

FEBRUARY 27, 2006

kerzner<sup>SM</sup>

PRESENTATION TO SPECIAL COMMITTEE

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JPMorgan 



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KERZNER INTERNATIONAL



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## Situation overview

- JPMorgan is pleased to review with the Special Committee the potential sale of Kerzner International
- We believe we can add significant value to the process and are uniquely positioned to act as financial advisor in this transaction
  - Experienced transaction team
  - Leading M&A franchise
  - Leading gaming and lodging franchise
    - Strong relationship with potential acquirers
  - Leading financial sponsor franchise
    - Unique relationships and insights
  - Unique Company insight

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## JPMorgan's role as financial advisor

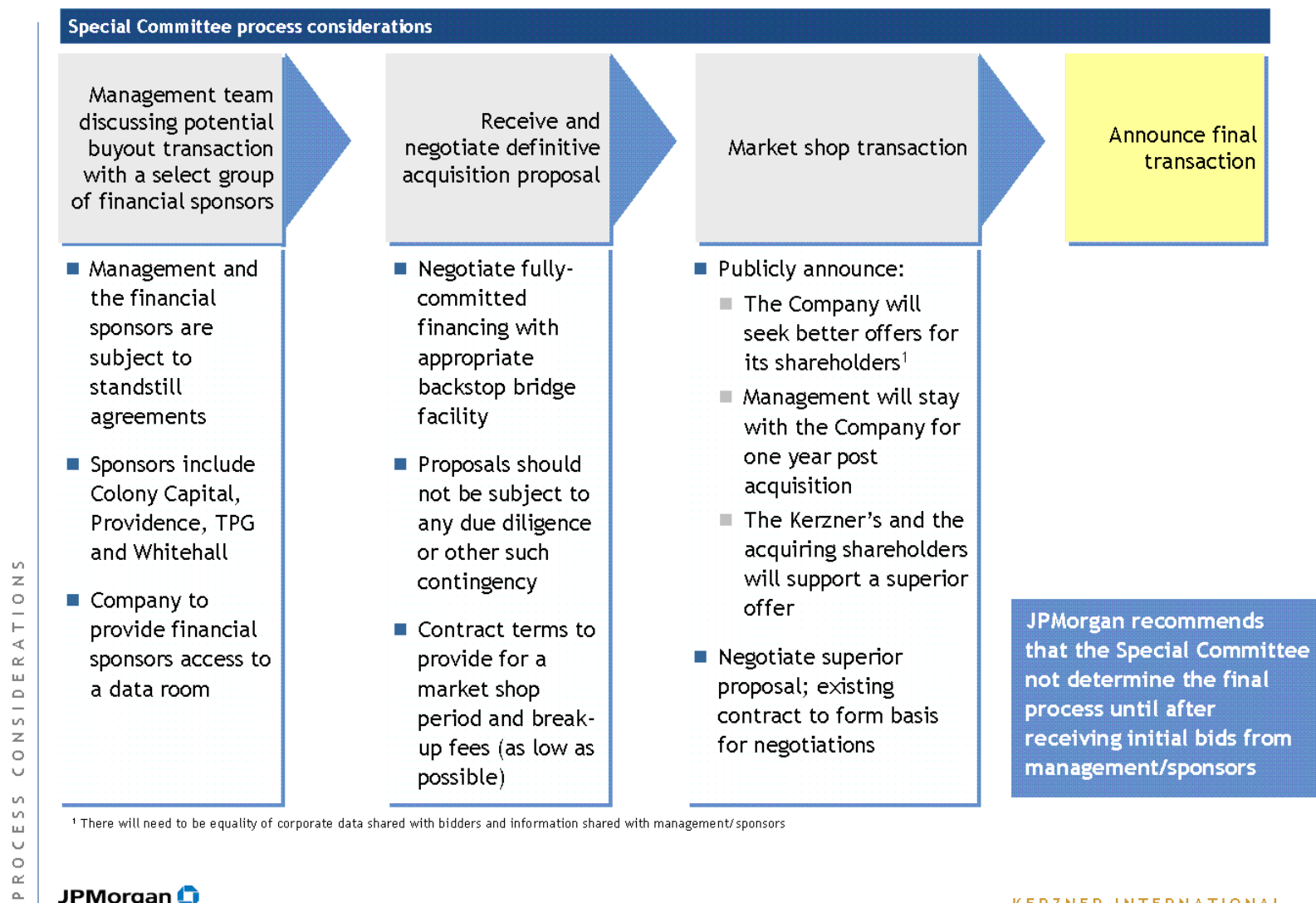
INTRODUCTION



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## Process considerations





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## Key drivers of value for a potential buyer

KEY TRANSACTION CONSIDERATIONS

### Cost and revenue synergy opportunities

- A strategic buyer could realize at least \$25 million of cost synergies, implying a minimum of \$9.00 of equity value per share
- JPMorgan believes a strategic buyer can improve Kerzner's casino revenue by 20-30%, approximately \$20 million of EBITDA, implying \$6.50 of equity value per share

### Capital structure and leveragability

- Cost of capital and financial leverage will drive a buyer's ability to pay

### View of development pipeline

- Kerzner's pipeline of international development opportunities will require capital expenditure and expertise

### Ability to maintain existing partnerships

- A change in control could have an impact on valuation

### Ability to retain Kerzner's existing tax status

- The ability to keep Kerzner's Bahamian incorporation should allow a buyer to avoid paying corporate income tax

## A strategic buyer could realize at least \$25 million of cost synergies, implying approximately \$9.00 of equity value per share

### Cost Reduction

- Kerzner is expected to have corporate overhead of approximately \$50 million, or 6.5% of revenues in 2006
  - Executive compensation and benefits were \$6 million in 2004
  - Kerzner incurs an estimated \$10 million in public company costs
  - The balance is assumed to encompass travel and entertainment expenses, new project pursuit costs and legal costs

### Potential synergy impact

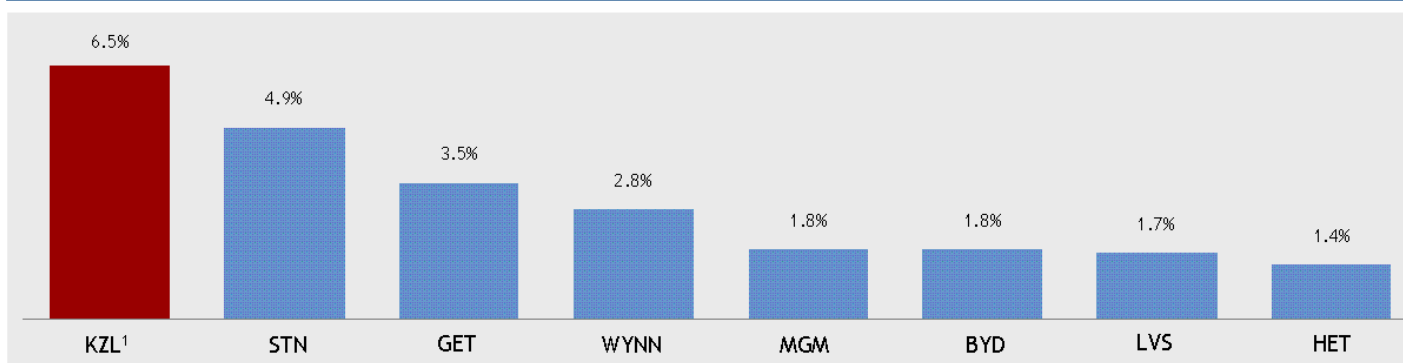
(\$ millions except per share amounts)

Cost synergies	\$25	\$30	\$35
Present value <sup>1</sup>	\$340	\$408	\$476
<b>Implied value / share<sup>2</sup></b>	<b>\$8.78</b>	<b>\$10.54</b>	<b>\$12.29</b>

<sup>1</sup> Assumes a 9.5% discount rate and 2% perpetuity growth

<sup>2</sup> Based on 38.7mm diluted shares outstanding

### Corporate expenses as a % of revenue (2006E)



Source: Equity research

<sup>1</sup> JPMorgan estimate

## JPMorgan believes a strategic buyer can recognize revenue synergies of approximately \$20mm, or \$6.50 of equity value per share

### Revenue Enhancement

- Kerzner currently avoids high-roller business
- An opportunity exists to target premium player business and drive gaming revenue profitability
- Integration of Atlantis customer base into an existing loyalty program could also generate incremental revenue

### Value estimate

(\$ millions except per share amounts)

<b>KZL estimated 2006 casino revenue</b>		<b>\$150</b>	
Up-lift	20%	25%	30%
Incremental revenue	\$30.0	\$37.5	\$45.0
Margin on incremental revenue	50%	50%	50%
Incremental EBITDA	\$15.0	\$18.8	\$22.5
Discounted value <sup>1</sup>	\$204.0	\$255.0	\$306.0
<b>Implied value / share<sup>2</sup></b>	<b>\$5.27</b>	<b>\$6.59</b>	<b>\$7.90</b>

<sup>1</sup> Assumes a 9.5% discount rate and 2% perpetuity growth

<sup>2</sup> Based on 38.7mm diluted shares outstanding

## Cost of capital and leverage will drive buyers' ability to pay

KEY TRANSACTION CONSIDERATIONS

### Strategic buyer 2006E break-even EPS analysis

	Cost of capital	Potential synergies <sup>1</sup>
MGM Mirage	7.25%	\$45mm
Harrah's	6.25%	\$40mm
Las Vegas Sands	8.00%	\$35mm
Wynn Resorts <sup>2</sup>	15.0% IRR	\$30mm

	No synergies	Full synergies
MGM Mirage (100% cash)	\$78.50	\$100.50
Harrah's (100% cash)	\$90.50	\$113.00
Las Vegas Sands (100% cash)	\$71.50	\$87.00
Wynn Resorts (50% cash) <sup>2</sup>	\$89.00	\$96.00

<sup>1</sup> Does not include any tax synergies related to Kerzner's U.S. NOLs

<sup>2</sup> 100% cash to the seller; based on an IRR hurdle rate; 50% pro forma debt to total capitalization, 15% IRR hurdle, 3.00% perpetuity

### Financial buyer analysis

- 70% pro forma leverage on capital structure
  - \$2.6bn of new debt
  - 9.0% interest rate on new debt
- Existing net debt of \$557mm refinanced
- \$100mm of total transaction costs, including cost of new debt and \$37mm of bond tender costs
- 3/31/06 entry, 12/31/10 exit

	Cost of capital		
Perpetuity growth rate	20.0%	22.5%	25.0%
2.75%	\$82.65	\$79.86	\$77.38
3.00%	85.34	82.30	79.60
3.25%	88.27	84.95	82.01

Factors other than attractive capital markets and accretion/dilution will also affect buyers' willingness to pay

## A change in control could have a meaningful impact on valuation

A study of Kerzner's partnership agreements will be needed to determine any change in control consequences for new acquirer

- Sentosa - 60% interest in JV with CapitaLand
- Dubai - 25% interest in JV with Istithmar
- The Residences at Atlantis - 50% interest in JV with Turnberry Associates
- BLB Investors - 37.5% interest in JV with Starwood Capital and Waterford Gaming
- Cape Town - Agreement with Victoria & Alfred Waterfront (Pty) Limited
- Second phase of Harborside at Atlantis - timeshare JV with Starwood Hotels & Resorts
- One & Only
  - Kanuhura, Maldives - 18.75% interest
  - Palmilla, Cabo, Mexico - 50% interest
  - Reethi Rah, Maldives - Variable interest entity owned by Reethi Rah Resorts
  - Royal Mirage, Dubai - Management only
  - Le Saint Géran, Mauritius - 20.4% interest
  - Le Touessrok, Mauritius - 20.4% interest
  - Sugar Beach, Mauritius - 20.4% interest
  - La Pirogue - 20.4% interest
  - Le Coco Beach - 20.4% interest
  - Ocean Club Residences & Marina

## The ability to maintain Kerzner's Bahamian corporate structure should allow a buyer to not pay tax on Kerzner's income

### Issue

- U.S. companies (e.g., acquirer) are taxed on worldwide income
  - Kerzner would pay approximately \$43 million in tax in 2006 if taxed as a U.S. company<sup>1</sup>
  - Depending on arrangement between US parent and Bahamian subsidiary, earnings could be subject to Subpart F rules

- GAAP requires U.S. acquirer to report book taxes on worldwide income
  - APB 23 allows an exception if the cash (income) is never expected to be repatriated

<sup>1</sup> Based on \$122.8 million of estimated pre-tax net income and on the US tax rate of 35%

<sup>2</sup> Could represent an addition sources of value to a buyer; this value is not quantified in our analysis

### Potential responses

- Do not repatriate cash
  - No tax if acquirer maintains Kerzner's existing Bahamian incorporation
  - Use excess cash flow from off-shore operations for additional off-shore investments
- Potentially utilize target's \$300 million of U.S. NOLs to offset taxable income from repatriation<sup>2</sup>
- Prohibit repatriation
  - Use NOLs to offset acquirers existing taxable income, subject to limitation<sup>2</sup>

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# Potential buyer universe

KEY TRANSACTION CONSIDERATIONS

## Strategic buyer universe

- Boyd Gaming
- Harrah's
- Hyatt
- Genting
- Las Vegas Sands
- MGM Mirage
- Mohegan Tribal Gaming Authority
- Sandals
- Wynn

## Financial buyer universe

- Blackstone
- Cerberus
- Cascade
- CVC
- Elad Group
- KSL Resorts
- Lehman Brothers
- Maloof family
- Morgan Stanley
- MSD Capital
- Prince Alwaleed (Kingdom Holdings)
- Richard Branson
- RREEF
- Starwood Capital
- Walton Street
- Other hedge funds

## Operating partner candidates

- Hilton
- InterContinental
- Loews
- Mandarin Oriental
- Marriott
- Shangri-La
- Starwood Hotels

## Top strategic candidates

- MGM Mirage
- Harrah's
- Las Vegas Sands
- Wynn
- Genting
- Hyatt

## Top financial candidates

- Blackstone
- KSL Resorts
- Cerberus
- Starwood Capital

# Top strategic candidates

KEY TRANSACTION CONSIDERATIONS


	MGM MIRAGE	Harrah's	Wynn Resorts
Strategic rationale	<ul style="list-style-type: none"> <li>■ Most logical strategic buyer based on portfolio of high-end destination gaming resorts</li> <li>■ Diversify outside Las Vegas</li> <li>■ Focus on international expansion</li> <li>■ May view as hedge on Singapore project</li> <li>■ Excellent cost and revenue synergy opportunities</li> <li>■ Have grown through acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>■ Acquisition of Caesars added high end platform to mid-market portfolio</li> <li>■ Atlantis, Paradise Island provides much desired resort destination for Total Rewards loyalty program customers                             <ul style="list-style-type: none"> <li>■ Potentially replaces Baha Mar project in Nassau</li> </ul> </li> <li>■ Excellent cost and revenue synergy opportunities</li> <li>■ Collector of strong industry brands</li> </ul>	<ul style="list-style-type: none"> <li>■ Asset quality and international focus fits with Wynn strategy</li> <li>■ Potential synergies in bringing high roller business to Bahamas</li> <li>■ One&amp;Only collection of assets represents excellent branding opportunity (Wynn) for ultra high end resorts</li> </ul>
JPMorgan relationship	<ul style="list-style-type: none"> <li>■ Direct access to senior management including Kirk Kerkorian, Terry Lanni, and Jim Murren</li> <li>■ Co-advisor on \$7.9bn acquisition of Mandalay</li> <li>■ Joint-bookrunner on \$7bn credit facility</li> <li>■ Joint-bookrunner on two unsecured note offerings totaling \$1.1bn</li> </ul>	<ul style="list-style-type: none"> <li>■ Direct access to senior management including Gary Loveman and Chuck Atwood</li> <li>■ Co-advisor on acquisition of Horseshoe Gaming</li> <li>■ Sole bookrunner on \$750mm bond issuance</li> <li>■ Joint-bookrunner of Caesar's \$375mm convertible bond offering</li> </ul>	<ul style="list-style-type: none"> <li>■ Direct access to senior management including Steve Wynn and Ron Kramer</li> <li>■ Co-lead on \$492mm IPO</li> <li>■ Joint-bookrunner on \$1.1bn credit facility</li> <li>■ Joint-bookrunner on \$1.3bn senior notes</li> </ul>
Assessment of actionability	<ul style="list-style-type: none"> <li>■ Will seriously evaluate opportunity independently (i.e. no partner)</li> <li>■ Will understand hidden value (e.g. excess land, condo opportunities, brand, etc)</li> <li>■ Have ample financial capacity</li> </ul>	<ul style="list-style-type: none"> <li>■ Will seriously evaluate opportunity independently (i.e. no partner)</li> <li>■ May struggle on valuation</li> <li>■ Have ample financial capacity</li> <li>■ May look to sell One&amp;Only business</li> </ul>	<ul style="list-style-type: none"> <li>■ Will seriously evaluate opportunity but may look for partner</li> <li>■ Will likely need to raise equity</li> <li>■ Not concerned with accretion/dilution, given lack of earnings</li> </ul>

## Top strategic candidates (cont'd)

KEY TRANSACTION CONSIDERATIONS			
Strategic rationale			
	<ul style="list-style-type: none"> <li>■ Asset quality and international focus fits with LVS strategy</li> <li>■ Potential synergies in bringing high roller business to Bahamas</li> <li>■ May see opportunities to add convention component to portfolio of projects</li> </ul>	<ul style="list-style-type: none"> <li>■ Owner and operator of large resort destinations around the world</li> <li>■ Hyatt Gaming operates destination casinos in four countries including the Caribbean</li> <li>■ Currently building out a full lodging platform (e.g. Hyatt Place, Summerfield)</li> </ul>	<ul style="list-style-type: none"> <li>■ Large Malaysian conglomerate that owns a \$3bn destination resort and gaming business</li> <li>■ Owns Star Cruises, the 3rd largest cruise operator in the world</li> <li>■ Kerzner portfolio represents good strategic fit and expands resort platform worldwide</li> <li>■ Provides hedge for Singapore casino on Sentosa Island</li> </ul>
	<ul style="list-style-type: none"> <li>■ Direct access to Sheldon Adelson</li> <li>■ Co-lead in \$794mm IPO</li> <li>■ Significant credit relationship through corporate credit facility and recent Macau financing</li> </ul>	<ul style="list-style-type: none"> <li>■ Direct access to Pritzker family</li> <li>■ Sole bookrunner on \$325mm unsecured bond offering</li> </ul>	<ul style="list-style-type: none"> <li>■ Direct access to KT Lim</li> <li>■ Sole bookrunner on \$180mm senior convertible notes (Star Cruises)</li> <li>■ Sole bookrunner on \$100mm equity rights offering (Star Cruises)</li> <li>■ Joint-bookrunner \$300mm senior convertible notes</li> </ul>
Assessment of actionability	<ul style="list-style-type: none"> <li>■ Will seriously evaluate opportunity independently (i.e. no partner)</li> <li>■ Prefers development over acquisition but will focus on future development opportunities</li> <li>■ Financially capable</li> <li>■ Not concerned with accretion/dilution, given lack of earnings</li> </ul>	<ul style="list-style-type: none"> <li>■ Financially capable but sensitive to valuation</li> <li>■ May look for a partner</li> </ul>	<ul style="list-style-type: none"> <li>■ Will seriously evaluate opportunity independently (i.e. no partner)</li> </ul>
 			

# Top financial candidates

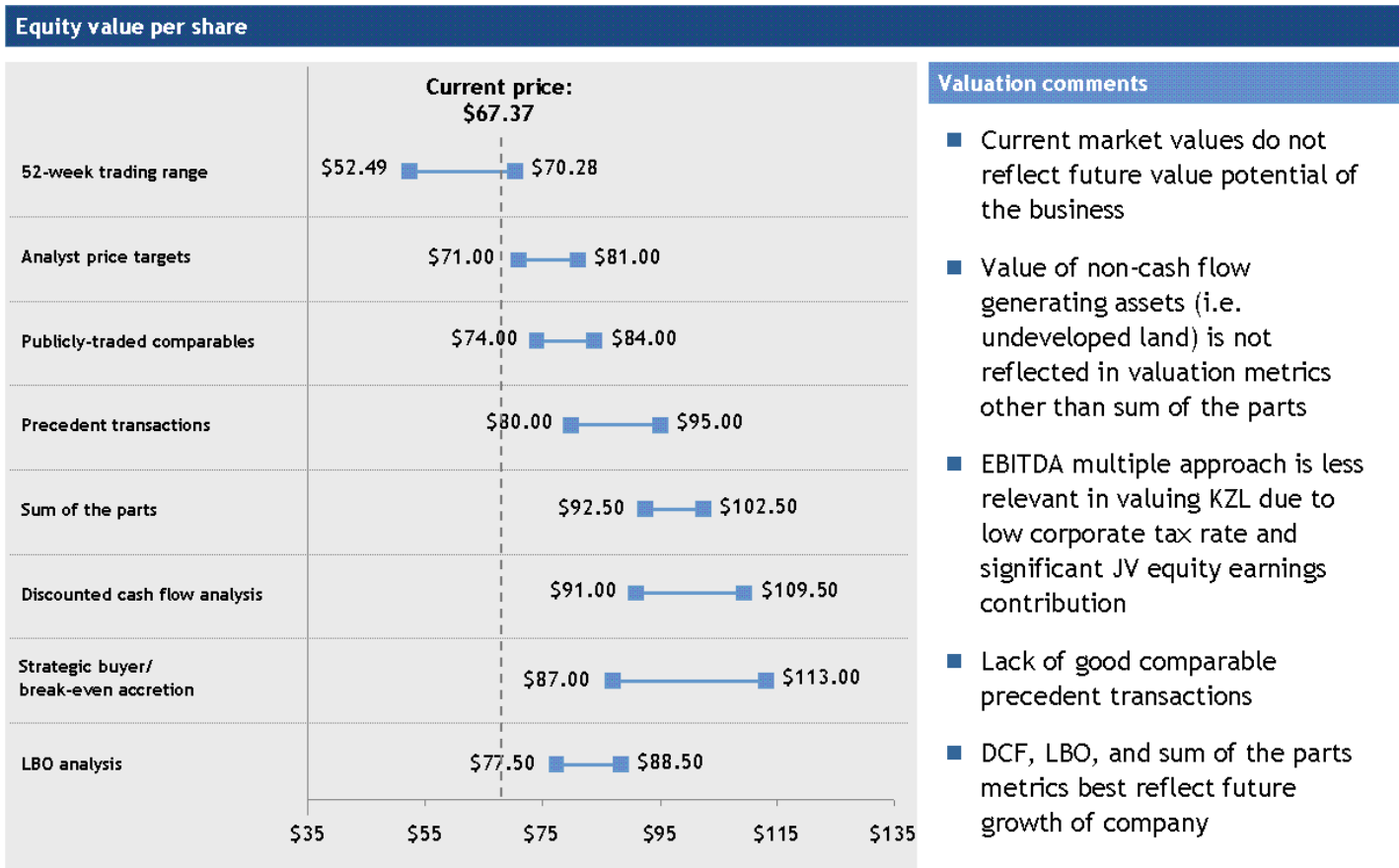
KEY TRANSACTION CONSIDERATIONS

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Strategic rationale	<ul style="list-style-type: none"> <li>Have created large resort platform / good asset fit</li> <li>Bullish on lodging and leisure industry                             <ul style="list-style-type: none"> <li>Took five hotel companies private in last 12-18 months</li> </ul> </li> <li>Understand theme park element, given ownership stake in Universal, Orlando</li> </ul>	<ul style="list-style-type: none"> <li>Have previously owned Caribbean hotel assets</li> <li>Will be attracted to growth pipeline</li> <li>Recently acquired resort portfolio from Japanese investor as well as making a strategic investment in Seibu Railways which includes Prince Hotels</li> </ul>	<ul style="list-style-type: none"> <li>Experienced in acquiring large resort and leisure assets</li> <li>Have operating expertise in resort properties</li> </ul>	<ul style="list-style-type: none"> <li>Aggressively acquiring lodging, gaming and leisure assets</li> <li>Barry Sternlicht knows Company well through relationship with Butch and Harborside timeshare project which is operated by Starwood Vacation Club</li> <li>Will recognize value in various real estate components</li> </ul>
JPMorgan relationship	<ul style="list-style-type: none"> <li>Direct access to Steve Schwartzman, John Schrieber and Jonathan Gray</li> <li>Known John Schrieber since he was at JMB Realty and worked with him in our capacity as financial advisor to Summit Properties where he was a key Board Member</li> </ul>	<ul style="list-style-type: none"> <li>Direct access to Steve Feinberg</li> <li>Advised Cerberus on \$351mm acquisition of Fila Holding and acted as joint coordinating arranger for \$135mm senior secured credit facility</li> </ul>	<ul style="list-style-type: none"> <li>Direct access to Mike Shannon and Eric Resnick</li> <li>Provided \$275mm bridge loan on Grand Wailea</li> <li>Financial advisor on Boca Resorts sale of Arizona Biltmore Resort &amp; Spa to KSL Resorts</li> </ul>	<ul style="list-style-type: none"> <li>Extensive relationship with Barry Sternlicht</li> <li>Sole advisor on \$455mm acquisition of Wembley Inc in 2004</li> <li>Various lead assignments with Starwood Hotels when Sternlicht was CEO</li> </ul>
Assessment of actionability	<ul style="list-style-type: none"> <li>Will aggressively look at opportunity</li> <li>Not afraid to "pay up" for irreplaceable assets</li> <li>Unlikely to need operating partner</li> </ul>	<ul style="list-style-type: none"> <li>\$16bn fund, looking for attractive investments</li> <li>Will be attracted to destination resort opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Will be attracted to lodging play; may look for partner</li> <li>Recently raised \$1bn hotel fund</li> </ul>	<ul style="list-style-type: none"> <li>Will look at opportunity, but may call Butch and try and join his consortium</li> <li>Unlikely to compete against Kerzners</li> </ul>

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## Preliminary valuation summary



Note: Valuation based on equity analyst projections and JPMorgan assumptions; Current price and 52-week trading range are as of 2/16/06; Publicly-traded comps valuation range based on 22–25x 2006E EPS of \$3.36; Precedent transactions range based on 11.5–13.5x 2006E EBITDA pro forma for 35% tax impact (\$330mm); Sum of the parts detail in appendix; Discounted cash flow range based on 9–10% WACC, 3% perpetuity growth rate, detail in appendix; Strategic buyer range includes MGM Mirage, Harrah's, Las Vegas Sands, and Wynn Resorts based on ability to pay at breakeven accretion/dilution with full synergies; LBO analysis range based on 20–25% required return, 2.75–3.25% exit perpetuity growth rate on \$397mm of terminal free cash flow in 2011, 70% pro forma debt to total capitalization assumption; does not include any tax synergies related to Kerzner's U.S. NOLs

## Analysis at various prices

\$ million, except per share data						
		Current (2/16/06)				
<b>Share price</b>		<b>\$67.37</b>	<b>\$75.00</b>	<b>\$80.00</b>	<b>\$85.00</b>	<b>\$90.00</b>
% premium		0.0%	11.3%	18.7%	26.2%	33.6%
Diluted shares (mm)		38.7	39.2	39.5	39.7	40.0
<b>Equity value</b>		<b>\$2,608</b>	<b>\$2,942</b>	<b>\$3,160</b>	<b>\$3,378</b>	<b>\$3,597</b>
Plus: Total debt <sup>1</sup>		832	832	832	832	832
Less: Cash		(198)	(198)	(198)	(198)	(198)
Plus: Minority interest		4	4	4	4	4
<b>Firm value</b>		<b>\$3,247</b>	<b>\$3,580</b>	<b>\$3,798</b>	<b>\$4,017</b>	<b>\$4,235</b>
<b>Without synergies:</b>						
	<b>Metric<sup>1,2</sup></b>					
FV/2006E EBITDA	\$236	13.7x	15.1x	16.1x	17.0x	17.9x
FV/2007E EBITDA	319	11.7	12.7	13.4	14.1	14.8
FV/2008E EBITDA	382	10.0	10.9	11.4	12.0	12.6
P/2006E EPS	\$3.41	19.8x	22.0x	23.5x	24.9x	26.4x
P/2007E EPS	4.13	16.3	18.2	19.4	20.6	21.8
P/2008E EPS	5.95	11.3	12.6	13.5	14.3	15.1
<b>With synergies:</b>						
	<b>Metric<sup>1,2</sup></b>					
FV/2006E EBITDA	\$271	12.0x	13.2x	14.0x	14.8x	15.6x
FV/2007E EBITDA	354	10.5	11.5	12.1	12.7	13.3
FV/2008E EBITDA	417	9.1	9.9	10.5	11.0	11.5
P/2006E EPS	\$4.30	15.7x	17.4x	18.6x	19.8x	20.9x
P/2007E EPS	5.02	13.4	14.9	15.9	16.9	17.9
P/2008E EPS	6.83	9.9	11.0	11.7	12.4	13.2

Note: Synergy case assumes \$35mm run-rate synergies

<sup>1</sup> As of 12/31/05, assumes full consolidation of Palmilla and Reethi Rah debt, EBITDA, and earnings

<sup>2</sup> 2007E assumes increased leverage by 2006E expansion capex; 2008E assumes increased leverage by 2006E & 2007E expansion capex

## Illustrative LBO analysis

PRELIMINARY VALUATION ANALYSIS

### Assumptions

Transaction assumptions	
Transaction date	3/31/06
Pro forma debt to total capital	70%
2006E full-year EBITDA	\$228mm

### Sources and uses of funds (\$ millions)

Uses - Assuming entry at 20% premium	\$mm
Equity purchase price	\$3,197
Refinanced net debt	557
Transaction fees	100
<b>Total uses</b>	<b>\$3,853</b>

Sources	\$mm
New debt	\$2,627
Roll-over equity	746
New sponsor equity	480
<b>Total sources</b>	<b>\$3,853</b>

### Implied current equity value per share

		Exit perpetuity growth rate:		
		2.75%	3.00%	3.25%
IPR	20.0%	\$82.65	\$85.34	\$88.27
	22.5%	79.86	82.30	84.95
	25.0%	77.38	79.60	82.01

Source: Based on public filings, equity research, and JPMorgan assumptions  
Note: Assumes a 2010 exit

<sup>1</sup> Pro rata owned interest, does not include synergies

<sup>2</sup> Three quarters of 2006E EBITDA & interest expense

### Financial summary and credit statistics (\$ millions)

	2006E <sup>2</sup>	2007E	2008E	2009E	2010E
<b>EBITDA<sup>1</sup></b>	<b>\$171</b>	<b>\$309</b>	<b>\$368</b>	<b>\$413</b>	<b>\$436</b>
Less: Net interest expense	(198)	(296)	(302)	(300)	(295)
Less: Taxes @ 0.0%	0	0	0	0	0
Less: Capex	(560)	(140)	(65)	(70)	(72)
Less: Increases in NWC	0	0	0	0	0
<b>Cash flow for debt service</b>	<b>(\$587)</b>	<b>(\$127)</b>	<b>\$1</b>	<b>\$43</b>	<b>\$69</b>

Credit ratios	2006E	2007E	2008E	2009E	2010E
Total debt/EBITDA	14.2x	10.9x	9.1x	8.0x	7.4x
EBITDA/interest expense	0.9x	1.0x	1.2x	1.4x	1.5x

Kerzner family % equity roll-over:	Shares	100%	75%	50%
Istithmar	4.5mm	\$395	\$395	\$395
Kerzner family	4.0mm	351	263	175
Additional equity needed		480	568	655
Total equity needed		\$1,226	\$1,226	\$1,226

### Implied 2006E FV/EBITDA multiple

		Exit perpetuity growth rate:		
		2.75%	3.00%	3.25%
IPR	20.0%	16.8x	17.3x	17.9x
	22.5%	16.3	16.8	17.3
	25.0%	15.8	16.2	16.7



# Agenda

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## Selected public market comparables

Market information								
Company	2/17/2006 share price	% of 52-week high	Equity Market value <sup>1</sup>	Total market cap <sup>2</sup>	Price/EPS <sup>3</sup>		Aggregate value/ EBITDA <sup>4</sup>	
					2006E	2007E	2006E	2007E
MGM Mirage	\$39.04	83.5%	\$11,113.2	\$23,384.6	20.4x	16.6x	9.9x	8.9x
Harrah's Entertainment	73.26	91.9%	13,463.6	24,060.0	19.3	16.3	9.3	8.6
Wynn Resorts	65.72	86.0%	6,540.6	8,639.4	NM	NM	21.7	13.2
Las Vegas Sands	53.71	98.2%	19,022.0	20,615.6	NM	NM	25.5	17.0
Orient Express Hotels	34.99	96.0%	1,394.4	1,952.8	21.9	18.8	13.5	NA
Gaylord Entertainment <sup>5</sup>	44.05	90.0%	1,844.6	2,426.3	NA	46.4	14.6	10.8
Starwood Hotels & Resorts <sup>6</sup>	63.65	97.2%	15,479.7	18,659.7	29.2	23.4	14.0	12.1
Hilton Hotels <sup>7</sup>	24.30	93.3%	10,168.4	18,361.4	23.6	18.7	12.1	10.7
Marriott International	69.44	98.1%	15,618.4	17,446.4	22.5	19.5	12.8	11.5
<b>Average</b>			<b>\$10,516.1</b>	<b>\$15,060.7</b>	<b>22.5x</b>	<b>22.8x</b>	<b>14.8x</b>	<b>11.6x</b>
<b>Median</b>			<b>\$11,113.2</b>	<b>\$18,361.4</b>	<b>22.2x</b>	<b>18.8x</b>	<b>13.5x</b>	<b>11.1x</b>
<b>All Gaming - median</b>			<b>\$3,371.6</b>	<b>\$5,666.8</b>	<b>18.3x</b>	<b>16.4x</b>	<b>9.7x</b>	<b>8.7x</b>
<b>All Lodging - median</b>			<b>\$1,619.5</b>	<b>\$2,189.5</b>	<b>22.7x</b>	<b>18.8x</b>	<b>14.3x</b>	<b>10.8x</b>

<sup>1</sup> Includes common shares, common share equivalents (excluding options)

<sup>2</sup> Equals the sum of equity market value, minority interests, debt outstanding and preferred stock at liquidation preference

<sup>3</sup> Estimates for EPS are from equity research

<sup>4</sup> Aggregate value is total market capitalization less cash and cash equivalents. EBITDA estimates from analyst reports

<sup>5</sup> Total debt as of 9/30/05 for Gaylord Entertainment excludes \$613 million associated with the Company's secured forward exchange contract

<sup>6</sup> Pro forma for announced transaction with Host Marriott

<sup>7</sup> Hilton Hotels pro forma for announced acquisition of Hilton plc assets

## Comparable precedent transactions

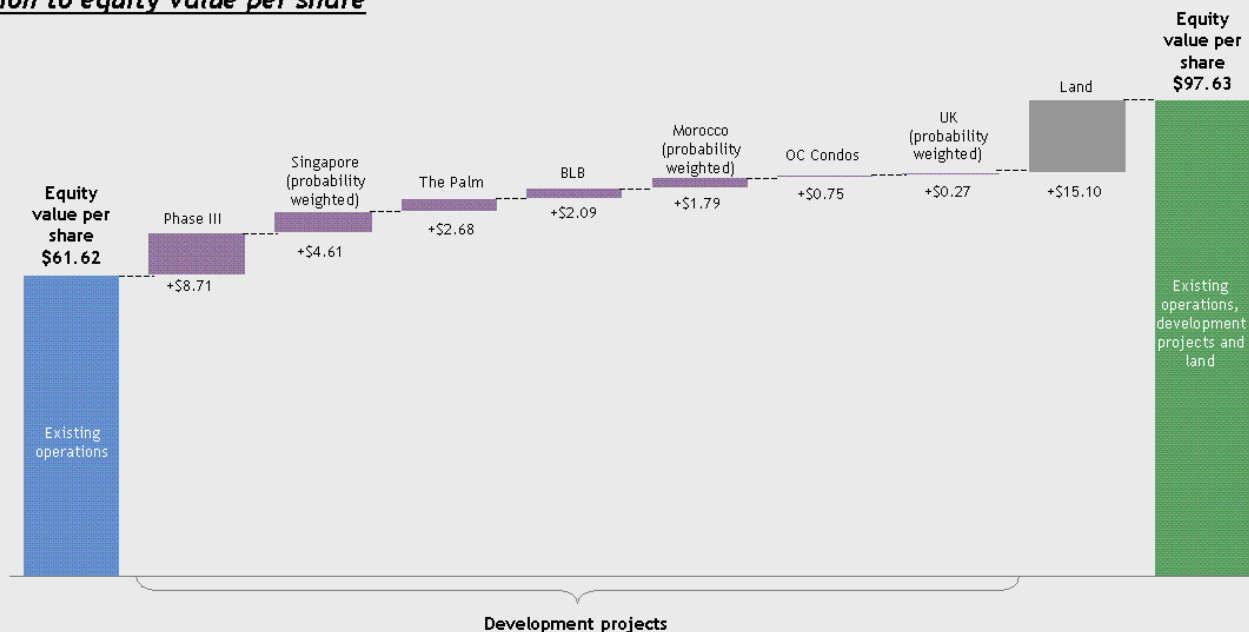
### Private and public - target transactions

Date announced	Acquirer / Target	Description of target	Size (mm)	Forward EBITDA multiple
1/30/2006	Colony Capital & Kingdom Hotels/ Fairmont Hotels & Resorts	Fairmont is a leading owner/operator of luxury hotels and resorts. Fairmont's managed portfolio consists of 87 luxury and first-class properties	3,900	17.0x
6/14/2005	Blackstone/Wyndham	Wyndham International offers upscale and luxury hotel and resort accommodations in the U.S., Canada, Mexico, the Caribbean, and Europe	3,240	12.6x
10/24/2004	Blackstone/Boca Resorts	Boca Resorts owns 5 luxury resorts and 4 golf clubs located in South Florida	1,184	11.8x
7/15/2004	Harrah's Entertainment/ Caesars Entertainment	Caesars Entertainment owns 22 properties on three continents, more than 25,000 hotel rooms, two million square feet of casino space and 50,000 employees.	9,440	8.5x
6/4/2004	MGM Mirage/Mandalay Resort Group	Mandalay Resort Group owns and operates 11 properties in Nevada as well as casino's in Mississippi, Illinois and Michigan	7,750	9.5x
2/12/2004	CNL Hospitality/KSL Recreation Corporation	KSL's portfolio consists of leading resorts in Hawaii, Arizona and other vacation destinations	2,160	13.1x
<b>Lodging - median</b>				<b>12.9x</b>
<b>Gaming - median</b>				<b>9.0x</b>

## Sum of the parts valuation

\$ per share

### Contribution to equity value per share



Note: Based on equity research and JPMorgan estimates; analysis on following page

## Sum of the parts valuation (cont'd)

\$ millions, except per share data									
Existing operations			Development projects						
<b>Paradise Island</b>									
EBITDA (excl. Phase III)	\$185		BLB	Phase III	Morocco	The Palm <sup>1</sup>	OC condos	Singapore	UK
Multiple	11.0x		First stabilized year	2007	2008	2009	2009	2007	2009
Enterprise value	\$2,035		EBITDA	75.0	110.0	40.0	72.0	2.0	375.0
<b>Annuity Income</b>			Multiple	8.5x	11.0x	9.0x	10.0x	15.0x	11.0x
Mohegan income (DCF value)	\$309		Enterprise value	637.5	1,210.0	360.0	720.0	30.0	4,125.0
<b>O&amp;O management fees</b>			Less: Project net debt	(370.0)	(730.0)	(150.0)	(550.0)	0.0	(2,500.0)
Fees	\$25		Equity value	\$267.5	\$480.0	\$210.0	\$170.0	\$30.0	\$1,625.0
Multiple	20.0x		Discount years	1.25	2.25	3.25	3.25	0.00	3.25
Enterprise value	\$500		Discount rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Equity earnings</b>			Probability	100.0%	100.0%	90.0%	100.0%	100.0%	30.0%
Equity earnings	\$13		Present value (PV)	224.6	350.5	133.3	107.9	30.0	1,031.8
Multiple	25.0x		Prob. Weighted PV	224.6	350.5	120.0	107.9	30.0	309.5
Enterprise value	\$320		Percentage ownership	37.5%	100.0%	60.0%	100.0%	100.0%	60.0%
<b>Corporate expenses</b>			KZL equity value	\$84.2	\$350.5	\$72.0	\$107.9	\$30.0	\$185.7
Corporate expense	(\$50)		KZL shares outstanding	40.3	40.3	40.3	40.3	40.3	40.3
Multiple	6.0x		<b>Equity value per share</b>	<b>\$2.09</b>	<b>\$8.71</b>	<b>\$1.79</b>	<b>\$2.68</b>	<b>\$0.75</b>	<b>\$4.61</b>
Enterprise value	(\$300)								<b>\$0.27</b>
<b>Enterprise value</b>	<b>\$2,864</b>		Undeveloped land		Development projects total				<b>\$20.90</b>
Less: Net debt <sup>2</sup>	(479)		Acres (mm)	76.0					
Less: Minority interest	(4)		\$mm per acre <sup>3</sup>	\$8.0					
<b>Equity value</b>	<b>\$2,381</b>		Total value	\$608.0					
Plus: Equity value of Palmilla (50%)	100		KZL shares outstanding	40.3					
<b>Equity value (w/ Palmilla)</b>	<b>\$2,481</b>		<b>Equity value per share</b>	<b>\$15.10</b>					
KZL shares outstanding (mm)	40.3								
<b>Equity value per share</b>	<b>\$61.62</b>								
Plus: Development projects	20.90								
Plus: Undeveloped land	15.10								
<b>Equity value per share (w/ dev. projects)</b>	<b>\$97.63</b>								

Source: Based on public filings, equity research, and JPMorgan assumptions

<sup>1</sup> EBITDA represents pro-rata owned interest

<sup>2</sup> Excludes Palmilla and Reethi Rah debt

<sup>3</sup> Represents 80% of equity research

## Discounted cash flow

Free cash flow (\$ millions)												
	2006E <sup>1</sup>	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Terminal
<b>EBITDA<sup>2</sup></b>	<b>\$171</b>	<b>\$309</b>	<b>\$368</b>	<b>\$413</b>	<b>\$436</b>	<b>\$459</b>	<b>\$473</b>	<b>\$487</b>	<b>\$502</b>	<b>\$517</b>	<b>\$533</b>	<b>\$549</b>
Less: D&A	(63)	(108)	(111)	(115)	(118)	(122)	(125)	(129)	(133)	(137)	(141)	(78)
<b>EBIT</b>	<b>\$108</b>	<b>\$201</b>	<b>\$257</b>	<b>\$299</b>	<b>\$318</b>	<b>\$338</b>	<b>\$348</b>	<b>\$358</b>	<b>\$369</b>	<b>\$380</b>	<b>\$392</b>	<b>\$470</b>
Add: D&A	63	108	111	115	118	122	125	129	133	137	141	78
Less: Capital expenditures	(560)	(140)	(65)	(70)	(72)	(74)	(76)	(79)	(81)	(84)	(86)	(86)
<b>Free cash flow</b>	<b>(\$389)</b>	<b>\$169</b>	<b>\$303</b>	<b>\$343</b>	<b>\$364</b>	<b>\$385</b>	<b>\$397</b>	<b>\$409</b>	<b>\$421</b>	<b>\$433</b>	<b>\$446</b>	<b>\$462</b>

Equity value per share					Implied terminal FV/EBITDA multiple					Implied 2006E FV/EBITDA multiple				
Discount rate		Terminal growth rate			Discount rate		Terminal growth rate			Discount rate		Terminal growth rate		
		2.75%	3.00%	3.25%			2.75%	3.00%	3.25%			2.75%	3.00%	3.25%
	9.00%	\$106.35	\$109.47	\$112.86		9.00%	14.5x	15.1x	15.8x		9.00%	21.4x	22.0x	22.6x
	9.50%	96.95	99.51	102.27		9.50%	13.4	14.0	14.6		9.50%	19.6	20.1	20.6
	10.00%	88.86	90.98	93.26		10.00%	12.5	13.0	13.5		10.00%	18.0	18.4	18.9

Note: Assumes valuation date of 3/31/06; utilizes the mid year convention; net debt of \$557mm

<sup>1</sup> Three quarters of full-year 2006E EBITDA of \$228mm

<sup>2</sup> Pro rata owned interest

## Rob Kindler

**Managing Director, New York**  
Global Head of Mergers & Acquisitions

Rob was born in New York in 1954. He received a B.A. from Colgate University in 1976 and a J.D. from New York University School of Law in 1980. He is on the Board of Trustees of Colgate University, the Board of Directors of March of Dimes (NY Div), and the Board of Directors of the Knight-Bagehot Fellowship Program at Columbia University Graduate School of Journalism. Prior to joining JP Morgan, Rob was a senior partner at the law firm of Cravath, Swaine & Moore, where he specialized in mergers and acquisitions for over 20 years.

- Cendant in its proposed separation into four companies
- Nextel in its \$42 billion merger with Sprint
- Comcast in its \$72 billion successful unsolicited bid for AT&T Broadband
- CenturyTel in its successful defense against a \$9 billion unsolicited offer by Alltel
- DreamWorks in its \$4 billion spin-off of DreamWorks Animation
- Johnson Controls in its \$3.2 billion acquisition of York International
- MCI in its \$9 billion sale to Verizon
- GenCorp in its successful defense against a \$1.3 billion bid by steel Partners
- Grey Global in its \$1.5 billion acquisition by WPP Group
- AMLI Properties in its proposed \$2 billion sale to Prime Property Fund
- Summit Properties in its \$2 billion acquisition by Camden
- Pechiney in its hostile defense and its \$7.1 billion acquisition by Alcan
- A private equity group in the \$7 billion acquisition of the Qwest directories business
- PCCW in the \$1.0 billion investment by China Netcom
- Avaya in its \$635 million acquisition of Tenovis GmbH
- Citizens Communications in its recapitalization
- Panamerican Beverages in its \$3.5 billion acquisition by Coca-Cola Femsa
- Lycos in its \$12.5 billion merger with Terra Networks
- Corning in the \$850 million sale of its precision lens business to 3M
- Houghton Mifflin in its \$2.2 billion acquisition by Vivendi
- Bristol-Myers Squibb in its \$6 billion spin-off of its Zimmer surgical products business

## Ben Lett

Managing Director, New York  
Mergers & Acquisitions

Mr. Lett has been a member of the Mergers & Acquisitions group since 1997 in a broad variety of M&A roles. He has had responsibility for supervising merger and acquisitions and related strategic advisory work in a number of different sectors including real estate, technology and oil and gas. He also has substantial experience on numerous financing transactions. For six years Mr. Lett managed a retail start-up funded by Cardinal Capital of Dallas Texas. Mr. Lett graduated from Vanderbilt University (1986-1990) with an B.A. Degree in Political Science and Northwestern's Kellogg School of Management (1995-1997) with an MBA.

- Silver Lake Partners on its \$10.8bn acquisition of SunGard Data Systems
- Investcorp on its acquisition of CCC Information Services Group
- Computer Associates on its acquisition of Netegrity
- Avaya on its acquisition of Tenovis
- EMC on its acquisition of SMARTS
- IBM its \$2.1B divestiture of HHD
- Lucent on its \$600 million divestiture of Kenan Systems
- Avaya on its acquisition of Expanets
- Sungard on the acquisition of Comdisco
- Agere on its divestiture of its WiFi Systems division
- Network Associates on its \$1.0bn dollar acquisition of McAfee.com
- Network Associates on its acquisition of Entercept Software
- Network Associates on its sale of Magic Software
- Network Associates on its sale of Sniffer (Network General)
- Motorola on its acquisition of Next Level Communications
- Mercator Software its successful defense of an unsolicited bid from SSH
- Conoco Inc. on its \$6.3 bn acquisition of Gulf Canada Resources
- Conoco Inc. on its acquisition of Gulf Indonesia Resources
- Phillips Petroleum Company in its \$36 bn merger-of-equals with Conoco Inc.
- Exxon on its \$86 billion merger with Mobil
- Pioneer on its acquisition of Evergreen
- Plains Resources on its acquisition of Nuevo
- Ocean Energy's \$1.3 billion merger with Seagull Energy
- Telecom Italia (SEAT Pagine Gialle) on its unsolicited offer for NetCreations
- Bethlehem Steel on its successful defense of an unsolicited bid



## Glenn Carlin

Managing Director, New York  
Head of Lodging & Gaming

Mr. Carlin is a Managing Director in the Real Estate, Lodging & Gaming Investment Banking group at JPMorgan, where he is the Global Head of all lodging and gaming company coverage. Glenn advises these clients on mergers & acquisitions as well as provides access to a range of capital market products including bank, bonds, equity, and risk management. Most recently, Glenn advised Colony Capital and Kingdom Holdings on its pending \$3.9 billion acquisition of Fairmont Hotels & Resorts. In 2005, Glenn advised Wyndham International on its \$3.24 billion sale to Blackstone as well as BLB Investors (a consortium of Kerzner International, Starwood Capital, and Waterford Gaming) in its \$455 million acquisition of Wembley Inc. Glenn was also co-financial advisor to Harrah's on its acquisition of Horseshoe and MGM Mirage on its acquisition of Mandalay. Glenn has completed lead capital markets transactions for Caesars (\$375 million convert), Kerzner (\$400 million high yield bonds), Harrah's (\$750 million bonds), Wynn Resorts (\$1.3 billion high yield bonds), Scientific Games (\$200 million high yield bonds and \$275 million convertible) and Gaylord Entertainment (\$223 million common equity).

JPMorgan was also a co-lead in Wynn Resorts' \$492 million IPO and Las Vegas Sands' \$794 million IPO. Glenn also advised the management of Sunburst Hospitality in a management-led buy-out as well as Boca Resorts in the \$335 million sale of the Arizona Biltmore to KSL Enterprises. In 1999, Glenn advised Wyndham's review of strategic alternatives, which led to a \$1 billion convertible preferred investment by an investor group led by Apollo and Thomas H. Lee and \$2.45 billion in new credit facilities.

Glenn led JPMorgan's lodging team in its advisory and financing roles in Starwood's acquisition of ITT Corporation. Glenn has been with JPMorgan, or its predecessor firms, for 13 years which follows four years at Morgan Stanley Realty and nearly two years at HVS Financial Services, a hospitality investment banking firm which he co-founded.

Glenn received an MBA in Real Estate Finance from Columbia Business School and a BS in Economics from the Wharton School of Business. Glenn is also a Certified Public Accountant.