382 | 584,548 | 529,379 | n/a | n/a |
| Market Cap/Equity | 2.22:1 | 2.03:1 | 2.61:1 | n/a | n/a |
| P/E Ratio | 50 | 26 | 19 | n/a | n/a |
| Long Term Debt. | 94,022 | 563,712 | 487,699 | n/a | n/a |
| Total Assets | 1,287,689 | 1,282,222 | 1,153,511 | n/a | n/a |

*Exhibit 1-5a*

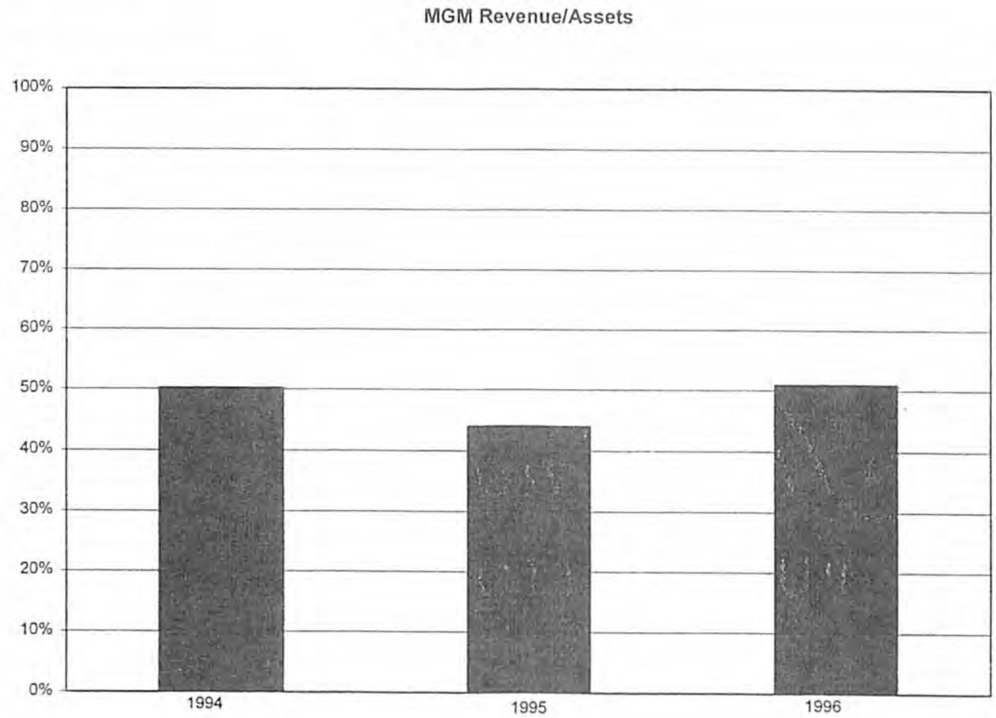

MGM Revenue/Assets
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1994
1995
1996

*Exhibit 1-6 (Mirage)*

| Mirage | Dec. 31, 1996 | Dec. 31, 1995 | Dec. 31, 1994 | Dec. 31, 1993 | Dec. 31, 1992 |
|---|---|---|---|---|---|
| Operating Statistics: | | | | | |
| Gaming Revenue | 752,914 | 782,812 | 727,648 | 586,403 | 495,012 |
| Non-Gaming Revenue | 614,630 | 547,932 | 526,529 | 366,899 | 355,929 |
| Total Revenue | 1,367,544 | 1,330,744 | 1,254,177 | 953,302 | 850,941 |
| EBITDA | 399,331 | 370,310 | 331,280 | 205,875 | 252,032 |
| Operating Income | 312,670 | 284,087 | 237,839 | 131,728 | 131,728 |
| Net income | 206,045 | 163,163 | 114,324 | 29,232 | 117,322 |
| Interest expense | 31,106 | 32,799 | 52,030 | 88,545 | 22,989 |
| | | | | | |
| Operating Ratios: | | | | | |
| Net income/Revenue | 15.1% | 12.3% | 9.1% | 3.1% | 13.8% |
| EBITDA/Revenue | 29.2% | 27.8% | 26.4% | 21.6% | 29.6% |
| Interest/Revenue | 2.3% | 2.5% | 4.1% | 9.3% | 2.7% |
| Revenue/Total Assets | 63.8% | 74.3% | 76.4% | 55.9% | 89.5% |
| Net Income/Assets | 9.6% | 9.1% | 7.0% | 1.7% | 12.3% |
| | | | | | |
| Liquidity: | | | | | |
| Current Ratio | 1.08:1 | 1.23:1 | 1.18:1 | 1.03:1 | 0.90:1 |
| Interest/EBITDA | 1.94 | 2.27 | 2.90 | 7.04 | 2.15 |
| Long Term Debt/Equity | .36:1 | .21:1 | .35:1 | .62:1 | 1.51:1 |
| | | | | | |
| Capitalization: | | | | | |
| Market Capitalization | 4,268,470 | 2,907,796 | n/a | n/a | n/a |
| Stockholders' Equity | 1,290,883 | 1,209,343 | 1,030,922 | 910,864 | 553,611 |
| Market Cap/Equity | 3.31:1 | 2.4:1 | n/a | n/a | n/a |
| P/E Ratio | 23 | 19 | n/a | n/a | n/a |
| Long Term Debt | 468,593 | 249,063 | 363,570 | 566,642 | 834,525 |
| Total Assets | 2,143,490 | 1,791,713 | 1,641,439 | 1,705,258 | 950,458 |

*Exhibit 1-6a*

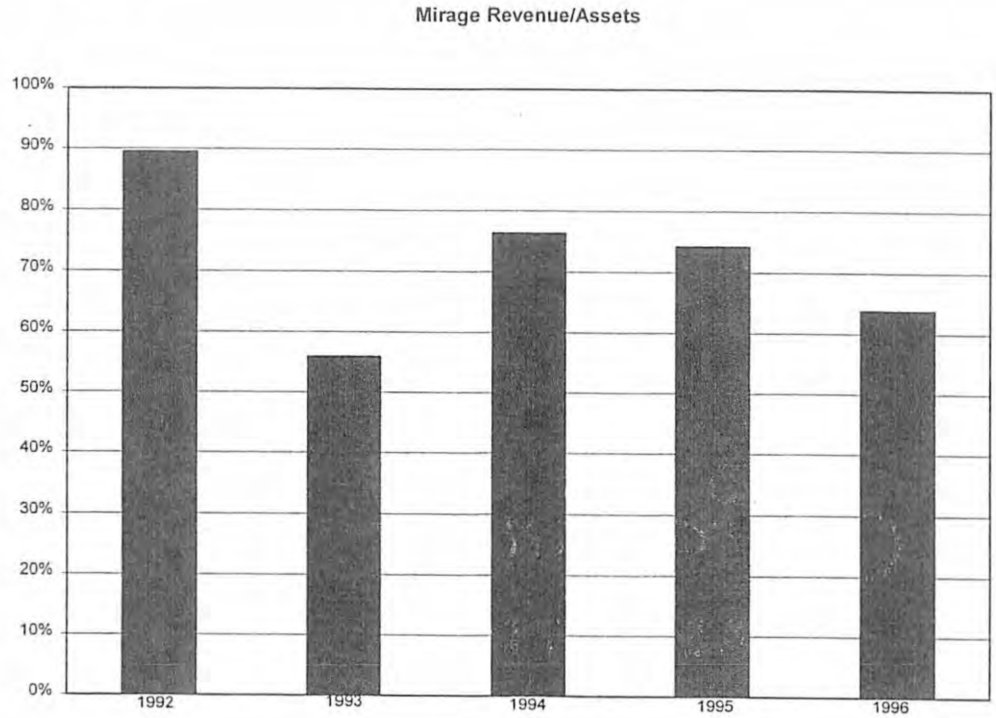

Mirage Revenue/Assets
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1992
1993
1994
1995
1996

*Exhibit 1-7 (Rio)*

| Rio | Dec. 31, 1996 | Dec. 31, 1995 | Dec. 31, 1994 | Dec. 31, 1993 | Dec. 31, 1992 |
|---|---|---|---|---|---|
| Operating Statistics: | | | | | |
| Gaming Revenue | 112,459 | 105,547 | 87,165 | 71,296 | 56,524 |
| Non-Gaming Revenue | 107,122 | 87,411 | 59,134 | 38,686 | 25,951 |
| Total Revenue | 219,581 | 192,958 | 146,299 | 109,982 | 82,475 |
| EBITDA | 55,614 | 51,789 | 36,667 | 27,777 | 18,110 |
| Operating Income | 37,994 | 37,558 | 25,803 | 20,232 | 12,296 |
| Net income | 19,366 | 18,745 | 15,966 | 10,649 | 6,308 |
| Interest expense | 8,215 | 8,106 | 1,923 | 1,839 | 3,801 |
| Operating Ratios: | | | | | |
| Net income/Revenue | 8.8% | 9.7% | 10.9% | 9.7% | 7.6% |
| EBITDA/Revenue | 25.3% | 26.8% | 25.1% | 25.3% | 22.0% |
| Interest/Revenue | 3.7% | 4.2% | 1.3% | 1.7% | 4.6% |
| Revenue/Total Assets | 44.4% | 62.5% | 48.6% | 50.4% | 55.2% |
| Net Income/Assets | 3.9% | 6.1% | 5.3% | 4.9% | 4.2% |
| Liquidity: | | | | | |
| Current Ratio | .67:1 | 1.23:1 | 2.41:1 | 2.49:1 | 4.16:1 |
| Interest/EBITDA | 6.77 | 6.39 | 19.07 | 15.10 | 4.76 |
| Long Term Debt/Equity | 1.40:1 | .83:1 | .85:1 | .5:1 | .61:1 |
| Capitalization: | | | | | |
| Market Capitalization | 300,074 | 272,501 | 280,193 | 317,485 | 134,040 |
| Stockholders' Equity | 181,875 | 162,888 | 147,839 | 129,838 | 86,872 |
| Market Cap/Equity | 1.65:1 | 1.67:1 | 1.9:1 | 2.44:1 | 1.54:1 |
| P/E Ratio | 15 | 15 | 17 | 30 | 21 |
| Long Term Debt | 254,301 | 135,429 | 125,179 | 65,184 | 53,212 |
| Total Assets | 494,550 | 308,792 | 301,166 | 218,050 | 149,518 |

*Exhibit 1-7a*

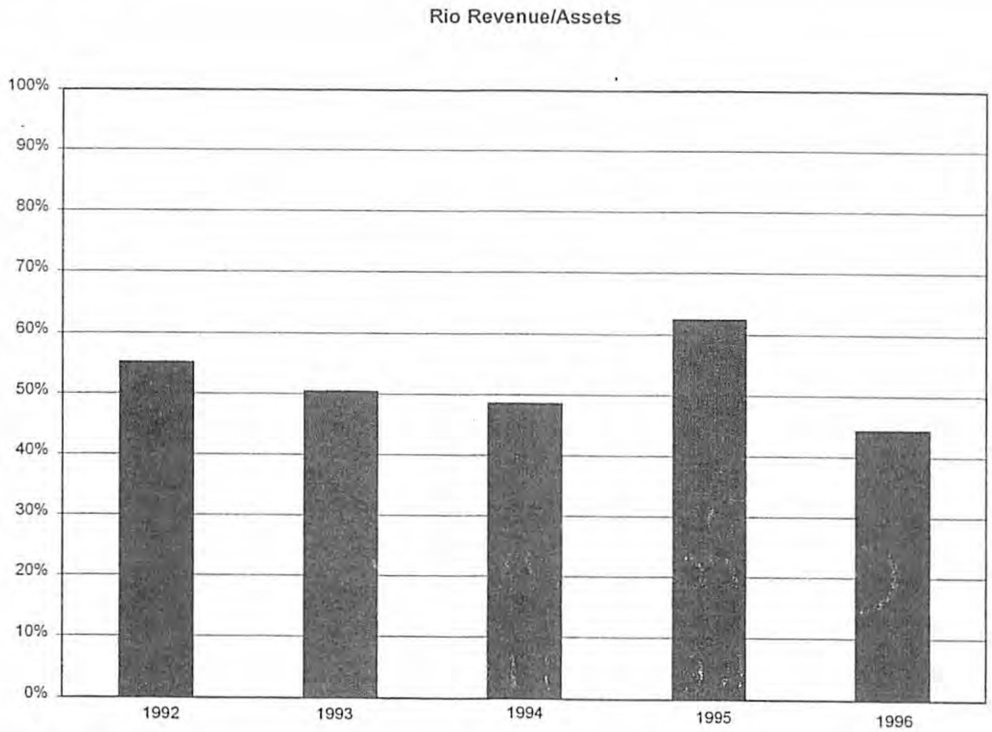
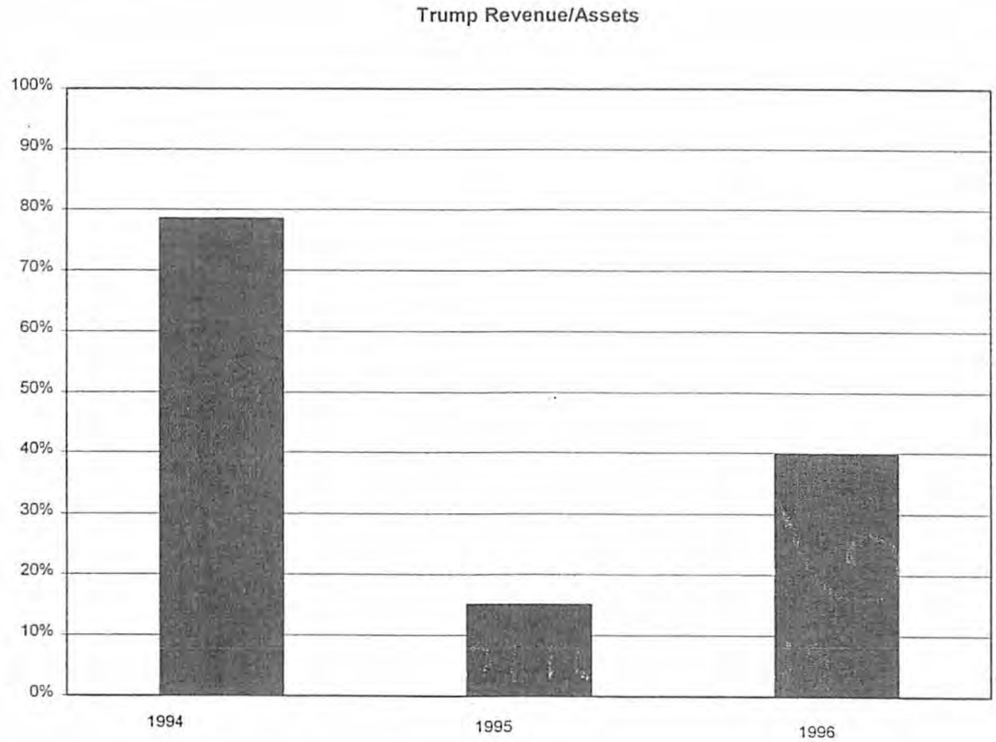

Rio Revenue/Assets
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1992
1993
1994
1995
1996

*Exhibit 1-8 (Trump)*

| Trump | THCR Dec. 31, 1996 | Excludes Castle<br>Composite Dec. 31, 1995 | TAC/TPA Dec. 31, 1994 | TAC/TPA Dec. 31, 1993 | Dec. 31 1992 |
|---|---|---|---|---|---|
| Operating Statistics: | | | | | |
| Gaming Revenue | 883,441 | 298,073 | 261,451 | 264,081 | n/a |
| Non-Gaming Revenue | 92,846 | 35,245 | 33,612 | 36,410 | n/a |
| Total Revenue | 976,287 | 333,321 | 295,063 | 300,491 | n/a |
| EBITDA | 163,654 | 71,482 | 59,068 | 67,194 | n/a |
| Operating Income | 94,619 | 55,264 | 43,415 | 49,640 | n/a |
| Net income | (65,677) | (2,954) | (8,870) | 9,338 | n/a |
| Interest expense | 150,716 | 53,386 | 48,219 | 39,889 | n/a |
| Operating Ratios: | | | | | |
| Net income/Revenue | -6.7% | -0.9% | -3.0% | 3.1% | n/a |
| EBITDA/Revenue | 16.8% | 21.4% | 20.0% | 22.4% | n/a |
| Interest/Revenue | 15.4% | 16.0% | 16.3% | 13.3% | n/a |
| Revenue/Total Assets | 39.8% | 15.1% | 78.5% | n/a | n/a |
| Net Income/Assets | -2.7% | -0.1% | -2.4% | n/a | n/a |
| Liquidity: | | | | | |
| Current Ratio | 1.52:1 | 1.51:1 | 0.77:1 | n/a | n/a |
| Interest/EBITDA | 1.09 | 1.34 | 1.22 | 1.68 | n/a |
| Long Term Debt/Equity | 4.47:1 | 9.83:1 | 6.39:1 | n/a | n/a |
| Capitalization: | | | | | |
| Market Capitalization | 363,870 | 180,475 | n/a | n/a | n/a |
| Stockholders' Equity | 388,095 | 50,591 | 63,580 | n/a | n/a |
| Market Cap/Equity | .94:1 | 3.57:1 | n/a | n/a | n/a |
| P/E Ratio | (6) | (94) | n/a | n/a | n/a |
| Long Term Debt | 1,735,781 | 497,372 | 406,183 | n/a | n/a |
| Total Assets | 2,455,436 | 2,213,503 | 375,643 | n/a | n/a |

*Exhibit 1-8a*


Trump Revenue/Assets
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1994
1995
1996

# *PROJECTED FINANCIAL STATEMENTS*

## Summary

All of the proposers have assumed the total casino square footage to be the maximum 100,000 square feet allowed. However, the number of gaming devices (slots and table games) varies from a high of 3,710 (Trump) to a low of 2,520 (Rio). There is some concern about the ability of Trump to place this many devices in the area and maintain the ambiance compatible with a first-class property.

In terms of the total number of gaming positions offered, Trump proposes the highest number (4,460), followed by Greektown (3,900) and Barden (3,640), while Rio proposes the lowest (3,120). However, there is not necessarily a correlation between projected gaming positions and total casino revenue. Barden projects less casino revenue than every other proposer except Rio.

Both MGM and Mirage have stated they intend to operate their properties as five-star resorts. It is assumed that they intend to acquire this rating by the Mobil Travel Guide. A Five Star rating is the highest rating awarded by this association. This rating may be very difficult to obtain due to the high volume of business projected. The only casino property to have been awarded a 5-star rating is Harrah's Lake Tahoe. Harrah's intentionally relinquished the rating because of the costs associated with providing the required level of service in a casino environment. Currently, Mobil and the American Automobile Association (AAA) rate the MGM Grand and the Golden Nugget in Las Vegas, and Trump Plaza, Trump Castle, and Taj Mahal in Atlantic City, four-star, four-diamond, properties respectively. Mobil rated Mirage and Rio as three-star properties in 1997.

Because of Mirage's strategy outlined above, it is not surprising to see that Mirage's ratio of gaming revenue to non-gaming revenue is 2.2:1, the lowest of any proposer. Also, Mirage has projected the highest gaming revenue and total revenue by far of all the proposers. Mirage has projected to capture over 40% of the combined Detroit and Windsor markets.

Circus, MGM, Mirage and Trump all have extensive experience in operating large casino hotels. Rio is limited to one property, but it is a large, upscale property in a highly competitive market. Barden lacks operating experience on this level but intends to attract as a partner a well-known hotel company to operate the non-gaming areas. A prospective candidate has not yet been identified. Greektown has an experienced and qualified management team, but the proposer has no experience as a group.

Circus has projected the highest EBITDA and EBITDA margin[10]. It appears, however, that it has understated expenses. Circus has made no provision for any complimentaries[11] (food, hotel rooms or entertainment). This may place the property at a competitive disadvantage, since all other proposers have allowed for some form of complimentaries. Furthermore, Circus' projected balance sheets show no current assets (other than cash and working capital) or any current liabilities. This is not reasonable since receivables, inventories, prepaid expenses, accounts payable and other accrued liabilities need to be accounted for. It is unclear what, if any, impact these omissions may have on earnings (e.g., provision for progressive jackpots, cost of sales of food and beverage, etc.). In addition, a preliminary review of payroll costs indicates that some labor rates appear to be low in relation to the labor market in Detroit and casino rates in Windsor. Circus and Greektown have projected payroll taxes and benefits at 30% across the board. The projections may be low given the labor climate in the area.

[10] EBITDA margin is calculated by dividing EBITDA by net revenue.

[11] Promotional allowances provided to customers.

## Review and Analysis Criteria

For each of the seven proposers, financial projections were reviewed and analyzed:

1. For reasonableness in relation to the proposer's experience with other casino projects, and
2. For reasonableness regarding the documentation of the assumptions supporting the projections.

Because the format and level of detail was not consistent from proposer to proposer, certain comparative statistics are not available. A schedule summarizing selected financial data and operating statistics has been provided at page 56. This schedule compares information based on the achievement of the most likely estimate of market share for the combined Detroit/Windsor gaming market.

While generally not stated, the financial data presented is assumed to represent dollars of the first full year of operations. Data presented is for the first full year of operations. Projections for the next six years are, in all cases, based on inflation factors of between 3% and 5% of the base year compounded annually.

For purposes of analysis, the total number of gaming positions for each proposer has been calculated as follows: (number of slots + (number of table games x 6)).

With the exception of MGM, all proposers have either stated in their assumptions that complimentary beverages would be allowed or are silent on the issue. It is our understanding that such complimentaries are not prohibited by Michigan gaming regulations and, further, no sale or consumption of alcoholic beverages can take place between the hours of 2:00 a.m. and 7:00 a.m. (Monday through Saturday) or on Sunday from 2:00 a.m. until 12:00 p.m. Certain other restrictions apply to Christmas Eve, Christmas Day and New Year's Eve. If exemptions for casinos from the local or state laws for casino hotels are not made, this could have a significant impact on the anticipated operations and revenues of the proposers.

## Strengths and Weaknesses

See Exhibit 2-1 at page 55

## Risk Factors

### *Market Projections*

Most of the proposers have assumed the overall Detroit/Windsor market to be different from the market as analyzed by Deloitte and Touche. Of those, only MGM has assumed the market to be smaller, by $107 million (8.7%). Market variances range from a high of $204 million (Trump) to a low of $88 million (Circus). Substantial differences in market size assumptions could have a significant impact on a proposer's projections.

### *Labor Costs Estimates*

There can be no assurance that the proposers will be able to hire and/or retain qualified employees at the rates projected in their proposals. Also, collective bargaining agreements could have a significant impact on departmental expenses.

### *Beverage Sales And Consumption*

As mentioned previously, the sale and consumption of alcoholic beverages is regulated by the Michigan Liquor Control Commission. The City of Detroit has no laws regarding the sale and consumption hours of alcohol. There is presently no exemption for casino hotels from restrictions on hours when alcohol can be sold and consumed. There does not appear to be a prohibition in the Michigan gaming regulations on providing alcoholic beverages on a complimentary basis to customers. Most of the proposers have not addressed this issue. If some form of exemption regarding sale and consumption hours is not given to the casinos, the projections of those proposers have been made on erroneous assumptions.

### *Regulatory Environment*

There are no assurances that the Michigan Gaming Control Board will establish rules that are consistent with the assumptions formulated by the proposers concerning the operation of casinos. For example, no rules have been promulgated concerning the payment of markers in the pit, which could have an impact on drop and hold percentages projected by the proposers.

## Analysis

### *Barden*

**Summary** - Barden is proposing a 1,000 room, 48-story, first-class entertainment complex, costing about $560 million, employing a "Motor City Magic" theme. Barden proposes to open the facility in stages: casino, September 2000; retail, theater, etc., December 2000; and the hotel, July 2001.

| Summary of Financial Projections | | | |
|---|---|---|---|
| Casino revenue | $370.5 | 84.5%[12] | 100.0%[13] |
| Total revenue | 438.4 | 100.0% | 118.3% |
| Operating profit | 214.1 | 48.8% | 57.8% |
| Net income | 16.9 | 3.9% | 4.6% |
| EBITDA | 126.2 | 28.8% | 34.1% |
| Gaming taxes | 71.2 | 16.2% | 19.2% |

The proponent has stated that it intends to market to local residents; visitors to Detroit who are tourists, attending conventions, or staying with area residents; day trip visitors; and international visitors. Emphasis will be placed on attracting customers within a 300-mile market area.

*Barden's projections appear to be consistent with the assumptions made in the business/marketing plan.*

### Analysis of Projection Assumptions

- Barden does not have a history of developing and operating first-class facilities of the magnitude of the Detroit project.
- Barden has no experience managing hotel properties and has yet to identify who will manage Majestic Star's hotel operations.
- Barden places a heavy emphasis on slots (69% of casino revenue). Win per slot per day appears consistent with similar venues. However, projections are 25% higher than results currently being achieved from the Gary operation.

[12] All numbers in this column are shown as a percentage of total revenue
[13] All numbers in this column are shown as a percentage of casino revenue

- Casino revenue/square foot is projected at $3,705 which ranks sixth out of the seven proposers.
- The ratio of gaming to non-gaming revenue is the highest (along with Trump) projected compared to the other proposers.
- Barden has assumed that complimentary beverages will be allowed. No assumption was made concerning other restrictions on beverage service.
- Complimentaries are projected at 7.3% of casino revenue, which may be low if beverage restrictions are ultimately exempted.
- Based on a preliminary review of payroll costs, it appears that Barden's projections for labor costs reflect the labor market in the area, in 1997 dollars.

*Circus*

**Summary** - Circus is proposing to build an 801 room, 28-story, first-class entertainment complex, costing about $595 million, with a turn-of-the-century theme. Circus assumes the property will open January 1, 2000.

| Summary of Financial Projections | | | |
|---|---|---|---|
| Casino revenue | $440.2 | 77.0% | 100.0% |
| Total revenue | 571.4 | 100.0% | 129.8% |
| Operating profit | 389.4 | 68.1% | 88.5% |
| Net income | 169.4 | 29.7% | 38.5% |
| EBITDA | 242.3 | 42.4% | 55.0% |
| Gaming taxes | 84.7 | 14.8% | 19.2% |

Although the proponent has not specifically identified its primary markets, based on the amenities offered in the proposed facility it would appear that it intends to market to free and independent travelers (FITs); tour and travel; bus tour operators; convention/conference/incentive groups; residents of the regional/local area; national markets; and international markets.

*Circus's projections appear to be consistent with the assumptions made in the business/marketing plan.*

**Analysis of Projection Assumptions**

- Circus has experience in operating first-class facilities of the magnitude of the Detroit project.
- Emphasis on slots (65.0% of casino revenue) is the lowest of all proposers. Win per slot per day appears high when compared to results from properties operated by Circus in other venues and, because of the high number of slots proposed for this facility and in the market in total, this win per unit number may be high.
- Circus has made no provision for any complimentaries (food, beverage, or hotel rooms). This would put the property at a competitive disadvantage, since all other proposers have allowed for some form of complimentaries.
- The projected balance sheets show no current assets (other than cash and working capital) or any current liabilities. This is not reasonable, since inventories, prepaid expenses, accounts payable, and other accrued liabilities will need to be accounted for. The impact on earnings was unable to be estimated (e.g., provision for progressive jackpots, cost of sales on food & beverage).
- Food and beverage figures are not disclosed separately; therefore, little can be inferred as to the reasonableness of the numbers. No information was given concerning pricing strategies.
- Based on a preliminary review of payroll costs, it appears that some labor costs may be low in relation to the labor market in Detroit. For example, dealers are projected at an hourly rate of $5.15. Dealer rates in Windsor, where the casino dealers are organized by the CAW, are currently about US$6.00 per hour.
- Circus has projected payroll taxes and benefits at 30% across the board. This may be low, given the labor climate in Detroit.
- Historical information was presented only on a consolidated basis. No detail on individual properties was given.

### *Greektown*

**Summary** - Greektown is proposing a 1,000 room, 41-story, first-class entertainment complex, costing about $519 million, designed to be a representation of contemporary Greece and to fit the urban context of the Lower Woodward District and Greektown. Greektown anticipates opening on May 1, 2000.

| Summary of Financial Projections | | | |
|---|---|---|---|
| Casino revenue | $390.6 | 81.4% | 100.0% |
| Total revenue | 480.0 | 100.0% | 122.9% |
| Operating profit | 215.9 | 45.0% | 55.3% |
| Net income | 34.7 | 7.2% | 8.9% |
| EBITDA | 134.9 | 28.1% | 34.5% |
| Gaming taxes | 83.5 | 17.4% | 21.4% |

The proponent has identified its primary, secondary and tertiary markets (0-75, 75-150, and 150-300 miles from Greektown, respectively) and it intends to market to free and independent travelers (FITs); tour and travel; bus tour operators; convention/conference/incentive groups; residents of the regional/local area; national markets; and international markets.

*Greektown's projections appear to be consistent with the assumptions made in the business/marketing plan.*

**Analysis of Projection Assumptions**

- Greektown has no history of developing and operating first-class facilities of the magnitude of the Detroit project. However, members of the "team" have built, designed, and/or operated large casino facilities and hotels.
- Heavy emphasis on slots (69.4% of casino revenue). Win per slot per day appears high when compared to results from properties operated by Greektown in other venues, but may be appropriate for this market
- Ratio of gaming to non-gaming revenue is among the highest projected compared to the other proposers.
- Greektown has assumed that complimentary beverages will be allowed. No assumption was made concerning other restrictions on beverage service.
- Greektown has projected payroll taxes and benefits at 30% across the board. This may be low, given the labor climate in Detroit.
- Complimentaries are projected at 12.0% of casino revenue, which may be high, if there is no relief from the restrictions on beverage service.

## *MGM*

**Summary** – MGM is proposing an 800 room, 40-story, five-star entertainment complex, costing about $718 million, based on an art deco theme. MGM anticipates the property to be opened by January 2001.

| Summary of Financial Projections | | | |
|---|---|---|---|
| Casino revenue | $405.4 | 77.2% | 100.0% |
| Total revenue | 525.5 | 100.0% | 129.6% |
| Operating profit | 133.4 | 25.4% | 32.9% |
| Net income | 11.0 | 2.1% | 2.7% |
| EBITDA | 113.2 | 22.5% | 27.9% |
| Gaming taxes | 72.1 | 13.7% | 17.8% |

The proponent has stated that it intends to market to free and independent travelers (FITs); tour and travel; bus tour operators; convention/conference/incentive groups; residents of the regional/local area; national markets; international markets; and known high-limit casino players.

*MGM's projections appear to be consistent with the assumptions made in the business/marketing plan.*

**Analysis of Projection Assumptions**

- MGM has experience in developing and operating first-class facilities of the magnitude of the Detroit project.
- Heavy emphasis on slots (70.5% of casino revenue). Win per slot per day appears high when compared to results from properties operated by MGM in other venues, but may be appropriate for this market.
- Ratio of gaming to non-gaming revenue is among the lowest projected compared to the other proposers.
- MGM has assumed that complimentary beverages will not be allowed and that beverages cannot be served between 2:00 a.m. and 7:00 a.m. MGM appears to be the only proponent to address this issue.
- MGM intends to operate the property as a five-star resort. It may be difficult to obtain 5-star rating due to volume of business. Only one casino property has ever been awarded 5-star status (Harrah's Lake Tahoe). They intentionally gave up the rating because of the costs associated with providing the required level of service in a casino environment. Currently, the MGM Grand in Las Vegas is a four-star, four-diamond, property (Mobil and AAA).
- Based on a preliminary review of payroll costs, it appears that some labor costs may be low in relation to the labor market in Detroit. For example, dealers are projected at an hourly rate of $5.15. Dealer rates in Windsor, where the casino dealers are organized by the CAW, are currently about US$6.00 per hour.

- Complimentaries are projected at only 5.5% of casino revenue, which may be low, given the proposed marketing efforts.
- MGM's hotel occupancy is the most conservative of all the proposals. The projected results may be underestimated, due to the "must see" positioning of the property.

### *Mirage*

**Summary** – Mirage is proposing a 612 room, 18-story, 5-star entertainment complex, costing about $800 million, called The Marquesa, reminiscent of nineteenth century Paris. Mirage has assumed the property will be open within three years after licensure.

| Summary of Financial Projections | | | |
|---|---|---|---|
| Casino revenue | $491.7 | 69.1% | 100.0% |
| Total revenue | 711.4 | 100.0% | 144.7% |
| Operating profit | 248.4 | 34.9% | 50.5% |
| Income before taxes[14] | 16.9 | 3.9% | 3.4% |
| EBITDA | 150.7 | 21.2% | 30.7% |
| Gaming taxes | 103.8 | 14.6% | 21.1% |

The proposer has stated that it intends to market to premium players, tourists, business travelers, regional day trip visitors, and local residents. Emphasis will be placed on attracting affluent, premium players, drawing on the resources of Mirage's domestic and international marketing offices. Additionally, Mirage will establish offices in strategic Midwest cities, such as Chicago, Cleveland and Pittsburgh.

Mirage believes The Marquesa will attract affluent domestic and international tourists seeking world class accommodations, food and entertainment. Also, The Marquesa will seek to attract the premium convention visitor and senior executives for business meetings by offering first-class meeting facilities. Senior citizens and others will be bussed in from outlying areas to attract slot business during periods of low to moderate casino utilization.

Mirage intends to price non-gaming amenities in a manner that will create perceived value and allow the facility to market to affluent and middle-income customers simultaneously.

*Mirage's projections appear to be consistent with the assumptions made in the business/marketing plan.*

[14] Mirage is the only proposer not organized as an LLC (which is a pass-through entity for tax purposes). MGD Gaming is a wholly-owned subsidiary, in which case consolidating rules apply. Therefore, pre-tax income is shown for comparison purposes.

## Analysis of Projection Assumptions

- Mirage has a successful history of developing and operating first-class facilities in a variety of gaming venues.
- Heavy emphasis on slots (70% of casino revenue). High win per slot per day suggests high volume in dollar and above play.
- Casino revenue/square foot is projected at $4,917 which is higher than results achieved at Mirage. Obviously, Mirage is in a much more competitive market, but projections for The Marquesa nevertheless seem high.
- Win per table game is significantly higher than other proposers, which supports an emphasis on marketing to affluent table game customers.
- Mirage intends to operate the property as a five-star resort. It may be difficult to obtain 5-star rating due to volume of business. Only one casino property has ever been awarded 5-star status (Harrah's Lake Tahoe). They intentionally gave up the rating because of the costs associated with providing the required level of service in a casino environment. Currently, the Golden Nugget - Las Vegas is rated four-star, four-diamond, by Mobil and AAA. The Mirage is rated three-star, four-diamond.
- The projections did not disclose the amount of complimentaries anticipated. Comps for casinos at the high end generally run about 15 percent of casino revenue[15]. Comps for Mirage as a company in 1996 ran 17%. The departmental profit for the projected casino at 43% appears to not have taken comps into consideration. It is assumed, however, that comps have been considered for beverage, since beverage revenue is very high in relation to other proposals. Restrictions on beverage service imposed by the Michigan Liquor Control Commission may have a substantial impact on beverage revenues.
- The ratio of gaming to non-gaming revenue is low in relation to other proposers. Although they suggest that the pricing of non-gaming amenities will be competitive, it would appear that the pricing correlates to their high-end marketing strategies. However, it also suggests that the property may offer more amenities than the others may. The ratio for Mirage consolidated for 1996 is 1:1.
- Based on a cursory review of payroll costs, it appears that Mirage's projections for labor costs reflect the labor market in the area.

[15] Nevada Gaming Abstract 1996.

## *Rio*

**Summary** - Paradise Valley Rio, LLC ("Rio") is proposing to build a 1,056 room, 41-story, first-class entertainment complex, costing about $744 million, with a Brazilian/Carnival theme. Rio did not project an opening date.

| Summary of Financial Projections | | | |
|---|---|---|---|
| Casino revenue | $338.6 | 75.8% | 100.0% |
| Total revenue | 447.0 | 100.0% | 132.0% |
| Operating profit | 197.1 | 44.1% | 58.2% |
| Net loss | (22.2) | (5.0)% | (6.6)% |
| EBITDA | 119.8 | 26.8% | 35.8% |
| Gaming taxes | 72.8 | 16.3% | 21.5% |

The proponent has identified its primary market as the Detroit metro area and customers within a 250-mile radius, and it intends to market to free and independent travelers (FITs); tour and travel; bus tour operators; convention/conference/incentive groups; residents of the regional/local area; national markets; and international markets.

*Rio's projections appear to be consistent with the assumptions made in the business/marketing plan.*

**Analysis of Projection Assumptions**

- Rio did not include detailed and specific assumptions. Rio's explanations for all material assumptions were limited primarily to detailed schedules of staffing and detail of casino games and devices. For purposes of this analysis, many of the assumptions had to be inferred by the analyst from the projections themselves.
- Rio's leadsheet for the financial projections does not agree with the supporting schedule showing projections by month for the first year. The difference appears to be in interest expense.
- Rio has limited history of operating first-class facilities of the magnitude of the Detroit project. However, members of the "team" have built and/or designed many large casino facilities and hotels.

- Rio places a heavy emphasis on slots (70.0% of casino revenue). Win per slot per day appears high when compared to results from properties operated by Rio in other venues, but may be appropriate for this market.
- Rio has assumed that complimentary beverages will be allowed. No assumption was made concerning other restrictions on beverage service.
- Based on a preliminary review of payroll costs, it appears that some labor costs may be low in relation to the labor market in Detroit. For example, dealers are projected at an hourly rate of $5.29. Dealer rates in Windsor, where the casino dealers are organized by the CAW, are currently about US$6.00 per hour.
- Rio plans to operate a nightclub similar to Club Rio in Las Vegas. Restrictions on beverage service, as previously noted, may impact the operations of this nightclub in terms of hours of operation and revenues.

### *Trump*

**Summary** - Trump is proposing to build an 800 room, 30-story, first-class entertainment complex, costing about $542 million, themed to Detroit's musical and automobile heritage. Trump has assumed a July 1, 2001 opening date.

| Summary of Financial Projections | | | |
|---|---|---|---|
| Casino revenue | $414.2 | 84.5% | 100.0% |
| Total revenue | 490.3 | 100.0% | 118.4% |
| Operating profit | 117.2 | 23.9% | 28.3% |
| Net income | 12.0 | 2.5% | 2.9% |
| EBITDA | 82.9 | 16.9% | 20.0% |
| Gaming taxes | 89.1 | 18.2% | 21.5% |

Although the proponent has not specifically identified its primary markets, based on the amenities offered in the proposed facility it would appear that it intends to market to free and independent travelers (FITs); tour and travel; bus tour operators; convention/conference/incentive groups; residents of the regional/local area; national markets; and international markets.

*Trump's projections appear to be consistent with the assumptions made in the business/marketing plan.*

## Analysis of Projection Assumptions

- Trump has experience in operating first-class facilities of the magnitude of the Detroit project.
- Trump places a heavy emphasis on slots (77.0% of casino revenue), highest of all proposers. Win per slot per day appears high when compared to results from properties operated by Trump in other venues, but may be appropriate for this market. However, because of the large number of slots, this win per unit number may be high.
- Trump has assumed that complimentary beverages will be allowed. No assumption was made concerning other restrictions on beverage service.
- In the assumptions, Trump has stated the average room rate for the hotel would be $85 per night. However, the projections indicate an average room rate of only $70. This rate may be low, given the average rates in the downtown area and the positioning of the property as a first-class complex.
- Food and beverage figures are not disclosed separately; therefore, little can be inferred as to the reasonableness of the numbers. The only assumptions given were that pricing was consistent with that of outlets in Trump's existing casinos.

### *Exhibits*

Exhibit 2-1 summarizes the comparative strengths and weaknesses of the proposers' financial projections. The succeeding tables compare summarized projections for the seven proposers, along with tables for each proposer comparing their respective projections with historical data where provided.

The following schedule compares: (1) the proposers' projections with historical performance and market share[16], (2) proposed market share with market assumptions[17], and (3) project costs with marketing plan and operating strategies[18].

## *Exhibit 2-1 (Strengths and Weaknesses)*

**FINANCIAL STATEMENT PROJECTIONS - STRENGTHS AND WEAKNESSES**
**($ Millions)**

| | Barden | Circus | Greektown | MGM | Mirage | Rio | Trump |
|---|---|---|---|---|---|---|---|
| Comparison of projections with historical performance | Aggressive | Aggressive | Aggressive | Moderate | Moderate | Moderate | Moderate |
| EBITDA margin-historical | 9.5% | 23.8% | 9.0% | 23.8% | 29.2% | 25.3% | 16.8% |
| EBITDA margin-projected | 30.9% | 42.4% | 28.1% | 22.5% | 21.2% | 28.7% | 17.8% |
| Share of primary market | N/A | 17.7% | N/A | 12.1% | 15.7% | 3.0% | 28.8% |
| Projected market share | 30.0% | 33.2% | 29.4% | 35.9% | 34.6% | 27.4% | 28.8% |
| Market share compared with market assumptions | Moderate | Moderate | Moderate | Aggressive | Aggressive | Underdetermined | Aggressive |
| Detroit/Windsor mkt (D & T) | 1,236.0 | 1,236.0 | 1,236.0 | 1,236.0 | 1,236.0 | 1,236.0 | 1,236.0 |
| Assumed market | 1,236.0 | 1,324.0 | 1,328.0 | 1,129.0 | 1,420.5 | 1,236.0 | 1,440.6 |
| Diff | - | 88.0 | 92.0 | (107.0) | 184.5 | - | 204.6 |
| Fair share | 329.6 | 353.1 | 354.1 | 301.1 | 378.8 | 329.6 | 384.2 |
| Projected mkt share (cas. rev.) | 370.5 | 440.2 | 390.6 | 405.4 | 491.7 | 338.6 | 414.2 |
| Diff | 40.9 | 87.1 | 36.5 | 104.3 | 112.9 | 9.0 | 30.0 |
| Market share % - D & T | 30.0% | 35.6% | 31.6% | 32.8% | 39.8% | 27.4% | 33.5% |
| Market share % - projections | 30.0% | 33.2% | 29.4% | 35.9% | 34.6% | 27.4% | 28.8% |
| Win per patron - D & T | 48.00 | 48.00 | 48.00 | 48.00 | 48.00 | 48.00 | 48.00 |
| Win per patron - projections | 50.07 | 50.40 | 53.00 | 60.14 | 61.16 | N/A | 55.14 |
| Diff | 2.07 | 2.40 | 5.00 | 12.14 | 13.16 | N/A | 7.14 |
| Project size compared to marketing plan and operating strategies | Moderate | Aggressive | Aggressive | Moderate | Aggressive | Weak | Aggressive |
| Project costs | 559.4 | 594.8 | 519.0 | 717.8 | 800.0 | 743.8 | 542.0 |
| Total revenues | 438.4 | 571.5 | 480.0 | 525.5 | 711.4 | 447.0 | 490.3 |
| Revenues/project costs | 78.4% | 96.1% | 92.5% | 73.2% | 88.9% | 60.1% | 90.5% |
| Revenues/assets - historical | 38.0% | 48.9% | N/A | 62.5% | 63.8% | 44.4% | 35.8% |

[16] Projected EBITDA margins were compared to historical data as presented. Market share data is presented for comparison purposes only. No attempt was made to determine the impact of the competitiveness of the proposer's primary market on these comparisons.

[17] Most of the proposers assumed that there was no discernible distinction between the Detroit market and the combined Detroit/Windsor market. In addition, most proposers assumed the market was greater than the market as assumed by Deloitte & Touche (MGM was the exception, projecting a lower total market by 8.7%). Since Barden and Rio were not clear as to how they defined the market in their assumptions, the D & T numbers were used for comparative purposes. The proposer's fair share of the market was determined by dividing the assumed market figure by the proposer's percent of casino square footage, to be consistent with the D & T study. Projected win per patron figures are compared to the D & T study for significant differences. Both Mirage and MGM were aggressive in this instance.

[18] Project costs were compared to the projected first year total revenue. That relationship was compared to historical data, where available. No consideration was given to the differences among the proposers' total project costs relating to quality of the product.

## *Exhibit 2-2 (Summary of Financial Projections)*

**FINANCIAL PROJECTIONS - FIRST YEAR OF OPERATIONS**
**($ in millions, except for statistical data)**

| | Barden | Circus | Greektown | MGM | Mirage | Rio | Trump |
|---|---|---|---|---|---|---|---|
| **Operating Statistics** | | | | | | | |
| **Gaming:** | | | | | | | |
| Gaming patronage | 7,400,000 | 8,734,722 | 7,369,000 | 6,740,820 | 8,000,000 | N/A | 7,511,162 |
| Casino square footage | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Number of slots | 2,800 | 2,600 | 3,000 | 2,900 | 2,736 | 2,400 | 3,560 |
| Number of table games | 140 | 142 | 150 | 115 | 102 | 120 | 150 |
| Gaming positions | 3,640 | 3,445 | 3,900 | 3,590 | 3,348 | 3,120 | 4,460 |
| Casino Revenue | 370.5 | 440.2 | 390.6 | 405.4 | 491.7 | 338.6 | 414.2 |
| Slots revenue | 255.5 | 286.1 | 271.0 | 285.8 | 344.2 | 237.0 | 318.9 |
| % of total casino revenu | 69.0% | 65.0% | 69.4% | 70.5% | 70.0% | 70.0% | 77.0% |
| Table games revenue | 115 | 154 | 115 | 120 | 148 | 102 | 95 |
| % of total casino revenu | 31.0% | 35.0% | 29.4% | 29.5% | 30.0% | 30.0% | 23.0% |
| Gaming dept: | | | | | | | |
| P/R & related % of rev | N/A | N/A | 12.8% | 13.6% | 13.7% | N/A | N/A |
| Dept. margin | 51.2% | 56.8% | 48.6% | 49.1% | 43.0% | 60.4% | N/A |
| Casino revenue/sq. foot | 3,705.0 | 4,402.0 | 3,906.0 | 4,054.0 | 4,917.0 | 3,386.0 | 4,142.0 |
| Win per sq. ft./day | 10.2 | 12.1 | 10.7 | 11.1 | 13.5 | 9.3 | 11.3 |
| Win per slot per day | 250.0 | 302.3 | 247.5 | 270.0 | 344.7 | 270.5 | 245.4 |
| Win per table per day | 2,250.5 | 2,973.2 | 2,100.5 | 2,849.3 | 3,961.9 | 2,319.6 | 1,740.0 |
| Win per position per day | 278.9 | 350.1 | 274.4 | 309.4 | 402.4 | 297.3 | 246.0 |
| Win per visitor | 50.07 | 50.40 | 53.00 | 60.14 | 61.46 | N/A | 55.14 |
| Slots as a % of positions | 76.9% | 75.3% | 76.9% | 80.8% | 81.7% | 76.9% | 79.8% |
| Gaming taxes | 71.2 | 84.7 | 83.5 | 72.1 | 103.8 | 72.8 | 89.1 |
| % of gaming revenue | 19.2% | 19.2% | 21.4% | 17.8% | 21.1% | 21.5% | 21.5% |
| **Non-Gaming:** | | | | | | | |
| Number of hotel rooms | 1,000 | 801 | 1,000 | 800 | 612 | 1,056 | 800 |
| Suites | 150 | 96 | 168 | 50 | 144 | 70 | 50 |
| Typical | 850 | 705 | 832 | 750 | 468 | 986 | 750 |
| Hotel revenue | 27.9 | 21.1 | 32.4 | 23.2 | 24.0 | 31.2 | 17.4 |
| Suites | N/A | N/A | N/A | 2.3 | 8.9 | N/A | N/A |
| Typical | N/A | N/A | N/A | 21.0 | 13.1 | N/A | N/A |
| Occupancy rate | 85.0% | 80.0% | 80.0% | 0.7 | 0.8 | 1 | 1 |
| Suites | N/A | N/A | N/A | 55.0% | 75.0% | N/A | N/A |
| Typical | N/A | N/A | N/A | 73.0% | 85.0% | N/A | N/A |
| Ave. daily rate | 90.00 | 90.00 | 100.00 | 110.54 | 130.00 | 90.00 | 70.30 |
| Suites | N/A | N/A | N/A | 225.0 | 225.0 | N/A | N/A |
| Typical | N/A | N/A | N/A | 105.0 | 90.0 | N/A | N/A |
| Hotel dept: | | | | | | | |
| P/R & related % of rev | N/A | N/A | 36.4% | 39.2% | 25.4% | N/A | N/A |
| Dept. margin | 52.8% | 29.9% | 53.4% | 53.1% | 50.0% | 36.0% | N/A |
| Food revenues | 27.5 | 78.0 | 28.2 | 41.2 | 89.3 | 46.3 | 50.1 |
| % of total | 6.3% | 13.6% | 5.9% | 7.8% | 12.6% | 10.4% | 10.2% |
| Beverage revenues | 6.9 | 5.6 | 12.2 | 14.7 | 57.0 | 22.3 | N/A |
| % of total | 1.6% | 1.0% | 2.5% | 2.8% | 8.0% | 5.0% | N/A |
| Other revenues | 5.6 | 26.5 | 16.6 | 41.0 | 49.4 | 8.6 | 8.5 |
| % of total | 1.3% | 4.6% | 3.5% | 7.8% | 6.9% | 1.9% | 1.7% |
| Total revenues | 438.4 | 571.5 | 480.0 | 525.5 | 711.4 | 447.0 | 490.3 |
| Promotional allowances | 29.6 | N/A | N/A | 22.1 | N/A | 29.1 | 24.9 |
| Marketing costs % of rev | N/A | 4.0% | 3.4% | 3.1% | N/A | 6.7% | N/A |
| Gross operating profit | 214.1 | 389.4 | 215.9 | 133.4 | 248.4 | 197.1 | 117.2 |
| Margin | 52.4% | 68.1% | 45.0% | 25.4% | 34.9% | 47.2% | 25.2% |
| Gaming to non-gaming rev | 5.5 | 3.4 | 4.4 | 3.4 | 2.2 | 4.1 | 5.5 |
| **Financial:** | | | | | | | |
| Total project cost | 559.4 | 594.8 | 519.0 | 717.8 | 800.0 | 743.8 | 542.0 |
| EBITDA | 126.2 | 242.3 | 134.9 | 113.2 | 150.7 | 119.8 | 82.9 |
| Margin | 30.9% | 42.4% | 28.1% | 22.5% | 21.2% | 28.7% | 17.8% |
| **Ratios:** | | | | | | | |
| Current | N/A | N/A | 2.94 | 0.61 | 1.05 | 2.90 | 1.99 |
| Quick | N/A | N/A | 2.60 | 0.61 | 0.46 | 2.42 | 1.62 |
| Interest coverage | 2.35 | 5.73 | 2.93 | 2.82 | 3.84 | 1.75 | 1.70 |
| Debt service coverage | 1.83 | 3.13 | 2.93 | 1.45 | 1.21 | 1.75 | 1.70 |
| Debt to equity | 3.35 | 3.87 | 2.89 | 2.95 | 2.63 | 4.42 | 3.17 |

*Exhibit 2-3 (Barden)*

| Barden | | Majestic |
|---|---|---|
| Operating Statistics | Projected | Star - |
| Gaming: | | |
| Gaming patronage | 7,400,000 | 1,823,707 |
| Casino square footage | 100,000 | 26,000 |
| Number of slots | 2,800 | 927 |
| Number of table games | 140 | 50 |
| Gaming positions | 3,640 | 1,227 |
| Casino Revenue | 370.5 | 99.1 |
| Slots | 255.5 | 72.4 |
| % of total casino revenue | 69.0% | 73.0% |
| Table Games | 115.0 | 26.7 |
| % of total casino revenue | 31.0% | 27.0% |
| Gaming dept. | | |
| P/R & related % of rev | N/A | |
| Dept. margin | 51.2% | |
| Casino revenue/sq. foot | 3,705 | 3,812 |
| Win per sq. ft./day | 10.2 | 10.0 |
| Win per slot per day | 250.0 | 202.0 |
| Win per table per day | 2,250.5 | 1,381.0 |
| Win per position per day | 278.9 | 197 |
| Win per visitor | 50 | 54 |
| Slots as a % of positions | 76.9% | 75.6% |
| Gaming taxes | 71.2 | |
| % of gaming revenue | 19.2% | |
| Non-Gaming: | | |
| Number of hotel rooms | 1,000 | |
| Suites | 156 | |
| Typical | 844 | |
| Hotel revenue ($ million) | 27.9 | |
| Suites | N/A | |
| Typical | N/A | |
| Occupancy rate | 85.0% | |
| Suites | N/A | |
| Typical | N/A | |
| Ave. daily rate | 90.0 | |
| Suites | N/A | |
| Typical | N/A | |
| Hotel dept. | | |
| P/R & related % of rev | N/A | |
| Dept. margin | 52.8% | |
| Food revenues | 27.5 | |
| % of total | 6.3% | |
| Beverage revenues | 6.9 | |
| % of total | 1.6% | |
| Other revenues | 5.6 | |
| % of total | 1.3% | |
| Total revenues | 438.4 | |
| Promotional allowances | 29.6 | |
| Marketing costs % of rev | N/A | |
| Gross operating profit | 214.1 | |
| Margin | 52.4% | |
| Gaming to non-gaming rev | 5.5 | |
| Financial: | | |
| Total project cost | 559.4 | |
| EBITDA | 126.2 | |
| Margin | 30.9% | |
| Ratios: | | |
| Current | N/A | |
| Quick | N/A | |
| Interest coverage | 2.35 | |
| Debt service coverage | 1.83 | |
| Debt to equity | 3.35 | |

## *Exhibit 2-4 (Circus)*

| Circus Operating Statistics | Projected | Consolidated Historical | Circus LV | Excalibur | Luxor | Circus Reno | Laughlin |
|---|---|---|---|---|---|---|---|
| Gaming: | | | | | | | |
| Gaming patronage | 8,734,722 | | | | | | |
| Casino square footage | 100,000 | | 109,000 | 110,000 | 120,000 | 60,000 | 100,000 |
| Number of slots | 2,593 | | 2,555 | 2,442 | 2,245 | 1,722 | 2,708 |
| Number of table games | 142 | | 84 | 89 | 110 | 66 | 82 |
| Gaming positions | 3,445 | | 3,059 | 2,976 | 2,905 | 2,118 | 3,200 |
| Casino Revenue | 440.2 | | | | | | |
| Slots | 286.1 | | | | | | |
| % of total casino revenue | 65.0% | 82.0% | | | | | |
| Table Games | 154.1 | | | | | | |
| % of total casino revenue | 35.0% | 26.0% | | | | | |
| Gaming dept. | | | | | | | |
| P/R & related % of rev | N/A | | | | | | |
| Dept. margin | 56.8% | | | | | | |
| Casino revenue/sq. foot | 4,402 | 1,586 | | | | | |
| Win per sq. ft./day | 12.1 | 4.3 | | | | | |
| Win per slot per day | 302.3 | 122.0 | | | | | |
| Win per table per day | 2,973.2 | 1,170.0 | | | | | |
| Win per position per day | 350.1 | 138.0 | | | | | |
| Win per visitor | 50.40 | | | | | | |
| Slots as a % of positions | 75.3% | | | | | | |
| Gaming taxes | 84.7 | | | | | | |
| % of gaming revenue | 19.2% | | | | | | |
| Non-Gaming: | | | | | | | |
| Number of hotel rooms | 801 | | 3,744 | 4,008 | 4,425 | 1,605 | 2,676 |
| Suites | 121 | | | | | | |
| Typical | 680 | | | | | | |
| Hotel revenue ($ million) | 21.1 | 369.9 | | | | | |
| Suites | N/A | | | | | | |
| Typical | N/A | | | | | | |
| Occupancy rate | 80.0% | 94.0% | | | | | |
| Suites | N/A | | | | | | |
| Typical | N/A | | | | | | |
| Ave. daily rate | 90.0 | 60.0 | | | | | |
| Suites | N/A | | | | | | |
| Typical | N/A | | | | | | |
| Hotel dept. | | | | | | | |
| P/R & related % of rev | N/A | | | | | | |
| Dept. margin | 29.9% | | | | | | |
| Food revenues | 78.0 | | | | | | |
| % of total | 13.6% | | | | | | |
| Beverage revenues | 5.6 | | | | | | |
| % of total | 1.0% | | | | | | |
| Other revenues | 26.5 | | | | | | |
| % of total | 4.6% | | | | | | |
| Total revenues | 571.5 | | | | | | |
| Promotional allowances | N/A | | | | | | |
| Marketing costs % of rev | 4.0% | | | | | | |
| Gross operating profit | 389.4 | | | | | | |
| Margin | 68.1% | | | | | | |
| Gaming to non-gaming rev | 3.4 | | | | | | |
| Financial: | | | | | | | |
| Total project cost | 594.8 | | | | | | |
| EBITDA(R) | 242.3 | | | | | | |
| Margin | 42.4% | | | | | | |
| Ratios: | | | | | | | |
| Current | N/A | | | | | | |
| Quick | N/A | | | | | | |
| Interest coverage | 5.73 | | | | | | |
| Debt service coverage | 3.13 | | | | | | |
| Debt to equity | 3.87 | | | | | | |

*Exhibit 2-5 (Greektown)*

| Greektown | | Historical |
|---|---|---|
| Operating Statistics | Projected | Kewadin |
| **Gaming:** | | |
| Gaming patronage | 7,369,000 | |
| Casino square footage | 100,000 | 72,392 |
| Number of slots | 3,000 | |
| Number of table games | 150 | |
| Gaming positions | 3,900 | |
| Casino Revenue | 390.6 | 103.0 |
| Slots | 271.0 | 93.2 |
| % of total casino revenue | 69.4% | 90.5% |
| Table Games | 115.0 | 8.5 |
| % of total casino revenue | 29.4% | 8.3% |
| Gaming dept. | | |
| P/R & related % of rev | 12.8% | |
| Dept. margin | 48.6% | |
| Casino revenue/sq. foot | 3,906 | 1,424 |
| Win per sq. ft./day | 10.7 | 3.9 |
| Win per slot per day | 247.5 | 108.1 |
| Win per table per day | 2,100.5 | 268.6 |
| Win per position per day | 274.4 | 115.1 |
| Win per visitor | 53 | 20 |
| Slots as a % of positions | 76.9% | |
| Gaming taxes | 83.5 | |
| % of gaming revenue | 21.4% | |
| **Non-Gaming:** | | |
| Number of hotel rooms | 1,000 | |
| Suites | 168 | |
| Typical | 832 | |
| Hotel revenue | 32.4 | 2.0 |
| Suites | N/A | |
| Typical | N/A | |
| Occupancy rate | 80.0% | 94.0% |
| Suites | N/A | |
| Typical | N/A | |
| Ave. daily rate | 100.00 | 88.58 |
| Suites | N/A | |
| Typical | N/A | |
| Hotel dept. | | |
| P/R & related % of rev | 36.4% | |
| Dept. margin | 53.4% | |
| Food revenues | 28.2 | 4.4 |
| % of total | 5.9% | 3.7% |
| Beverage revenues | 12.2 | - |
| % of total | 2.5% | 0.0% |
| Other revenues | 16.6 | 8.0 |
| % of total | 3.5% | 6.8% |
| Total revenues | 480.0 | 117.4 |
| Promotional allowances | N/A | |
| Marketing costs % of rev | 3.4% | |
| Gross operating profit | 215.9 | |
| Margin | 45.0% | |
| Gaming to non-gaming rev | 4.4 | 7.2 |
| **Financial:** | | |
| Total project cost | 519.0 | |
| EBITDA | 134.9 | |
| Margin | 28.1% | |
| **Ratios:** | | |
| Current | 2.94 | |
| Quick | 2.60 | |
| Interest coverage | 2.93 | |
| Debt service coverage | 2.93 | |
| Debt to equity | 2.89 | |

*Exhibit 2-6 (MGM)*

| MGM Operating Statistics | Projected | MGM Las Vegas | MGM Australia | NY-NY |
|---|---|---|---|---|
| **Gaming:** | | | | |
| Gaming patronage | 6,740,820 | | | |
| Casino square footage | 100,000 | | | 84,000 |
| Number of slots | 2,900 | | | 2,400 |
| Number of table games | 115 | | | 71 |
| Gaming positions | 3,590 | | | 2,826 |
| Casino Revenue | 405.4 | | | |
| Slots | 285.8 | | | |
| % of total casino revenue | 70.5% | 39.0% | 65.0% | 66.0% |
| Table Games | 119.6 | | | |
| % of total casino revenue | 29.5% | 60.0% | 25.0% | 34.0% |
| Gaming dept. | | | | |
| P/R & related % of rev | 13.6% | | | |
| Dept. margin | 49.1% | | | |
| Casino revenue/sq. foot | 4,054 | 2,700 | 1,266 | 2,024 |
| Win per sq. ft./day | 11.1 | 7.4 | 3.5 | 5.5 |
| Win per slot per day | 270.0 | 125.0 | 125.0 | 118.0 |
| Win per table per day | 2,849.3 | 4,017.0 | 538.0 | 2,051.0 |
| Win per position per day | 309.4 | 249.0 | 125.0 | 153.0 |
| Win per visitor | 60.1 | | | |
| Slots as a % of positions | 80.8% | | | 84.9% |
| Gaming taxes | 72.1 | | | |
| % of gaming revenue | 17.8% | | | |
| **Non-Gaming:** | | | | |
| Number of hotel rooms | 800 | | | 2,035 |
| Suites | 50 | | | |
| Typical | 750 | | | |
| Hotel revenue ($ million) | 23.2 | 169.0 | 2.3 | 70.9 |
| Suites | 2.3 | | | |
| Typical | 21.0 | | | |
| Occupancy rate | 71.9% | 95.0% | 61.0% | 98.0% |
| Suites | 55.0% | | | |
| Typical | 73.0% | | | |
| Ave. daily rate | 110.5 | 99.0 | 94.0 | 98.0 |
| Suites | 225.0 | | | |
| Typical | 105.0 | | | |
| Hotel dept. | | | | |
| P/R & related % of rev | 39.2% | | | |
| Dept. margin | 53.1% | | | |
| Food revenues | 41.2 | | | |
| % of total | 7.8% | | | |
| Beverage revenues | 14.7 | | | |
| % of total | 2.8% | | | |
| Other revenues | 41.0 | | | |
| % of total | 7.8% | | | |
| Total revenues | 525.5 | | | |
| Promotional allowances | 22.1 | | | |
| Marketing costs % of rev | 3.1% | | | |
| Gross operating profit | 133.4 | | | |
| Margin | 25.4% | | | |
| Gaming to non-gaming rev | 3.4 | 1.3 | 2.9 | 1.3 |
| **Financial:** | | | | |
| Total project cost | 717.8 | | | |
| EBITDA | 113.2 | | | |
| Margin | 22.5% | | | |
| **Ratios:** | | | | |
| Current | 0.61 | | | |
| Quick | 0.61 | | | |
| Interest coverage | 2.82 | | | |
| Debt service coverage | 1.45 | | | |
| Debt to equity | 2.95 | | | |

*Exhibit 2-7 (Mirage)*

| Mirage Operating Statistics | Projected | Mirage | Treasure Island | Golden Nugget | Laughlin |
|---|---|---|---|---|---|
| **Gaming:** | | | | | |
| Gaming patronage | 8,000,000 | | | | |
| Casino square footage | 100,000 | 95,900 | 82,000 | 38,000 | 32,000 |
| Number of slots | 2,736 | | | | 1,180 |
| Number of table games | 102 | | | | 18 |
| Gaming positions | 3,348 | | | | |
| Casino Revenue | 491.7 | 419.8 | 161.7 | 128.4 | 43.1 |
| Slots | 344.2 | 118.4 | 86.8 | 88.2 | 37.9 |
| % of total casino revenue | 70.0% | 28.2% | 53.7% | 68.7% | 87.9% |
| Table Games | 147.5 | 279.1 | 67.8 | 36.7 | 4.3 |
| % of total casino revenue | 30.0% | 66.5% | 41.9% | 28.6% | 10.0% |
| Gaming dept. | | | | | |
| P/R & related % of rev | 13.7% | | | | |
| Dept. margin | 43.0% | | | | |
| Casino revenue/sq. foot | 4,917 | 4,377 | 1,972 | 3,378 | 1,348 |
| Win per sq. ft./day | 13.5 | 12.0 | 5.4 | 9.3 | 3.7 |
| Win per slot per day | 344.7 | 146 | 108 | 185 | 88 |
| Win per table per day | 3,961.9 | 6,318 | 2,237 | 1,549 | 491 |
| Win per position per day | 402.4 | 390 | 164 | 207 | 89 |
| Win per visitor | 61 | | | | |
| Slots as a % of positions | 81.7% | | | | |
| Gaming taxes | 103.8 | | | | |
| % of gaming revenue | 21.1% | | | | |
| **Non-Gaming:** | | | | | |
| Number of hotel rooms | 612 | | | | 300 |
| Suites | 144 | | | | 4 |
| Typical | 468 | | | | 296 |
| Hotel revenue | 24.0 | 148 | 104 | 48 | 4 |
| Suites | 8.9 | | | | |
| Typical | 13.1 | | | | |
| Occupancy rate | 82.6% | 0.977 | 0.989 | 0.951 | 0.91 |
| Suites | 75.0% | 0.828 | 0.942 | 0.427 | |
| Typical | 85.0% | 99.2% | 99.3% | 98.1% | |
| Ave. daily rate | 130.0 | 134 | 99 | 69 | 27 |
| Suites | 225.0 | 368 | 189 | 210 | |
| Typical | 90.0 | 114 | 92 | 66 | |
| Hotel dept. | | | | | |
| P/R & related % of rev | 25.4% | | | | |
| Dept. margin | 50.0% | | | | |
| Food revenues | 89.3 | | | | |
| % of total | 12.6% | | | | |
| Beverage revenues | 57.0 | | | | |
| % of total | 8.0% | | | | |
| Other revenues | 49.4 | | | | |
| % of total | 6.9% | | | | |
| Total revenues | 711.4 | | | | |
| Promotional allowances | N/A | | | | |
| Marketing costs % of rev | N/A | | | | |
| Gross operating profit | 248.4 | | | | |
| Margin | 34.9% | | | | |
| Gaming to non-gaming rev | 2.2 | | | | |
| **Financial:** | | | | | |
| Total project cost | 800.0 | | | | |
| EBITDA | 150.7 | | | | |
| Margin | 21.2% | | | | |
| **Ratios:** | | | | | |
| Current | 1.05 | | | | |
| Quick | 0.46 | | | | |
| Interest coverage | 3.84 | | | | |
| Debt service coverage | 1.21 | | | | |
| Debt to equity | 2.63 | | | | |

*Exhibit 2-8 (Rio)*

| Rio | | Historical |
|---|---|---|
| Operating Statistics | Projected | Rio-LV |
| **Gaming:** | | |
| Gaming patronage | N/A | |
| Casino square footage | 100,000 | 119,000 |
| Number of slots | 2,400 | 2,447 |
| Number of table games | 120 | 104 |
| Gaming positions | 3,120 | 3,161 |
| Casino Revenue | 338.6 | 135.1 |
| Slots | 237.0 | 54.9 |
| % of total casino revenue | 70.0% | 40.6% |
| Table Games | 101.6 | 76.1 |
| % of total casino revenue | 30.0% | 56.3% |
| Gaming dept. | | |
| P.R/ & related % of rev | N/A | |
| Dept. margin | 60.4% | |
| Casino revenue/sq. foot | 3,386 | 1,135 |
| Win per sq. ft./day | 9.3 | 4.7 |
| Win per slot per day | 270.5 | 92.3 |
| Win per table per day | 2,319.6 | 3,011.2 |
| Win per position per day | 297.3 | 176 |
| Win per visitor | N/A | |
| Slots as a % of positions | 76.9% | |
| Gaming taxes | 72.8 | |
| % of gaming revenue | 21.5% | |
| **Non-Gaming:** | | |
| Number of hotel rooms | 1,056 | 2,582 |
| Suites | 70 | |
| Typical | 986 | |
| Hotel revenue ($ million) | 31.2 | 44.5 |
| Suites | N/A | |
| Typical | N/A | |
| Occupancy rate | 90.0% | 90.5% |
| Suites | N/A | |
| Typical | N/A | |
| Ave. daily rate | 90.00 | 84.62 |
| Suites | N/A | |
| Typical | N/A | |
| Hotel dept. | | |
| P/R & related % of rev | N/A | |
| Dept. margin | 36.0% | |
| Food revenues | 46.3 | |
| % of total | 10.4% | |
| Beverage revenues | 22.3 | |
| % of total | 5.0% | |
| Other revenues | 8.6 | |
| % of total | 1.9% | |
| Total revenues | 447.0 | |
| Promotional allowances | 29.1 | |
| Marketing costs % of rev | 6.7% | |
| Gross operating profit | 197.1 | |
| Margin | 47.2% | |
| Gaming to non-gaming rev | 4.13 | 1.01 |
| **Financial:** | | |
| Total project cost | 743.8 | |
| EBITDA | 119.8 | |
| Margin | 28.7% | |
| **Ratios:** | | |
| Current | 2.90 | |
| Quick | 2.42 | |
| Interest coverage | 1.75 | |
| Debt service coverage | 1.75 | |
| Debt to equity | 4.42 | |

## *Exhibit 2-9 (Trump)*

| Trump | | Historical | | | |
|---|---|---|---|---|---|
| **Operating Statistics** | **Projected** | **Taj Mahal** | **Plaza** | **Marina** | **Indiana** |
| **Gaming:** | | | | | |
| Gaming patronage | 7,511,162 | | | | |
| Casino square footage | 100,000 | | | | |
| Number of slots | 3,560 | 3,699 | 3,629 | 2,297 | 1,452 |
| Number of table games | 150 | 165 | 127 | 87 | 70 |
| Gaming positions | 4,460 | | | | |
| Casino Revenue | 414.2 | | | | |
| Slots | 318.9 | | | | |
| % of total casino revenue | 77.0% | 54.0% | 72.0% | 74.0% | 70.0% |
| Table Games | 95.3 | | | | |
| % of total casino revenue | 23.0% | 42.0% | 28.0% | 26.0% | 30.0% |
| Gaming dept. | | | | | |
| P/R & related % of rev | N/A | | | | |
| Dept. margin | N/A | | | | |
| Casino revenue/sq. foot | 4,142 | 3,708 | 3,072 | 3,456 | 3,828 |
| Win per sq. ft./day | 11.3 | 10.0 | 8.0 | 9.0 | 11.0 |
| Win per slot per day | 245.4 | 207.0 | 203.0 | 221.0 | 189.0 |
| Win per table per day | 1,740.0 | 3,569.0 | 2,238.0 | 2,018.0 | 1,671.0 |
| Win per position per day | 246 | 271 | 226 | 235 | 195 |
| Win per visitor | 55.1 | | | | |
| Slots as a % of positions | 79.8% | | | | |
| Gaming taxes | 89.1 | | | | |
| % of gaming revenue | 21.5% | | | | |
| **Non-Gaming:** | | | | | |
| Number of hotel rooms | 800 | | | | |
| Suites | 50 | | | | |
| Typical | 750 | | | | |
| Hotel revenue ($ million) | 17.4 | 43.3 | 36.3 | 18.9 | |
| Suites | N/A | | | | |
| Typical | N/A | | | | |
| Occupancy rate | 85.0% | 92.0% | 89.9% | 89.9% | |
| Suites | N/A | | | | |
| Typical | N/A | | | | |
| Ave. daily rate | 70.3 | 102.8 | 94.6 | 80.4 | |
| Suites | N/A | | | | |
| Typical | N/A | | | | |
| Hotel dept. | | | | | |
| P/R & related % of rev | N/A | | | | |
| Dept. margin | N/A | | | | |
| Food revenues | 50.1 | | | | |
| % of total | 10.2% | | | | |
| Beverage revenues | N/A | | | | |
| % of total | N/A | | | | |
| Other revenues | 8.5 | | | | |
| % of total | 1.7% | | | | |
| Total revenues | 490.3 | | | | |
| Promotional allowances | 24.9 | | | | |
| Marketing costs % of rev | N/A | | | | |
| Gross operating profit | 117.2 | | | | |
| Margin | 25.2% | | | | |
| Gaming to non-gaming rev | 5.5 | | | | |
| **Financial:** | | | | | |
| Total project cost | 542.0 | | | | |
| EBITDA | 82.9 | | | | |
| Margin | 17.8% | | | | |
| **Ratios:** | | | | | |
| Current | 1.99 | | | | |
| Quick | 1.62 | | | | |
| Interest coverage | 1.70 | | | | |
| Debt service coverage | 1.70 | | | | |
| Debt to equity | 3.17 | | | | |

## *PROJECT COSTS*

### Review and Analysis Criteria

For each of the seven proposers, estimated project costs were reviewed and analyzed using the following criteria:

1. For comparison of estimated project costs, underlying assumptions and consistency with project descriptions. Project costs include detailed estimates of hard and soft costs, FF&E, working capital requirements, pre-opening costs and expenses.

2. For proposer's experience in developing large resort hotel casino projects on time and within costs budget.

The proposals do not include sufficient information in all cases to address each cost component on a comparative basis. Information included in the proposals does not in all cases define what components are included in hard, soft and other costs. Project costs may vary significantly among proposers as some may be pursuing different market segments requiring more or less expensive design, decor and furnishings.

## Summary

### *Project Descriptions*

All of the seven proposals include 100,000 square foot casinos. The number of gaming devices proposed range, for slot machines, from 2,400 for Rio to 3,560 by Trump and for table games from 102 for Mirage to 150 for Greektown and Trump. The total number of hotel rooms proposed range from 612 for Mirage to 1,056 for Rio. Greektown proposes the most suite type rooms with 168, and MGM and Trump propose the least number of suites with 50 each. Rio features all suite-type rooms, which is consistent with their Las Vegas property. Rio's rooms are actually oversized rooms with some suite-type amenities. The size of convention space proposed ranges from 40,560 square feet for Rio to 94,500 square feet for Mirage. All of the proposals include health clubs and interior swimming pools. Some of the proposals include entertainment facilities such as Barden with an 8,000 square foot performance lounge, a 400 seat IMAX theater and 6,000 seat arena; Mirage offers a 4,000 seat theater; and MGM a 14,160 square foot cineplex. Mirage proposes the most parking spaces with 6,800, MGM with 5,000, Trump with 4,200 and Circus with 4,000. Of the other proposers Barden offers only 2,000 parking spaces, Rio 3,794, and Greektown 3,842. Because Detroit will be substantially a drive in gaming market (83% according to Deloitte & Touche's Economic Impacts Study) large parking garages are critical to the realization of the proposers projected casino revenues. In Atlantic City, approximately 85% of its casino visitors drive in, requiring all casinos to have significant parking facilities. See also *Exhibit 3-1 (Project Facts)* at page 75.

### *Project Costs*

The proposers' estimated project costs ranged from $519 million by Greektown to $800 million by Mirage. Project costs are in two clusters, one ranging from $700 to $800 million including MGM, Mirage and Rio, and the other ranging from $500 to $600 million including Barden, Circus, Greektown and Trump. Project costs components were not presented in sufficient detail in all of the proposals to allow for meaningful comparisons.

Each proposer has planned and designed their casino projects and projected project costs to attract a specific market segment. As an example, Mirage's projections include average daily room rates that are approximately 18% higher than the next highest projected rates. In addition, Mirage projects wins per slot machine and table game that are higher than any other proposal by 28% and 39%, respectively. Mirage's project cost of $800 million, including only 612 guestrooms, is consistent with projected operations and its stated goal to develop the property as a Mobil rated five-star hotel. MGM estimates project costs to be $718 million including an 800 room hotel. MGM also plans to achieve a five-star rating. Rio estimates the cost to build a 1,056 room all suite hotel to be $744 million. The nature and theme of the hotel is consistent with its Las Vegas property.

Barden, Circus, Greektown and Trump estimate projects costs ranging from $500 to $600 million for hotels with 1,000 rooms, 801 rooms, 1,000 rooms and 800 rooms, respectively. These projected costs are consistent with the proposed marketing plans and projected results of operations. See also *Exhibit 3-2 (Project Costs)* at page 76.

### *Proposers' Experience Developing Major Resort Hotel Casino Projects*

Circus, MGM, Mirage and Trump have extensive experience developing large resort hotel casino projects. Rio enjoys a relationship with Marnell Corrao, an architectural and general contracting firm that has extensive experience in the design and construction of large hotel/casino facilities. Mirage's Bellagio, a 2,900 room resort hotel casino, currently under construction with an estimated cost of approximately $1.6 billion, including $150 million for an art collection, is being developed to achieve a Mobil five-star rating. Trump has developed and/or expanded resort hotels casino projects in Atlantic City such as the Taj Mahal, which was a $1 billion project. Trump affiliates have also developed Trump Towers and Grand Hyatt in New York City and other large commercial mixed-use projects in the New York City area. Circus has developed and/or expanded large resort hotel casino projects such as Circus Circus in Las Vegas and Reno with 3,744 and 1,605 rooms, respectively; and the Excalibur with 4,008 rooms and Luxor, recently expanded with 4,425 rooms both in Las Vegas; and joint ventured the developments of Monte Carlo with 3,002 rooms in Las Vegas and the Silver Legacy in Reno with 1,711 rooms. MGM has developed its 5,000 room MGM Grand Hotel and Theme Park in Las Vegas at a cost of approximately $800 million, and previously developed the 4,000 room MGM in Las Vegas (now Ballys) and the 2,000 room MGM in Reno (now Hilton). MGM is also a 50% joint venture partner in New York-New York and participated in the development of this recently opened 2,035-room resort hotel casino in Las Vegas.

Barden has developed a riverboat casino in Gary, Indiana and has no experience developing large hotel casino projects. Greektown as a group has not developed any large resort hotel casino projects although the senior officers of Millennium have experience with companies that they were previously associated with developing large resort hotel casino projects.

## PROPOSERS' OTHER CASINO PROJECTS

### Circus*

Exalibur

- 4,008 rooms
- 2,442 slots

Circus Circus - Las Vegas

- 109,000 sq. ft.
- 3,800 rooms
- 84 table games
- Grand Slam Canyon
  - 5 acres

Luxor

- 120,000 sq. ft.
- 4,425 rooms
- 2,245 slots
- 110 table games
- 1,200 seat showroom

Circus Circus - Reno

- 60,000 sq. ft.
- 1,605 rooms
- 1,722 slots
- 66 table games
- 3,000 parking spaces

Circus Circus - Laughlin Properties

- 100,000 sq. ft.
- 2,676 rooms
- 2,708 slots
- 82 table games

Silver Legacy

- 85,000 sq. ft.
- 1,711 rooms
- 89 table games
- 120-foot-tall functioning mining rig

Gold Strike Casino Resort - under construction

- 1,200 rooms
- 1,372 slots

Gold Strike/Nevada Landing

- 73,000 sq. ft.
- 1,116 rooms
- 42 table games

Railroad Pass

- 21,000 sq. ft.
- 120 rooms
- 395 slots
- 11 table games

Elgin, Illinois

- 36,000 sq. ft.
- 977 slots
- 56 table games

Monte Carlo

- 90,000 sq. ft.
- 3,002 rooms
- 2,221 slots
- 95 table games

Bay St. Louis, Mississippi - not yet begun

- 1,500 rooms

The Hacienda/Project Paradise-under construction

- 3,800 rooms

Atlantic City - Agreement with Mirage

- 2,000 rooms

* Source: Solomon Brothers 1997 Leisure Conference

# PROPOSERS' OTHER CASINO PROJECTS

## MGM*

Ballys (Previously MGM Grand - Las Vegas)

Reno Hilton (Previously MGM Grand - Reno)

- 171,000 sq. ft.
- 5,000 rooms
- 3,700 slots
- 160 table games
- 15-acre theme park
- 11,700 sq. ft. arcade
- 1,774 seat showroom

New York-New York Joint Venture

- 84,000 sq. ft.
- 2,033 rooms
- 2,400 slots
- 75 table games
- replica of New York's Skyline
- 1,000 seat theater
- Roller Coaster

MGM Grand Australia

- 96 rooms
- 400 slots
- 35 table games

South Africa - agreement reached

Detroit - Finalist in bid

Atlantic City - project delays

- 335,000 sq. ft. entertainment complex

* Source: Solomon Brothers 1997 Leisure Conference

# PROPOSERS' OTHER CASINO PROJECTS

## Mirage*

Nevada

Mirage

3,044 rooms
2,255 slots
82,000 sq. ft. of convention space
1,500 seat showroom
white tiger display
dolphin habitat

Treasure Island at the Mirage
78,400 sq. ft.
2,900 rooms
2,160 slots
82 table games
18,000 sq. ft. of meeting space
1,500 seat showroom
pyrotechnic sea battle

Golden Nugget
38,000 sq. ft.
1,907 rooms
1,305 slots
65 table games
23,000 sq. ft. of meeting space

Golden Nugget - Laughlin
32,000 sq. ft.
300 rooms
1,175 slots
24 table games
1,585 parking spaces

Monte Carlo
90,000 sq. ft.
3,024 rooms

104 table games

Bellagio - under construction
3,000 rooms
12 acre lake

Mississippi - Beau Rivage - under construction

1,800 rooms
18,000 sq. ft. ballroom

Atlantic City (now Hilton)

Atlantic City, New Jersey - planned
115,000 sq. ft.
2,000 rooms
1,000 rooms

Detroit - Finalist in bid

* Source: Solomon Brothers 1997 Leisure Conference

# PROPOSERS' OTHER CASINO PROJECTS

## Rio

Marnell Corrao - Architects & General Contractors:

Mirage Low Rise
Stardust
Treasure Island
Sands
Peppermill
Arizona Charlies
Gold River
Sams Town
Westward Ho
Forum Shops at Caesar's Palace
Caesar's Atlantic City
Eldorado
Rio
Excalibur
Circus Circus - Las Vegas
Circus Circus - Reno
New York-New York, Las Vegas

# PROPOSERS' OTHER CASINO PROJECTS

## Trump

Fifth Avenue

Trump Palace
55-story Condominiums

Trump Plaza
- 140,000 sq. ft.
- 1,401 rooms
- health club

Trump Indiana
- 37,000 sq. ft.
- 300 rooms - under construction
- restaurants

Taj Mahal
- 135,000 sq. ft.
- 1,250 rooms
- restaurants
- 5,000 seat arena
- health club

Int. Hotel & Tower
Trump Marina Casino
- 73,000 sq. ft.
- 728 rooms
- 645-slip marina
- restaurants
- health club
- casino helipad

## Strengths and Weaknesses

See *Exhibit 3-3 (Strengths and Weaknesses)* at page 77

## Risk Factors

There can be no assurances that the proposers will be able to construct their projects within their estimated costs. The following are examples of circumstances that may result in project costs exceeding estimates:

- Labor, material and other projects costs are all subject to potential increases due to inflation.
- An adequate amount of skilled labor may not exist in the Detroit area to accommodate the combined requirements of three concurrent projects. Importing labor, or utilizing unskilled labor, may increase overall project cost
- The sites selected for development may require environmental survey and/or cleanup. Costs and time associated with such requirements could impact project development.
- Any variable rate debt incurred during project development will increase construction costs by the amount of interest charged. If significant increases in interest rates are incurred, project costs will increase accordingly.
- Construction delays caused by labor disputes, regulatory requirements, approval process, shortages of materials and/or available skilled labor, or a number of other factors, could extend the time of construction and increase the cost of the project.

## Exhibits

Following are tables detailing the project descriptions, costs, and comparative strengths and weaknesses.

## *Exhibit 3-1 (Project Facts)*

**PROPOSERS' CASINO PROJECT FACTS & STATISTICS**

($ in Thousands)

| | Barden | Circus | Greektown | MGM | Mirage | Rio* | Trump |
|---|---|---|---|---|---|---|---|
| **Total Project Costs** | 559,362 | 594,797 | 519,000 | 717,787 | 800,000 | 743,805 | 542,000 |
| **Project Facts & Statistics** | | | | | | | |
| Site location | Washington | Michigan | Greektown | Michigan | Michigan | Michigan | Washington |
| Expected Opening Date — Total Project | | Jan. 2000 | May 2000 | Jan. 2001 | 3 years | | Jul. 2001 |
| Casino | Sept. 2000 | | | | | | |
| Retail, theater, etc. | Dec. 2000 | | | | | | |
| Hotel | Jul. 2001 | | | | | | |
| Casino sq. ft. | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| No. of slot machines | 2,800 | 2,600 | 3,000 | 2,900 | 2,736 | 2,400 | 3,560 |
| No. of table games | 140 | 142 | 150 | 115 | 102 | 120 | 150 |
| No. of rooms & suites | 1,000 | 801 | 1,000 | 800 | 612 | 1,056 | 800 |
| No. of typical rooms | 850 | 705 | 832 | 750 | 468 | 986 | 750 |
| No. of suites | 150 | 96 | 168 | 50 | 144 | 70 | 50 |
| Hotel sq. ft. | 553,000 | | | | 518,000 | 792,361 | 529,678 |
| Convention space sq. ft. | 73,000 | | 87,737 | 44,000 | 94,500 | 40,560 | 85,000 |
| Parking spaces | 2,000 | 4,100 | 3,842 | 5,000 | 6,800 | 3,794 | 2,800 |
| Parking sq. ft. | | 1,590,813 | 1,207,605 | 1,875,000 | 2,337,500 | 1,478,000 | 1,021,800 |
| Back of house sq. ft. | 270,000 | 111,655 | 165,346 | 8,969 | 434,000 | 271,135 | 101,738 |
| Retail/restaurant sq. ft. | 75,000 | 27,000 | 129,210 | 230,470 | 149,100 | 187,055 | 97,000 |
| Restaurant seats | 1,350 | 2,200 | 1,790 | 2,200 | 3,000 | 1,809 | |
| IMAX Theater sq. ft. | 23,000 | | | | | | |
| IMAX seats | 400 | | | | | | |
| Cineplex sq. ft. | | | | 14,160 | | | |
| Cineplex # of seats | | | | 750 | | | |
| Ballroom sq. ft. | 27,000 | 50,345 | | 25,000 | 22,000 | | |
| Arena seats | 6,000 | | | | | | |
| Theater sq. ft. | 22,000 | | 31,280 | 24,500 | 60,000 | 30,700 | |
| Theater seats | 900 | | | 1,200 | 4,000 | 1,000 | |
| Lounge sq. ft. | 8,000 | 6,720 | 2,400 | | | 4,099 | |
| Performance Lounge seats | | | 65 | | 250 | 150 | 250 |
| Amenities - health club, pool | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Spa sq. ft. | 17,000 | 8,792 | 9,940 | | 8,000 | 12,338 | |
| Lobby sq. ft. | 25,000 | | | | | | |
| Exterior sq. ft. | | | | | 570,000 | | |
| Riders per day on People Mover | 6,000 | | | | | | |
| Total casino, hotel and parking sq. ft. | | 3,000,000 | 2,601,065 | 3,233,929 | 3,761,834 | | 1,551,800 |

Note: Information given by proposers is not consistent from one proposer to another, thereby making comparability difficult.

*Rio is proposing to build 1,056 rooms in Phase I of construction, with an addition in Phase II of 1,399 more rooms for a total of 2,455.

## *Exhibit 3-2 (Project Costs)*

### PROPOSERS' CASINO PROJECT COSTS

($ in Thousands)

| | Barden | Circus | Greektown | MGM | Mirage | Rio | Trump |
|---|---|---|---|---|---|---|---|
| **Project Costs** | | | | | | | |
| Design | 24,692 | 19,298 | 14,512 | 18,288 | | | |
| Construction | 301,224 | 353,314 | 231,150 | 328,040 | 382,691 | 407,224 | 193,000 |
| Parking | 28,000 | 32,200 | | | 71,790 | | 54,000 |
| Signage | | | 4,200 | | | | |
| FF&E | | | 17,786 | 53,631 | 77,365 | 56,610 | 22,000 |
| Permits and Fees | 2,469 | 11,579 | 4,057 | 5,000 | | | 18,000 |
| Gaming Equipment | | 29,245 | 31,248 | 51,864 | | | 36,000 |
| All other Equipment (Inventory) | | | 20,502 | | | | 3,000 |
| Land | 50,000 | 99,133 | 66,700 | 116,000 | 133,367 | 50,000 | 90,000 |
| Testing & Inspections | | | | 3,259 | | | |
| Soft Costs | 9,054 | | 27,200 | 13,898 | 42,475 | 16,000 | 22,000 |
| Financing Costs | 92,000 | 8,500 | 55,000 | 30,807 | 49,696 | 61,746 | 62,000 |
| **Total Land, Building, FF&E & Financing Costs** | 507,439 | 553,269 | 472,355 | 620,787 | 757,384 | 591,580 | 500,000 |
| Pre-opening | 15,000 | 25,693 | 46,645 | 30,000 | 42,616 | | 8,000 |
| Working Capital | 4,000 | 15,835 | | 15,000 | | | 7,000 |
| Contingencies | 32,923 | | | 52,000 | | 152,225 | 27,000 |
| **Total Project Costs** | $559,362 | 594,797 | 519,000 | 717,787 | 800,000 | 743,805 | 542,000 |

Note: Land for Mirage includes improvements and contingencies. Land for MGM appears to include improvements.

## *Exhibit 3-3 (Strengths and Weaknesses)*

**ESTIMATED PROJECT COSTS - STRENGTHS AND WEAKNESSES**

| | Barden | Circus | Greektown | MGM | Mirage | Rio | Trump |
|---|---|---|---|---|---|---|---|
| Experience developing large resort hotel casino projects* | Limited<br>Riverboat only | Substantial | Limited<br>Joint venturers have no experience working as a team. Key executives have opened large scale resort hotel casinos for Circus. General contractor, Perini is experienced with large scale resort hotel casino projects. | Substantial | Substantial | Moderate | Substantial |
| Project costs | 559 million<br>Less competitive | 595 million<br>Less competitive | 519 million<br>Less competitive | 718 million<br>More competitive | 800 million<br>More competitive | 744 million<br>More competitive | 542 million<br>Less competitive |
| Number of parking spaces | 2,000 | 4,100 | 3,303 | 5,000 | 6,800 | 3,794 | 2,800 |
| Showroom & lounge seats | | | 65 | | 250 | 150 | 150 |
| Cineplex seats | | | | | | | |
| Theater seats | 900 | | | 750 | 4,000 | | |
| Arena seats | 6,000 | | | 1,200 | | | |

* Please see list of Proposers' Other Casino Projects elsewhere.

## *PROPOSERS' RESPONSIBILITY FOR PROJECT COSTS INCLUDING SITE AND INFRASTRUCTURE IMPROVEMENTS*

### Review and Analysis Criteria

We have reviewed and analyzed proposers' plans of who will pay for project costs including construction of casino, retail, restaurant, convention, entertainment and hotel facilities; and construction, modification and/or relocation of infrastructure and streetscape or similar improvements, including but not limited to the People Mover.

The criteria for our review and analysis were to review the proposers' representations in their proposals as to their commitment to pay for their budgeted project costs including construction of casino, retail, restaurant, convention, entertainment and hotel facilities; and infrastructure and site improvements, streetscape and People Mover costs. Project costs have been reviewed and analyzed at page 64.

### Analysis

All of the proposers assume the responsibility for 100% of their budgeted project costs. All proposers except for MGM and Trump specifically addressed assuming responsibility for their share of the costs of infrastructure, site improvements, streetscape and People Mover costs. MGM, however, has included $116 million in the cost of the project for land and site improvements. They have also provided for a $52 million general contingency. Trump has included $90 million in its project land costs and $27 million for a general contingency. It appears that both MGM and Trump intend to participate in their respective shares of costs for infrastructure and site improvements, although not implicitly stated in the proposals. Barden and Trump plan for the tenants of their leased retail areas to pay for the costs of all interior improvements which is customary and ordinary in the resort hotel casino industry. It is likely that the other proposers will plan to have their retail tenants pay for interior space improvements as well. MGM and Rio indicate that they are prepared to expand their projects with additional rooms and public space if warranted by market demand. Rio has included in its project costs a reinforced foundation to provide for additional rooms.

## *PROPOSERS' GUARANTEES AND ASSURANCES AS TO CONSTRUCTION AND OPERATING RISKS*

### Review and Analysis Criteria

The criteria for our review and analysis were to review, analyze and assess each proposer's representations as to their unconditional assurances, guarantees and/or indemnification that:

- the City of Detroit will be protected against construction and operating risks related to the complex including cost overruns
- their casino projects will be completed on time, and on budget
- the proposer will have appropriate and adequate funds for all pro-opening activities and initial working capital

The financial strengths and weaknesses of the proposer are important to the level of protection offered to the City of Detroit. This section should be read in conjunction with our review and analysis of each proposer's financial strengths and weaknesses, including risk factors as described therein, at page 26.

### Analysis

#### *Barden*

Barden indicates that its financial commitment for project financing, which includes $300 to $500 million in a public debt offering and $70 million in lease financing, are sufficient to fund the project costs budgeted including funds for pre-opening expenses and initial working capital. Barden has provided for a 10% contingency in project costs budgeted. Barden represents that in a to-be-arranged development agreement with the City he will include assurances that the casino complex will be completed on time and on budget and have appropriate and adequate funds for pre-opening and initial working capital purposes. As further assurance of performance, it plans to engage Turner Construction, an internationally recognized construction firm, which will provide a guaranteed maximum price contract and a guaranteed completion date. In addition, Barden represents that it will provide the City with a construction completion and performance bond. Barden cites the project development experience of its other companies, which includes developing the Wayne County Detention Center, a $61 million project and the Detroit cable TV system, a $120 million project. None of Barden's prior experience is directly related to the development of large hotel casino projects.

It appears that Barden offers the City of Detroit limited assurances and protection against construction and operating risks including cost overruns, pre-opening activities and initial working capital requirements.

### *Circus*

Circus represents that Circus Circus Enterprise Inc. ("CCEI") will provide a completion guarantee to its lenders, which would ensure that a finished and operable property will be in place by a specific date. CCEI provides its lenders with an unconditional guarantee that the project will be completed to project specifications agreed upon by the lenders. In addition, CCEI represents that its general line of credit of up to $1.5 billion would be available for the next five years. This credit line can be used under a completion guarantee to assure the completion of the casino complex.

Included in its proposal is a letter from Bank of America, which commits to providing project financing for Circus's Detroit casino project. Also, included in Circus's proposal is a project completion guarantee agreement, a form of which the City of Detroit should consider using for its development agreement arrangements for each of the proposers selected.

It appears that Circus offers the City of Detroit considerable assurances and protection against construction and operating risks including cost overruns, pre-opening activities and initial working capital requirements.

### *Greektown*

Greektown's budget for project costs includes an estimate for contingencies of $46.6 million, including funds for working capital requirements, and $12.6 million for pre-opening expenses. In addition, they propose to engage an experienced design and construction team with Paul Steelman, an architect with experience in resort hotel casino design and Perini Building Company, an international construction firm with experience building large resort hotel casino projects. They plan to begin construction only after all of their design plans are complete which will reduce the risk of expensive change orders and related project cost overruns. Finally, Greektown represents that they will indemnify and hold the City of Detroit harmless from any risks with respect to construction and operations including project cost overruns, pre-opening expenses and initial working capital requirements.

It appears that Greektown offers the City of Detroit moderate assurances and protection against construction and operating risks including cost overruns, pre-opening activities and initial working capital requirements.

### *MGM*

MGM Grand Detroit, LLC represents and warrants that it has appropriate and adequate funds from readily available sources to pay for all pre-opening activities and initial working capital requirements. Furthermore, it unconditionally guarantees sufficient funds for the costs budgeted for the Detroit project. MGM Grand Inc. will guarantee that sufficient and adequate funds exist under its credit facility of $1.5 billion to cover any and all construction costs overruns without limitation.

It appears that MGM offers the City of Detroit considerable assurances and protection against construction and operating risks including cost overruns, pre-opening activities and initial working capital requirements.

### *Mirage*

Mirage Resorts Inc. ("MRI") represents that it will provide all the necessary financing required to develop and open the casino complex, including funding for pre-opening activities and initial working capital requirements. MRI will guarantee the completion and opening of the casino.

It appears that Mirage offers the City of Detroit considerable assurances and protection against construction and operating risks including cost overruns, pre-opening activities and initial working capital requirements.

### *Rio*

Paradise Valley Rio, L.L.C., represents that it intends to have its general contractor and major subcontractors provide performance and payment bonds for the project. Also, Paradise Rio, L.L.C., intends to provide financing for the project, which will include the ability to cover 20% construction cost overruns. Furthermore, Paradise Valley Rio, L.L.C., understands and accepts that, as part of the development agreement negotiations, the City reserves the right to negotiate the terms and conditions of any and all such assurances, guarantees and/or indemnification. Rio does not include any representations with respect to funding pre-opening and initial working capital requirements.

It appears that Rio offers the City of Detroit adequate assurances and protection against construction and operating risks including cost overruns, pre-opening activities and initial working capital requirements.

*Trump*

Trump represents to provide considerable assurances with respect to protecting the City from project construction and operating risks, such as providing sufficient funds in the form of contributed equity and debt financing raised in the public and private markets. Amounts available will also include funds to satisfy (at a minimum) up to a 20% construction cost overrun. Trump further represents that more than adequate funds will be available for all pre-opening activities and initial working capital requirements. Financial performance obligations will be unconditional. Trump will also provide maximum guarantee/fixed price contracts and performance bonds with liquidity damages to help to ensure on time, on budget completion. Trump's proposal includes a letter from an insurance broker confirming Trump's bonding for the Detroit project.

It appears that Trump offers the City of Detroit limited assurances and protection against construction and operating risks including cost overruns, pre-opening activities and initial working capital requirements.

## *TEMPORARY CASINOS*

### Review and Analysis Criteria

We have reviewed and analyzed project costs, financial projections and available financial resources for the proposers that included temporary casino information in their proposals. Circus and MGM did not include project costs for a temporary casino facility in their proposals. Only Barden, Greektown, Rio and Trump included financial projections.

In performing our review and analysis criteria we used the following criteria -

#### *Project Costs And Descriptions*

- Reasonableness of project costs, underlying assumptions and consistency with project descriptions.
- Experience developing riverboat and/or land based casinos
- Assessment of type of casino (riverboat or land based) and number of temporary casinos proposed .

#### *Financial Projections*

- Reasonableness of assumptions used in developing the financial projections .
- Assessed proposers' approach to addressing temporary casinos and the capability of temporary casinos proposed to properly address Detroit casino market size.

#### *Financial Resources Available*

- Assessed proposers' ability to finance temporary casinos either through available credit lines, and /or with additional debt or equity public offerings for proposers that may require them.

Because the format and level of detail was not consistent from proposer to proposer, certain statistics could not be compared. A schedule summarizing selected financial data and operating statistics is presented at page 90. This schedule compares information based on the proposers' achievement of the most likely estimate of market share for the combined Detroit/ Windsor gaming markets.

### Project Costs and Descriptions

Barden's estimates temporary casino project costs to be $92 million, Greektown estimates $7.5 million, Mirage estimates $60 million, Rio estimates $45 million and Trump estimates $76 million. Circus and MGM did not include any project costs for temporary casinos. Mirage expressly states that they do not recommend developing temporary casinos. Greektown believes most of the costs to develop a temporary casino have been included in the budget for the permanent casino, and therefore did not include the total costs for a temporary casino.

Barden, Rio and Trump plan casino riverboats for temporary casinos with 52,000, 30,000 and 60,000 casino square feet of casino space, respectively. Greektown plans a land based temporary casino of 30,000 square feet. MGM, Mirage and Circus do not include any description or statistics for temporary casino developments. Greektown offers a casino riverboat as an alternative to their land based proposal. The number of gaming devices appears high for Barden's 52,000 square feet of casino space with 1,800 slot machines and 100 table games. Greektown plans to utilize much of their land based temporary casino's development costs for its permanent casino. Greektown plans to develop its temporary casino in the first floor of the parking garage for its permanent casino.

Barden and Trump plan to construct their temporary casinos on barges with substantial river front improvements including restaurant and back of the house facilities. Rio plans to buy an existing riverboat casino from Station Casinos, *the Station Casino Belle*, which was constructed for operations in St. Charles, Missouri. Barden's and Trump's plan to construct casino riverboat barges may require too much time to be effective.

None of the proposers indicated the length of time it would take them to develop and open a temporary casino. The length of time required to develop a temporary casino is critical to any consideration for temporary casinos.

### Proposers' Experience Developing Casinos

Barden, Trump and Circus all have experience developing and opening riverboat casinos. Circus, MGM, Mirage, Trump and, to a lesser extent, Rio all have significant experience developing large land based casinos on time and on budget. A listing of their experience appears elsewhere herein. The Greektown group as a team has no prior experience developing either a riverboat or land based casinos. Barden's total casino development experience is limited to one riverboat casino.

## Temporary Casinos - Ontario

The Province of Ontario's approach to their temporary casino facilities was either to convert existing buildings or to construct new facilities. The following summary reflects the results the Province has experienced with its temporary casinos:

For the twelve months ended September 30, 1997, except for Casino Niagara, which includes the ten months since opening on 12-9-96 ($ in millions) -

| | CAS. REV. | NO. PATRON'S[19] | NO. SLOTS | NO. TABLES | NO. EMPLOY'S. |
|---|---|---|---|---|---|
| Windsor | 349.1 | 13,500 | 1,852 | 77 | 3,656 |
| N. Belle[20] | 125.3 | 6,400 | 828 | 40 | - |
| Rama | 257.8 | 12.100 | 2,279 | 110 | 2,519 |
| Niagara | 293.1 | 28,700 | 2,669 | 144 | 3,570 |

*Source: Ontario Casino Corporation*

## Summary of Temporary Casino Projections

Barden, Greektown, Rio and Trump included financial projections for temporary casinos. Circus, MGM and Mirage did not.

The following is a summary of the financial projections for temporary casinos ($ in millions):

| | BARDEN | GREEKTOWN[21] | RIO | TRUMP |
|---|---|---|---|---|
| No. of patrons | 3,730,515 | 2,314,000 | 5,330,000 | 4,058,091 |
| Casino sq. ft. | 52,000 | 30,000 | 30,000 | 60,000 |
| Total Revenue | 260 | 147.7 | 115 | 214 |
| Casino Revenue | 254 | 146 | 97 | 224 |
| EBITDA | 91 | 59.3 | 22 | 63 |
| Gaming Taxes | 49.5 | 38.6 | 20.9 | 52 |
| Project Costs | 92 | - | 46 | 77 |
| ROI - Years | 1.0 | - | 2.1 | 1.8 |

[19] Daily average
[20] Northern Belle's employees are included with Windsor's
[21] Temporary casino project costs are reported as $7.5 million. They are incremental to permanent casino project costs budgeted. Greektown plans to build a temporary casino in the first floor of its permanent casino Lafayette St. parking garage. Greektown does not break out the full costs of a temporary land based casino.

The proposed temporary casinos may be too small to meet market expectations.
The following is a comparative table of the average win per gaming device as projected by proposers for their temporary casinos revenue compared to Ontario's temporary Casino Windsor and Casino Belle's combined actual casino revenue for the year ended March 31, 1997 as reported by the Ontario Casino Corporation:

### AVERAGE DAILY WIN PER DEVICE

| CASINOS | SLOTS | TABLE GAMES |
|---|---|---|
| Windsor/Belle | 335 | 3,316 |
| Barden | 275 | 2,000 |
| Greektown | 300 | 2,000 |
| Rio | 196 | 2,220 |
| Trump | 212 | 1,537 |

The average win per gaming devices projected for the temporary casinos may be low when compared to Ontario's Windsor and Casino Belle casino revenue. According to a Deloitte & Touche study of Economic Impacts of Casino Gaming on the City of Detroit of the aggregate casino revenue projected for the Detroit/Windsor market of $1,236 million, after adjusting for penetration, Detroit would realize $1,016 million, or 82.2%, and Windsor would realize $220 million, or 17.8%.

## Capital Available For Temporary Casinos

Based on current money market conditions, a temporary casino can likely be financed. The level of investment required for a temporary casino without a hotel is much lower than that of a permanent casino and would produce a much higher rate of return on amounts invested.

## Risk Factors

Certain risk factors previously described in other sections of this report also are applicable to this section:

*Uncertainties of Prevailing Capital Market Conditions*

*Leverage and Ability to Service Projects' Debt*

*Delay in Project Financing*

*Leverage and Ability to Service Proposers' Current Debt Obligations*

*Competition and Market Dilution*

*Cyclical Nature of Detroit Economy*

*Proposers' Other Projects*

*Disappointment to Market*

- There are no assurances that the temporary casinos as presently planned will be accepted by the market. The temporary casino proposed may be too small and may not be sufficiently attractive to be competitive in the Detroit /Windsor market.

*Disappointment to Financial Markets*

- There are no assurances that the temporary casinos' performances will meet revenue expectations of the financial markets. If the temporary casinos under perform, the financial markets may cancel or substantially reduce their financial commitments for permanent casinos.

## Exhibits

The following tables compare summarized cost projections for the seven proposers, along with tables for each proposer comparing their respective financial projections.

## *Exhibit 4-1 (Project Costs-Temporary Casino)*

### PROPOSERS' CASINO PROJECT COSTS - TEMPORARY CASINO

($ in Thousands)

| | Barden | Circus | Greektown | MGM | Mirage | Rio | Trump |
|---|---|---|---|---|---|---|---|
| **Total Project Costs** | 92,333 | None | - | None | 60,000 | 45,761 | 76,800 |
| **Project Facts & Statistics** | | | | | | | |
| Location | Riverfront | | Land | | | Riverfront | Riverfront |
| Barge sq. ft. | | | | | | | 72,000 |
| Land-based facility sq. ft. | | | 55,012 | | | | 55,000 |
| Restaurant sq. ft. | 29,100 | | | | | | 28,000 |
| Restaurant seats | | | | | | 350 | 850 |
| Retail sq. ft. | 5,500 | | n/a | | | | |
| Lounge sq. ft. | 1,500 | | | | | | |
| Conference sq. ft. | 8,000 | | n/a | | | | |
| Back of House sq. ft. | | | | | | 21,800 | |
| Casino sq. ft. | 30,000 | | 30,000 | | | 25,000 | 60,000 |
| Parking spaces | 2,275 | | | | | | 2,400 |
| # of slots | 1,800 | | 1,000 | | | 873 | |
| # of table games | 100 | | 50 | | | 44 | |
| Total sq. ft. | | | | | | 66,000 | 139,000 |
| **Project Costs** | | | | | | | |
| Land-side Costs: | | | | | | | |
| Construction | | | | | | 6,101 | 9,500 |
| F, F & E | | | | | | 2,600 | 1,800 |
| Other Equipment | | | | | | 1,004 | |
| Guest Pavilion | 21,600 | | | | 7,000 | | |
| Site Improvements | 7,850 | | | | | | |
| Off-site Improvements | 7,500 | | | | | | |
| Design Fees | 2,217 | | | | | 519 | |
| Insurance, Permits, Miscellaneous | 3,833 | | | | | 125 | 500 |
| Utilities | | | | | | | 500 |
| Vessel/Barge Costs: | | | | | | | |
| Vessel | | | | | 22,000 | 12,500 | |
| Construction | | | | | | 2,500 | 15,200 |
| F, F & E | | | | | 12,000 | 14,010 | 3,700 |
| Gaming | 26,000 | | | | | | |
| Other | 4,000 | | | | | | |
| Share of Land-side Costs | 14,333 | | | | | | |
| Permits & Fees | | | | | | | 700 |
| Improvements | | | | | 10,000 | | 1,000 |
| Utilities | | | | | | 100 | |
| Parking | | | | | | | |
| Construction | | | | | | | 5,400 |
| Other | | | | | | | |
| Signage | | | | | | | 300 |
| Insurance | | | | | | 500 | |
| Bankroll | | | | | | | 10,000 |
| Financing | | | | | | 921 | 200 |
| **Subtotal** | 87,333 | 0 | 0 | 0 | 51,000 | 40,880 | 48,800 |
| Pre-opening | | | | | 5,000 | | 7,800 |
| Working Capital | | | | | | | 4,000 |
| Contingencies | | | | | 4,000 | 4,881 | 6,300 |
| Contributions | | | | | | | (12,900) |
| **Total Project Costs** | $87,333 | 0 | - | 0 | 60,000 | 45,761 | 54,000 |

Note: Greektown did not separate project costs for the temporary casino. The riverboat site is expected to cost $5 million before cost of renting the riverboat, which would be about $.5 million per month. The land site is expected to cost about $7.5 million. Mirage has no desire to build and operate a temporary facility, but has made estimates in case the City of Detroit requires a temporary casino.

*Exhibit 4-2 (Projections-Temporary Casino)*

| | Barden | Circus | Greektown | MGM | Mirage | Rio | Trump |
|---|---|---|---|---|---|---|---|
| **Operating Statistics** | | | | | | | |
| **Gaming:** | | | | | | | |
| Type of Casino | Riverboat | | Land | | | Riverboat | Riverboat |
| Gaming patronage | 3,730,515 | N/A | 2,314,000 | N/A | N/A | 5,330,000 | 4,058,091 |
| Casino square footage | 52,000 | N/A | 30,000 | N/A | N/A | 30,000 | 60,000 |
| Number of slots | 1,800 | N/A | 1,000 | N/A | N/A | 1,000 | 2,085 |
| Number of table games | 100 | N/A | 50 | N/A | N/A | 32 | 96 |
| Gaming positions | 2,400 | N/A | 1,300 | N/A | N/A | 1,192 | 2,661 |
| Casino Revenue | 253.7 | N/A | 146 | N/A | N/A | 97.3 | 215.1 |
| Slots revenue | 180.7 | N/A | 110 | N/A | N/A | 71.4 | 161.3 |
| % of total casino revenue | 71.2% | N/A | 75.0% | N/A | N/A | 73.3% | 75.0% |
| Table games revenue | 73 | N/A | 37 | N/A | N/A | 26 | 54 |
| % of total casino revenue | 28.8% | N/A | 25.3% | N/A | N/A | 26.7% | 25.0% |
| Gaming dept: | | | | | | | |
| P/R & related % of rev | N/A | N/A | 12.8% | N/A | N/A | N/A | N/A |
| Dept. margin | 51.2% | N/A | 48.6% | N/A | N/A | 60.4% | N/A |
| Casino revenue/sq. foot | 4,878.4 | N/A | 4,866.7 | N/A | N/A | 3,242.6 | 3,585.0 |
| Win per sq. ft./day | 13.4 | N/A | 13.3 | N/A | N/A | 8.9 | 9.8 |
| Win per slot per day | 275.0 | N/A | 300 | N/A | N/A | 195.5 | 212.0 |
| Win per table per day | 2,000.0 | N/A | 2,000 | N/A | N/A | 2,219.9 | 1,534.7 |
| Win per position per day | 289.6 | N/A | 307.7 | N/A | N/A | 223.6 | 214.0 |
| Win per visitor | 68.0 | N/A | 63 | N/A | N/A | 53 | 53.0 |
| Slots as a % of positions | 75.0% | N/A | 76.9% | N/A | N/A | 83.9% | 78.4% |
| Gaming taxes | 49.5 | N/A | 38.6 | N/A | N/A | N/A | 57.5 |
| % of gaming revenue | 19.5% | N/A | 26.4% | N/A | N/A | N/A | 26.7% |
| **Non-Gaming:** | | | | | | | |
| Food revenues | 3.3 | N/A | 1.7 | N/A | N/A | 11.0 | 5.2 |
| % of total | 1.3% | N/A | 1.2% | N/A | N/A | N/A | 2.4% |
| Beverage revenues | 1.5 | N/A | N/A | N/A | N/A | 6.4 | N/A |
| % of total | 0.6% | N/A | N/A | N/A | N/A | N/A | N/A |
| Other revenues | 1.8 | N/A | N/A | N/A | N/A | N/A | 4.7 |
| % of total | 0.7% | N/A | N/A | N/A | N/A | N/A | 2.2% |
| Total revenues | 260.2 | N/A | 147.7 | N/A | N/A | 115 | 214.2 |
| Promotional allowances | 15.2 | N/A | N/A | N/A | N/A | 6.9 | 9.7 |
| Marketing costs % of rev | 7.0% | N/A | 2.9% | N/A | N/A | 6.7% | N/A |
| Gross operating profit | 133.4 | N/A | N/A | N/A | N/A | 59.2 | 44.1 |
| Margin | 54.5% | N/A | N/A | N/A | N/A | N/A | 21.6% |
| Gaming to non-gaming rev | 38.6 | N/A | 85.9 | N/A | N/A | 5.6 | 21.9 |
| **Financial:** | | | | | | | |
| Total project cost | 92.0 | N/A | N/A | N/A | N/A | 45.8 | 76.8 |
| EBITDA | 91.1 | N/A | 59.3 | N/A | N/A | 22.3 | 63.3 |
| Margin | 37.2% | N/A | 40.1% | N/A | N/A | N/A | 31.0% |

## *FISCAL BENEFITS FROM THE PROPOSERS' COMPLEXES*

### Analysis

According to a Deloitte & Touche study of the Economic Impacts of Casino Gaming on the City of Detroit, the estimated $1.39 billion spent on gaming and ancillary related activities in the stabilized year, 2002, may be distributed into four major categories: 1) wages and salaries for employees; 2) operational expenditures for goods and services; 3) taxes; and 4) returns to the casino owners.

The annual employment and operational expenditures are considered the casinos' direct impacts. A one-time impact is the construction of the casino facilities, assumed to take place in the two years before the start of operations of the casinos.

The following schedule compares the direct economic impacts from employment and operational expenditures, assuming a most likely case as reported by each of the proposers for their casino projects, as well as the aggregate economic impact that three resort hotel casinos may have on the City of Detroit's economy as estimated and projected by Deloitte & Touche[22]. The figures are not in all cases comparable. For example, amounts for casino employment wages do not include estimates for gratuities, which were included in Deloitte's estimates. We estimated the total tax revenues for the City of Detroit for each proposer based on Deloitte's estimates of aggregate casino revenues to total Detroit tax revenues, or 12.9% of each proposer's projected casino revenue. Some proposers arranged for more sophisticated economic impact analysis than others. Circus engaged Arthur Andersen to prepare their estimates. Also, construction employment wages are for the two-year period of construction and non-recurring. All other estimates recur yearly.

| | GAMING REVENUES | TAX REVENUE | CONSTRUCTION EMPLOYMENT | CASINO EMPLOYMENT | OPERATIONAL EXPENDITURES |
|---|---|---|---|---|---|
| Three Casinos | 1,236 | 159.5 | N/A | 310.4[23] | 97.7 |
| Barden | 370.5 | 47.8 | 117.3 | 79.3 | N/A |
| Circus | 440.2 | 56.8 | 276.7 | 152.6 | N/A |
| Greektown | 390.6 | 50.4 | N/A | 99.9 | 74.0 |
| MGM | 450.4 | 52.3 | N/A | N/A | N/A |
| Mirage | 491.7 | 63.4 | N/A | 165.9 | N/A |
| Rio | 338.6 | 43.7 | N/A | 118.1 | N/A |
| Trump | 414.2 | 53.4 | 110.7 | 108.1 | N/A |

[22] In millions of dollars, based on first stabilized year, 2002.
[23] Includes gratuities.

## *PROPOSER'S PLAN FOR POST-CONSTRUCTION CREDIT FACILITIES*

### Analysis

The proposers are correct in their assertion that working capital deficiencies are not necessarily created if operating projections are not achieved. Cash flow from operations may be available for working capital requirements even if results are lower than projected.

The proposers have provided for post construction credit requires as follows:

#### *Barden*

Barden maintains that certain aspects of the proposed facility, the development process and other regulatory requirements must be ascertained before post construction capital requirements can be quantified. It intends, therefore, to arrange for a working capital credit facility during the development of the project. This plan is risky in that significant time and capital will be invested in the project before capital requirements are identified and satisfied.

#### *Circus*

Circus's underlying financing plan incorporates a construction loan that automatically converts to a revolving credit facility upon commencement of operations. Circus intends to arrange for an amount of credit that will allow for a portion of the ultimate revolving facility to remain unused and provide for post construction needs. Furthermore, it commits to provide for the ongoing capital requirements of the proposer.

#### *Greektown*

Greektown has arranged for a standby $50 million letter of credit, which it intends to use for post construction financing if required.

#### *MGM*

MGM Grand, Inc. states that it will "unconditionally guarantee" to provide for the ongoing capital requirements of the proposer.

#### *Mirage*

Mirage Resorts, Inc. commits to provide for any ongoing capital requirements of the proposer.

### *Rio*

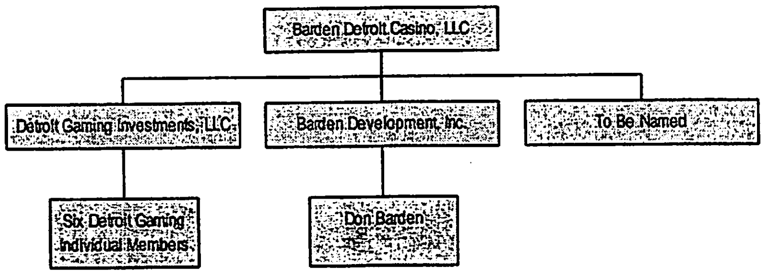
Rio Hotel and Casino, Inc. commits to provide for the ongoing capital needs of this proposer, and points to the cash flow of the Rio Hotel and Casino and up to $30 million in RHC's existing credit facility as potential sources of such capital.

### *Trump*

Trump Hotels and Casino Resorts, Inc. commits to assist the proposer in securing post construction financing if needed.

## *ORGANIZATIONAL RELATIONSHIPS*

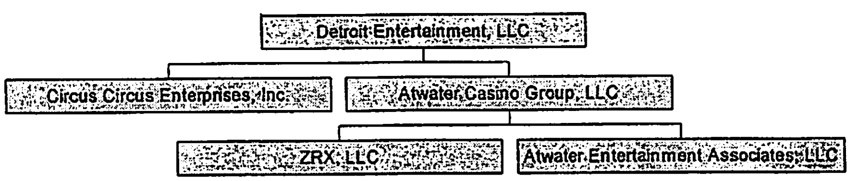
### *Barden*




Barden Detroit, LLC is owned 5% by Detroit Gaming Investments, LLC and 95% by Barden Development, Inc. The six individuals that are member of Detroit Gaming Investments, LLC are not experienced in gaming or related industries. Barden Development, Inc. owns 92.5% and operates the Majestic Star Casino, a riverboat operating in Gary, Indiana. Operations at the Majestic Star commenced in June of 1996. The riverboat has yet to show a profit, however operating income for the six months ended June 30, 1997 was $3.9 million. The company also owns a 50% joint venture interest in Buffington Harbor Riverboat, which was formed in October of 1995 to develop "certain facilities" for the gaming companies in Gary. The joint venture is not profitable.

Barden Detroit, LLC and its affiliates as a group have only limited casino, food and beverage operations experience, approximately one year, in a comparatively small operation in a local market environment. They have no hotel operations experience, and they do not have a history of profitability. The adequacy of their experience and exposure in the casino gaming industry is questionable.

### *Circus*

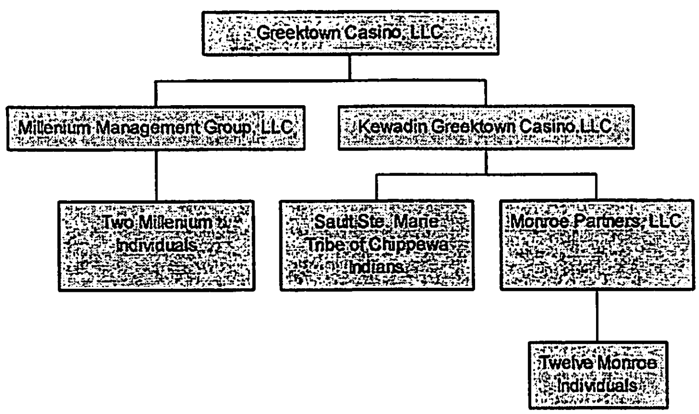



Detroit Entertainment, LLC is owned 55% by Atwater Casino Group, LLC and 45% by Circus Circus Enterprises, Inc. Atwater Casino Group, LLC is owned approximately 64% by ZRX, LLC and 34% by Atwater Entertainment Associates, LLC. There is no indication in the proposal that any of the members of Atwater Casino Group, LLC has experience in or have been exposed to the gaming industry.

Circus Circus Enterprises, Inc. owns and operates Circus Circus Hotel Casino, Luxor Hotel and Casino, Excalibur Hotel and Casino, and Slots-A-Fun Casino in Las Vegas, Nevada; Circus Circus Hotel and Casino in Reno, Nevada; Circus Circus Hotel and Casino in Tunica, Mississippi; Colorado Belle Hotel and Casino and Edgewater Hotel and Casino in Laughlin, Nevada; Gold Strike Hotel and Casino and Nevada Landing Hotel and Casino in Jean, Nevada; Railroad Pass Hotel and Casino in Henderson, Nevada; and the Grand Victoria riverboat in Elgin, Illinois. It also operates the Silver City Casino in Las Vegas and, operates and is a joint venture partner in the Monte Carlo Hotel and casino in Las Vegas and the Silver Legacy Hotel and Casino in Reno.

Detroit Entertainment, LLC, through its affiliation with Circus Circus Enterprises, Inc, is one of the most experienced hotel/casino operators in the world.

*Greektown*



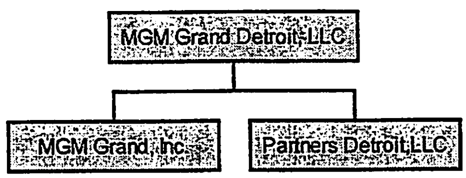

Greektown Casino, LLC is owned 7.5% by Millenium Management Group, LLC and 92.5% by Kewadin Greektown Casino, LLC. Kewadin is owned 50% by Monroe Partners, LLC and 50% by the Sault Ste. Marie Tribe of Chippewa Indians or entities they control. Some of the twelve individuals that are members of Monroe Partners, LLC are apparently experienced in and own or control hotel, food and beverage operations in the Detroit area. The proposal does not indicate that any involvement in operations by members of Monroe Partners, LLC is anticipated, however.

The Sault Ste. Marie Tribe of Chippewa Indians owns and operates five casinos and eight hotels in the State of Michigan. All of these operations are apparently well managed and profitable. They are, however, all small by comparison, operate in local market environments, and probably include only limited or no alcoholic beverage operation.

The members of Millenium Management Group, LLC, which is charged with the responsibility of operating the casino complex for Greektown Casino, LLC, have extensive experience in nearly all phases of developing and operating large hotel/casinos. Nearly all of their experience, however, is in the southern Nevada gaming environment as employees of companies with well-established credit, staff, expertise and corporate image and culture.

Provided that Greektown Casino, LLC develops the ability to capitalize on the individual experiences of its members, it appears to have adequate experience and exposure to the gaming industry.

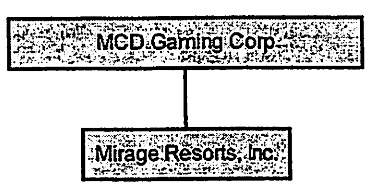
### *MGM*




MGM Grand Detroit, LLC is owned by MGM Grand, Inc, which has stipulated that it will set aside approximately 3% of the equity in MGM Grand Detroit, LLC to Detroit partners, LLC. This company will offer investment opportunity to the residents of Detroit is they wish to participate.

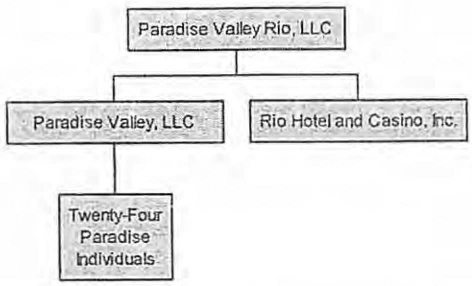
MGM Grand, Inc. owns and operates the MGM Grand Hotel Casino in Las Vegas, Nevada and the MGM Grand Diamond Beach Hotel and Casino in Darwin, Australia. It is also a joint venture partner in New York-New York in Las Vegas. MGM is experienced in the planning, development and operation of hotel casinos the size and scope of the project proposed for Detroit.

### *Mirage*



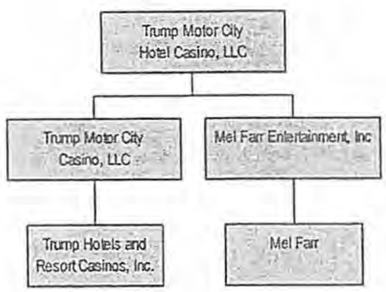
DC, Corp is owned by Mirage Resorts, Inc. Mirage Resorts owns and operates the Mirage Hotel and Casino, Treasure Island Hotel and Casino and the Golden Nugget Hotel and Casino in Las Vegas, Nevada and the Golden Nugget Hotel and Casino in Laughlin, Nevada. It is also a joint venture partner in the Monte Carlo Hotel Casino in Las Vegas. The company is very experienced in the planning, development and operation of large hotel/casinos; however, all of its experience is in the southern Nevada gaming environment.

*Rio*




Paradise Valley Rio, LLC is owned 40% by Paradise Valley, LLC and 60% by the Rio Hotel and Casino, Inc. The twenty-four members of Paradise Valley, LLC, mostly notable Detroit residents, are not specified as having any experience in or exposure to gaming. The Rio Hotel and Casino, Inc owns and operates the Rio Hotel and Casino in Las Vegas, Nevada. It is very experienced in the operation of a hotel/casino the size and complexity of the facility proposed for Detroit, but has less experience in planning and developing new hotel/casino and no related experience outside of the southern Nevada gaming environment.

*Trump*



Trump Motor City Hotel Casino, LLC is owned 5% by Mel Farr Entertainment, Inc. and 95% by Trump Motor City Casino, LLC, which is wholly owned by Trump Hotels and Casino Resorts, Inc. Neither Mel Farr, sole owner of Mel Farr Entertainment, Inc, nor the company apparently has any experience or exposure relevant to the casino project. Trump Hotels and Casino Resorts, Inc. is a majority owner and the operator of Trump Plaza Hotel & Casino, Trump Taj Mahal Casino Resort and Trump Marina (formerly Trump's Castle Casino Resort), all in Atlantic City, New Jersey. The company also owns and operates, since June 1996, the Trump Casino Ship in Gary, Indiana. Trump Hotels and Casino Resorts, Inc. has extensive experience in the operation of hotel/casino the size and scope of the proposed Detroit project, but has little planning and development experience or operating experience outside of the Atlantic City gaming environment.